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A meeting of the **Health and Social Care Integration Joint Board Audit Committee** will be held on **Monday, 25th September, 2017** at **2.00 pm** in Committee Room 2, Scottish Borders Council.

AGENDA

| Time | No | | Lead | Paper |
|-------------|-----------|---|--|-----------------|
| 14:00 | 1. | ANNOUNCEMENTS AND APOLOGIES | Chair | Verbal |
| 14:01 | 2. | DECLARATIONS OF INTEREST | Chair | Verbal |
| 14:02 | 3. | MINUTES OF PREVIOUS MEETING Monday 26 June 2017 | Chair | (Pages 1 - 4) |
| 14:05 | 4. | MATTERS ARISING Action Tracker | Chair | (Pages 5 - 8) |
| 14:10 | 5. | FINAL AUDITED ANNUAL REPORT AND STATUTORY ACCOUNTS 2016/17 FOR THE SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD | Chief Financial Officer | (Pages 9 - 54) |
| 14:40 | 6. | EXTERNAL AUDIT ANNUAL AUDIT REPORT 2016/17 FOR THE SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD | IJB External Auditors (Audit Scotland) | (Pages 55 - 86) |
| 15:10 | 7. | ANY OTHER BUSINESS | Chair | Verbal |
| 15:15 | 8. | DATE AND TIME OF NEXT MEETING March 2018 tbc. | Chair | Verbal |

Membership of Committee:- Councillor T Weatherston (Chair),
Councillor J Greenwell, Mr D Davidson and Mr J Raine

Please direct any enquiries to Iris Bishop, Board Secretary - Health &
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Minutes of a meeting of the **Health & Social Care Integration Joint Board Audit Committee** held on Monday 26 June 2017 at 10.00am in Committee Room 2, Scottish Borders Council.

Present: (v) Cllr T Weatherston (Chair) (v) Mr J Raine
(v) Mr D Davidson

In Attendance: Miss I Bishop Mrs J Stacey
Mr P McMenamin Mrs E Torrance

1. Apologies and Announcements

Apologies had been received from Cllr John Greenwell.

The meeting was quorate.

2. Election of Chair

The Committee elected a Chair.

Mr David Davidson nominated Cllr Tom Weatherston and Mr John Raine seconded the nomination.

Cllr Tom Weatherston was duly elected as Chair of the Integration Joint Board Audit Committee.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed that the Chair of the Audit Committee should rotate on an annual basis as per the rotation of the Chair of the Integration Joint Board.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed that when the Chair of the Integration Joint Board was from NHS Borders the Chair of the Audit Committee would be from Scottish Borders Council and vice versa.

3. Declarations of Interest

The Chair sought any verbal declarations of interest pertaining to items on the agenda.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** noted there were none.

4. Minutes of Previous Meeting

The minutes of the previous meeting of the Health & Social Care Integration Joint Board Audit Committee held on 27 March 2017 were approved.

5. Matters Arising

5.1 Action 2: Mrs Jill Stacey confirmed that the action was now complete.

5.2 Action 3: Mrs Jill Stacey confirmed that the action was now complete.

5.3 Action 4: Mrs Jill Stacey suggested the Audit Committee may wish to recommend to the Integration Joint Board that it undertake a self assessment within the next 18 months.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed to recommend that the Health & Social Care Integration Joint Board undertake a self assessment.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** noted the action tracker.

6. Internal Audit Annual Report 2016/17 for Scottish Borders Health & Social Care Integration Joint Board.

Mrs Jill Stacey gave an overview of the conclusion of Integration Joint Board Internal Audit Annual Report 2016/17 highlighting the 3 key areas that the internal audit had focused on; Corporate Governance; Financial Management; and Performance Management.

Discussion took place and focused on the membership of the Integration Joint Board; baseline information for performance management; agenda setting; Executive Management Team attendance; managing risk in decision making; risk register; sharing of Audit Committee agendas of all 3 organisations; meetings of Audit Committee chairs of all 3 organisations; exploration with other Integration Joint Boards the independence of their Audit Committees; transparency through publication of agendas and meeting papers; Executive Leadership section to be updated to recognise the changes that had occurred during 2016; consideration of wider assurances from partners; joint performance reporting; issuing of directions; partners responsibility for clinical and care governance - the commissioner requires assurance but the governance arrangements remain with the provider bodies; and induction package of documents for new members.

Mr Paul McMenamin recorded his thanks to Mrs Stacey for the substantial piece of work that had been undertaken in terms of assurance and a clear forward plan for development.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** considered the Internal Audit Annual Report 2016/17 for the Scottish Borders Health & Social Care Integration Joint Board as detailed in Appendix 1 of the report and provided commentary thereon.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed that the Executive Leadership section be updated to recognise the changes that had occurred during 2016.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed that the audit committee chairs of all 3 organisations (NHS Borders, Scottish Borders Council, Integration Joint Board) should meet on a six monthly basis for the purposes of assurance.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed that other Integration Joint Boards be approached to see how they had addressed the independence of their Audit Committees.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed that a revised report be brought back to the next meeting of the Audit Committee and a summary document be produced for the next Health & Social Care Integration Joint Board meeting.

7. Statement of Accounts 2016/17

Mr Paul McMenamin gave an overview of the content of the statement of accounts for 2016/17. Since being issued the accounts had been slightly amended and the current draft would be submitted to the External Auditor. The final accounts would be submitted to the Audit Committee and Integration Joint Board later in the year.

Discussion focused on some potential rewording in regard to: independence of the audit committee; the chief officer role; and legal services in regard to CNORIS.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** noted the report and considered the unaudited Annual Accounts for 2016/17.

8. Integration Joint Board Local Code of Corporate Governance

Mrs Jill Stacey advised that the first version of the local code of corporate governance had been approved by the Integration Joint Board in 2016 and since that time CIPFA SOLACE had updated their good governance framework for local government. She had taken the opportunity to refresh the local code and confirmed that it was in keeping with the annual governance statement within the draft accounts. Mrs Stacey spoke of the layout which had been divided into the 7 core principles and suggested the committee may wish to consider how to disseminate the document to Board members.

Discussion took place and focused on: annual review of the local code; dissemination of the local code as part of a package of documents for Board members; terms of reference for the Integration Joint Board; identifying a development session for Board members to understand the role of voting and non voting members, the complexities of service delivery in relation to integration; working up scenario's to assist the development session; and preparation of an executive summary.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed that the full Board approve its Local Code of Corporate Governance for health and social care integration as detailed in Appendix 1 of the report.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed to the annual review of its governance arrangements and reporting of the outcome of that review in an Annual Governance Statement scrutinised by the Integration Joint Board Audit Committee in advance of Integration Joint Board approval.

The **HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** agreed that a development session be held for Board members focusing on a suite of learning, including understanding the code of corporate governance, Board members roles and terms of reference for the Board.

9. Any Other Business

There was none.

10. Date and Time of next meeting

The Chair confirmed that the next meeting of Health & Social Care Integration Joint Board Audit Committee would take place on Monday 25 September 2017 at 2.00pm in Committee Room 2, Scottish Borders Council.

The meeting concluded at 11.40am.

Signature:
Chair



SCOTTISH BORDERS HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE: Action Tracker

Meeting held 26 September 2016

Agenda Item: Accounts Commission reports 'Health and Social Care Integration'

| Action Number | Reference in Minutes | Action | Action by: | Timescale | Progress | RAG Status |
|---------------|----------------------|---|-------------|------------|--|------------|
| 4 | 8 | The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE sought a self evaluation of the Scottish Borders Health & Social Care Integration Joint Board. | Jill Stacey | March 2017 | Complete: The Audit Committee recommended to the IJB that it undertake a self assessment within the next 18 months. (Recommended to the IJB meeting on 26 June 2017). | |

Meeting held 26 June 2017

Agenda Item: Election of Chair

| Action Number | Reference in Minutes | Action | Action by: | Timescale | Progress | RAG Status |
|---------------|----------------------|--|-------------|----------------|--|------------|
| 7 | 2 | The HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed that the Chair of the Audit Committee should rotate on an annual basis as per the rotation of the Chair of the Integration Joint Board. | Jill Stacey | September 2017 | Complete: The Terms of Reference for the IJB Audit Committee was updated and approved by IJB on 28 August 2017 NB bi-annual rotation of Chair was agreed. | |

Agenda Item: Election of Chair

| Action Number | Reference in Minutes | Action | Action by: | Timescale | Progress | RAG Status |
|---------------|----------------------|--|-------------|----------------|--|------------|
| 8 | 2 | The HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed that when the Chair of the Integration Joint Board was from NHS Borders the Chair of the Audit Committee would be from Scottish Borders Council and vice versa. | Jill Stacey | September 2017 | Complete: The Terms of Reference for the IJB Audit Committee was updated and approved by IJB on 28 August 2017. | |

Agenda Item: Internal Audit Annual Report 2016/17 for Scottish Borders Health & Social Care Integration Joint Board

| Action Number | Reference in Minutes | Action | Action by: | Timescale | Progress | RAG Status |
|---------------|----------------------|--|-------------|----------------|--|------------|
| 9 | 6 | The HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed that the Effective Leadership section be updated to recognise the Board membership changes that had occurred during 2016. | Jill Stacey | September 2017 | Complete: The Report was amended (as per Action Number 12); then distributed by email to IJB Audit Committee members. | |

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Agenda Item: Internal Audit Annual Report 2016/17 for Scottish Borders Health & Social Care Integration Joint Board

| Action Number | Reference in Minutes | Action | Action by: | Timescale | Progress | RAG Status |
|---------------|----------------------|--|-------------|----------------|--|------------|
| 10 | 6 | The HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed that the audit committee chairs of all 3 organisations (NHS Borders, Scottish Borders Council, Integration Joint Board) should meet on a six monthly basis for the purposes of assurance. | Jill Stacey | September 2017 | Complete: Informed SBC Audit Committee new Chair (Cllr Stuart Bell) who supports this action. Meetings arranged for 23 October 2017 (14 August 2017 postponed due to DD non-availability) and 23 February 2018. | |

Agenda Item: Internal Audit Annual Report 2016/17 for Scottish Borders Health & Social Care Integration Joint Board

| Action Number | Reference in Minutes | Action | Action by: | Timescale | Progress | RAG Status |
|---------------|----------------------|--|-------------|----------------|--|---|
| 11 | 6 | The HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed that other Integration Joint Boards be approached to see how they had addressed the independence of their Audit Committees. | Jill Stacey | September 2017 | In Progress: Jill Stacey contacted external auditors Audit Scotland for their views. In addition Paul McMenamin conducted research across other IJBs and outlined findings by email 29 June 2017. |  |

Agenda Item: Internal Audit Annual Report 2016/17 for Scottish Borders Health & Social Care Integration Joint Board

| Action Number | Reference in Minutes | Action | Action by: | Timescale | Progress | RAG Status |
|---------------|----------------------|---|-------------|----------------|--|------------|
| 12 | 6 | The HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed that a revised report be brought back to the next meeting of the Audit Committee and a summary document be produced for the next Health & Social Care Integration Joint Board meeting. | Jill Stacey | September 2017 | Complete: The Report was amended (as per Action Number 9); then distributed by email to IJB Audit Committee members, and an Executive Summary was developed and presented to voting members at IJB Development Session on 28 August 2017 and by email thereafter. | |

Agenda Item: Integration Joint Board Local Code of Corporate Governance

| Action Number | Reference in Minutes | Action | Action by: | Timescale | Progress | RAG Status |
|---------------|----------------------|--|---|---------------|--|------------|
| 13 | 8 | The HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed that a development session be held for Board members focusing on a suite of learning, including understanding the code of corporate governance, Board members roles and terms of reference for the Board. | Iris Bishop, Elaine Torrance, Jill Stacey | November 2017 | Complete: The focus of the 28 August 2017 development session was “Board Members Role in Corporate Governance” which covered various elements of the IJB Local Code of Corporate Governance facilitated by Jill Stacey. The session was helpful as a self-evaluation exercise (as per Action Number 4) given the significant change in Board Membership during this year. | |

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| KEY: | |
|---|--|
|  | Overdue / timescale TBA |
|  | <2 weeks to timescale |
|  | >2 weeks to timescale |
| Blue | Complete – Items removed from action tracker once noted as complete at each H&SC Integration Joint Board meeting |

AUDIT COMMITTEE



INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2016/17

Aim

- 1.1 The aim of this report is to present, for approval, the final audited Annual Accounts of the Integration Joint Board (IJB) for the period to the 31 March 2017, complying with its statutory responsibility to produce financial statements in respect of financial year 2016/17.

Background

- 2.1 The Public Bodies (Joint Working) (Scotland) Act 2014 requires that the Integration Joint Board is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973. This means that the IJB is required to prepare and publish audited annual accounts that meet the reporting requirements specified in relevant legislation and regulation (specifically s.12 of the Local Government in Scotland Act 2003 and regulations under s.105 of the Local Government (Scotland) Act 1973).
- 2.2 These accounts require to be proportionate to the limited number of transactions of the IJB. They must also comply however, with the public-sector requirement for transparency and true and fair financial reporting. Whilst they formally represent the operating activities of the partnership in financial terms, NHS Borders and Scottish Borders Council are also required to report additional disclosures within their statutory accounts reflecting the formal relationship with the IJB.
- 2.3 Integration Joint Board accounts require preparation in draft by 30 June each financial year, subject to audit, following which they require approval by the IJB Audit Committee by 30 September. They also require noting by the IJB itself following this approval by the Audit Committee.
- 2.4 IJB's are specified in legislation as 'section 106' bodies under the terms of the Local Government (Scotland) Act 1973 as amended and as such they are expected to prepare their financial statements in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom.

