

# NHS Grampian

Interim Report 2019/20



 AUDIT SCOTLAND

Prepared for NHS Grampian

17 March 2020

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish Ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Audit findings

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## Introduction

1. This report contains a summary of the issues identified from our interim audit work at NHS Grampian. This work included:
  - confirming our understanding of key controls in major financial systems and reviewing key governance documents such as standing orders and standing financial instructions
  - concluding our review of the National Fraud Initiative (NFI) data matching exercise which commenced in 2018
  - reviewing progress against the risks highlighted in our 2018/19 Interim Report.
2. In addition, we are reviewing how the board is fulfilling its duties under the Equality Act 2010. More detail on the scope of this review is set out in this report.
3. Our responsibilities under the [Code of Audit Practice](#) require us to assess the 'system of internal control put in place by management. We seek to gain assurance that the audited body:
  - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
  - has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
  - complies with established policies, procedures, laws and regulations.
4. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to NHS Grampian.
5. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during our audit is gratefully acknowledged.

## Conclusions

6. No significant weaknesses were identified from our interim audit work but we include some areas for improvement in [Exhibit 1](#).
7. [Exhibit 2](#) provides an update on the progress management has made to address the risks we highlighted in our 2018/19 Interim Report. Three out of the five recommendations are now regarded as complete. The two outstanding actions, covering the strategic risk register and the IT strategy, have work ongoing and plans are in place for completion.
8. We have satisfactorily concluded our review of the National Fraud Initiative (NFI) data matching exercise which is carried out every two years.

## Work summary

9. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and, where appropriate, prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses have previously been identified. In line with our Annual Audit Plan, we are also placing reliance on the work of internal audit, where appropriate, to avoid duplication of effort.
10. We consider the following as key controls: reconciliation of feeder systems to the general ledger, payroll validation and exception reporting, budgetary controls, authorisation of journals, change of supplier bank details and IT access controls.



Reconciliations



Payroll controls



Budgets



IT access

11. Our review of key financial systems confirmed through inspection, observation and discussion with staff, that there were no significant changes in the key controls identified in the previous years.
12. Arising from previous year audit work, we planned to gather stronger payroll assurance by agreeing a sample of staff on the payroll with roster lists and seeking overall confirmation of existence from relevant budget holders. In planning this work, we noted that the board is in the process of implementing a new eRostering system which is currently being rolled out across Grampian. While we plan to conclude this piece of payroll verification work by 30 April 2020, we have identified some improvements to strengthen the eRostering arrangements.

## Risks identified

13. Our findings from our interim work are summarised in [Exhibit 1](#).

### Exhibit 1

#### Key findings and action plan 2019/20

Issue identified	Management response	Responsible officer and target date
<p><b>Audit findings</b></p> <p>1. <b>Manual input of Healthroster information to Scottish Standard Time System (SSTS)</b></p> <p>eRostering is currently being rolled out across NHS Grampian. Shifts worked by substantive staff on Healthroster (one of the modules in eRostering) are manually keyed into SSTS on a weekly basis by two eRostering systems staff who also check each other's work.</p>	<p>A paper is to be considered by the national Payroll Services Programme Board regarding a potential development of an automated process that will transfer rostering data from Allocate to SSTS. NHS Education for Scotland (NES) has been commissioned to deliver a solution and has been working with Allocate and NHSS Boards to develop Turas Connect to accept data from HealthRoster and to then send the required data to SSTS. NES Digital are seeking approval to progress</p>	<p><b>Head of HR Service Centre</b></p> <p><b>To be confirmed</b></p>

