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NHS National Services Scotland

Investigation of eHealth funds

Summary of findings and conclusions

12 March 2018

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Investigation into eHealth Funds
Summary of findings and recommendations
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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 transfers 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 in 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 finance 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 this 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 the NSS Head of Finance (IT), 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.
- Head of Finance, IT within 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.

4. Allocations timeline

We have set out below details of the relevant NSS funding allocations relating to eHealth received from and returned to Scottish Government

Financial year	Timing	Allocation £'000	Description	Notes
2012-13	February 2013	-870	eHealth Leads Projects	<ul style="list-style-type: none"> The eHealth SLA activities, including re-investment fund use in year were underspent in 2012-13 by £870,000.
2013-14	September 2013	870	eHealth Leads - EDIS Funding	<ul style="list-style-type: none"> A 25 January 2013 email from (NSS) to (SG eHealth) (copying (NSS) and (SG eHealth)) requested, <i>"You are probably aware that the eH leads approved in Dec 2012 that £670k remaining from the HBs eH Fighting Fund should be transferred to Tayside for 'Projects'. (There will be a reversing transfer next financial year in order to help meet a shortage of funds next year. I have just spoken to NHS Tayside Finance () about the mechanism to do this, and they have requested that SG do the transfer of funds, which originated from SG eHealth allocations to HBs, from NSS (who collected the allocations from HBs) to Tayside as a SG funding allocation, labelled 'SG projects'. I.e. a negative value funding allocation to NSS NISG and a matching positive funding allocation to Tayside."</i> The minutes of the eHealth Leads Finance Sub-Group on 4 February 2013 noted, <i>"...the remainder of the funding would be stored with NHS Tayside at circa £670k."</i> eHealth Leads Group on 4 March 2013 agreed <i>"funding of circa £800k, which had originally been kept by NHS Tayside, would be dispersed on an NRAC basis on 1st April to the Boards for the coming year"</i> August 2013 email from (NSS) obtained (NHS Tayside) approval to reverse the allocation, which was then enacted by SG eHealth. ((NHS Tayside), (NSS), and (SG eHealth) included).

4. Allocations timeline (cont'd)

Financial year	Timing	Allocation £'000	Description	Notes
2013-14	March 2014	-2,200	eHealth Projects	<ul style="list-style-type: none"> The eHealth SLA activities, including re-investment fund use in year were underspent in 2013-14 by £2.2 million.
2014-15	September 2014	2,200	Reverse allocation eHealth Leads projects	<ul style="list-style-type: none"> The minutes of the eHealth Leads Group dated 3 February 2014 noted, "there is a surplus of £2.1 which will be used as part of the transition costs for SWAN." An August 2013 email from (NSS) obtained (NHS Tayside) approval to reverse the allocation, which was enacted by SG eHealth. ((NHS Tayside), (NSS), and (SG eHealth) included).
	February 2015	-	eHealth Leads Group minute	<ul style="list-style-type: none"> The minute of the eHealth Leads Group February 2015 notes, "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." (NSS) explained to KPMG that plan B was returning funds to SG eHealth.
	March 2015	-538	eHealth Leads Projects	<ul style="list-style-type: none"> The eHealth SLA activities, including re-investment fund use in year, were underspent in 2014-15 by £538,000.
2015-16	November 2015	538	eHealth Leads Reinvestment Fund	<ul style="list-style-type: none"> eHealth Leads Finance Sub-Group 2 February 2015 noted, "The transfer into the general (Reinvestment) fund of the £538k PMG balance; This funding will be carried forward by NHS Tayside as with the under spent from previous years; ... that the £2.2m balance last year was brought back into SWAN and it was suggested that the £538k could be distributed to similar funds." The minutes of the eHealth Leads Finance Sub-Group 7 April 2015 noted, "NHS Tayside Funding Arrangements - Noted that the monies have been transferred over and this has been approved by internal audit." A November 2015 email from (NSS) obtained / (NHS Tayside) approval to reverse the allocation, which was enacted by SG eHealth. ((NSS), (NSS), and (SG eHealth) included).