2016/17 Annual Accounts

- 3.1 The Scottish Borders Health and Social Care Partnership Integration Joint Board was established on 06 February 2016, prior to which it operated as a shadow board. The commencement date for delegation of functions to the IJB was 01 April 2016. Since this date did not occur during 2015/16, the previous year's IJB accounts did not need to include part-year contributions from NHS Borders or Scottish Borders

Council or part-year payments from the IJB to respective partners for carrying out its directions.

- 3.2 This situation has therefore changed for 2016/17 and fuller accounts are required reflecting payment to / from the IJB in respect of functions delegated to it and services commissioned by it.
- 3.3 Draft accounts were presented to the IJB Audit Committee for noting on 26 June 2017 and submitted to Audit Scotland, the partnership's appointed External Auditor, immediately after. Following a process of independent audit involving the supply of supplementary evidence, explanatory information and incorporation of suggested presentational amendments, a final version incorporating the External Auditor's audit opinion has been agreed. This version is included as [Appendix 1](#) to this report.
- 3.4 Under the Code of Practice on Accounting for Local Authorities in the United Kingdom, the IJB accounts must meet a number of specific reporting requirements. These include:
- Management Commentary
 - Remuneration Report
 - Statement of Responsibilities
 - Annual Governance Statement
 - Independent Auditor's Report
 - Statement of Accounts
 - Disclosure Notes to the Accounts
- 3.5 The Partnership's governance arrangements determine who is responsible for signing the financial statements by 30 September each year, following specification in Regulations under s.105 of the Local Government (Scotland) Act 1973. This is provided for within the Annual Accounts and consists of the IJB Chair, Chief Officer and Chief Financial Officer where relevant. The accounts also require signing by the Independent Auditor by the same date.

Independent Auditor's Conclusions and Recommendations

- 4.1 The external Independent Auditor submitted the 2016/17 Draft Annual Audit Report on 12 September 2017. It remains draft as, whilst the work of the Independent Auditor is substantially complete, it is subject to the outstanding matters being concluded and final review of the resulting revised set of financial statements provided to them prior to the meeting of the IJB Audit Committee on 25 October 2017.
- 4.2 This will enable the Independent Auditor to issue an unqualified auditor's report on 26 September 2017.
- 4.3 [Appendix 2](#) details the External Auditor's draft Annual Audit Report to the Members of the Scottish Borders Integration Joint Board and the Accounts Commission, together with the Letter of Representation. In addition to the auditor's judgement on the 2016/17 Annual Accounts, it also contains a detailed evaluation of the activities of the IJB against the four dimensions of audit that frame the wider scope of public

sector audit requirements – Financial Sustainability, Financial Management, Governance & Transparency and Value for Money.

4.4 The report also recommends an Action Plan based on the 2016/17 Annual Accounts Audit.

4.5 In summary, the Key Messages highlighted within the draft Annual Audit Report are:

2016/17 Annual Accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Financial management

- 2 The Integration Joint Board (IJB) has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.

Financial sustainability

- 3 We concluded that the IJB has adequate financial planning arrangements in place.

Governance and transparency

- 4 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. However improvements to the arrangements have been identified, including a need to focus on strategic issues rather than operational matters.
- 5 The Chief Officer and Chief Financial Officer are both leaving their post in September 2017. Changes in key personnel could impact on the ability of the IJB to deliver its strategic objectives.
- 6 Arrangements for the monitoring and reporting of risks relating to the IJB are not yet fully embedded at the board.

Value for money

- 7 A performance management framework has been prepared but still needs to be developed and embedded. Performance has started to be reported quarterly to the IJB.
- 8 An Annual Performance Report for 2016/17 was produced in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

4.6 An unqualified audit opinion on its statutory financial reports and recognition of the robustness of its governance, financial planning and budgetary control arrangements by the Independent Auditor provides the IJB not only with assurance over the financial aspects of its operations, but is a measure of the progress made

since its establishment on 06 February 2016. A number of other findings by the Independent Auditor specifically in relation to the Annual Accounts such as in relation to the standard of supporting working papers or the lack of need to make any material adjustments to the accounts is also very positive, given that this is the IJB's first full year's set of financial statements, with only presentational or disclosure issues requiring adjustment either within the IJB accounts or its partners'.

- 4.7 A number of key points have been highlighted for further development however. These largely are driven by where the IJB is in the ongoing development of its governance, planning, management and reporting arrangements and cover areas such as risk management, performance management and further development of the budget planning and management of the large hospital budget retained and set-aside. These form the key recommendations within the Action Plan set out by the Independent Auditor and will be progressed to completion during 2017/18.

Recommendation

The Health & Social Care Integration Joint Board Audit Committee is asked to **approve** the report and **approve** the 2016/17 Annual Accounts.

The Health & Social Care Integration Joint Board Audit Committee is asked to **note** the conclusions and recommendations made within the draft Annual Audit Report for the year-ended 31 March 2017.

| | |
|---|--|
| Policy/Strategy Implications | The requirement for the Integration Joint Board to produce Annual Accounts for 2016/17 is contained within Regulation 5 (1) of the Local Authority Accounts (Scotland) Regulations 1985. |
| Consultation | Following preparation of the Annual Accounts for 2016/17, consultation has taken place between the partnership's Chief Financial Officer, NHS Borders' Director of Finance, Scottish Borders Council's Chief Financial Officer and the Chief Internal Auditor of the Integration Joint Board. The Chief Financial Officer has worked closely with the Independent Auditor during the external audit of the accounts process. |
| Risk Assessment | There are no risks directly arising from this report. The accounts are now audited and the Independent Auditor has expressed an opinion that they represent a true and fair view of the IJB's financial affairs during 2016/17 and at the 31 March 2017. The Independent Auditor has made a number of recommendations within the Management Letter and Audit Report that require consideration and addressing by the IJB and its officers. |
| Compliance with requirements on Equality and Diversity | There is no impact on the partnership's equality and diversity requirements arising |

| | |
|---------------------------------------|---|
| | from this report. |
| Resource/Staffing Implications | The accounts and their underlying supporting records contain all financial information for the partnership's activities to 31st March 2017. |

Approved by

| Name | Designation | Name | Designation |
|----------------|-------------------------|-------------|--------------------|
| Paul McMenamin | Chief Financial Officer | | |

Author(s)

| Name | Designation | Name | Designation |
|----------------|-------------------------|-------------|--------------------|
| Paul McMenamin | Chief Financial Officer | | |

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Scottish Borders
Health and Social Care
PARTNERSHIP

Scottish Borders Integration Joint Board

ANNUAL ACCOUNTS 2016/17

**For the Financial Year
01 April 2016 to 31 March 2017**

(Audited)

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Management Commentary

Purpose

Welcome to the Annual Accounts for the Scottish Borders Health and Social Care Partnership Integration Joint Board for the year ended 31 March 2017. The purpose of the Management Commentary is to inform all users of the 2016/17 Statement of Accounts and help them assess how the Integration Joint Board (IJB) has performed in fulfilling its duties over the course of the financial year.

The Scottish Borders

The Scottish Borders area is 473,614 hectares (1,827 square miles) and is located in the South East of Scotland. It has Edinburgh and the Lothians to the North, Northumberland to the South and Dumfries and Galloway to the West.

The Scottish Borders is a rural area with a population of 114,530 people, 30% of whom live in population settlements below 500 people or in isolated hamlets. The largest town is Hawick with an estimated population of 14,003, followed by Galashiels with 12,670. The only other towns with a population of over 5,000 people are Peebles, Kelso and Selkirk. The Scottish Borders is the fourth most sparsely-populated mainland local authority area in Scotland after Highland, Argyll and Bute and Dumfries and Galloway.

The population of the Scottish Borders accounts for 2.1% of the total population of Scotland. Since 1988, the Scottish Borders' total population has risen overall. Scotland's population has also risen during this period. In the Scottish Borders, 13.5% of the population are aged 16 to 29 years. This is lower than the rest of Scotland, where 18.3% are aged 16 to 29 years. Persons aged 60 and over make up 30.2% of the Scottish Borders, much higher than the Scottish average, where 24.0% are aged 60 and over.

The overall population of Scotland is expected to increase by 8% over the next 20 years but the overall population of the Scottish Borders is not expected to change significantly during the same period. The constitution of the population by banded age group however is expected to change significantly, with a reduction in the proportion of children and working-age people and an increase in the proportion of older people. Such changes are expected to be more marked in the Scottish Borders than in Scotland as a whole. In particular, the number of the 75+ age group in the Scottish Borders is projected to increase by almost 100%, which is much higher than the projected Scottish increase.

These demographic factors result in unique and challenging influence over the models and levels of provision and costs of health and social care in the Scottish Borders, currently and in the future.

Role and Remit of the Integration Joint Board

The Scottish Borders Health and Social Care Partnership is co-terminus. This means that the partnership has the same geographical boundaries as both the health board and the local authority and that partnership working between the area's Health Board and any Local Authorities within the same area exists only on a 1:1 basis. Whilst not exclusive to the Borders, this differs from a number of other partnerships across Scotland where the health

board works in partnership with two or more local authorities within its geographical boundaries.

Since 2005, health and social care partners in the Scottish Borders have worked together as the Scottish Borders Community Health and Care Partnership in order to provide a range of primary and social care services and promote health improvement across the region. Relationships between the health board, local authority and other partners including the voluntary and independent sectors, are therefore well established and have been now formalised legally as a result of the legislation leading to health and social care integration.

The Scottish Borders Integration Joint Board (IJB) is now a legal entity in its own right which was created following the implementation of the Joint Working Public Bodies (Scotland) Act 2014. On 6th February 2016, Ministerial approval was given to establish the Integration Joint Board between NHS Borders and Scottish Borders Council in order to integrate the planning and commissioning of health and social care services in the Scottish Borders.

The operation of the IJB is governed by its Scheme of Integration which sets out the body corporate model of integration within the Scottish Borders and details the functions delegated. These delegated functions include:

| Healthcare Functions | Social Care Functions |
|---|--|
| Accident & Emergency | Adults and Older People social care |
| Inpatient hospital services relating to a number of branches of medicine | Services and support for adults with physical or learning disabilities |
| Other hospital services incl. palliative care, addiction and mental health | Mental Health services |
| District Nursing | Drug and Alcohol services |
| Dental and Ophthalmic services | Support to Carers |
| Pharmaceutical services | Community Care Assessment |
| General Medical Services contracts | Support services including Housing Support |
| Out of Hours primary medical services | Residential Care |
| Allied Health Professional Services | Occupational Therapy, Reablement, Equipment and Assistive |
| Community Learning Disability services | Technology |
| Public Health | Day services |
| Outwith hospital services relating to addiction, geriatric medicine, palliative care, mental health, kidney dialysis and continence | Respite |
| | Health Improvement |

The IJB has a responsibility for the strategic planning of hospital services most commonly associated with the emergency care pathway. As such, the IJB has control of the resources supporting those associated hospital functions retained by NHS Borders and set-aside for the population of the Scottish Borders: the “Set-Aside Budget”.

Operations of the IJB

Performance against Key Priorities 2016/17

By working with individuals and local communities, the Partnership aims to assist people to achieve the 9 national health and wellbeing outcomes. These represent what partnerships across Scotland are attempting to achieve through the integration of health and social care, in particular, improving the quality provided. To enable their delivery, the partnership here in the Scottish Borders has agreed 9 local strategic objectives. These are detailed on [Page 13](#).

