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Mr Paul Gray
Director General Health
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Date	22 March 2018
Your Ref	
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Dear Mr Gray

Grant Thornton Independent Review: eHealth Funding between eHealth, NHS National Services Scotland and NHS Tayside between 2012 and 2018

As Accountable Officer I welcome the independent review into the transactions between the Scottish Government Health and Social Care Directorate's (SGHSCD) eHealth programme from 2012 to 2018 and fully accept the findings highlighted in the final report.

As noted within the report I have commissioned the Strategic Director of Finance to undertake a strategic review of the Board's underlying financial position and rebased financial plans. This report is due to be completed by 23 March. Interim findings were reported to the Board on 5 March which highlighted that the deficit for the year ending 31 March 2018 would be higher than the £5m previously reported.

In terms of the findings of the Grant Thornton independent review, I will now commission an external review to consider the controls in place in NHS Tayside on receipt of allocations and the transparency of deferred expenditure.

I have noted below the actions that I have already taken to address the findings highlighted by Grant Thornton for the attention of NHS Tayside. These actions will be submitted to the Board of NHS Tayside for ratification on 26 March.

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.

Action: The financial forecasts for 2017/18 have been rebased to exclude £5.3m of eHealth funding allocations that had been previously made or indicated would be made available. This has been shared with Scottish Government Health and Care Directorate. The year end position is subject to ongoing review and an update will be reported to the Board on 26 March.

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Chairman, Professor John Connell FMedSci FRSE
Chief Executive, Ms Lesley McLay



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.

Action: The controls over receipt and accounting for Scottish Government Allocations will be strengthened. This will include a change to the Standing Financial Instructions to ensure that any alterations to the Revenue Resource Limit will be signed off by the Director of Finance and the Chief Executive. Only funds due to NHS Tayside will be reflected in the reporting of the financial position.

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.

Action: The format of the financial reports has been changed with immediate effect to improve understanding and transparency regarding the financial position. The revised financial reports submitted to the Directors and the Performance and Resources Committee of the Board will now clearly state the underlying financial performance of the operating divisions and the detail of, and the extent to which, non-recurring measures or Board reserves are being utilised.

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 clear lack of understanding around the principles of resource accounting within the NHS.

Action: The extent to which deferred expenditure was being utilised to manage the financial position was highlighted in the Assurance and Advisory Group report and by our own Internal Auditors. The Board had instructed the Director of Finance to take steps to reduce the extent to which expenditure was being deferred to support the financial position in response to these findings. As the Independent Report notes, the specific receipt of the national eHealth monies was not transparent to Board members and had not been explicitly highlighted within the reports to Directors or Board members. The Board takes its responsibilities in relation to openness and transparency very seriously and the steps taken to revise the financial monitoring reports should minimise the opportunity for such a situation to arise in the future.


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

Action: As noted above the format of the financial reports has been changed with immediate effect to improve transparency and openness regarding the financial position. The revised financial reports will now clearly state the underlying financial performance of the operating divisions and the extent to which non-recurring measures or Board reserves are being utilised.

In conclusion I hope that the immediate steps that I have taken, with the support of the Board, indicate the priority we have given to rebuilding confidence in the Board's financial reporting and scrutiny arrangements. Further steps will be taken following the completion of our own internal review and we would expect to maintain a sustained focus on financial performance and review by our Directors Group and Board members.

I look forward to providing regular updates on the progress we are making in the coming weeks.

Yours sincerely



Lesley McLay
Chief Executive