4. Allocations timeline (cont'd)

Financial year	Timing	Allocation £'000	Description	Notes
2015-16	March 2016	2,648	eHealth Leads Reinvestment Programme	<ul style="list-style-type: none"> A 10 February 2016 allocation letter from Scottish Government Head of eHealth provided funding of £2m “to kickstart work on GP digital services” and £647,000 in respect of the Hospital Electronic Prescribing Medicines and Administration System (“HEPMA”). The letter also noted, “Both of these amounts are to be managed by NSS in connection with the eHealth reinvestment fund. Could I thank [redacted] and [redacted] for their continued assistance in managing the eHealth reinvestment fund on behalf of eHealth leads.” A 17 February 2016 email from [redacted] (SG eHealth) to [redacted] (NHS Tayside), [redacted] (NHS Tayside) and [redacted] (NSS): discussed returning to original intention of allocating additional funds directly to NSS (rather than NHS Tayside); noted [redacted] / [redacted] had been in touch with [redacted] (NSS); noted that the transfers were being enacted on behalf of the eHealth leads; and requested that [redacted] / [redacted] discussed directly with [redacted] and [redacted]. A 22 February 2016 email exchange between [redacted] (NHS Tayside) and [redacted] (NSS) was initiated by NHS Tayside requesting discussion on it carrying forward funds for NSS and that an amount of £600,000 to £1 million was hoped for. NSS explained that £647,000 could be banked. NHS Tayside expressed a desire that this was processed in February. [redacted] (NSS) requested [redacted] (NSS) and [redacted] (NSS) to enact transfer. NSS ([redacted]) outlined the HEPMA description of the allocation and asked NHS Tayside if an alternative ‘eHealth projects’ description was required as in previous years. £2 million was retained by NSS and we understand it was used to offset overspends on other eHealth projects including CMOD eReporting which was in deficit, such that the NSS IT SBU was in relative financial balance.
		(648)	eHealth Leads Reinvestment Programme	

4. Allocations timeline (cont'd)

Financial year	Timing	Allocation £'000	Description	Notes
2016-17	July 2016	-2,648	Primary Care GP IT Digital Fund/eHealth Reinvestment Fund	<ul style="list-style-type: none"> A 21 July 2016 allocation letter stated, "During the last financial year we made allocations to the eHealth reinvestment fund which NSS manages on behalf of eHealth Leads to assist with the management of multi-year IT projects. We would now like to reverse these allocations to allow us to transfer funds to boards to support them in digitising GP practices and implementing HEPMA." The letter noted, "Could I once again thank [redacted] and [redacted] for their continued assistance managing ICT budgets on behalf of NHS Boards." Amongst other allocations made in the same letter, is an amount of £1.932 million for the eHealth reinvestment fund. We understand that this relates to protection by SG eHealth of eHealth budgets from the SG finance 7.5%/10% cut to amounts allocated to boards.
	July 2016	1,932	eHealth Reinvestment Fund	
	December 2016	648	eHealth Leads Reinvestment Programme	<ul style="list-style-type: none"> Return to NSS of funding previously passed via SG eHealth to NHS Tayside.
	March 2017	-2,582	eHealth strategic transfers	<ul style="list-style-type: none"> A 3 February 2017 email from NSS enquired of NHS Tayside its ability to continue to carry forward year end funds. There was March 2017 email correspondence between NSS and NHS Tayside regarding the carry forward amount and use of the mechanism as in previous years. NHS Tayside noted a desire to reduce the carry forward amounts in future years. The parties involved in February / March 2017 included [redacted] (NHS Tayside) and [redacted] (NHS Tayside) together with [redacted], [redacted], and [redacted] (all of NSS).
	April 2017	-300	CHI and Child Health transformation	<ul style="list-style-type: none"> By an email dated 6 March 2017, NHS Tayside requested that NSS split the £2.582 million carry forward into 3 or 4 amounts with different descriptions. This was then facilitated by an NSS request to SG eHealth, which was actioned by SG eHealth. These amounts are ultimately reflected on the April 2017 version of the March 2017 allocations schedule in place of the £2.582 million noted above.
		-962	eHealth Strategic Infrastructure	
-970		eHealth Strategic Transformation		

4. Allocations timeline (cont'd)

Financial year	Timing	Allocation £'000	Description	Notes
2017-18	December 2017	Discussion only – no allocations enacted	See opposite.	<ul style="list-style-type: none"> An Email dated 12 December 2017 from (SG eHealth) to (NHS Tayside) stated, “I was discussing further potential c/f with earlier today. We would like to carry forward the existing: £0.97m eHealth Strategic Transformations £0.962m eHealth Strategic Infrastructure. Can this continue as is or would it be better if we reversed and then allocated on again. There is likely to be a requirement to carry forward some additional monies – most likely around £0.70m Further eHealth Strategic Transformation £0.880m eHealth HePMA Planning Not sure if you would like us to allocate to this directly or if you would prefer to go via NSS?” NSS removed the expected return of the 2016-17 allocation of £2.582 million from the allocations tracker and replaced it with £350,000 as the sole amount expected to be returned, due to underspend on eHealth projects expected to arise towards 2017-18 year end.
2017-18	November 2017 & January 2018	Discussion between (NSS), (NSS), (SG) and (SG eHealth).	Regular meeting established by (NSS) to discuss SG allocations.	<ul style="list-style-type: none"> (NSS) and (NSS) met with (SG) and (SG eHealth) on 10 November 2017 and 19 January 2018 to discuss NSS allocations using the ‘allocation tracker’ spreadsheet within the 19 January meeting. The tracker discussed in the November meeting included a line item (the fifth largest outstanding item by value at £2.582 million) with the text, “National IT Systems Slippage 16-17 to Tayside (Return in 17/18).” The tracker discussed in January included as a line item, “National IT system slippage 16-17 to Tayside (return in 17-18). As agreed with .” with a value of £0.35 million.

