

# Public Document Pack



A meeting of the **Health & Social Care Integration Joint Board Audit Committee** will be held on **Monday, 11th February, 2019 at 2.00 pm** in Council Chamber, Scottish Borders Council

## **AGENDA**

<b>Time</b>	<b>No</b>	<b>Lead</b>	<b>Paper</b>
14:00	<b>1</b>	<b>ANNOUNCEMENTS &amp; APOLOGIES</b>	Chair Verbal
14:01	<b>2</b>	<b>DECLARATIONS OF INTEREST</b>	Chair Verbal
14:02	<b>3</b>	<b>MINUTES OF PREVIOUS MEETING</b> Monday 17 December 2018	Chair (Pages 3 - 6)
14:05	<b>4</b>	<b>MATTERS ARISING</b> Action Tracker	Chair (Pages 7 - 10)
14:10	<b>5</b>	<b>EXTERNAL AUDIT PLAN 2018/19 FOR THE SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD</b>	External Auditor (Audit Scotland) (Pages 11 - 24)
14:30	<b>6</b>	<b>INTERNAL AUDIT ANNUAL PLAN 2019/20 FOR THE SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD</b>	IJB Chief Internal Auditor (Pages 25 - 28)
14:50	<b>7</b>	<b>ANY OTHER BUSINESS</b>	Chair Verbal
14:55	<b>8</b>	<b>DATE AND TIME OF NEXT MEETING</b> Monday 13 May 2019 at 2.00pm in the Chamber, Scottish Borders Council	Chair Verbal

Immediately after the formal business of the IJB Audit Committee meeting there will be an Informal Session held in private facilitated by Jill Stacey, IJB Chief Internal Auditor. The primary focus of the Informal Session will be to carry out the IJB Audit Committee's annual

self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance. The latter document will be circulated in advance.

**Membership of Committee:** Councillor J Greenwell, Councillor T Weatherston (Chair), Mr M Dickson and Mr J Raine (Non-Executive Directors NHS Borders) and Mr A Clark (External Member)

Please direct any enquiries to Iris Bishop, Board Secretary – Health & Social Care Integration Joint Board

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Minutes of a meeting of the Scottish Borders Health and Social Care Integration Joint Board Audit Committee held on Monday, 17 December 2018 at 10.15 am in Committee Room 2, Scottish Borders Council, Newtown St Boswells.

**Present:** Cllr T Weatherston (Chair)  
Mr A Clark  
Mr M Dickson

**In Attendance:** Mr A Haseeb  
Ms S Holmes  
Mr M Porteous  
Ms J Stacey

### 1. Announcements and Apologies

Apologies had been received from Councillor J Greenwell, Ms I Bishop, Mr R McCulloch-Graham and Mr J Raine.

The Chair welcomed Mr Clark to his first meeting and there was a round of introductions.

### 2. Declaration of Interest

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

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

### 3. Minute of Previous Meeting

The **SCOTTISH BORDERS HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** minutes of 17 September 2018 were approved.

### 4. Matters Arising

No matters were raised.

The **SCOTTISH BORDERS HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** noted no matters were raised.

### 5. Strategic Risk Register

There had been circulated copies of a report by the IJB Chief Internal Auditor, Ms Stacey, providing Members of the IJB Audit Committee with the IJB Strategic Risk Register for scrutiny prior to its presentation to the full Board. The report detailed that Internal Audit

had recommended that IJB strategic risks were considered and reviewed regularly at IJB meetings and that risk management deliberations associated with IJB decision making should be clearly documented.

In response to a question Mr Dickson was advised that he could access previous committee papers via Modern.Gov website including the IJB Risk Management Strategy. Mr Dickson explained that although the Health Board Audit Committee considered the process and ensured good practice had been followed; risk was reviewed by the Full Board, who also required mitigating actions, and this ought to be the practice adopted by the IJB.