Issue identified	Management response	Responsible officer and target date
<p>There are no reconciliations performed between Healthroster data (input) and SSTS data (output). In addition, no exception reporting is undertaken. Consequently, the accuracy and completeness of data transferred to SSTS (and therefore the payroll) is heavily reliant on the manual input by eRostering staff.</p> <p><b>Risk: Due to the level of manual intervention, there is an increased risk of error and fraud being committed.</b></p> <p><b>Recommendation:</b> The board should explore ways to electronically interface Healthroster information into SSTS.</p> <p>Reconciliations between hours worked on Healthroster and on SSTS should be implemented e.g. on a ward or unit basis, along with exception reports which should highlight any errors, unexpected and/or unusual transactions.</p>	<p>this interface with Atos so that a scope can be developed, costed and delivered. An indicative timescale, if approved, is not yet known.</p> <p>In terms of the current process there is an internal reconciliation of confirmed Healthroster rosters and those input to SSTS. The data inputters check each other's work to ensure accuracy of data. It is not technically possible to extract hours worked from Healthroster to reconcile with SSTS hours as any absences in the former system e.g. sick leave, do not capture working hours for reporting purposes as the systems notes them as "cancelled shifts". The process adopted by NHS Grampian to facilitate transfer of data from Healthroster to SSTS is extremely similar, if not the same, as NHS Lothian. It is worthwhile noting that exception reports to highlight errors and unexpected/unusual entries are undertaken prior to each live export of SSTS data to ePayroll.</p>	
<p><b>2. Lack of reporting of payment verification</b></p> <p>Health Department guidance DL(2018)19 contains revised payment verification protocols for 2018/19. As the accountable bodies for Family Health Services spend, NHS Boards are ultimately responsible for carrying out payment verification to ensure that the payments made to contractors on their behalf are timely, accurate and valid. Audit Committees are also required to have sight of the protocol.</p> <p>NHS Grampian audit committee has not received a report for two years. The latest report was in September 2017 and related to financial year 2016/17.</p> <p><b>Risk: Inadequate assurance received by the audit committee over a significant area of spend in the board's annual accounts.</b></p> <p><b>Recommendation:</b> Reporting to the Audit Committee should resume as soon as possible to confirm that appropriate levels of verification are being carried out and action taken in response to issues identified</p>	<p>A report covering the current status of the Payment Verification process will be considered by the Audit Committee on 17 March 2020</p>	<p><b>Primary Care Contracts Manager</b> <b>March 2020</b></p>

## Equalities

14. We are currently undertaking a review of equalities to determine how well this is embedded across the board's practices. The areas covered by the review include how well the board:
- encourages a culture of equal opportunities
  - provides accessible information on services and performance
  - reflects the needs of different equality groups in service planning and delivery
  - sets direction and expectations on equality outcomes and reports on achievement
  - measures, monitors and reports on its performance against the legislation e.g. workforce report, equality outcomes, mainstreaming report
15. This work includes a review of the board's internal practices and policies, its mechanisms for engaging externally and consideration of its performance reporting. We will conclude and report on our findings in our Annual Audit Report in June 2020

## National Fraud Initiative

16. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.
17. Public bodies that take part in the NFI include the Scottish Government and other central government bodies, all councils, NHS bodies, pension administering bodies, the Scottish Fire and Rescue Service, Police Scotland and colleges.
18. Examples of potential matches include:
- public sector pensions to payroll and deceased persons' records. This checks if the death of a pensioner has not been reported. It also identifies where a pensioner has gone back into employment but not reported changes which should have resulted in their pension payment being reduced
  - payment records, to check for duplicate payments and that payments are only to appropriate creditors
  - payroll records, to identify potential breaches in conditions of service or EU working time limits.
19. The NFI exercise takes place every 2 years. The current exercise commenced in autumn 2018 and involved the following steps:
- participating bodies submitted data to a secure website in October 2018
  - the NFI system matches data within and between bodies to identify anomalies, known as 'matches', which were reported to participating bodies to review, investigate and record outcomes
  - auditors reported on bodies' progress in reviewing 'matches' in June 2019 and February 2020
  - Audit Scotland will publish a national report around June 2020 summarising the response and outcomes from the latest exercise.

20. NHS Grampian received around 5,000 matches which staff have been reviewing on an ongoing basis throughout 2019. The majority have already been concluded with the remainder to be completed by 31 March 2020. From our review of the follow up activity undertaken, we concluded that the board was fully engaged with all stages of the exercise from planning and submission of data to reviewing matches.
21. As a result of the 'matches' reviewed, no fraud was identified by staff which provides positive assurance on the systems and processes the board has in place. A number of errors were however found totalling around £20,000 and steps are being taken to recover the amounts involved. Plans are also in place for staff to review the results of the work carried out to determine if any further improvements can be made to the board's internal controls.