The Partnership has continued to focus on reducing the number of delayed discharges and reducing the number of inappropriate admissions to hospital. A key focus of this work has been mapping care pathways from hospital to community to identify any potential blocks in the system and seek solutions. This will continue to be a priority over the coming year as

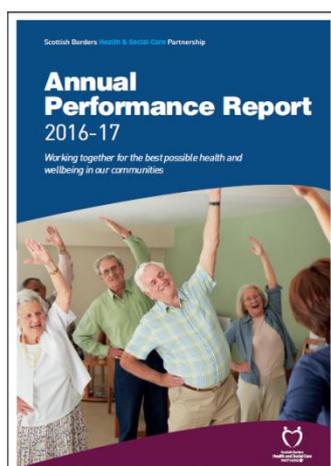
further redesign is undertaken to streamline the pathway, provide a wider range of out of hospital intermediate care and enablement approaches and also make best use of resources. A number of specific priorities for the Partnership were identified for 2016/17. The Integrated Care Fund (ICF) has been used to assist, support and develop the integration of Health and Social care services and below is a summary of progress on 9 Key Priority Actions:

- **To develop integrated and accessible transport** - *Scottish Borders Council, NHS Borders, The Bridge, The Red Cross, Berwickshire Association of Voluntary Services and the RVS are partners in the Transport Hub project to put in place a co-ordinated, sustainable approach to community transport provision. In its first year of operation the transport hub facilitated 482 journeys and 150 hospital appointments. 80% of service users agreed that the service has increased independence.*
- **To integrate services at a local level** – *Three locality co-ordinators have been recruited to develop locality plans and support the redesign of health and social care services at a local level.*
- **To roll out care co-ordination to provide a single point of access to services** – *The Community Led Support programme commenced in September 2016 with the aim of making health and social care services more accessible within local communities. Following extensive community engagement, 2 pilot hubs will open during June 2017.*
- **To improve communication and accessible information across groups with differing needs** – *Local area co-ordinators for mental health, learning disability and older people have enabled more people to access local community activities and to provide good local information.*
- **Work with communities to develop local solutions** - *The Community Capacity Building team have worked with communities to develop local solutions. To date 31 new activity sessions have been developed. A toolkit on co-production has been developed through the Community Planning Partnership supported by an e-learning package to enhance staff skills in this area and promote this approach.*
- **Provide additional training and support for staff and for people living with dementia** – *The Stress & Distress Project provides training in understanding and intervening in stress and distressed behaviours in people with dementia. Thus far, bite size training has been provided to 148 staff and full training to 177.*
- **Further develop our understanding of housing needs for people across the Borders** - *A housing strategy for older people is now under development. Following a robust business case detailed planning is now in place to build additional Extra Care Housing Developments in the Scottish Borders.*
- **To promote healthy and active living** – *The Borders Healthy Living Network works in three of our deprived communities, with community members and other partners to develop a range of activities: cooking skills sessions, food co-ops, activities such as walking football, reminiscence groups, and volunteering development. The Healthier Me network of learning disability service providers continues to work with service users on health eating and active living. Pathways and formal referral routes from health care to physical activity sessions in the community are now in place. Routes from hospital services to smoking cessation advice and to the Lifestyle Adviser Support have been improved. A comprehensive health inequalities impact assessment of screening services is being undertaken to identify improvements required to extend reach and uptake in key vulnerable groups. Borders Community Capacity Building Team have initiated projects ranging from curling and walking football to lunch clubs and have reported significant increases in wellbeing and physical activity as well as providing opportunities for older people to socialise. Further work is underway to develop*

intergenerational projects around IT. Evaluations to date have shown that 98% of gentle exercise participants have reported that the class has given them increased opportunities to socialise and 45% have reported an increase in confidence following participation in the class.

- **To improve the transition process for young people with disabilities moving into adult services** – A project manager has been appointed and mapping workshops have been held to review the pathway and produce an improvement plan to be implemented.
- **To improve the quality of life of people with long term conditions by supporting self-management and promoting healthy living** – The evaluation of a pilot initiative on supported self-management has provided valuable learning on the development required in pathways and in staff knowledge and skills. This is being integrated into the planning of our locality services. The pilot showed a 21% improvement in wellbeing for service users. A new initiative is being trialled on diabetes prevention that provides health coaching support and subsidised exercise for those newly diagnosed. Mental health rehabilitation services have developed standardised health assessment and care planning tools to support the health and wellbeing of clients with significant mental health issues.
- **To improve support for Carers within our communities-** The Partnership has continued to support the Carers' Centre which offers practical support and advice to Carers as well as undertaking Carer's assessments. In 2016/17, 401 new Carers have been referred to the Carers Centre service. The transitions work has also focused on Carers/Parents as a key partner in this work.
- **Promote support for independence and reablement so that all adults can live as independently as possible-** 16 transitional care beds focusing on improving the skills and confidence of older people with the key aim of returning home following admission to hospital have been developed in a care home setting. To date, 72% of patients have returned to their original home and 75% have stayed for 6 weeks or less. Further transitional care beds are now planned in other homes. The Borders Ability Equipment Store has recently been relocated to a purpose built building to improve the efficiency of the supply of equipment which allows people to live independently in their own homes. This will have an impact of reducing preventable hospital and care home admissions.

The partnership published its Annual Performance Report (APR) for 2016/17 in June 2017.



The APR presents the financial performance of the Partnership and its performance against the National “Core Suite” of Integration Indicators identified by the Scottish Government and the delivery of the 9 Local Objectives identified in its Strategic Plan.

The partnership’s priorities for 2017/18 are also set out in the report and we will continue to work hard to deliver responsive health and social care services which are focused on the needs of the people who use them and their local communities.

A key focus for the Partnership going forward will be delivering our joint programme of transformation to ensure that we can successfully address the challenges and achieve the Partnership’s objectives to ensure the best possible health and wellbeing for our communities.

A full copy of the Annual Performance Report can be requested by contacting the IJB Chief Officer, Scottish Borders Council HQ, Newtown St Boswells, Melrose. TD6 0SA or on 01835 824000.

Key Partnership Decisions 2016/17

Since its establishment on 6th February 2016, the Integration Joint Board has met regularly in order to put in place sound governance and operating arrangements and to direct its performance and resource planning, management and reporting. Examples of key governance decisions it has made since its establishment include:

- The appointment of its Chief Officer, Chief Financial Officer and Chief Internal Auditor
- Approval of its Strategic Plan
- Approval of the Scheme of Integration for the Scottish Borders
- Approval of the Local Code of Governance within which the partnership operates
- Established its Audit Committee arrangements

In relation to performance and resources, the IJB has:

- Approved and delivered its 2016/17 financial plan and approved its 2017/18 financial plan
- Directed the successful delivery of an in-year financial recovery plan
- Directed the use of over £5m of social care funding allocation and £4m of integrated care funding to meet new and existing partnership priorities
- Approved its financial planning and reserves strategy
- Approved its Performance Monitoring Framework
- Approved its Annual Performance Report

Locality Planning

Locality planning is a key tool in the delivery of the changes required to meet the increasing service demands within the Borders and supports the requirements of the Community Empowerment (Scotland) Act 2015. Local working groups across the five localities in the Scottish Borders have been established. These working groups are made up of local representatives and they have made a significant contribution to the development of five Locality Plans. The plans focus on local needs and key priorities for improvement from the perspective of local people who use and deliver health and social care services.

Governance

During 2016/17 the governance structure for the Partnership was revised in order to streamline the process and clarify the decision making roles within the structure. The revised governance structure consists of two layers:

- **The Integration Joint Board (IJB)** provides ratification and feedback of all decisions proposed by the Executive Management Team (EMT). It receives regular progress updates from the EMT through the Chief Officer and Chief Financial Officer as well as frequent and regular financial and performance planning and management reports.
- **The Executive Management Team (EMT)** supports the **Chief Officer** to commission tests of change and/or service redesign. These are then drawn up into business cases by the operational level of the governance structure and returned to the EMT for review and decision making. The EMT also considers or supports the preparation of all reports to the IJB and advises the Chief Officer on the Partnership's governance, planning, monitoring and reporting responsibilities.

The Strategic Planning Group, Public Participation Forum and the Joint staff Forum offer advice to the Integration Joint Board whilst the Health and Social Care Joint Management Team provide operational support and delivery and progress reporting.

During 2016/17, the Partnership worked to fulfil its commitment to ongoing and continuous improvement. A range of activities continue to be developed in order that the Integration Joint Board identifies and understands its key strengths and areas for improvement across all aspects of its governance, operations and performance. In relation to governance specifically, the Integration Joint Board approved the formation of and held the first formal meetings of its Audit Committee during the year delivering the 2016/17 Internal Audit Plan.

At the start, middle and end of the financial year, the IJB and its partners undertook a full review and evaluation of its degree of compliance with legislation and recommended best practice in relation to the Partnership's financial governance, planning, management and reporting arrangements. A number of positive outcomes have been reported following these processes and clear forward planning is in place to continue to provide full assurance to the Partnership going forward.

A quarterly performance reporting scorecard has been developed for the IJB, in line with the themes defined by the Ministerial Strategy Group. In addition to these themes, the scorecard allows for the reporting on more localised measures which have a primary, community or social care focus.

A joint inspection of the Health and Social Care Partnership's older people's services undertaken by the Care Inspectorate and Healthcare Improvement Scotland in early 2017 will also provide assurance and a clear strategy for further improvement across the partnership. The Partnership currently awaits the final report.

Financial Position at 31 March 2017

Delegated Budget

Overall, following additional funding delegated to the partnership during the financial year, a breakeven outturn position against the partnership's Delegated Budget at 31 March 2017 is reported. This reported position across delegated functions is summarised below:

| <i>Delegated Functions Total</i> | Base Budget £'000 | Revised Budget £'000 | Actual Outturn £'000 | Outturn Variance £'000 |
|-----------------------------------|-----------------------------|--------------------------------|--------------------------------|----------------------------------|
| Joint Learning Disability Service | 18,270 | 19,082 | 18,951 | 131 |
| Joint Mental Health Service | 15,977 | 16,153 | 16,084 | 69 |
| Joint Alcohol and Drug Service | 948 | 803 | 738 | 65 |
| Older People Service | 22,843 | 20,635 | 20,979 | (344) |
| Physical Disability Service | 3,180 | 3,448 | 3,343 | 105 |
| Generic Services | 77,212 | 82,933 | 82,959 | (26) |
| | 138,430 | 143,054 | 143,054 | 0 |

During 2016/17 significant financial pressures were experienced by the partnership and required mitigation and remedial action. These included:

- meeting the increased costs of service provision in areas such as care at home as a result of both increased market costs and the implementation of the Scottish Living Wage for all adult carers
- funding significant price increases of a number of prescribed drugs

- increased demand for services above levels budgeted across functions such as residential care and unplanned admissions to hospital requiring increased bed capacity and staffing
- slippage in the delivery of planned efficiencies
- other staffing pressures

In order to meet these pressures, a recovery plan was implemented during the year in order to deliver mitigating savings. This plan included a range of actions which included:

- direction of additional funding by the IJB
- capital slippage
- planned slippage of the local delivery plan
- additional control measures
- non-recurring accounting adjustments from balance sheet to revenue

It is primarily by the delivery of an NHS-Borders-wide recovery plan that the reported position above has been achieved. It is also through the wider recovery plan that sufficient financial capacity has been created across wider non-delegated functions in 2016/17 that enabled an additional contribution of £3.879m to be delegated to the IJB in order to meet the projected outturn variance at 31 March 2017 (£3.840m from NHS Borders, £0.039k from Scottish Borders Council).

The direct impact in 2016/17 of this in-year recovery plan on the partnership's Strategic Plan has been assessed as low to medium. The main positive factors which determine this are:

- securing Scottish Government endorsement and financial support to ensure that adverse impact is minimised
- improved efficiency and control measures which form part of the recovery plan
- utilisation of contingency
- technical financial adjustments which have a low impact directly on front-line functions
- one-off nature of a significant proportion of the plan

Conversely however, the wider medium-term impact is, without further action, likely to be higher as a result of:

- the opportunity cost of directing social care funding and integrated care fund, both on a non-recurring basis, to meet pressures across surge and community hospital beds and prescribing
- the non-recurring nature of much of the recovery plan actions requiring permanent addressing going forward
- the requirement to still deliver previously planned efficiency savings in future financial years
- the continued pressures across key functions threatening overall affordability which have yet to be addressed

Beyond the challenges arising from a lack of overall affordability of delegated functions, there are a number of other risks to which the partnership is currently exposed which require management and mitigation:

- the 2017/18 Financial Plan remains draft and does not currently address all historic and existing pressures
- levels of planned efficiency and other savings is significant and delivery in full will be at best, challenging
- the partnership's Strategic Plan is a medium-term document spanning 3 financial years of which 2017/18 forms year 2 of the original plan. Both NHS Borders and Scottish Borders Council will receive only a 1-year financial settlement - future delegated and notional budgets are only indicative and will be subject to change;
- the full impact of in-year recovery in 2016/17 together with the significant level of efficiencies and savings required in 2017/18 and 2018/19 on the ability of the partnership to deliver the plan has yet to be undertaken

- further cost pressures may emerge during 2017/18 that are not yet projected or provided for within either partner's 2017/18 financial plan, nor the resources delegated to the IJB
- prescribing: this is a high risk area due to the level of spend and volatility of supply and price
- ongoing provision of service at Winter Plan levels, other than Prescribing, was the largest area of pressure in 2016/17 and may continue to occur in 2017/18
- further 2017/18 legislative and regulatory requirements including the implementation of the Living Wage of £8.45 in 2017/18 and the financial consequences of the implementation of Carers' legislation
- the risk of loss of service provision as a result of market failure would result in additional costs as alternative supply is transitioned
- the requirement to realign resources in line with priorities / demand and shift resource across the health and social care pathway across functions will be required
- partners' financial plans assume that in the main, the partnership will mitigate against the impact of increased future demographic pressure across delegated services. This has not yet been addressed

The impact on performance as a result of the considerable savings targets required in 2017/18 requires identification and evaluation. The partnership's Strategic Plan was approved prior to the IJB being established and will be updated during 2017/18. The prevalent financial position will provide key context to this review.

Large Hospital Budget Retained and Set-Aside

Legislation sets out that Integration Authorities are responsible for the strategic planning of hospital services most commonly associated with the emergency care pathway along with primary and community health care and social care.

At 31 March 2017, the Scottish Government recognises that, in many partnership areas, arrangements for the sum set-aside for hospital services under the control of Integration Authorities are not yet operating as required by the legislation and statutory guidance. Advice to Health Boards and Integration Authorities will be issued in summer 2017 by the Scottish Government in order to help establish arrangements that meet these requirements for 2017/18 and subsequent years.

In the meantime, Health Boards and Integration Authorities are required to agree a figure for the sum set aside to be included in their respective 2016/17 annual accounts. Where the required arrangements are not yet in place, Integration Authorities should use the sum identified by the Health Board and made available to the Integration Authority when the budget was agreed for 2016/17. It has been acknowledged by the Scottish Government that this means that the sum set aside recorded in annual accounts will not reflect actual hospital use in 2016/17.