**The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed:-**

- (a) To recommend the IJB Strategic Risk Register for approval by the full Board of the IJB;**
- (b) To receive a review of the IJB Strategic Risk Register on at least an annual basis; and**
- (c) To request that the IJB Full Board review the IJB Strategic Risk Register on a six monthly basis.**

**6. Progress on Implementation of Internal Audit Recommendations**

There had been circulated copies of a report by the IJB Chief Internal Auditor, Ms Stacey, updating the IJB Audit Committee on the status of the implementation of Management recommendations made and agreed in the Internal Audit Annual Assurance Report 2017/18 for the Scottish Borders Health and Social Care Integration Joint Board. The Appendix, attached to the report, detailed the six internal Audit recommendations. The Committee members noted that three of the actions had been completed and that good progress was being made on the remaining three. However, it was noted that two of these would take longer than originally anticipated to implement and Management had requested extensions to due dates. In response to questions it was confirmed to the Committee that if there were any exceptions in terms of implementation dates these would be notified to the Committee. Ms Stacey added that, in terms of 2018/19 Internal Audit work, the follow-up on completion of recommendations would continue and any new Internal Audit actions would be added to the Action Plan going forward to ensure actions demonstrated continuing improvement; this update would be included within the IJB Internal Audit Annual Assurance Report 2018/19 which was scheduled for presentation to the IJB Audit Committee on 13 May 2019.

**The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT AUDIT COMMITTEE agreed:-**

- (a) To acknowledge the progress made by Management in implementing Internal Audit recommendations;**
- (b) To the proposed extension to due dates by Management for those actions that were unlikely to achieve their original due date; and**
- (c) That if there was any exception to progress in terms of implementation dates this would be brought to the attention of the IJB Audit Committee.**

## **7. Accounts Commission Report November 2018: Health and Social Care Integration Update on Progress.**

There had been circulated copies of a report by the Chief Internal Auditor, bringing to the attention of Members of the IJB Audit Committee, a recent report by the Accounts Commission carried out by Audit Scotland on the progress with integration 'Health and Social Care Integration – An Update on Progress'. The Board noted that the report had highlighted the need for a stronger commitment to collaborative working and meaningful engagement with staff, communities and other stakeholders. The report was also critical of financial planning arrangements. In response to questions, Ms Stacey advised that she would recommend the report to a future meeting of the full Board and it was acknowledged that the case studies could be useful in terms of evaluating lessons learned and determining appropriate actions for the Scottish Borders IJB. Regarding the six national indicators, it was noted that social care performance was monitored through the Council's quarterly performance report to Executive Committee though these were not necessarily being fed through the national reporting process. Mr Porteous suggested that measuring the impact of community services needed to be improved. It was considered that the IJB should further develop its performance management framework.

### **The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD'S AUDIT COMMITTEE:**

- (a) Noted the publication by Accounts Commission carried out by Audit Scotland on the progress with integration 'Health and Social Care Integration – An Update on Progress'.**
- (b) Agreed the proposal to report to a future meeting of IJB any lessons and actions required within Scottish Borders Health and Social Care IJB as a result of the report.**

## **8. Local Code of Corporate Governance – Annual Review 2018/19**

There had been circulated copies of a report by the IJB Chief Internal Auditor submitting proposals to the IJB Audit Committee for endorsement to enable IJB Members to be involved in the annual review 2018/19 of the IJB's Local Code of Corporate Governance. Ms Stacey advised that the IJB Audit Committee had recommended on 25 June 2018 that the revised Code arising from the 2017/18 annual review be approved by the IJB; the latter was done at the IJB meeting on 17 September 2018. The Code provided the framework for the internal controls, risk management and other governance arrangements for delivering health and social care integration in the Scottish Borders. In response to a question from Mr Dickson, Ms Stacey advised that a Code of Governance familiarisation session would be held in early 2019, for IJB members to be involved in the 2018/19 annual review.

**The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed that separate sessions be held in early 2019 to enable IJB Members to be involved in the annual review 2018/19 of the IJB's Local Code of Corporate Governance.**

## 9. Any Other Business

Mr Dickson advised that NHS Borders' internal auditors, PwC, had recently audited unscheduled care flow. Their report had been well received by NHS Borders Audit Committee with areas of good practice identified with one process that required tightening up, which was underway. In terms of waiting times, Mr Dickson advised that NHS Borders was outperforming the Scottish average.