## Progress on previous years' Interim Report findings

22. We also summarise progress with management actions agreed in respect of our previous year audit recommendations. [Exhibit 2](#) provides an update on management action to address these matters.

### Exhibit 2

#### Progress on previous years Interim Report findings

Issue identified (year first reported)	Management response/ responsible officer and target date	Latest status
<p><b>1. IT Strategy (2017/18)</b></p> <p>The board does not currently have its own formal e-Health strategy but instead uses the national e-Health strategy to inform its priorities. The ICT strategy is also a few years old and requires updating.</p> <p><b>Risk: There is a risk that e-Health activities are not aligned to corporate priorities and therefore the board could be missing out on opportunities to take advantage of technological advancements to transform services and achieve financial sustainability and value for money.</b></p> <p><b>Recommendation:</b> IT strategies should be updated and aligned with local priorities.</p>	<p><b>(Revised action agreed in 2019)</b></p> <p>The Audit Committee are receiving regular progress updates on cyber security activities.</p> <p>Agreement is in place to establish a Digital Health and Care Strategy Group that will report to the Innovation and Transformation subgroup of the System Leadership Team and will also link into the Performance Governance Committee. The Strategy Group will assume responsibility for finalisation of the Digital Health and Care Strategy.</p> <p><b>General Manager for eHealth</b> <b>Summer 2019</b></p>	<p><b>Action to implement recommendation is ongoing</b></p> <p>A draft Digital Health and Care Strategy (to supersede the ICT strategy) overseen by the Digital Health and Care Strategy Board is a work in progress and out for consultation with stakeholders, partners, staff and patient groups.</p> <p>The plan is to take the draft to each of the Health and Social Care Partnerships in Grampian then to the Board for agreement in June 2020.</p> <p><b>General Manager for eHealth</b> <b>June 2020</b></p>
<p><b>2. Remits of committees and sub-committees (2018/19)</b></p> <p>Paragraph 18.1 of the board's Standing Orders states that the remits of Committees and Sub-Committees, their quorums and reporting arrangements will be reviewed regularly.</p> <p><b>Risk: Governance and scrutiny arrangements are not clear, up to date and effective.</b></p>	<p>The board plans to align timescales for review and update having considered:</p> <p>feedback from a national review of governance arrangements expected to report in summer 2019</p> <p>the impact of the PAIR* arrangements on the business of the core committees.</p>	<p><b>Action to implement recommendation is ongoing</b></p> <p>Except for the Audit Committee, all constitutions of board governance committees were reviewed in 2019. The Audit Committee's remit was last reviewed in 2015.</p>

Issue identified (year first reported)	Management response/ responsible officer and target date	Latest status
<p><b>Recommendation:</b> Regular and timely review should be carried out and updated on the relevant page on the board's website.</p>	<p>* Performance, Assurance, Improvement and Risk (PAIR) arrangements recently agreed by the System Leadership Team (SLT) and the board.</p> <p>The board's Standing Orders are reviewed annually by the Audit Committee. Committee constitutions were agreed between September 2017 and March 2019.</p> <p>The website will be updated once planned reviews are completed.</p> <p><b>Board Secretary and Executive Leads for Board Committees</b></p> <p><b>Summer 2019</b></p> <p><b>Revised action agreed in 2020:</b></p> <p>The Audit Committee constitution will be reviewed against the standard Terms of Reference developed through the Scottish Government's review of governance arrangements, expected to be issued by Summer 2020.</p> <p>The board website has recently been updated to include the agenda and papers from all past board meetings.</p> <p>Staff absences remain a challenge in maintaining publication on the website and Committee constitutions will be uploaded as soon as possible</p> <p><b>Board Secretary</b></p>	<p>None of the Committee constitutions have however been published on the board's website due to long-term staff absence.</p> <p>In this regard, we also observed that board agenda papers for the past three board meetings (October 2019 to February 2020) have not been published on the website.</p>
<p><b>3. Access to e-financials (2018/19)</b></p> <p>Standard operating procedures require managers to inform systems accountants for any new user, amendment to access rights/roles of existing users and staff who no longer require access, so these can be actioned on e-financials.</p> <p>There are bi-annual audits to confirm existing users. While operational need will prompt a change for new or changing roles, there is a risk that leavers are not removed until the next bi-annual audit.</p> <p><b>Risk: Increased risk of fraud and irregularities.</b></p>	<p>The board recently migrated to a new version of e-Financials. One of the security aspects of this new version is a standard requirement for all users to change their password every 30 days. There is no standard report available detailing when users have last logged in to the system but there is a report available detailing the number of days since last password change. The board have requested this report to be produced on a monthly basis to allow any exceptions to be followed up with the user department and any necessary changes to user details will be</p>	<p><b>Agreed action implemented</b></p> <p>Monthly reports of users whose last log in to e-financials is over 90 days are now generated and sent to managers to identify access no longer required.</p>