4. Allocations timeline (cont'd)

Financial year	Timing	Allocation £'000	Description	Notes
2017-18	February 2018	-2,700 (proposed)	Email correspondence between NSS and SG eHealth regarding 2017-18 potential carry forward.	<ul style="list-style-type: none"> 23 February 2018, (SG eHealth) and (NSS) sent an email to (NSS) with the title "Potential c/ f" It said: " , Can you please arrange the transfer in the February allocation letter of £2,700k from NSS to Tayside as per the email agreement below." This was immediately recalled and a subsequent email sent 11 minutes later to the same individuals which said: " , Please ignore previous emails and I have tried to recall. Sorry shouldn't try to send emails when distracted in another meeting! Can you please arrange the transfer in the following allocations to Tayside from NSS in the February allocation letter Requirement Separate funding allocations required in Feb (negative to NSS and positive to NHS Tayside) as follows: CHI and Child Health transformation £900k eHealth Applications transformation £950k eHealth Applications procurement £550k eHealth Applications infrastructure £300k" We understand that the original email was recalled because it did not include the breakdown of the proposed £2.7 million allocation transfer which is referenced in that email. The subsequent email includes that breakdown.

5. Governance weaknesses

Summary

Our investigation has identified a number of areas where NSS requires to strengthen governance generally and in respect of national programmes specifically. We did not identify breaches of the NSS SFIs, although there is a need to enhance the SFIs in relation to national programmes.

We also understand that the practice of allocation of eHealth funds to NHS Tayside via SG, for allocation back in the next financial year, was raised as a risk by individuals within the NSS Finance team. We understand that this concern was not then escalated either to the executive team or to the NSS Board.

Allocation variation authorisation

Observation

SG provides funding to NSS, including for national programmes managed by NSS, via allocations. These are determined at the start of the financial year on the basis of budgets and are amended throughout the year. Amendments can be because of re-profiled expenditure, project slippage or new delivery requirements. A monthly summary is provided by SG to the Director of Finance, with a rolling list of the individual allocations for the financial year.

Given NSS's role as a shared service provider and lead on national programmes, there is a high number of allocations and amendments through the year.

As is noted in our report, between 2012-13 and 2016-17 underspend in eHealth projects or unspent eHealth funding were passed back to SG at the end of the year as negative allocations, and returned midway through the next financial year as a positive allocation. In some cases the negative allocations referred to NHS Tayside.

These allocation changes were significant (2013-14: £2.2 million, 2016-17: £2.582 million) and there was no requirement within NSS for changes to be authorised or explained.

Significant eHealth funds were returned to SG and then (we understand) transferred onward to NHS Tayside, without the visibility of the senior finance team within NSS.

Recommendation one

Variations in allocations during the year should require authorisation from the Director of Finance prior to being agreed with SG. NSS could determine a de minimis level at which this is not required.

NSS uses an allocations tracker to manage the monitoring of allocations and we recommend that an approval column should be included where the authorisation could be documented with support retained within the finance team records.

Oversight of the eHealth programmes

Observation

NSS manages the eHealth programmes, funded by non-recurring allocations from SG to the health boards and directly to NSS from SG. Recording and monitoring of expenditure is the responsibility of the NSS Head of Finance (IT). The programmes funded by allocations to the health boards are set out in the eHealth SLA, with detailed cost breakdowns.

The Head of Finance (IT) reports actual expenditure on a monthly basis for circulation to the eHealth leads, and for discussion at bi-monthly eHealth finance sub-committee meetings (during the period when these were held). We understand that these costs are reconciled to the NSS finance system.

5. Governance weaknesses (cont'd)

There is however no reporting of eHealth programme expenditure to the NSS Director of Finance or to the NSS board.

We are aware that a £2 million allocation was received in February 2016 in relation to the Primary Care GP IT fund/eHealth reinvestment fund. This amount was not carried forward as at 31 March 2016 (or passed back to SG) and we understand instead funded a deficit in a CMOD eReporting project.

eHealth programmes are treated as a portfolio by the eHealth Leads and within the IT SBU of NSS. However the virement of funds from one project to another was not raised with senior finance staff.

NSS has assumed responsibility for the delivery of eHealth programmes, yet there is insufficient visibility at Director of Finance /board level of a significant project deficit and significant income variation.