Ms Stacey advised that the three Audit Committee Chairs had met and agreed to avoid duplication of assurance reporting by being aware of and placing reliance on assurance reports received by the respective audit committees of NHS Borders, Scottish Borders Council and IJB. The Chairs had also acknowledged the need to respect different roles and responsibilities across the partnership. There would be a further meeting of the Chairs in April 2019 when they would consider audit plans for their respective organisations which would enable areas of risk to be cited going forward.

**The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE noted the reports.**

## 10. Date of Time of Next Meeting

The next meeting was scheduled to be held on Monday, 11 February 2019 at 2.00 pm in the Council Chamber, Scottish Borders Council.

*Meeting concluded at 11.05 am*

Signature: .....  
Chair



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

Meeting held 17 December 2018

Agenda Item: Strategic Risk Register

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
1	5	<p>The <b>SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE</b> agreed:-</p> <p>(a) To recommend the IJB Strategic Risk Register for approval by the full Board of the IJB;</p>	Jill Stacey	2019	<b>Complete:</b> Strategic Risk register received by the IJB at its meeting held on 28.01.19.	

Agenda Item: Strategic Risk Register

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
2	5	<p>The <b>SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE</b> agreed:-</p> <p>(b) To receive a review of the IJB Strategic Risk Register on at least an annual basis;</p>	Jill Stacey	2019	<b>In Progress:</b> Review of Strategic Risk Register to be scheduled into the annual workplan for the Audit Committee.	

**Agenda Item:** Strategic Risk Register

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
3	5	<p><b>The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed:-</b></p> <p>(c) To request that the IJB Full Board review the IJB Strategic Risk Register on a six monthly basis.</p>	Iris Bishop	2019	<b>In Progress:</b> Six monthly review of Strategic Risk Register to be scheduled into the annual workplan for the IJB.	

**Agenda Item:** Accounts Commission Report November 2018: Health and Social Care Integration Update on Progress

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Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
4	7	<p><b>The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD'S AUDIT COMMITTEE:</b></p> <p>(a) Noted the publication by Accounts Commission carried out by Audit Scotland on the progress with integration 'Health and Social Care Integration – An Update on Progress'.</p> <p>(b) <b>Agreed</b> the proposal to report to a future meeting of IJB any lessons and actions required within Scottish Borders Health and Social Care IJB as a result of the report.</p>	Jill Stacey	2019	<b>In Progress:</b> Report to be reviewed.	

**Agenda Item:** Local Code of Corporate Governance – Annual Review 2018/19

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
5	8	The <b>SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE</b> agreed that separate sessions be held in early 2019 to enable IJB Members to be involved in the annual review 2018/19 of the IJB's Local Code of Corporate Governance.	Iris Bishop	2019	<b>Complete:</b> All IJB Audit Committee meetings scheduled to be held on different dates to the IJB meetings. 11.02.19 13.05.19 12.08.19 11.11.19	

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

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# Scottish Borders Integration Joint Board

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

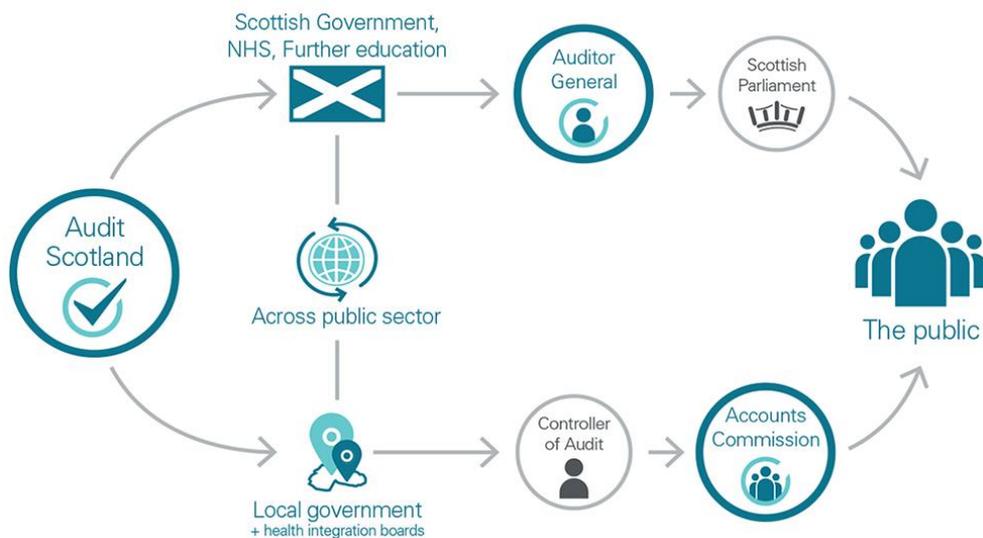
Prepared for Scottish Borders Integration Joint Board

