

Director of Internal Audit

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Mr Paul Gray

Director General Health and Social Care

Scottish Government

18 June 2018

Dear Paul

Scottish Government Response to Findings 8,9 and 10 in the report “Independent review by Grant Thornton UK LLP on e-Health Funding between e-Health, NHS National Services Scotland and NHS Tayside between 2012 and 2018”

In March 2018, Grant Thornton UK LLP undertook a review on e-Health Funding between e-Health, NHS National Services Scotland and NHS Tayside between 2012 and 2018. This review resulted in a number of key findings in relation to the control environment across the organisations. Scottish Government Internal Audit has been asked to undertake a review of the actions which have been taken by the Scottish Government e-Health and Health Finance teams in response to three of those findings (Findings 8, 9, and 10), which are set out in Annex 1 at the end of this letter.

Timing of Fieldwork and Reporting

The Scottish Government has taken the issues raised in the Grant Thornton report seriously, and put together an action plan to implement a range of measures to mitigate the relevant risks. The timescale that was set for implementation of the individual tasks in the action plan was 31st May, with consequent actions due to be carried out by the end of June. In response to the Grant Thornton report, there are also a number of actions that will be completed during this financial year.

The original Terms of Reference for the Internal Audit review included an estimated timetable that anticipated that fieldwork would be undertaken between 3rd and 18th May, with a final report produced by 4th June. However, on discussing the action plan with the Scottish Government, we (Internal Audit) took the view that there would be greater benefit in us reviewing the initial measures once they had been completed and the new controls (including associated documentation and guidance where applicable) were fully implemented. We will therefore complete our fieldwork once the Scottish Government has fully implemented all new controls.

This is therefore a “point in time” report and we are aware that other actions are planned over the coming months which we have therefore not yet been able to assess. Additionally, once the new controls have been operational for a period of time we will be in a position to test whether they have been implemented effectively. This report is therefore the first in what will be a series of reports over the next six to nine months.

Findings

As we have stated above, in our opinion the Scottish Government has taken the issues raised seriously and senior management have ensured actions have been and are being put in place to mitigate relevant risks. Overall our assessment for the controls which have been assessed to date is that the new controls proposed are appropriately designed and if implemented effectively should address the issues raised.

In particular:

- Accounting and qualitative controls over allocations have been strengthened – specifically in relation to controls over additional allocations. The new allocations template which has been developed requests additional information to allow more robust scrutiny and subsequent monitoring of individual allocations. However there remains opportunity to further improve this control, particularly in regards to the approval process for allocations under £100,000. Scottish Government Health Finance has also improved the budget monitoring template within the year to date and full year variance analysis to allow for additional and supporting narrative. This should enhance monitoring effectiveness and identify issues earlier.
- Scottish Government Health Finance is now represented on the e-Health Sub-Finance Committee. This should lead to better oversight and monitoring by Scottish Government Health Finance at both the strategic and individual allocation level and will ensure greater insight into operational matters that may impact on financial outcomes. The Terms of Reference for the e-Health Sub-Finance Committee have been updated and include the proviso that if National Services Scotland and Scottish Government Health Finance are not present then the meeting is not quorate.

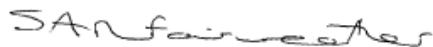
With regards to these new controls, at this stage we would wish to make one high level recommendation in relation to Scottish Government Health Finance, particularly the Internal Financial Performance Division. We recommend that the level of resources should be reviewed to assess whether additional resources are required given the increased workload resulting from the additional controls. The finance leads in Internal Financial Performance should be focussing on strategic issues (including leadership and management) and we therefore recommend more

responsibility should be delegated to oversee the support finance officers on the detailed work.

Next Steps

As set out above, once the new controls have been operational for a period of time we will be in a position to test whether they have been implemented effectively. We will make arrangements with your teams to review any additional actions and the effectiveness of the implementation of the revised controls at an appropriate time in the future.

Yours sincerely,

A handwritten signature in black ink that reads "S Fairweather". The signature is written in a cursive style.

Sharon Fairweather

Director of Internal Audit

Cc:

Christine McLaughlin, Director of Health Finance

Richard McCallum, Deputy Director – Health Finance and Infrastructure

Leslie Henderson, Senior Internal Audit Manager

Grant Thornton UK LLP report on eHealth funding relevant findings

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 that 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.
Source: Grant Thornton report on eHealth Funding – emphasis added

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.

Source: Grant Thornton report on eHealth Funding

Finding 10: 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.

Source: Grant Thornton report on eHealth Funding