Applying the Scottish Government's direction in relation to accounting for set-aside resources is a transitional arrangement for 2016/17 only. Health Boards and Integration Authorities should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18. Within the Scottish Borders, this will take place during 2017/18 taking account of any new guidance issued.

In relation to the Large Hospital Budget Retained by NHS Borders and Set-Aside therefore, a balanced breakeven position has been reported at 31 March 2017, summarised as:

| <i>Set Aside Healthcare Functions</i> | Revised Budget £'000 | Actual Outturn £'000 | Outturn Variance £'000 |
|--|-------------------------------------|-------------------------------------|---------------------------------------|
| Accident & Emergency | 2,043 | 2,043 | 0 |
| Medicine & Long-Term Conditions | 13,029 | 13,029 | 0 |
| Medicine of the Elderly | 6,142 | 6,142 | 0 |
| Planned Savings and Social Care Fund | (350) | (350) | 0 |
| | 20,864 | 20,864 | 0 |

£0.500m of social care funding was directed by the partnership in order to supplement the final set-aside budget of the IJB of £20.364m (see below).

Other Resources

Social Care Funding

The direction in full by the IJB of its £5.267m Scottish Government allocation of Social Care funding across both its delegated and set-Aside function budgets is included within the reported position above. In summary however, resources were directed during 2016/17, as follows:

| <i>Social Care Funding</i> | Directed Funding 2016/17 £'000 |
|-----------------------------------|---|
| Delegated Functions: Social Care | 3,845 |
| Delegated Functions: Healthcare | 922 |
| Set-Aside Functions: Healthcare | 500 |
| | 5,267 |

In relation to social care, the funding allocation was directed in order to meet the costs of implementation of the Scottish Living Wage from 01 October 2016, increased market provider costs and increased demand for social care services, in particular care at home and equipment. It was also used to address the impact of the loss of income as a result of a change to the basis on which client contributions to the cost of their care are calculated.

In relation to delegated healthcare functions, non-recurring contributions to partially preserve the level of Alcohol and Drug Partnership services commissioned and to address wider delegated healthcare function financial pressures were made, as part of the in-year recovery plan, during the financial year.

Direction of funding was also made on a non-recurring basis to part-meet the costs of unbudgeted pressure arising as a result of the level of surge beds remaining open during the non-winter period of 2016/17.

Integrated Care Fund

In addition to the delegated and set-aside budgets outlined above, the IJB also has assumed responsibility for the direction of the Scottish Borders' Integrated Care Fund (ICF) Allocation. 2016/17 represented year 2 of a 3-year funded programme. The Scottish Borders' allocation of this funding is £2.13m per annum, a total of £6.39m over the life of the current programme.

A summary of the 2016/17 ICF expenditure is detailed below, in the context of previous spend and annual / total allocations:

| Actual Outturn 2015/16 £'000 | | Actual Outturn 2016/17 £'000 | Budget/ Allocation 2015/16 £'000 | Budget/ Allocation 2016/17 £'000 | Slippage at 31/03/2017 £'000 |
|---|------------------------------|---|---|---|---|
| 21 | NHS Borders-Led | 621 | 21 | 194 | (427) |
| 204 | Scottish Borders Council-Led | 703 | 204 | 703 | 0 |
| - | Uncommitted Resources | - | 1,905 | 1,233 | 3,138 |
| 225 | | 1,324 | 2,130 | 2,130 | 2,711 |

£1.324m of the 2016/17 £2.130m allocation was spent during 2016/17. In 2015/16 (year 1 and pre-establishment of the IJB), £225k of the 2015/16 £2.130m allocation was spent. This has resulted in compound carry forward of funding of £1.905m and £0.806m respectively, a total carry forward to 2017/18 of £2.711m. The budget for the remainder of the programme in 2017/18 will therefore, when added to the 2017/18 £2.13m allocation, be £4.841m.

Of this, £2.555m remains uncommitted by the partnership at the current time. Plans are advanced however, for this remaining allocation to be directed in full during 2017/18 in order to enable the significant remodelling of health and social care being developed within the partnership's Integrated Transformation Programme.

| Integrated Care Fund | IJB Directed to Date £'000 |
|------------------------------|---|
| NHS Borders-Led | 1,188 |
| Scottish Borders Council-Led | 2,647 |
| Uncommitted Resources | 2,555 |
| | 6,390 |

Former Older People's Change Fund

Prior to the establishment of the Health and Social Care Partnership, NHS Borders, Scottish Borders Council and their third and fourth sector partners worked in together to deliver the

Reshaping Care Programme, funded by Scottish Government Change Fund allocation over 4 years to March 2015. This programme is now complete, but a residual uncommitted balance on the funding allocation of £557k remains for carry forward to 2017/18 for use by the partnership.

Strategic Plan

The Scottish Borders Integration Joint Board (“the Board” or “the IJB”) of the Scottish Borders Health and Social Care Partnership (“the Partnership”) was established as a body corporate by Scottish Ministers on 6th February 2016. The Partnership has published a Strategic Plan for 2016 – 2019 which sets out what we want to achieve to improve health and well-being in the Borders through integrating health and social care services.

The Strategic Plan sets out a high level summary of some of what all partners are doing in order to deliver more personalised care and make best use of advancing technology to achieve “Best Health, Best Care, Best Value”. This high-level Plan is supported by the implementation of strategies related to specific themes (such as Dementia, Mental Health) and Locality Plans that reflect differing patterns of need across the Borders.

The partnership’s Strategic Plan also describes some of the actions it is taking to start to make the shift towards more community-based health and social care services, the outcomes sought to achieve these and the steps being taken to deliver our local objectives. In addition, the performance measures used to assess the progress we are making are outlined.

Our **9 Local Objectives** are:

1. We will make services more accessible and develop our communities
2. We will improve prevention and early intervention
3. We will reduce avoidable admissions to hospital
4. We will provide care close to home
5. We will deliver services within an integrated care model
6. We will seek to enable people to have more choice and control
7. We will further optimise efficiency and effectiveness
8. We will seek to reduce health inequalities
9. We want to improve support for Carers to keep them healthy and able to continue in their caring role

Risk, Uncertainty and Change

Management of risk and in particular, Financial Risk is one of the key responsibilities of the Board. Work continues currently to develop both Strategic and Operational Risk Registers for the Partnership. Specific prevalent risks are outlined on Page 9. Within the Partnership’s Risk Register, these are categorised across the following strategic themes:

- Real-term funding reductions
- Insufficient transformation funding
- Slippage in the ambitious programme to transform to new models of care
- Further political policy initiatives and funding conditions
- The delivery of challenging efficiency and savings programmes
- Future demographic (demand) pressures
- Increasing market / provider costs of health and social care services
- Market / provider failure
- Price volatility, in particular increased Drugs costs

- Failure of financial planning, management and governance
- Other emerging pressures

In 2017/18, the IJB chair will be Dr Stephen Mather, who is an NHS Borders Non-Executive Director. The previous Chair, Councillor Catriona Bhatia, has now retired from her role as a local authority member. Mrs Pat Alexander, Vice-Chair of the IJB during 2016/17, has also retired from her role as an NHS Borders Non-Executive Director. Following the Scottish Local Government Election 2017, 5 new local authority members have been nominated to the IJB by Scottish Borders Council.

Annual Accounts

The Integration Joint Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires preparation in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the Service Reporting Code of Practice 2016/17 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

Dr Stephen Mather
Chair

Sandra Pratt
Chief Officer

Paul McMenamin
Chief Financial
Officer

On behalf of the Integration Joint Board Members and Officers of Scottish Borders Health and Social Care Partnership Integration Joint Board

25 September 2017

Remuneration Report

Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require various disclosures about the remuneration and pension benefits of specific IJB members and senior employees in respect of earnings and pension benefits.

Remuneration

The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Employee. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure below.

The information contained in the report is subject to external audit. The explanatory text within the report is reviewed by external auditors to ensure that it is consistent with the financial statements.

Remuneration of Integration Joint Board Members

The voting members of the IJB are appointed through nomination by NHS Borders and Scottish Borders Council. Nomination of the IJB Chair and Vice-Chair posts alternates between an elected member (2016/17 chair) and a Health Board representative (2017/18 chair).

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The details of the Chair and Vice Chair appointments and any taxable expenses paid by the IJB are therefore shown below as nil:

| Name | Post(s) Held | Nominated By | Taxable Expenses 2016/17 £ |
|----------------------|--------------|--------------------------|----------------------------|
| | | | |
| Cllr Catriona Bhatia | Chair | Scottish Borders Council | Nil |
| Mrs Pat Alexander | Vice-Chair | NHS Borders | Nil |
| Total | | | Nil |

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for the Chair and Vice-Chair of the IJB as they are defined above.

Remuneration of Senior Employees

The term 'Senior Employee' means:

1. Any employee who has responsibility for the management of the Integration Joint Board to the extent that the person has the power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
2. Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
3. Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

The IJB does not employ any staff in its own right. Specific post-holding officers are non-voting members of the board however.

Chief Officer: Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014, a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

Other Officers: No other staff have been appointed by the IJB under a similar legal regime. The Chief Finance Officer and Secretary to the Integration Joint Board posts' duties are covered by each post holder's substantive posts in Scottish Borders Council and NHS Borders respectively. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

The Chief Officer therefore has responsibility for the management of the IJB, supported by the Chief Financial Officer from a financial context. Regardless of how these posts are supplied to the partnership or funded, both are therefore deemed to be Senior Employees in line with criterion 1 above.

Two officers held the post of Chief Officer during 2016/17. The duration of their undertaking is summarised below:

| Total 2015/16 £ | Name | Employing Organisation | Salary £ | Fees and Allowances £ |
|-------------------------|--|--------------------------|-------------------------|-----------------------------|
| 15,866 (FYE £80,024) | Mrs Susan Manion (01 April 2016 to 11 December 2016) | NHS Borders | 57,960 (FYE £82,638) | 445 |
| Nil | Mrs Elaine Torrance (01 December 2016 to 31 March 2017) | Scottish Borders Council | 26,899 (FYE £80,697) | 43 |
| 15,866 | Total | | 84,859 | 488 |

The Chief Financial Officer role was undertaken during 2016/17 by Mr Paul McMenamain:

| Total 2015/16 £ | Name | Employing Organisation | Salary £ | Fees and Allowances £ |
|--------------------|-------------------|--------------------------|---------------|--------------------------|
| Nil | Mr Paul McMEnamin | Scottish Borders Council | 50,033 | Nil |
| Nil | Total | | 50,033 | Nil |

During the period, no payments were made in respect of bonuses, taxable expenses, compensation for loss of office or any non-cash benefits. No exit packages were agreed by the Board during this period.

Susan Manion, employed as Chief Officer from 01 April 2016 to 11 December 2016, held an employment contract with NHS Borders on NHS pay terms and conditions of employment and was a member of the NHS Pension Scheme. Elaine Torrance, employed as Chief Officer from 01 December 2016 to 31 March 2017 held an employment contract with Scottish Borders Council on Scottish Borders Council pay terms and conditions of employment and is a member of the Scottish Borders Council Local Government Pension Scheme (LGPS).

In respect of officers' pension benefits, the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis, there is no pensions liability reflected on the IJB Balance Sheet for the Chief Officer or any other officers. The IJB however has the responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits and the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions:

| Name | In-Year Pension Contributions For Year To | | Accrued Pension Benefits At 31 March 2017 | |
|---|--|--------------------|---|----------------|
| | 31 March 2016 £ | 31 March 2017 £ | Pension £ | Lump Sum £ |
| Chief Officer Mrs Susan Manion (01 April 2016 to 11 December 2016) | 1,499 | 8,636 | 12,087 | 36,262 |
| | Movement from 31 March 2017 = | | 785 | 2,356 |
| Chief Officer Mrs Elaine Torrance (01 December 2016 to 31 March 2017) | Nil | 4,842 | 39,827 | 85,345 |
| | Movement from 31 March 2017 = | | 680 | 282 |
| Chief Financial Officer Mr Paul McMEnamin | Nil | 9,006 | 22,740 | 0 |
| | Movement from 31 March 2017 = | | 2,374 | 0 |
| Total | 1,499 | 22,484 | 74,654 | 121,607 |
| | Total Movement from 31 March 2017 = | | 3,839 | 2,638 |

*₁ Pro-rata for period employed as Chief Officer 01 April 2016 to 11 December 2016

*₂ Pro-rata for period employed as Chief Officer 01 December 2016 to 31 March 2017

The regulations require any officer whose remuneration for the year was £50,000 or above, to be disclosed in bandings of £5,000. For the IJB in 2016/17 this is:

| Number of Employees in Band 2015/16 | Remuneration Band | Number of Employees in Band 2016/17 |
|-------------------------------------|-------------------|-------------------------------------|
| 0 | £50,001-£55,000 | 1 |
| 0 | £55,001-£60,000 | 1 |

Dr Stephen Mather
Chair

Sandra Pratt
Chief Officer

On behalf of the Councillors and Officers of Scottish Borders Health and Social Care Partnership

25 September 2017

Statement of Responsibilities

Integration Joint Board

The Integration Joint Board has appointed its Chief Officer and Chief Financial Officer on an interim secondment basis.

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Joint Board, that officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature by the Integration Joint Board Audit Committee at its meeting on 25 September 2017.

Signed on behalf of Scottish Borders Health and Social Care Partnership Integration Joint Board

Dr Stephen Mather
Chair

Chief Financial Officer

The Chief Financial Officer is seconded at no cost to the IJB from one or other partner organisation. Currently, this post is filled on an interim basis.