February 2019

## 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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# Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit of Scottish Borders Health and Social Care Integration Joint Board ("the IJB" or "the Board") and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit including the new approach to the audit of Best Value.
2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

## Adding value

3. We aim to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Scottish Borders Health and Social Care Integration Joint Board. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).
5. The IJB uses the corporate financial systems of Scottish Borders Council and NHS Borders, and relies on the systems of internal control in place at those bodies that support their compliance with policies and procedures. As part of our audit we will seek assurances from the auditors of Scottish Borders Council and NHS Borders over the adequacy of arrangements in place.

## Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements issues and risks</b>		
<b>1 Risk of management override of controls</b>  Although we have not identified any specific risks of management override relating to the IJB, 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 consideration of the risk of management override of controls in	Owing to the nature of this risk, assurances from management are not applicable in this instance.	<ul style="list-style-type: none"> <li>• 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</li> </ul>

	Audit Risk	Source of assurance	Planned audit work
	order to change the position disclosed in the financial statements.		and allocation of the income and expenditure.
<b>2</b>	<p><b>Chief Financial Officer</b></p> <p>There is no permanent Chief Financial Officer (CFO) at the IJB, with the current CFO on secondment for one year, until August 2019.</p> <p>There is a risk that financial reporting to the IJB and preparation of the annual accounts could be adversely affected by the departure of the interim CFO.</p>	<p>Ongoing monitoring and reporting of IJB budget to the board during the year.</p> <p>Management assurances that arrangements will be in place in time to ensure business continuity.</p>	<ul style="list-style-type: none"> <li>Ongoing meetings and discussion with officers.</li> </ul>
<b>3</b>	<p><b>Hospital Set Aside Sum</b></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; a notional figure is to be agreed and included in the financial statements.</p> <p>There is a risk that the sum recorded as set aside for acute services in the annual accounts does not reflect actual hospital use.</p>	<p>Ongoing discussions with NHS Borders ensuring that set aside is appropriately disclosed in the 2018/19 financial statements.</p>	<ul style="list-style-type: none"> <li>Continued engagement with officers prior to the accounts being prepared to ensure that the relevant information is disclosed and the timetable is met.</li> </ul>

### Wider dimension issues and risks

#### 4 Financial sustainability

The IJB's financial plan for 2018/19 requires a significant level of efficiency savings, totalling £9.9m, of which £5.2m were unidentified. An update in June 2018 on the delivery of planned savings stated that there was now £6.2m unidentified savings, an increase of £1.0m from the original £5.2m.

There is a risk that overspends may require additional payments from Scottish Borders Council and NHS Borders and that there may be difficulties in producing a balanced outturn in future years.

Regular financial monitoring is reported to the IJB.

The integration scheme outlines the procedures that partner bodies should follow in the event of an overspend.

- Attendance at board meetings
- Monitor of performance against savings plans
- Consideration of savings plan for 2019/20 and 2020/21.
- Review whether budget monitoring is adequate and accurately reflects the financial position.
- Confirm and assess the steps taken to determine and agree future savings requirements with partner bodies.
- Confirmation of agreement of funding and balances with partners.