Recommendation two

NSS should implement routine reporting of eHealth expenditure to the finance and performance committee, with escalation of variances to the NSS board. Reporting should be at a disaggregated project level with visibility of overspends and underspends at a project level.

Changes in funding allocations between projects, which are effectively virements, should adhere to the NSS virement rules within the SFIs.

Standing Financial Instructions

Observation

The NSS SFIs do not explicitly cover the financial management of national programmes or the treatment of SG allocations.

As a result there are no clear guidelines for the treatment of eHealth programme underspends, change in allocations or virement between programmes.

Similarly the identification and escalation of risks associated with national programmes are not defined, giving rise to judgement on what should be escalated to the NSS board.

Key delivery risks were discussed by the NSS board, such as in relation to SWAN implementation and the CHI investment. However there are no defined risk processes for the national programmes.

Recommendation three

The NSS SFIs should be updated to set out the authorisation, management and reporting requirements for eHealth activity, and that of other national programmes.

The NSS SFIs should be updated to set out the authorisation requirements for virements between programmes.

The risk management and risk escalation processes specific to national programmes should developed.

Agreement and monitoring of allocations due

Observation

Throughout 2012-13 to 2015-16 there was transparency and visibility of amounts due from SG (and allocated to NHS Tayside) in the form of emails between NSS, NHS Tayside and SG eHealth. Amounts due were also included on the allocations tracker.

5. Governance weaknesses (cont'd)

As is noted above in our report, towards the end of 2016-17 the £2.582 million held by NHS Tayside on behalf of the eHealth Leads and due to be returned via SG allocations was reduced to £0.35 million. The £0.35 million was for 2016-17 expenditure with £2.232 million to be held by NHS Tayside for future years' expenditure. The allocations tracker was changed to show £0.35 million due to be returned, on receipt of an M-Form from the IT SBU which showed the reduction in the expected receipt.

Visibility and transparency of the £2.232 million due from NHS Tayside was lost at this point. Whilst emails between the parties agreed the total amount being held by NHS Tayside, this was not included in NSS records including the allocation tracker.

There was therefore a risk that 'repayment' of £2.232 million was not sought in future years should personnel change within NSS and the corporate knowledge be lost.

Similarly, when £2.648 million additional allocation was made to NSS in 2014-15 (of which £0.648 million was negatively allocated and held by NHS Tayside), there was an expectation, subsequently realised, that it would be reversed by SG in 2016-17. There was no visibility within NSS of the £2.648 million due to be negatively allocated in 2016-17.

Recommendation four

All funding to or from SG or allocations from other health boards which will be reversed in subsequent periods should be retained on a listing held by NSS central finance. A change to amounts due in a financial year should only be made with authorisation from an SBU director and with the awareness of the Director of Finance. A de-minimis level at which changes could be made should be agreed.

Changes in allocations set out on M-Forms should not be processed unless there is authorisation from the relevant SBU director.

Lines of responsibility

Observation

It is apparent from our work that throughout the period from 2012-13 to 2016-17, the Head of Finance (IT) communicated directly with the Finance Director of NHS Tayside and regularly took instructions from him in respect of the transfers of unspent budgets. In the majority of cases individuals within SG eHealth and within the IT SBU were included on emails. These individuals were included where final allocations were agreed.

The lines of responsibility within NSS do not appear to have been followed. Central finance should have been included on the emails, and the Head of Finance (IT) should have escalated the requests from SG eHealth/Finance Director of NHS Tayside to his line manager; not just to senior IT SBU colleagues.

Recommendation five

All finance team members should be reminded of their lines of responsibility and reporting. Specifically, where there are significant changes to income and expenditure, these should be escalated to the Director of Finance as well as to the responsible SBU director.

5. Governance weaknesses (cont'd)

Raising concerns

Observation

Some concerns were raised by Finance staff within NSS about the practice of effectively transferring eHealth funds to NHS Tayside, albeit via SG allocations. We understand that the concerns were in respect of the financial sustainability of NHS Tayside and in respect of the ability of NHS Tayside to carry forward funds that NSS was not able to do so. These concerns were raised between individuals and at a finance managers meeting. No concerns were raised with the NSS executive or board.

Within correspondence between NSS, SG eHealth and NHS Tayside there are statements made which should have raised further concern and triggered further inquiries and/or consultation within NSS. These statements include requests to change descriptions of funds and divide up allocations into smaller amounts.

Recommendation

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.

Appendix: Individuals referred to in this report

NSS

Head of Corporate Reporting
Project Accountant
Director of Finance and Business Services
Associate Director of Finance
Director of IT
Finance manager
Head of Finance (IT)

NHS Tayside

Director of Finance
Director of eHealth
Head of Finance

SG eHealth

eHealth Business Manager
Digital Health Governance & Programme Office Manager
Financial Performance Manager

SG

Capital Accounting and Policy Manager



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