The Chief Finance Officer is responsible for the preparation of the IJB's Annual Accounts in accordance with the proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

- kept adequate proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of Scottish Borders Health and Social Care Partnership Integration Joint Board as at 31 March 2017 and the transactions of the Joint Board for the year then ended.

Paul McMenamin, BA CPFA
Chief Financial Officer

Annual Governance Statement 2016/17

Introduction

The Annual Governance Statement explains the IJB's governance arrangements and system of internal control and reports on their effectiveness.

Scope of Responsibility

The IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the IJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the IJB's policies, aims and objectives. Reliance is also placed on NHS Borders and Scottish Borders Council (the partners) systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.

The system can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework and Internal Control System

The Board of the IJB comprises voting members, nominated by either NHS Borders or Scottish Borders Council, as well as non-voting members including a Chief Officer appointed by the Board.

The IJB's Local Code of Corporate Governance (IJB Local Code) sets out the framework and key principles, which require to be complied with, to demonstrate effective governance. Revisions were required to the IJB Local Code to ensure it reflects the changing context of integration and is consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for Scottish authorities. The overall aim of the Framework is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The main features of the governance framework and internal control system associated with the seven core principles of good governance defined in the revised Framework in existence during 2016/17 included:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

The roles and responsibilities of Board members and statutory officers and the processes to govern the conduct of the Board's business are defined in the Scheme of Integration, approved constitution and Procedural Standing Orders to make sure that public business is conducted with fairness and integrity.

Reliance is placed on the values and standards set out in the codes of conduct within the employer partner organisations, which incorporate "The Seven Principles of Public Life" identified by the Nolan Committee on Standards in Public Life.

The IJB is dependent upon arrangements within the partner organisations for areas such as:

- ensuring legal compliance in the operation of services;
- handling complaints;
- ethical awareness training and whistleblowing policies and procedures;
- staff appointment and appraisal processes which take account of values and ethical behaviour;
- identifying, mitigating and recording conflicts of interest, hospitality and gifts; and
- procurement of goods and services which are sustainable, represent value of money and which reinforce ethical values.

Other areas where the IJB places significant reliance on arrangements in place within the partner organisations are set out in the remainder of the statement.

The Chief Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Professional advice on the discharge of duties is provided to the Board by the Chief Officer supported by Board Secretary, Chief Financial Officer, and Chief Internal Auditor as appropriate

B. Ensuring openness and comprehensive stakeholder engagement

Board meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality.

Unless confidential, decisions made by the Board are documented in the public domain. Community engagement was encouraged as part of the development of the Scheme of Integration and the Strategic Plan of the Health and Social Care Partnership was developed following consultations with interested parties including members of the public.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The vision, strategic objectives and outcomes are reflected in the Scottish Borders Health & Social Care Partnership's Strategic Plan 2016-2019 and the associated Commissioning and Implementation Plan. Planning is underpinned by the Locality Plan.

Equality and Diversity implications are considered during the decision making process to promote fair access to services.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

In determining how services and other courses of action should be planned and delivered the partnership has a statutory responsibility to involve patients and members of the public. The Scottish Borders Health & Social Care Partnership's Strategic Plan 2016-2019 is based on consultation. The plan will be updated before the end of its life and any update will be based upon further consultation.

Decision makers receive objective analysis indicating how intended outcomes would be achieved.

Community benefit is an important consideration in the procurement of goods and services. Reliance is placed on the arrangements within the partner organisations for achieving community benefits

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Board is supported by the Chief Officer and the Chief Financial Officer who are 'employed' by the IJB. The roles of these officers are defined in agreed job profiles. The Chief Officer is responsible and accountable to the Board for all aspects of management including promoting sound governance and providing quality information/support to inform decision-making and scrutiny.

Regular meetings are held between the Chief Officer and the Chair and Vice Chair of the IJB. The Chief Officer also meets regularly with the Chief Executives of the partner organisations.

Members of the IJB Board are provided with the opportunity to attend development sessions covering a broad range of subject matter.

F. Managing risks and performance through robust internal control and strong public financial management

The Chief Officer has overall responsibility for directing and controlling the partnership. The IJB Board is responsible for key decision-making.

The Partnership has a risk management strategy which was approved by the IJB on 7 March 2016. It includes: the reporting structure; types of risks to be reported; risk management framework and process; roles and responsibilities; and monitoring risk management activity and performance.

The Chief Financial Officer is responsible for the proper administration of all aspects of the Partnership's financial affairs including ensuring appropriate advice is given to the Board on all financial matters.

The IJB's system of internal financial control is dependent upon on the framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and systems of delegation and accountability within the partner organisations.

Revenue Budget Monitoring reports are presented to the Board at each meeting for monitoring and control purposes including the annual outturn. Financial reporting for the partnership requires the application of appropriate financial regulations, codes of financial practice, and reporting standards.

The IJB also relies upon the partners for:

- pursuing a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably; and
- management of data in accordance with applicable legislation.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Chief Officer Audit & Risk of Scottish Borders Council has been appointed by the Board (as Chief Internal Auditor) to provide an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out in conformance with the Public Sector Internal Audit Standards. Effective working arrangements are in place between the partner's respective Internal Auditors on matters relevant to the IJB.

The Board responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The IJB Audit Committee is integral to overseeing assurance and monitoring improvements in internal control and governance.

An Annual Performance Report for 2016/17 has been prepared to outline progress against strategic objectives in year 1.

Review of Adequacy and Effectiveness

The IJB is required to conduct, at least annually, a review of the effectiveness of its governance framework.

The review was informed by:

- an annual self-assessment against the IJB's Local Code of Corporate Governance consistent with the principles and recommendations of the new CIPFA/SOLACE Framework (2016), carried out by IJB Internal Audit;
- IJB Internal Audit reports;
- IJB External Audit reports;
- relevant reports by other external scrutiny bodies and inspection agencies; and
- relevant partners' (NHS Borders and Scottish Borders Council) Internal Audit and External Audit reports.

The results of the review were reported to the IJB Audit Committee whose role includes high level oversight of the IJB's governance, risk management, and internal control arrangements.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code. Action required is summarised under the following themes:

Regulation of the Board and scrutiny arrangements

- 1 Definition of the roles and responsibilities of Board members clearly set out in formal Terms of Reference (soon to be submitted to the Board), supported by focussed learning and development to assist members in discharging their roles and responsibilities properly.
- 2 Formal assessment of the skills required by Board members to effectively perform their role with personalised learning and development to advance their individual skills set as required.
- 3 Introduction of an appraisal process in order to review the performance of the statutory officers and of individual Board members.
- 4 Development of a formal scheme of delegation and reserve powers within the constitution, including a formal schedule on those matters specifically reserved for collective decision of the Board, taking account of relevant legislation.
- 5 Delegation of relevant powers to the Chief Officer to facilitate implementation of the strategy and managing the delivery of services and other outputs set by members.
- 6 Promotion of a culture that fully endorses and accepts challenge among partners.
- 7 Seeking clarification on arrangements to ensure robustness and independence of the IJB Audit Committee's operations.

Decision making

- 8 Formalisation of arrangements for access to specialist legal advice that might be required, through the partners' legal services and their support service arrangements.
- 9 Review of the decision making process ensuring that in future reports upon which decisions are to be made identify social and environmental benefits, legal and sustainability considerations and include a comprehensive analysis of risk. The implications of the decision along with possible alternative actions are clearly and consistently set out. When documenting the decision the criteria and rationale used in taking the decision is explained.

Engagement and Implementation

- 10 Revision and completion the Commissioning and Implementation Plan ensuring that it represents a sufficiently detailed approach to service redesign to bring about intended impact or changes including quality of service and value for money.
- 11 Decision on when consultation on service reconfiguration should take place going forward and reflection of the decision as policy in the Communications and Engagement Plan.
- 12 Commencement of commissioning to bring about required service redesign and intended outcomes through either disinvestment or targeted reinvestment.

Monitoring progress, performance and risk

- 13 Completion of risk registers currently prepared to a draft stage.
- 14 Embed risk management into the culture of the authority and fully consider risk in the decision making process.
- 15 Continue to develop and then embed a Performance Management Framework which:
 - Establishes, through the development of relevant KPIs, an effective mechanism for monitoring performance and quality of all services including value for money in redesigned services within scope of health and social care integration;
 - assists in objectively challenging progress made with integrating service delivery in terms of activities, outputs and planned outcomes; and
 - performance monitoring reports are regularly presented to the Board.

Financial and resource planning

- 16 Definition of sustainable outcomes and available resources recognising the significant risk to outcomes posed by the cost of current models of delivery on financial sustainability.
- 17 Development of a medium term financial strategy as proposed in February 2017 along with the development of medium and long term resource plans.

The implementation of these actions to enhance the governance arrangements in 2017/18 will be driven and monitored by the IJB Chief Officer in order to inform the next annual review. Internal Audit work planned in 2017/18 is designed to test improvements and compliance.

Conclusion and Opinion on Assurance

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's governance arrangements and system of internal control, while recognising that improvements are required to fully demonstrate compliance with the Local Code in order for the IJB to fully meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

Dr Stephen Mather
Chair

Sandra Pratt
Chief Officer

On behalf of the Councillors and Officers of Scottish Borders Health and Social Care Partnership

25 September 2017

Independent Auditor's Report

Independent auditor's report to the members of Scottish Borders Integration Joint Board and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Scottish Borders Integration Joint Board as at 31 March 2017 and of its income and expenditure on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Financial Officer] for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in

accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Gillian Woolman MA FCA CPFA

Assistant Director

Audit Scotland
102 West Port
Edinburgh
EH3 9DN

26 September 2017

Statement of Accounts

Comprehensive Income and Expenditure Statement (CIES) for the Year Ended 31 March 2017

This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments, these would be included in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. For 2016/17, there are no statutory adjustments.

| Gross Expenditure 2015/16 | Income 2015/16 | Net Expenditure 2015/16 | | Gross Expenditure 2016/17 | Income 2016/17 | Net Expenditure 2016/17 | Note |
|---|----------------|-------------------------|---|---------------------------|------------------|-------------------------|------|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | |
| 0 | 0 | 0 | Health Services Delegated | 97,322 | 0 | 97,322 | 4,7 |
| 0 | 0 | 0 | Social Care Services Delegated | 47,453 | 0 | 47,453 | |
| 0 | 0 | 0 | Health Services Retained and Set-Aside by NHS Borders | 20,864 | 0 | 20,864 | |
| 20 | 0 | 20 | Corporate Services | 127 | 0 | 127 | |
| 20 | 0 | 20 | Cost of Services | 165,766 | 0 | 165,766 | |
| 0 | (20) | (20) | Taxation and Non-Specific Grant Income | 0 | (165,766) | (165,766) | 5 |
| 0 | (20) | (20) | Surplus or (Deficit) on Provision of Services | 165,766 | (165,766) | 0 | |
| 0 Total Comprehensive Income and Expenditure | | | | | | 0 | |

The Integration Joint Board was established on 06 February 2016. Whilst a legal entity from that date, integrated delivery of health and social care services did not commence until 01 April 2016. Consequently, the 2016/17 financial year is the first fully operational financial year for the IJB and the figures stated in the Comprehensive Income and Expenditure Statement reflect this.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the IJB's reserves. The movements which arise due to statutory adjustments which affect the IJB's General Fund balance are separately identified from the movements due to accounting practices.

The Comprehensive Income and Expenditure Statement reports no net surplus or deficit on the provision of services at 31 March 2017. No statutory adjustments have been made in respect of any absence entitlement on the part of the Chief Officer which has been earned but not yet taken as at 31 March 2017.

Following these positions therefore, no net movement in reserves has been calculated for 2016/17.

| | General Fund Balance £'000 | Useable Reserves: Employee Statutory Adjustment Account £'000 | Total Reserves £'000 |
|--|-------------------------------|---|-------------------------|
| Opening Balance at 31 March 2016 | 0 | 0 | 0 |
| Adjustments between accounting basis and funding under regulations | 0 | 0 | 0 |
| Closing Balance at 31 March 2017 | 0 | 0 | 0 |
| Increase or Decrease during 2016/17 | 0 | 0 | 0 |

Balance Sheet at 31 March 2017

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB. At 31 March 2017, these remain nil.

| 31 March 2016 £'000 | | | 31 March 2017 £'000 | | Note |
|------------------------|--|--|------------------------|----------------|------|
| 4 | Short-Term Debtors | | 6,694 | | 6 |
| | 4 Current Assets | | | 6,694 | |
| (4) | Short-Term Creditors | | (6,694) | | 6 |
| | (4) Current Liabilities | | | (6,694) | |
| 0 | Provisions | | 0 | | |
| | 0 Long-Term Liabilities | | | 0 | |
| | 0 Net Assets | | | 0 | |
| | 0 Useable Reserve: General Fund | | | 0 | |
| | 0 Useable Reserve: Employee Statutory Adjustment Account | | | 0 | |
| | 0 Total Reserves | | | 0 | |

The unaudited accounts were issued on 30 June 2017 and the audited accounts were authorised for issue on 25 September 2017.

Paul McMenamin BA, CPFA
Chief Financial Officer

25 September 2017

Notes to the Annual Accounts

1 – Significant Accounting Policies

1.1 General Principles

The Annual Accounts summarise the Integration Joint Board's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a section 106 body as defined in the Local Government (Scotland) Act 1973.

It is therefore required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounting convention adopted in the Annual Accounts is historical cost. They are prepared on a going-concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when settlement in cash occurs. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB.
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down.