 <b>Audit Risk</b>	<b>Source of assurance</b>	<b>Planned audit work</b>
<p><b>5 Financial management : Budget setting</b></p> <p>Due to the high level of unidentified savings needed, the IJB only formally agreed their budget for 2018/19 in December 2018.</p> <p>There is a risk that the IJB is not able to develop appropriate budgets each year if savings plans are not in place.</p>	<p>Savings plans and budget setting process will be reviewed to ensure it is done in a more timely manner.</p>	<ul style="list-style-type: none"> <li>• Monitor budget setting process for timeliness</li> </ul>
<p><b>6 Governance : Risk Register</b></p> <p>The Board has not regularly had oversight of the IJB strategic risk register. The current IJB strategic risk register was first presented to the audit committee on 17 December 2018 and submitted to the full board on 28 January 2019 for approval.</p> <p>There is a possibility that risk management has not been embedded into the culture of the IJB and that board members are not aware of strategic risks.</p>	<p>IJB Strategic Risk Register will be reviewed by the full Board on a six monthly basis on recommendation by the audit committee.</p>	<ul style="list-style-type: none"> <li>• Monitor the risk management processes in place at the IJB.</li> <li>• Comment on the Annual Audit Report.</li> </ul>
<p><b>7 Governance : Audit Committee</b></p> <p>The annual accounts and our Annual Audit Report (AAR) for 2017/18 were taken to the IJB audit committee in September 2018. The agenda for this meeting was issued with some items still outstanding (including the AAR which was still being cleared with officers). It was also noted that the audited annual accounts were not circulated with the agenda and these were only emailed to members of the committee 15 minutes before the start of the meeting.</p> <p>The meeting was not attended by the Chief Officer, nor the CFO from the council (who was signing the accounts for 2017/18).</p> <p>There is a risk that the opportunity for audit committee members to discharge their responsibilities effectively is compromised.</p>		<ul style="list-style-type: none"> <li>• Continue to monitor the completeness and timeliness of information supplied to Audit Committee members.</li> </ul>

Source: Audit Scotland

## Reporting arrangements

6. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

7. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.
8. We will provide an independent auditor's report to Scottish Borders Integration Joint Board and Accounts Commission setting out our opinions on the annual accounts. We will provide them with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

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## Exhibit 2

### 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Report (including proposed Independent Auditor's Report)	2 August 2019	12 August 2019
Signed Independent Auditor's Report	27 August 2019	N/A

Source: Audit Scotland

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### Audit fee

9. The agreed audit fee for the 2018/19 audit of Scottish Borders Integration Joint Board is £25,000 (2017/18: £24,000). In determining the audit fee we have taken account of the risk exposure of Scottish Borders Scottish Borders Integration Joint Board, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 28 June.
10. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Responsibilities

### Audit Committee and Management

11. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.
12. The audit of the financial statements does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.

### Appointed auditor

13. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.
14. Auditors in the public sector give an independent opinion on the financial statements and other information within the financial statements. We also review and report on the four audit dimensions that frame the wider scope of public sector audit requirements, as shown in [Exhibit 5](#). In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Annual accounts

- 15.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:
- understanding the business of Scottish Borders Integration Joint Board and the associated risks which could impact on the financial statements
  - assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
  - identifying major transaction streams, balances and areas of estimation and understanding how Scottish Borders Integration Joint Board will include these in the financial statements
  - assessing the risks of material misstatement in the financial statements
  - determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.
- 16.** We will give an opinion on whether the financial statements:
- give a true and fair view of the of the state of affairs of the IJB as at 31 March 2019 and of the income and expenditure of the IJB for the year then ended;
  - have been properly prepared in accordance with the financial reporting framework.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Other information in the annual accounts

- 17.** We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.
- 18.** We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

## Materiality

- 19.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.
- 20.** We calculate materiality at different levels as described below. The calculated materiality values for Scottish Borders Integration Joint Board are set out in [Exhibit 3](#).

