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**PRIVATE AND CONFIDENTIAL**

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Your Ref  
Our Ref CS/sf/2018-03-22

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Dear Christine

**Plan of Action in Response to Grant Thornton Report: eHealth Funding between NHS National Services Scotland and NHS Tayside between 2012 and 2018**

Thank you for the opportunity to articulate our plan of action in response to the Grant Thornton (GT) Report: eHealth Funding between NHS National Services Scotland and NHS Tayside between 2012 and 2018.

NHS National Services Scotland (NSS) recognises the issues highlighted by the GT report and fully supports the general findings but specifically we accept that we have not put the necessary controls in place for effective administration, scrutiny and oversight of eHealth funds on behalf of Scottish Government. Additionally, we acknowledge that our facilitation of money transfers via revenue resource allocations (RRL) to NHS Tayside was undertaken without the appropriate level of authority.

I take this matter seriously and having established the initial facts, I put in place a number of immediate actions to ensure there was scrutiny over eHealth funding. I and the NSS Board are fully committed to working with SG colleagues to further develop and implement any longer term recommendations required.

**Background and Immediate Actions**

On becoming aware of the issue, the following actions were taken to both understand the details and put in place immediate remedies.

- Internal investigation carried out to establish facts surrounding the issue.
- Increased supervision and oversight established over eHealth funding to ensure clarity and visibility over current spending. The Associate Director of Financial Planning and Analysis has assumed specific responsibility for SG eHealth Funding.
- NSS Chair immediately briefed and additional Board governance arrangements agreed.
- Chairs of NSS Audit and Risk and Performance and Finance Committees briefed and an emergency meeting established with them, myself and the NSS Chair.
- Ongoing oversight through the reporting process has been provided by this group.



Chair  
Chief Executive

Professor Elizabeth Ireland  
Colin Sinclair

*NHS National Services Scotland is the common name of the Common Services Agency for the Scottish Health Service.*

When the potential irregularities were brought to my attention, I agreed with the Chair that a separate review was required. An independent investigation into the activities, transactions and decisions taken within NSS was then commissioned to ascertain a full understanding of the situation. This independent investigation was conducted by KPMG LLP, the NSS Internal Auditors. The report from the KPMG investigation was shared with SGHSCD and GT. I have appended the recommendations to this letter and am now working to deliver them.

### **NHS NSS Follow-Up Action**

Immediate actions have been put in place to ensure there can be no repetition of these activities within eHealth funding and I and the Board will be working over the short-term to ensure these are working effectively and that the follow up actions from both our own internal KPMG Report and the GT Report are implemented promptly. The following actions are being taken:

- The NSS Board will review all findings to establish what further actions need to be taken. As part of this, we will consult with SG colleagues together with both internal (KPMG) and external auditors (Audit Scotland) to ensure improvements to governance processes and action plans are appropriate and implemented immediately.
- The management response to both the internal (KPMG) and SG (Grant Thornton) findings/recommendations will be scrutinised by the Audit and Risk Committee's (ARC) Commercial in Confidence meeting on 28 March 2018. This will confirm that the immediate actions in place are being effective and will submit an action plan on further recommendations to the NSS Board at their meeting on 6 April 2018. Actions will be implemented within the required timetable but overall will be concluded by the end of April 2018. The delivery of the action plan will be governed by the Chairs of the Performance and Finance Committee and the Audit and Risk Committee in the short term and by the Board overall.
- The delivery plan will be run and overseen by the Executive Management Team who are accountable to the Board.
- The NSS Board has established a panel of executive and non-executive directors to review whether any actions by individuals warrant further investigation under NSS policies. This will be completed within 2 weeks of the publication of the GT Report.

The NSS Board welcomes the opportunity to address the significant concerns raised by the Grant Thornton report and remains committed to ensuring all actions are implemented to the required timetable. The Board also is committed to regular reporting of progress to SGHSCD.

Yours sincerely



**COLIN SINCLAIR**  
Chief Executive

## **KPMG LLP Report: NHS National Services Scotland – Investigation of eHealth Funds**

### **Summary of recommendations**

- 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.