1.3 Funding

The IJB is primarily funded through funding contributions from the statutory funding partners, NHS Borders and Scottish Borders Council. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in the Scottish Borders.

1.4 Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently, the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to / from each funding partner, as at 31 March, is represented as a debtor or creditor on the IJB's Balance Sheet.

1.5 Employee Benefits

The IJB does not directly employ staff. Officers are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as Employee-Related costs. Where material, the Chief Officers absence entitlement as at 31 March will be accrued, for example in relation to annual leave earned but not yet taken. There are no charges from funding partners for other staff.

1.6 Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation, as at 31 March, due to a past event; settlement of the obligation is probable; and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet, but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet, but is disclosed in a note only if it is probable to arise and can be reliably measured.

No provisions or contingent liabilities or assets have been made at 31 March 2017.

1.7 Reserves

The IJB's reserves are classified as either Usable or Unusable Reserves.

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

The IJB's only Unusable Reserve is the Employee Statutory Adjustment Account. This is required by legislation. It defers the charge to the General Fund for the Chief Officer's absence entitlement as at 31 March, for example any annual leave earned but not yet taken. The General Fund is only charged for this when the leave is taken, normally during the next financial year.

1.8 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

In November 2016, HMRC issued an opinion on the VAT treatment of services provided by IJB's partners. This related to the VAT treatment of the exchanges of staff between the Health Board and Local Authority, when under the direction of the Integrated Joint Board.

Relevant to the Scottish Borders, where other than the Chief Officer, the supply of these services is seen as part of the party's statutory obligation/contribution to the IJB and therefore the LA/HB have not recharged for any costs incurred, HMRC's opinion is that there is no consideration and as such no supply for VAT purposes.

HMRC has issued a final view that the secondment of the Chief Officer is outside the scope of VAT as the provision of a Chief Officer by and HB and/or LA to the IJB is done under a special legal regime. Therefore the LA/HB should not be charging VAT to the other party on this supply as it outside the scope of VAT.

2 – Events after the Reporting Period

2.1 Events after the Reporting Period / Balance Sheet Date

The unaudited Annual Accounts were authorised for issue by the Chief Financial Officer on 30 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2017, the figures in the financial statements and notes would normally be adjusted in all material respects to reflect the impact of this information. There are no identified Events after the Reporting Period to 31 March 2017.

3 – Expenditure and Funding Analysis

3.1 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the funding available to the IJB in the form of funding partner contributions has been used in providing services. This is compared to the cost of services on an accounting basis.

| 2015/16 | | | | 2016/17 | | |
|--|-------------------|-----------------------------------|---|--|-------------------|-----------------------------------|
| Net Expenditure Chargeable to the General Fund £'000 | Adjustments £'000 | Net Expenditure in the CIES £'000 | | Net Expenditure Chargeable to the General Fund £'000 | Adjustments £'000 | Net Expenditure in the CIES £'000 |
| 0 | 0 | 0 | 0 Joint Learning Disability Service | 18,951 | 0 | 18,951 |
| 0 | 0 | 0 | 0 Joint Mental Health Service | 16,084 | 0 | 16,084 |
| 0 | 0 | 0 | 0 Joint Alcohol and Drug Service | 738 | 0 | 738 |
| 0 | 0 | 0 | 0 Older People Service | 20,979 | 0 | 20,979 |
| 0 | 0 | 0 | 0 Physical Disability Service | 3,343 | 0 | 3,343 |
| 0 | 0 | 0 | 0 Generic Services | 82,959 | 0 | 82,959 |
| 0 | 0 | 0 | 0 Older Peoples Change Fund | 397 | 0 | 397 |
| 0 | 0 | 0 | 0 Integrated Care Fund | 1,324 | 0 | 1,324 |
| 0 | 0 | 0 | 0 Health Services Retained and Set-Aside by NHS Borders | 20,864 | 0 | 20,864 |
| 20 | 0 | 20 | 20 Corporate Services | 127 | 0 | 127 |
| 20 | 0 | 20 | Cost of Services | 165,766 | 0 | 165,766 |
| (20) | 0 | (20) | Other Income and Expenditure | (165,766) | 0 | (165,766) |
| 0 | 0 | 0 | Surplus or (Deficit) on Provision of Services | 0 | 0 | 0 |

| | |
|----------|----------|
| 0 | 0 |
|----------|----------|

| | |
|---------------------------------------|----------|
| 0 Opening General Fund Balance | 0 |
| 0 Surplus or (Deficit) in the Year | 0 |
| 0 Closing General Fund Balance | 0 |

No adjustments are required in relation to the statutory requirement to defer any charge to the General Fund for the Chief Officer's absence entitlement at 31 March 2017.

4 – Expenditure and Income Analysis by Nature

4.1 Expenditure and Income Analysis by Nature

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| | 0 Services commissioned from NHS Borders | 118,186 |
| | 0 Services commissioned from Scottish Borders Council | 47,453 |
| | 16 Employee Benefits Expenditure | 110 |
| | 4 Auditor Fee: External Audit | 17 |
| | (20) Partners' Funding Contributions | (165,766) |
| 0 | Cost of Services | 0 |

The Fee charged by the External Auditor for 2016/17 was £17,470.

5 – Taxation and Non-Specific Grant Income

5.1 Taxation and Non-Specific Grant Income

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| | (10) Funding Contribution from NHS Borders | (123,529) |
| | (10) Funding Contribution from Scottish Borders Council | (42,237) |
| (20) | Taxation and Non-Specific Grant Income | (165,766) |

The funding contribution from the NHS Board shown above includes £20.364m in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however has responsibility for the consumption of, and level of demand placed on, these resources.

6 – Debtors and Creditors

6.1 Debtors

The IJB's Debtors include money owed to the partnership at 31 March 2017 and any payments made in respect of delegated functions in advance of the 2017/18 financial year:

| 31 March 2016 £'000 | | 31 March 2017 £'000 |
|---------------------------|------------------------------------|---------------------------|
| | 2 Funding NHS Borders | 676 |
| | 2 Funding Scottish Borders Council | 6,018 |
| | 0 Funding Non-Public Sector | 0 |
| 4 | Debtors | 6,694 |

6.2 Creditors

The IJB's Creditors include payments due by the partnership not yet made by the 31 March 2017 and any income it has received in advance of the 2017/18 financial year:

| 31 March 2016 £'000 | | 31 March 2017 £'000 |
|---------------------------|--------------------------------------|---------------------------|
| | (2) Funding NHS Borders | (676) |
| | (2) Funding Scottish Borders Council | (6,018) |
| | 0 Funding Non-Public Sector | 0 |
| (4) | Creditors | (6,694) |

7 – Related Party Transactions

7.1 Related Party Transactions

The IJB has related party relationships with NHS Borders and Scottish Borders Council. In particular the nature of the partnership means that the IJB may influence, and be influenced by, its partners. The following transactions and balances included in the IJB's accounts are presented to provide additional information on the relationships.

NHS Borders

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|--|------------------|
| (10) | Funding Contributions | (123,529) |
| 0 | Service Income | 0 |
| 0 | Expenditure on Services Provided | 118,186 |
| 0 | Key Management Personnel | 75 |
| 10 | Support Services | 9 |
| 0 | Net Transactions with NHS Borders | (5,260) |

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include only the Chief Officer (01 April 2016 to 11 December 2016). Details of the remuneration for some specific post-holders are provided in the Remuneration Report.

| 31 March 2016 £'000 | | 31 March 2017 £'000 |
|---------------------------|---------------------------------------|---------------------------|
| 2 | Debtors: Amounts Due from NHS Borders | 676 |
| (2) | Creditors: Amounts Due to NHS Borders | (676) |
| 0 | Net Balance with NHS Borders | 0 |

Scottish Borders Council

| 2015/16 £'000 | | 2016/17 £'000 |
|------------------|---|------------------|
| (10) | Funding Contributions | (42,237) |
| 0 | Service Income | 0 |
| 0 | Expenditure on Services Provided | 47,453 |
| 0 | Key Management Personnel | 35 |
| 10 | Support Services | 9 |
| 0 | Net Transactions with Scottish Borders Council | 5,260 |

Key Management Personnel: The senior officers employed by the Local Authority and recharged to the IJB include only the Chief Officer (01 December 2016 to 31 March 2017).

Details of the remuneration for some specific post-holders are provided in the Remuneration Report.

| 31 March 2016 £'000 | | 31 March 2017 £'000 |
|---------------------------|--|---------------------------|
| | 2 Debtors: Amounts Due from Scottish Borders Council | 6,018 |
| | (2) Creditors: Amounts Due to Scottish Borders Council | (6,018) |
| | 0 Net Balance with Scottish Borders Council | 0 |

8 – Other Notes to the Accounts

8.1 Provisions: No provisions have been made at the 31 March 2017.

8.2 Useable Reserve: General Fund: The IJB does not hold a balance on its General Fund Reserve at 31 March 2017. The IJB has an approved Reserves Policy which enables it over time to earmark or build up funds which are to be used for specific purposes in the future such as known or predicted future expenditure needs. This supports strategic financial management. The Policy can also enable a contingency fund to be established in order to cushion the impact of unexpected events or emergencies. This is regarded as a key part of the IJB's risk management framework.

8.3 Unusable Reserve: Employee Statutory Adjustment Account: Only one officer, the Chief Officer, requires to be considered in relation to absence entitlement earned but not yet taken at 31 March 2017. The value of this untaken but accrued entitlement is not considered material to the overall financial position of the IJB as presented in the Comprehensive Income and Expenditure Statement.

8.4 Agency Income and Expenditure: The Scottish Borders Partnership IJB is co-terminus between NHS Borders and Scottish Borders Council. The IJB does not act as the lead agency / manager for any delegated health or care services nor does it commission services on behalf of any other IJBs.

8.5 Contingent Assets and Contingent Liabilities: No Contingent Liabilities or Contingent Assets have been identified relating to any item not recognised on the IJB's Balance Sheet.

Audit Committee
Scottish Borders Integration Joint Board
Scottish Borders Council, Newtown St Boswells, TD6 0SA

25 September 2017

Dear Audit Committee Members,

Scottish Borders Integration Joint Board 2016/17 Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our proposed annual report on the 2016/17 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified
2. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 26 September (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
3. In presenting this report to the Audit Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
5. As part of the completion of our audit we seek written assurances from management on aspects of the financial statements and judgements and estimates made. A letter of representation template under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Chief Financial Officer with the signed financial statements prior to the independent auditor's opinion being certified.

Yours faithfully,

Gillian Woolman MA FCA CPFA

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Scottish Borders Integration Joint Board and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Scottish Borders Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Scottish Borders Integration Joint Board as at 31 March 2017 and of its income and expenditure on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Gillian Woolman MA FCA CPFA

Assistant Director
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

26 September 2017

APPENDIX B: Letter of Representation (ISA 580)

Gillian Woolman, Assistant Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Dear Gillian

Scottish Borders Integration Joint Board Annual Accounts 2016/17

1. This representation letter is provided in connection with your audit of the financial statements of Scottish Borders Integration Joint Board ('the IJB') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the IJB, as at 31 March 2017 and its comprehensive income and expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Audit Committee, the following representations given to you in connection with your audit of the IJB for the year ended 31 March 2017.

General

3. I acknowledge my responsibility and that of the IJB for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the IJB have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Annual Accounts, including the Management Commentary and Remuneration Report, presents a balanced picture of the IJB and is consistent with the financial statements.
5. I am not aware of any uncorrected misstatements.

Financial Reporting Framework

6. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and in accordance with the requirements of Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003, including all relevant presentation and disclosure requirements.
7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of the IJB for the year ended 31 March 2017.

Accounting Policies & Estimates

8. All material accounting policies adopted are as shown in the Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

10. The Chief Financial Officer has assessed the IJB's ability to carry on as a going concern, as identified in the Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Events Subsequent to the Date of the Statement of Financial Position

12. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
13. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

14. I acknowledge as section 95 officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
15. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2017, which require disclosure.

Fraud

16. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Liabilities

17. All liabilities have been provided for in the financial records, including the liabilities for all purchases to which title has passed prior to 31 March 2017.

Carrying Value of Assets and Liabilities

18. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

Provisions

19. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2017 and of which the IJB could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2017.

Yours sincerely

Paul McMEnamin, Chief Financial Officer

Section 95 Officer

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Scottish Borders Integration Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

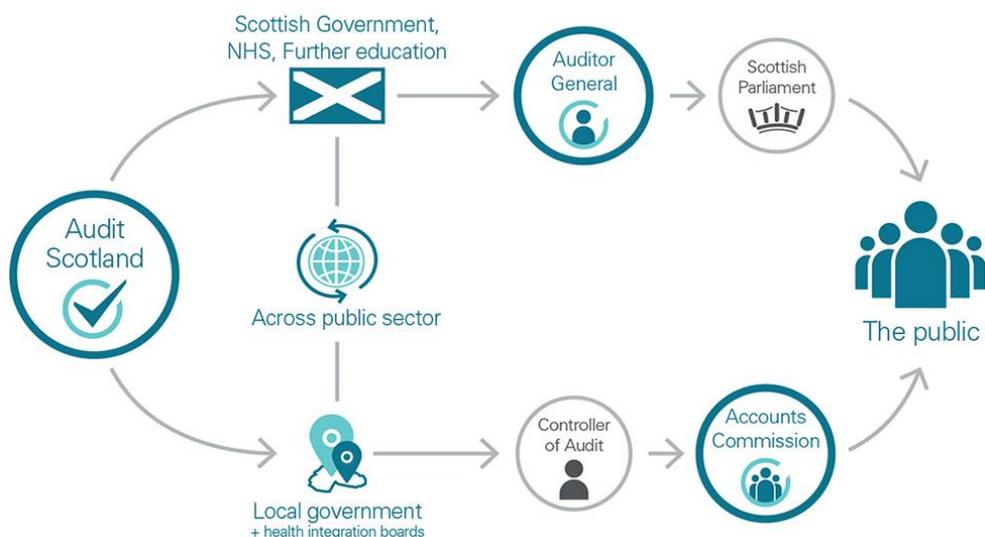
Prepared for the members of Scottish Borders Integration Joint Board and the Controller of Audit

25 September 2017

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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Key messages

2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Financial management

- 2 The Integration Joint Board (IJB) has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.