Issue identified (year first reported)	Management response/ responsible officer and target date	Latest status
<p><b>Recommendation:</b> The board should conduct a more regular review to ensure access rights are promptly removed where appropriate.</p>	<p>processed using existing procedures.</p> <p><b>Assistant Director of Finance</b></p> <p><b>March 2019</b></p>	
<p><b>4. Internal Audit annual report (2018/19)</b></p> <p>Internal Audit's 2017/18 annual report did not include a section on quality assurance and "lessons" learned including any recommendations for improvement in existing performance reporting arrangements. This was not in accordance with action requested by the Audit Committee in March 2018 having considered the external review of internal audit services.</p> <p><b>Risk: Areas for improvement are not reported and corrective actions are not implemented.</b></p> <p><b>Recommendation:</b> The board should request Internal Audit to include the required information in their 2018/19 report.</p>	<p>The board's Chief Internal Auditor will collaborate with the board's management to include a section on quality assurance, including any recommendations for improvement in existing audit performance reporting arrangements and any "lessons learned", in their annual report for 2018/19.</p> <p><b>Assistant Director of Finance/Chief Internal Auditor</b></p> <p><b>June 2019</b></p>	<p><b>Agreed action implemented</b></p> <p>Appendix 4 of Internal Audit's annual report for 2018/19 contained a narrative on Quality Assurance and Improvement Programme. It highlighted that performance of Internal Audit was reviewed at a System Leadership Team meeting on 20 May 2019 wherein development points/actions were agreed.</p>
<p><b>5. Risk Register (2017/18)</b></p> <p>While the Strategic Risk Register is taken to the Performance Governance Committee (PGC) regularly, the risks contained therein were last formally reviewed in 2015.</p> <p><b>Risk: There is a risk that members are not aware of the latest status of risks identified and therefore are unable to decide on the appropriate actions to take in a timely manner.</b></p> <p><b>Recommendation:</b> At least on an annual basis, risks should be formally reviewed to ensure that the board's key risks are being addressed and monitored appropriately.</p>	<p><b>(Revised action agreed in 2019)</b></p> <p>The PGC last reviewed the strategic risk register (the register) in November 2018 when risks continued to be presented in the previous format (last updated in May 2018).</p> <p>The register has not been updated to reflect revised risk categories agreed by the board in October 2017 (reputation; quality; compliance; workforce; finance; operational and innovation).</p> <p>NHS Grampian System Leadership Team (SLT) are in the process of reviewing and reclassifying risks in the register in line with these agreed categories.</p> <p>Ongoing maintenance of the register will, in future, be supported by subgroups currently being established to support SLT under the recently agreed PAIR arrangements.</p> <p><b>Medical Director /SLT</b></p> <p><b>Summer 2019</b></p>	<p><b>Agreed action implemented</b></p> <p>The strategic risk register presented to the PGC in May 2019 reflected, for the first time, the eight high level strategic risk categories agreed by the board. These include clinical quality and safety, compliance, workforce, transformation and Brexit.</p>

23. All our reports and any matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# NHS Grampian

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