## Exhibit 3

### Materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 2019 based on the latest budget for 2018/19.	£2.55 million
<b>Performance materiality</b> – 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 planning materiality.	£1.79 million
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 2% of planning materiality.	£0.05 million

Source: Audit Scotland

## Timetable

21. To support the efficient use of resources it is critical that the financial statements timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

## Exhibit 4

### Financial statements timetable

 Key stage	 Date
Agreement of year end balances with NHS Borders and Scottish Borders Council	31 May 2019
Consideration of unaudited financial statements by the IJB Board	24 June 2019
Latest submission date of unaudited annual accounts with complete working papers package	28 June 2019
Latest date for final clearance meeting with Chief Financial Officer	26 July 2019
Issue of Annual Audit Report including ISA 260 requirements to those charged with governance	12 August 2019
Approval of audited unsigned annual accounts by the IJB Board	26 August 2019
Independent auditor's report signed	27 August 2019

## Internal audit

22. Internal audit is provided by the internal audit service at Scottish Borders Council and is overseen by the Chief Officer Audit & Risk at the council who is the appointed Chief Internal Auditor for the IJB. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). Our assessment concluded that the internal audit function operates in

accordance with the PSIAS and has sound documentation standards and reporting procedures in place

### Using the work of internal audit

- 23.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication and to ensure the total resource is used efficiently or effectively.
- 24.** In respect of our wider dimension audit responsibilities we plan to consider areas of internal audit work reported in the Internal Audit Annual Assurance Report 2018/19 for the IJB.

### Audit dimensions

- 25.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

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## Exhibit 5

### Audit dimensions



Source: Code of Audit Practice

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- 26.** In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

### Financial sustainability

- 27.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as short term (up to one year), medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the IJB can demonstrate the affordability and effectiveness of funding and investment decisions it has made

## Financial management

**28.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether the IJB can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether the IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

## Governance and transparency

**29.** 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. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

## Value for money

**30.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- the IJB can provide evidence that it is demonstrating value for money in the use of its resources.
- the IJB can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- the IJB can demonstrate that outcomes are improving.

## Best Value

**31.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincided with the new five-year audit appointments. Auditors started using the framework for their audit work from October 2016. As part of this approach a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in a five-year period.

**32.** The BVAR for Scottish Borders Council will be reported in October 2019. As part of this audit we will be considering the effectiveness of partnership working arrangements, including arrangements with the IJB.

## Independence and objectivity

**33.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors also comply with

professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

34. The engagement lead for Scottish Borders IJB is Gillian Wooman, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Scottish Borders Integration Joint Board.

## Quality control

35. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.
36. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.
37. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Scottish Borders Integration Joint Board

## Annual Audit Plan 2018/19

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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Jill Stacey  
Chief Officer Audit & Risk, Scottish  
Borders Council  
Chief Internal Auditor, Scottish Borders  
Health and Social Care Integration Joint  
Board



**SBC Internal  
Audit Section**

## **Internal Audit Annual Plan 2019/20 for Scottish Borders Health and Social Care Integration Joint Board**

**to**

**Integration Joint Board Audit Committee,  
Chief Officer and Chief Financial Officer**

**For presentation to IJB Audit Committee 11 February 2019**

### **1 Introduction**

- 1.1 The Scottish Borders Integration Joint Board (the Board) of Scottish Borders Health and Social Care Partnership (the Partnership) was established as a body corporate by Scottish Ministers on 6 February 2016. The Board approved a refreshed Strategic Plan for 2018-2021 on 18 June 2018 which sets out what it wants to achieve to improve health and well-being in the Scottish Borders through integrating health and social care services.
- 1.2 The Integration Joint Board (IJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.3 The roles and responsibilities of Board members and officers are defined within a comprehensive suite of governance documents relating to the arrangements within which the partnership will operate which specifically covers:
  - Scheme of Integration
  - Key Principles of the Local Code of Governance
  - Standing Orders
  - Audit Arrangements including Terms of Reference for the Audit Committee
  - Risk Management Strategy
  - Financial Arrangements and Financial Regulations
- 1.4 In addition to its own governance arrangements, the IJB places reliance on the governance arrangements adopted by NHS Borders and Scottish Borders Council, the partners. Where appropriate existing mechanisms embedded within both partners will be used to provide assurance to the Health and Social Care Integration Joint Board, for example assurance from partners' Internal Audit service providers.