Financial sustainability

- 3 We concluded that the IJB has adequate financial planning arrangements in place.

Governance and transparency

- 4 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. However improvements to the arrangements have been identified, including a need to focus on strategic issues rather than operational matters.
- 5 The Chief Officer and Chief Financial Officer are both leaving their posts in September 2017. Changes in key personnel could impact on the ability of the IJB to deliver its strategic objectives.
- 6 Arrangements for the monitoring and reporting of risks relating to the IJB are not yet fully embedded at the Board.

Value for money

- 7 A performance management framework has been prepared but still needs to be developed and embedded. Performance has started to be reported quarterly to the IJB.
- 8 An Annual Performance Report for 2016/17 was produced in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Scottish Borders Integration Joint Board, hereby referred to as 'the IJB' or 'the Board'. The report is divided into sections which reflect our public sector audit model.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit Committee. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
 - an interim audit of the IJB's main financial systems (covered by service auditor assurances provided by the auditors of NHS Borders and Scottish Borders Council) and governance arrangements
 - an audit of the IJB's 2016/17 annual accounts and the issue of an independent auditor's report setting out our opinions.
4. The IJB is responsible for preparing annual accounts that show a true and fair view and for establishing effective arrangements for governance that enable them to successfully deliver their objectives.
5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

6. These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
8. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 18\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
9. Communication in this report of matters arising from the audit of the annual accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the Board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
12. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the Audit Committee on 25 September 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements
 - unqualified opinions on the remuneration, management commentary and the annual governance statement.
14. Additionally, we have nothing to report in respect of those matters which we are required to report by exception.

Submission of annual accounts for audit

15. We received the unaudited financial statements on 26 June 2017, in line with our agreed audit timetable. Financial information was provided to the IJB in a timely manner from the partner authorities in order to allow them to produce the accounts before the statutory deadline.
16. The working papers provided with the unaudited financial statements were of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risks of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and our conclusions thereon.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

The annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of those resources.

19. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.
20. On receipt of the unaudited 2016/17 annual accounts, we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

| Materiality level | Amount |
|---|---------------|
| Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017. | £1.57 million |
| Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of overall materiality. | £1.10 million |
| Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality. | £20,000 |

Evaluation of misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings

22. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. Arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance. In common with other IJBs, a notional figure has been agreed and included in the annual accounts. This is a transitional arrangement for 2016/17 agreed by the Scottish Government.

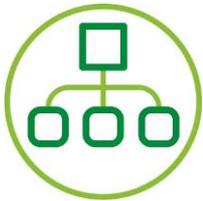
[Appendix 1, Action plan point 1](#)

Other Findings

23. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

Part 2

Financial management



Main judgements

The IJB has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.

Financial management

24. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner.
25. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the Chief Financial Officer has sufficient status to be able to deliver good financial management
 - financial regulations and standing orders are comprehensive, current and promoted within the IJB
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - IJB members provide a good level of challenge and question budget holders on significant variances.
26. We are satisfied that the arrangements in place address the above factors. The Chief Financial Officer prepares and presents financial monitoring reports to each meeting of the IJB. From attendance at the Board and Audit Committee meetings we have observed members challenging and questioning officers on the financial position.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial performance in 2016/17

27. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure for the IJB is incurred by partner bodies (Scottish Borders Council and NHS Borders) and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.

28. During the year the original budget for 2016/17 was supplemented by additional funding from the partners of the IJB. The financial position was reported to the IJB at each of its meetings during the year so that members were kept informed of the actual position and required changes to the budget during the year.

Exhibit 3

Budget Summary

| IJB budget objective summary | Original Budget £m | Actual £m | Variance £m |
|---------------------------------------|-----------------------|--------------|----------------|
| Funding from NHS Borders | 92.62 | 97.32 | 4.70 |
| NHS Borders large hospital set-aside | 18.13 | 20.86 | 2.74 |
| Funding from Scottish Borders Council | 46.53 | 47.45 | 0.92 |
| Total funding | 157.28 | 165.63 | 8.36 |

Source: Scottish Borders IJB 2016/17 annual accounts and 2016/17 Financial Statement (plan)

Internal controls

29. The IJB does not have any financial systems of its own. All financial transactions of the IJB are processed through the financial systems of NHS Borders (NHSB) and Scottish Borders Council (SBC). The key financial systems it relies upon include general ledger, trade payables, trade receivables and payroll.
30. As part of our audit approach we sought assurances from the external auditor of NHS Borders and Scottish Borders Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal controls for NHS Borders and Scottish Borders Council.
31. At present the transactions of the IJB are not recorded in a financial ledger, but are instead recorded in separate working papers. In order to improve record keeping and allow for easier financial reporting, we would recommend that in future years the IJB is set up as a separate entity in one of the partner organisation's ledgers.

[Appendix 1, Action plan point 2](#)

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

32. The IJB does not have its own fraud or whistleblowing policies. It relies on the policies in place at Scottish Borders Council and NHS Borders. The IJB has responsibility for frauds incurred in relation to delegated services and should receive updates from SBC or NHSB if there are any relevant suspected or actual cases of fraud. The IJB's Chief Internal Auditor receives assurances from the internal auditors of SBC and NHSB, and reports to the IJB Audit Committee which would allow any identified issues to be reported.

Part 3

Financial sustainability



Main judgements

We concluded that the IJB has adequate financial planning arrangements in place.

There are significant challenges in future years due to increasing demand for services and a significant level of savings required.

Financial Planning

33. The IJB allocates the resources it receives from NHSB and SBC in line with the Strategic Plan. The 2017/18 financial plan was presented to the Board in March 2017. Due diligence was undertaken to consider the sufficiency of the 2016/17 budget provided for the IJB.
34. The report identifies that the budget allocation to the IJB totals £166.69 million, which is funded by £45.67 million from SBC for social care, £102.04 million from NHS Borders for healthcare and £18.98 million healthcare set-aside.
35. The Board approved a Financial Statement (a financial plan for the resources within its control) covering 2017/18 to 2019/20 at its meeting in June 2017. This statement includes planned expenditure of £500.18 million over the three year period. This statement includes £12.36 million of as yet unidentified savings over the period.
- [Appendix 1, Action Plan point 3](#)
36. In August 2017 the Board considered a 2017/18 budget monitoring report which identified a revised budget for the IJB of £167.23 million, including £19.89 million set-aside. This report highlighted that an anticipated outturn of £9.40 million more than budget was forecast, mostly relating to the set-aside functions and generic services which includes community hospitals, dental, pharmacy and nursing, prescribing and general medical services. Work to implement a recovery plan to achieve a balanced position at the year end is on-going.

[Appendix 1, Action Plan point 4](#)

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Reserves strategy

37. The Integration Scheme for the IJB is included within its Code of Corporate Governance. A reserves policy was agreed by the IJB in February 2017. Both these documents set out the arrangements between the partners for addressing and financing any overspends or underspends. Planned underspends in an element of the operational budget arising from specific management action may be retained by the IJB to either fund additional in year

capacity, or be carried forward to fund capacity in future years of the Strategic Plan. Any unplanned underspend will be returned to NHSB or SBC by the IJB either in the proportion that individual pressures have been funded or based on which service the savings relate.

Part 4

Governance and transparency



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. However improvements to the arrangements have been identified, including a need to focus on strategic issues rather than operational matters.

The Chief Officer and Chief Financial Officer are both leaving their posts in September 2017. Changes in key personnel could impact on the ability of the IJB to deliver its strategic objectives.

Arrangements for the monitoring and reporting of risks relating to the IJB are not yet fully embedded at the Board.

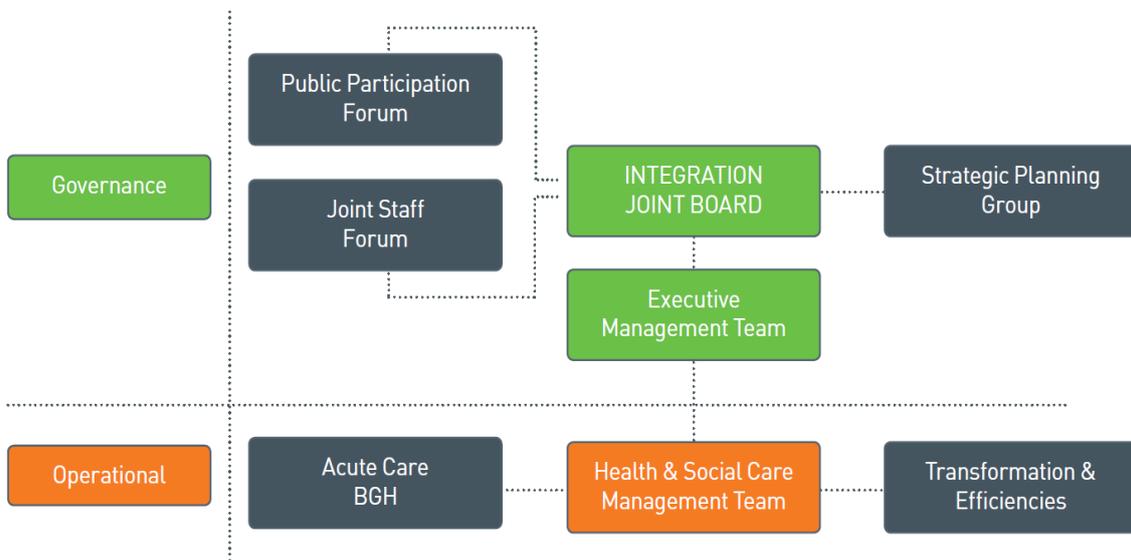
Governance arrangements

38. The IJB was established under The Public Bodies (Joint Working) (Scotland) Act 2014. Its role is to: oversee the development and preparation of the Strategic Plan for services delegated to it; allocate resources in accordance with the Strategic Plan and ensure that the national and local health and wellbeing outcomes are met.
39. During 2016/17 the governance structure in place was revised. The revised governance structure consists of two layers.
 - The IJB provides ratification and feedback of all decisions proposed by the Executive Management Team (EMT). The EMT consists of senior officers from NHSB and SBC, including their Chief Executives. The Board receives regular progress updates from the EMT through the Chief Officer and Chief Financial Officer as well as frequent and regular financial and performance planning and management reports.
 - The EMT supports the Chief Officer to commission tests of change and/or service redesign. These are then drawn up into business cases at the operational level of the governance structure and returned to the EMT for review and decision making. The EMT also considers or supports the preparation of all reports to the IJB and advises the Chief Officer on the IJB's governance, planning, monitoring and reporting responsibilities.
40. The Strategic Planning Group, Public Participation Forum and the Joint Staff Forum offer advice to the IJB whilst the Health and Social Care Joint Management Team provide operational support and delivery and progress reporting.
41. A summary of the structure is provided in [Exhibit 4](#) below.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Exhibit 4

Governance structure for Scottish Borders IJB



Source: *Scottish Borders Health & Social Care Partnership Annual Performance Report 2016/17*

42. As part of their annual report, Internal Audit identified weaknesses with the governance arrangements in place at the IJB. Existing arrangements involving EMT attendance at Board meetings have the benefit of tightly integrating the providers with the IJB but also have drawbacks most notably in blurring the boundaries of responsibility. It was also noted that the Board at times focused on operational matters unrelated to their strategic role.
43. As part of the wider review of governance arrangements across the public sector, we completed a follow up on the 'Role of Boards' national report, published by Audit Scotland in September 2010. This involved review of documentation, discussions with key officers and attendance at Board and committee meetings. From this work we found that an appropriate level of challenge is being applied to decision making.

Chief Officer and Chief Financial Officer

44. The IJB is required to have a Chief Officer under the Public Bodies (Joint Working) (Scotland) Act 2014. The Chief Officer is accountable directly to the Integration Joint Board for the preparation, implementation and reporting on the Strategic Commissioning Plan, including overseeing the operational delivery of delegated services.
45. The Chief Financial Officer (CFO) is responsible for keeping adequate proper accounting records, providing financial monitoring reports to the IJB, and taking steps for the prevention and detection of fraud and other irregularities.
46. Both of these posts are key management roles for the operation and effectiveness of the IJB.
47. The Chief Officer that was in place since the inception of the IJB at the start of 2016 stood down in December 2016 and was replaced by a new Chief Officer. This Chief Officer is retiring in September 2017 and a new Chief Officer will be appointed. The post is currently being advertised.

