

# 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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# Contents

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Key messages	4
Introduction	5
Part 1 Audit of 2016/17 annual accounts	7
Part 2 Financial management	9
Part 3 Financial sustainability	11
Part 4 Governance and transparency	13
Part 5 Value for money	16
Appendix 1 Action plan 2016/17	18
Appendix 2 Significant audit risks identified during planning	21
Appendix 3 Summary of national performance reports 2016/17	23

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# Key messages

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## 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](http://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.

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

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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
<b>Overall materiality</b> - 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
<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 overall materiality.	£1.10 million
<b>Reporting threshold</b> - 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.

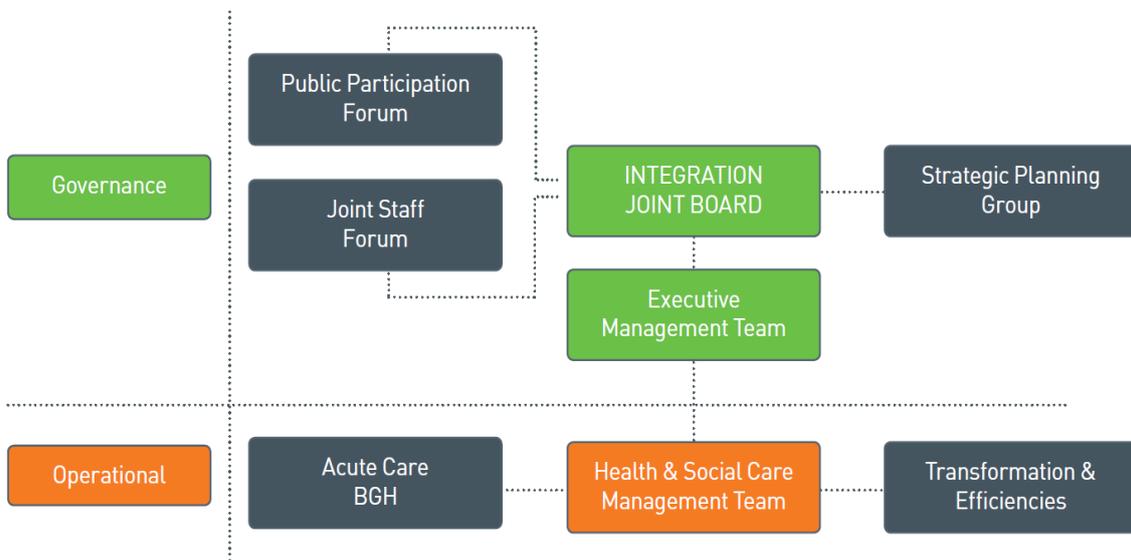
### Governance arrangements

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.

[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

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

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><b>1. Hospital acute services (set aside)</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.</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&amp;SC Partnership.</p> <p>Responsible officer: IJB Chief Financial Officer</p> <p>Agreed date – 31 Mar 2018</p>
10	<p><b>2. Financial ledger</b></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><b>3. Savings in future years</b></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><b>4. Financial Performance</b></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><b>5. Chief Officer and Chief Financial Officer</b></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
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></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><b>2 Financial statements preparation</b></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>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>3 Financial sustainability</b></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><b>4 Governance arrangements</b></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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