- 1.5 The Board appointed Jill Stacey, Chief Officer Audit and Risk, Scottish Borders Council, as Chief Internal Auditor for the Integration Joint Board on 1 February 2016 with agreement that Internal Audit services for the IJB will be provided by the Council's Internal Audit team.
- 1.6 Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance. The Internal Audit programme of work is designed to add value to and improve the Integration Joint Board's operations in order to meet the objectives set out in the Strategic Plan.

## **2 Internal Audit Annual Planning Process**

- 2.1 The SBC Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 (updated 2017). The key standards within the PSIAS which relate to the preparation of the internal audit plan are summarised below:
  - Standard 2010 – Planning which states that “the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”
  - Standard 2020 – Communication and Approval which states that “the chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.”
- 2.2 The CIPFA Publication ‘Audit Committees 2013’ states that “The audit committee should seek to make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan takes into account the requirement to provide an annual internal audit opinion that can be used to inform the Annual Governance Statement. Specific activities will include:
  - Approving (but not directing) the risk-based plan, considering the use made of other sources of assurance.”The CIPFA Publication also states that “The committee will wish to seek assurance from the HIA that appropriate risk assessment has been carried out as part of the preparation of the internal audit plans when they are presented.”
- 2.3 Key components of the audit planning process include a clear understanding of the integration authority’s role and responsibilities, priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances provided to determine the potential range and breadth of audit areas for inclusion within the plan, consistent with the organisation’s goals. This exercise is informed by key developments at both a national and local level and other relevant background information, for example the Strategic Plan.
- 2.4 The IJB’s Strategic Risk Register has been used as a source of information to inform the risk-based Internal Audit plans.

## **3 Internal Audit Resources**

- 3.1 Staff resources, estimated in the Council's Internal Audit Annual Plan 2019/20 to be presented to SBC's Audit and Scrutiny Committee on 11 March 2019, totalling 45 days have been allocated to provide Internal Audit services to the Scottish Borders Health and Social Care Integration Joint Board in its fourth year of operation, which reflects the Council's contribution of corporate support resources.
- 3.2 Staff assigned to perform the IJB Internal Audit work hold relevant professional qualifications and have the necessary experience, knowledge, skills and technical competencies needed to complete the programme of work.

#### 4 Planned Internal Audit Programme of Work 2019/20

- 4.1 The Internal Audit work for 2019/20 has been informed by the risks, controls and mitigation actions as set out within the IJB's Strategic Risk Register to ensure that Internal Audit plans are risk-based and provide relevant assurance for the IJB.
- 4.2 As in previous years, to capture potential areas of risk and uncertainty more fully, the IJB's Chief Officer and Chief Financial Officer have been consulted. These discussions will continue on a regular basis to ensure Internal Audit assurance meet the needs of the IJB and Management and other key stakeholders.
- 4.3 In summary the Internal Audit work for 2019/20 is designed to encompass:
- (i) An appraisal of the operation of corporate governance and risk management arrangements in the fourth full year of operation of the IJB;
  - (ii) An assessment of transformation and change in service delivery, and the associated workforce development, to meet Strategic Plan priorities; and
  - (iii) A review of performance against strategic objectives, including relevant performance information and progress in delivering within the agreed financial framework.
- 4.4 The plan below gives an indication of the areas we plan to cover:

Category	Our planned audit approach and coverage within 2019/20
Internal Audit assurance on corporate governance, including key internal controls, and risk management	<p>We will attend the IJB meetings to observe planning, approval, monitoring and review activity of Scottish Borders Health and Social Care Integration business and performance.</p> <p>We will assess the IJB's corporate governance arrangements in place to deliver services to meet the needs of service users and the strategic priorities for health and social care integration set out in the revised Strategic Plan.</p> <p>We will use the IJB's Local Code of Corporate Governance (updated and approved by IJB 17 September 2018 on recommendation by the IJB Audit Committee 25 June 2018) as an integrated toolkit to test key elements to determine whether these are operating as described.</p> <p>We will follow-up on progress on areas of improvement recommended in 2018/19 audit assurance work. Reliance will be placed on assurance from partners' Internal Audit providers, i.e. PwC for NHS Borders and in-house team for Scottish Borders Council, through their follow-up work undertaken that is relevant to health and social care integration.</p> <p>We will consider and apply National Reports that give rise to introducing best practice arrangements or lessons learned from other organisations to enable Management to evidence improvements in health and social care integration practices on a continuous basis e.g. Accounts Commission was prepared by Audit Scotland and published on 15 November 2018 'Health and Social Care Integration – An Update on Progress'.</p>
Internal Audit assurance on financial governance, including key internal financial controls	<p>We will review processes in place to ensure appropriate accountability for financial management of financial resources delegated to the partnership and to facilitate the delivery of efficient and effective services, including progress in achieving efficiencies.</p> <p>We will rely on assurance from partners' Internal Audit providers, i.e. PwC for NHS Borders and in-house team for Scottish Borders Council, through their planned Internal Audit work undertaken on the effectiveness of the key financial controls in place and the financial monitoring and reporting controls in operation to fulfil their partners' roles and responsibilities.</p>

Category	Our planned audit approach and coverage within 2019/20
Internal Audit assurance on transformation and change, including workforce development	<p>Assess the IJB's corporate governance arrangements in place to transform service delivery to meet the needs of service users and assess progress in commissioning redesigned services and their fit with strategic priorities for health and social care integration that are set out in the IJB's Strategic Plan, including the delivery of directions flowing from the strategic plan relating to savings and efficiencies.</p> <p>We will review the approach to workforce planning and development in alignment with business and financial planning processes to provide skills, knowledge and competency requirements for redesigned services to meet strategic objectives.</p> <p>Reliance will be placed on assurance from partners' Internal Audit providers, i.e. PwC for NHS Borders and in-house team for Scottish Borders Council, through their work undertaken that is relevant to health and social care integration.</p>
Internal Audit assurance on performance management	<p>We will assess whether there is appropriate alignment of performance measures in the IJB's Performance Management Framework to key priorities and outcomes of the Strategic Plan and validate the evidence of improvement of health and wellbeing within the Scottish Borders through integrating health and social care services.</p> <p>We will rely on assurance from partners' Internal Audit providers, i.e. PwC for NHS Borders and in-house team for Scottish Borders Council, through their planned Internal Audit work undertaken on the effectiveness of the performance monitoring and reporting controls in operation to fulfil their partners' roles and responsibilities.</p>

## 5 Reporting of Internal Audit Results

- 5.1 The Internal Audit Annual Plan 2019/20 for the IJB includes sufficient work to enable the IJB's appointed Chief Internal Auditor to prepare an annual independent and objective audit opinion on the adequacy of the arrangements for risk management, governance and control of the delegated resources in its fourth year of operation.
- 5.2 At the end of the year the Internal Audit Annual Assurance Report 2019/20 for the IJB which will be reported to Management and to the IJB Audit Committee, for governance and scrutiny purposes, will include the audit opinion based on the audit work during the year, and will state the results from each audit engagement outlining the risks, controls and conclusions. It will also state any Internal Audit recommendations that have been made to improve internal controls and governance in the form of an improvement action plan that will include the responsible owner and timescale for implementation. The outcomes of any monitoring of implementation of agreed actions or acceptance of risk will also be stated.
- 5.3 The Internal Audit findings and annual opinion will be used to inform the IJB's Annual Governance Statement for inclusion in the IJB's Annual Report and Accounts. An Executive Summary of the Internal Audit Annual Assurance Report 2019/20 for IJB will be presented to the Board for assurance purposes.

## 6 Internal Audit Added-Value Support

- 6.1 Internal Audit will support the development of the members of the IJB Audit Committee to enable effective scrutiny and challenge, support the members of the Board as appropriate to fulfil its role, and lead the self-evaluation of IJB Audit Committee against its remit and best practice, to fulfil the core principles in the IJB's Local Code of Corporate Governance.