48. The CFO has been in post on an interim basis since April 2016, with the post having been filled by a Scottish Borders Council officer. This arrangement is ending in September 2017 when a new CFO will take over the role from October 2017 on an interim basis. The new CFO is currently the Deputy Director of Finance at NHS Borders, and will be carrying out the CFO role on a part time basis along with their current role.
49. The high turnover in these key posts presents a risk to the effective operation of the IJB given the importance of their roles in the implementation and monitoring of the IJB's functions.

[Appendix 1, Action Plan point 5](#)

Internal audit

50. Internal audit provides the Board and Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.
51. The internal audit function is carried out by the Internal Audit service of Scottish Borders Council. We carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
52. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we placed reliance on internal audit's work reported in their annual report for 2016/17.

Risk management

53. The IJB approved a risk management strategy in March 2016 which sets out the reporting structure; types of risks to be reported; risk management framework and process; roles and responsibilities; and monitoring arrangements.
54. Internal Audit's annual report noted that although the strategy was in place, risk management is not yet embedded into the culture of the IJB and any consideration of risk is rarely documented as a consideration in Board deliberations.

[Appendix 1, Action Plan point 6](#)

Transparency

55. Transparency means that the public, in particular, local residents have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.
56. Full details of the meetings held by the IJB are available through SBC's website, where access is given to all committee papers and minutes of meetings. The IJB receives regular financial monitoring reports which are clear and concise and meetings are open to the public.
57. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

Part 5

Value for money



Main judgements

A performance management framework has been prepared but still needs to be developed and embedded. Performance has started to be reported quarterly to the IJB.

An Annual Performance Report for 2016/17 was produced in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

Performance management

58. In order to achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.
59. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.
60. The performance monitoring framework used by the IJB was developed during 2016/17 and the reporting scorecard was endorsed by the IJB in February 2017. Performance is being reported to the IJB on a quarterly basis.
61. The internal audit annual report noted that the IJB's Performance Management Framework was not fully developed or complete and did not meet the needs of the Board. Internal audit concluded that existing arrangements were not an effective mechanism to monitor service delivery.

Value for money is concerned with using resources effectively and continually improving services.

[Appendix 1, Action plan point 7](#)

62. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of the strategic commissioning plan.
63. A draft performance report was submitted to the Board meeting in June 2017. The report was then finalised and has been published by the IJB. The content of the report covers the areas required by the Act.
64. The performance report highlights that achievements in 2016/17 included a focus on the initiation of the Community Led Support Project, development of the Buurtzorg model of nursing care and Locality Planning, along with addressing the challenges for the Partnership including managing within

availability of resources, ensuring staff recruitment and retention in key areas, and increasing volunteers to support community services. It also identifies the challenges for 2017/18, including setting out the efficiencies, service transformation and changes that must be made in order to fund the delivery of its priorities.

National performance audit reports

65. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports, some of which are of direct interest to the IJB. These are listed in [Appendix 3 \(page 23\)](#). Processes are in place to ensure that all national performance reports and their impact are considered by the Board.
66. In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. The report commented on some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning.
67. Audit Scotland will carry out a second audit in 2018 to look at progress and to follow up on these risks. The audit will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and to discern the impact on the lives of local people.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

| Page no. | Issue/risk | Recommendation | Agreed management action/timing |
|----------|--|---|---|
| 8 | <p>1. Hospital acute services (set aside)</p> <p>Arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance.</p> <p>In common with other IJBs, a figure has been agreed and included in the annual accounts based on the budget agreed at the start of the year. This is a transitional arrangement for 2016/17 agreed by the Scottish Government.</p> <p>There is a risk that in future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p> | <p>NHSB and the IJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p> | <p>Further work to establish actual usage of Set Aside budgets will be taken forward during 2017/18 in line with Planning and Performance KPI's and Financial Information available to the Scottish Borders H&SC Partnership.</p> <p>Responsible officer: IJB Chief Financial Officer</p> <p>Agreed date – 31 Mar 2018</p> |
| 10 | <p>2. Financial ledger</p> <p>The financial transactions of the IJB are currently based on transactions within the ledgers of NHSB and SBC, with the year end accounts prepared based on workings recorded in a spreadsheet.</p> <p>There is a risk that without a separate ledger for the IJB financial monitoring and reporting is not being carried out as efficiently as possible.</p> | <p>The IJB should arrange for its financial transactions to be recorded within a financial ledger in order to allow easier financial monitoring and reporting.</p> | <p>Financial transactions will remain within the finance systems of the Statutory Partner Organisations who are commissioned by the IJB.</p> <p>An agreed process will be put in place which will populate reconciled extracts of financial information to an IJB financial reporting database to enable robust, accurate and timely reporting to the IJB.</p> <p>Responsible officer: IJB Chief Financial Officer</p> <p>Agreed date – 31 Mar 2018</p> |



| Page no. | Issue/risk | Recommendation | Agreed management action/timing |
|----------|---|--|--|
| 11 | <p>3. Savings in future years</p> <p>The financial statement (plan) covering 2017/18 – 2019/20 contains a large level of required savings over the period, with a significant level of these currently unidentified.</p> <p>There is a risk that the IJB is not able to develop appropriate budgets each year if full savings plans are not in place.</p> | <p>The IJB should ensure that plans for the required savings are identified as soon as possible.</p> | <p>The IJB will receive information on a regular basis on delivery of required savings plans. It will also receive information from partner organisations following the development and agreement of medium-term financial sustainability plans</p> <p>The Chief Officer and the Executive Management Team will work to support the IJB to plan and deliver further required efficiencies across delegated and set aside budgets.</p> <p>Responsible officer: Chief Officer</p> <p>Agreed date – 31 Mar 2018</p> |
| 11 | <p>4. Financial Performance</p> <p>The latest financial monitoring report from August 2017 highlighted that an anticipated outturn of £9.40 million more than budget was expected, with work on-going to implement a recovery plan.</p> <p>There is a risk that the IJB is not able to effectively manage its expenditure within budget and additional funding is required from its partner organisations.</p> | <p>The Board should continue to monitor financial performance and ensure savings plans are in place to manage forecast overspends.</p> | <p>The Chief Officer, working with the Executive Management Team and the Chief Financial Officer, will receive information on the in-year financial recovery plans, when required, from Partner Organisations in order to enable financial performance to be accurately reported to the IJB in respect of delegated and set aside budgets.</p> <p>Responsible officer: IJB Chief Financial Officer</p> <p>Agreed date - 01 Oct 17 – 31 Mar 2018</p> |
| 15 | <p>5. Chief Officer and Chief Financial Officer</p> <p>The Chief Officer and Chief Financial Officer for the IJB are both leaving their posts in September 2017, with the Chief Financial Officer having been in his post on an interim basis since April 2016.</p> <p>There is a risk that changes in key personnel impacts on the ability of the IJB to deliver its</p> | <p>A Chief Officer should be appointed on a permanent basis as soon as possible.</p> <p>The interim Chief Financial Officer arrangements should be reviewed during 2017/18 to ensure the arrangement is working effectively.</p> | <p>Recruitment to the Chief Officer post is being progressed. An interim arrangement has been put in place to follow the departure of the current Chief Officer to ensure the partnership continues to meet its statutory obligations.</p> <p>Interim arrangements have been put in place for the Chief Financial Officer which will be</p> |



Page
no.

Issue/risk

Recommendation

Agreed management
action/timing

strategic objectives.

reviewed at 6 monthly intervals by the Chief Officer during 2017 and 2018.

Responsible officer:

Chief Officer Appointment -
Chief Executives (NHSB &
SBC)

Chief Financial Officer – Chief
Officer

Agreed dates -

Chief Officer – 31 Dec 2017

Chief Financial Officer - 30
Sep 2017, with reviews by 31
Mar 2018 and 30 Sep 2018

15

6. Risk Management

Although the IJB has a risk management strategy in place, risk management is not fully embedded and risk registers are not regularly produced or considered by the Board.

There is a risk that the arrangements are not effective.

Risk registers should be regularly reported to the Board.

The Scheme of Integration details the arrangements which are required for the management of Risk.

The Chief Officer will ensure the arrangements as detailed in the Scheme of Integration are put in place including the approval of a Risk Register.

Responsible officer:

Chief Officer

Agreed date – 31 Dec 2017

16

7. Performance monitoring

Performance monitoring arrangements at the IJB have been in development during 2016/17 and regular reports have only started to be taken to the Board during 2017/18.

There is a risk that the Board is not able to adequately monitor performance.

The performance monitoring arrangements in place should continue to be developed to ensure that information provided to the Board allows for effective scrutiny of performance.

The IJB has an agreed Performance Framework with the 2016/17 Annual Performance being approved on the 26th June 2017.

The quarterly Performance Report will be reviewed to ensure it covers all areas of performance which the IJB requires to support delivery of the agreed outcomes of the Strategic Plan.

Responsible officer:

Chief Officer

Agreed date – 31 Dec 2017

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating to our wider responsibility under the [Code of Audit Practice 2016](#).

| Audit risk | Assurance procedure | Results and conclusions |
|--|--|--|
| Risks of material misstatement in the financial statements | | |
| <p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls in order to change the position disclosed in the financial statements.</p> | <p>Detailed testing of journal entries.</p> <p>Service auditor assurances will be obtained from the audits of Scottish Borders Council ("the council") and NHS Borders ("the health board") over the completeness, accuracy and allocation of the income and expenditure.</p> | <p>Assurances were provided by the auditors of NHSB and SBC regarding the completeness, accuracy and allocation of income and expenditure.</p> <p>No issues were identified.</p> |
| <p>2 Financial statements preparation</p> <p>Services were delegated to the IJB from 1 April 2016. Therefore 2016/17 will be the first year that delegated services are included in the IJB's financial statements. The financial statements will require income, expenditure and year end balances to be agreed with Scottish Borders Council and NHS Borders. There is a risk that the procedures for agreeing the year end balances are not fully embedded and that the financial statements are not delivered to the agreed timescale and in the required format.</p> | <p>Continued engagement with officers prior to the accounts being prepared to ensure that the relevant information is disclosed and the timetable is met.</p> <p>Service auditor assurances will be obtained from the audits of Scottish Borders Council and NHS Borders over the completeness, accuracy and allocation of the income and expenditure.</p> | <p>Assurances were provided by the auditors of NHSB and SBC regarding the completeness, accuracy and allocation of income and expenditure.</p> <p>No issues were identified.</p> |
| Risks identified from the auditor's wider responsibility under the Code of Audit Practice | | |
| <p>3 Financial sustainability</p> <p>The latest financial monitoring report from October 2016 reported a projected outturn of £144.6m against a delegated budget of £139.2m, an</p> | <p>Confirmation of agreement of funding and balances with host bodies.</p> <p>Review outcome of due diligence exercise.</p> | <p>Budget monitoring reports were regularly taken to the IJB during the year.</p> <p>A financial statement (plan) covering 2017 – 2020 was approved by the IJB during the</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|--|--|
| <p>overspend of £5.4m. This overspend related mostly to healthcare services and a direction was issued to the health board requiring appropriate remedial action in order to deliver an affordable outturn position.</p> <p>There is a risk that overspends may require additional payments from the council and health board and that there may be difficulties in producing a balanced outturn in future years.</p> | <p>Ensure budget monitoring is robust and accurately reflects the financial position.</p> | <p>year.</p> <p>Financial monitoring arrangements in place were assessed as being adequate, however funding pressures in future years are recognised as a challenge for the IJB.</p> <p>See appendix 1, point 4.</p> |
| <p>4 Governance arrangements</p> <p>The Chief Officer and Chief Financial Officer are currently interim appointments. These are key governance roles, responsible for the preparation, implementation and reporting on the Strategic Commissioning Plan and for developing and monitoring the budget delegated to the IJB.</p> <p>There is a risk that changes in key staff could impact on the implementation of the Strategic Commissioning Plan, as well as impacting on the effectiveness of monitoring and reporting arrangements.</p> | <p>Provide an update in the annual audit report.</p> <p>Review reporting to IJB throughout year.</p> | <p>The current Chief Officer and Chief Financial Officer are both leaving their respective posts during 2017/18. There is an on-going risk that changes in key staff could impact on the effectiveness of the IJB.</p> <p>See appendix 1, point 5.</p> |

Appendix 3

Summary of national performance reports 2016/17



| | | | |
|------|---|---|--|
| Apr | | | |
| May |  | Common Agricultural Policy Futures programme: an update | |
| Jun |  | South Ayrshire Council: Best Value audit report |  The National Fraud Initiative in Scotland |
| Jul |  | Audit of higher education in Scottish universities |  Supporting Scotland's economic growth |
| Aug |  | Maintaining Scotland's roads: a follow-up report |  Superfast broadband for Scotland: a progress update |
| | | |  Scotland's colleges 2016 |
| Sept |  | Social work in Scotland |  Scotland's new financial powers |
| Oct |  | Angus Council: Best Value audit report |  NHS in Scotland 2016 |
| Nov |  | How councils work – Roles and working relationships in councils |  Local government in Scotland: Financial overview 2015/16 |
| Dec |  | Falkirk Council: Best Value audit report |  East Dunbartonshire Council: Best Value audit report |
| Jan | | | |
| Feb |  | Scotland's NHS workforce | |
| Mar |  | Local government in Scotland: Performance and challenges 2017 |  i6: a review |
| | | |  Managing new financial powers: an update |

IJB relevant reports

[The National Fraud Initiative in Scotland](#) – June 2016

[NHS in Scotland 2016](#)– October 2016

[Social work in Scotland](#) – September 2016

[Scotland's NHS workforce](#) – February 2017

Scottish Borders Integration Joint Board

2016/17 Annual Audit Report

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