

Scottish Borders Integration Joint Board

2017/18 Annual Audit Report



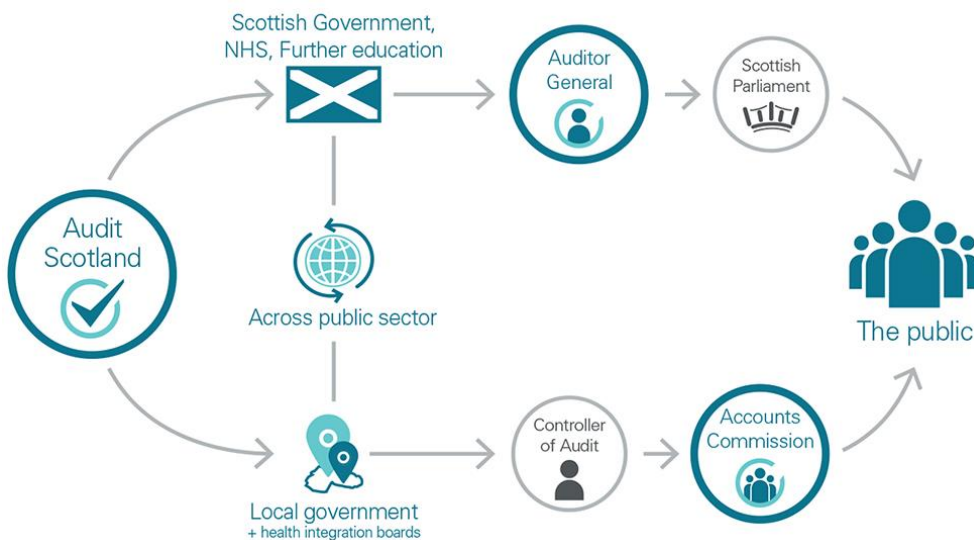
 **AUDIT SCOTLAND**

Prepared for the Scottish Borders Integration Joint Board and the Controller of Audit
September 2018

Who we are

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

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



About us

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

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

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

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Key messages

2017/18 annual report and accounts

- 1** In our opinion Scottish Borders Integration Joint Board's (IJB) financial statements give a true and fair view and were properly prepared.
- 2** The management commentary, remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Financial management and sustainability

- 3** The IJB reported a breakeven position for the year. This was achieved with the implementation of a recovery plan during the year and additional funding of £4.52 million from partners.
- 4** The IJB budget for 2018/19 has not been formally approved due to the high level of unidentified savings in the proposed budget, most of which relate to healthcare services.

Governance, transparency and best value

- 5** The IJB has adequate governance arrangements in place to support the scrutiny of decisions by the board. However improvements could be made in some areas, for example by updating the Communications and Stakeholder Engagement Plan and developing a clear policy on consulting partner organisation representatives.
- 6** Arrangements for the monitoring and reporting of risks relating to the IJB are not yet fully embedded.
- 7** The annual performance report covered the required areas under the Act. Performance reporting to the Board should continue to be further developed.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Scottish Borders Integration Joint Board, hereby referred to as 'the IJB'.
2. The scope of our audit was set out in our Annual Audit Plan presented to the 19 March 2018 meeting of the Audit Committee. This report comprises the findings from:
 - an audit of the IJB's annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2017/18 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 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
 - consideration of the four audit dimensions.
4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

5. The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's financial management and sustainability arrangements, suitability and effectiveness of corporate governance and transparency arrangements, and arrangements for securing value for money. In doing this, we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
9. 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.
10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.
13. This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
14. 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 2017/18 annual accounts



Main judgements

In our opinion Scottish Borders Integration Joint Board's (IJB) financial statements give a true and fair view and were properly prepared.

The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Audit opinions on the annual accounts

15. The annual accounts for the year ended 31 March 2018 were approved on 17 September 2018. We reported within our independent auditor's report that in our opinion:

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

16. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, and the information and explanations we received.

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

Submission of annual accounts for audit

17. 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 officers to prepare the accounts by the statutory deadline.

18. The working papers provided with the unaudited financial statements were of a reasonable 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

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

Materiality

20. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves

considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

21. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£1.75 million
Performance materiality	£1.23 million
Reporting threshold	£35,000

Source: Audit Scotland

Evaluation of misstatements

22. There were no material adjustments to the unaudited financial statements arising from our audit. There were no individual misstatements which exceeded our reporting threshold.

Significant findings from the audit in accordance with ISA 260

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including qualitative aspects of the board's accounting practices. There are no significant findings arising from the audit of the IJB.

Other Findings

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

Good practice in financial reporting

25. The annual accounts reflect many of the good practice points as set out in the Audit Scotland good practice note on '[Improving the quality of local authority accounts – integration joint boards](#)' (April 2018).

Follow up of prior year recommendations

26. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

27. In total, seven agreed actions were raised in 2016/17. All seven actions have either not been actioned or have only partly been actioned. See [Appendix 1](#) for details.

Part 2

Financial management and sustainability



Main judgements

The IJB reported a breakeven position for the year. This was achieved with the implementation of a recovery plan during the year and additional funding of £4.52 million from partners.



The IJB budget for 2018/19 has not been formally approved due to the high level of unidentified savings in the proposed budget, most of which relate to healthcare services.

Financial management

28. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Financial Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- IJB members provide a good level of challenge and question budget holders on significant variances.

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

29. Arrangements have been put in place in the absence of a Chief Finance Officer (CFO) for a year. Recruitment proved unsuccessful and the post of CFO has recently been filled on an interim basis by a secondee. The role of CFO in an IJB is unique, in the absence of IJB accounting systems, but is significant for working with partners to drive financial strategies, promote new ways of working and to evaluate the impact of system redesign for the realisation of IJB objectives.

30. A finance officer from the council has ensured that financial monitoring reports are prepared and taken 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

Systems of internal control

31. 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.

32. As part of our audit approach we sought assurances from the external auditors of NHSB and SBC (in accordance with ISA 402) and confirmed there were no

weaknesses in the systems of internal controls for NHS Borders and Scottish Borders Council that impacted on the IJB.

33. At present the transactions of the IJB are not recorded in a financial ledger, but are instead recorded in separate working papers. This was also the case in the prior year. In order to improve record keeping and allow for easier financial reporting, we continue to recommend that the IJB is set up as a separate entity in one of the partner organisation's ledgers.

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

Financial performance in 2017/18

34. 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.

35. During the year the original budget for 2017/18 was supplemented by additional funding from the partners of the IJB, with NHSB providing an additional £4.23 million and SBC providing £0.29 million, in order to achieve a breakeven position as summarised in [Exhibit 3](#) below. The additional funding was required due to overspends in areas including prescribing costs and older people's care. Spend on the large hospital set aside was higher than originally budgeted mainly due to non-delivery of planned efficiencies. 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 of changes to the budget during the year.

36. 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. Guidance issued by the Scottish Government during the year confirmed that transitional arrangements agreed in 2016/17 could continue to be applied in 2017/18. In common with other IJBs, a notional figure has been agreed and included in the annual accounts.

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

Exhibit 3

Performance against budget

IJB budget objective summary	Original Budget £m	Revised Budget £m	Actual £m
Funding from NHS Borders	102.0	105.2	105.2
NHS Borders large hospital set-aside	19.0	24.4	24.4
Funding from Scottish Borders Council	45.7	46.6	46.6
Additional funding from SBC and NHSB (see paragraph 34 above)	0.0	4.5	4.5
Total funding	166.7	176.2	176.2

Source: Scottish Borders IJB 2017/18 annual accounts and 2017/18 – 2019/20 Financial Statement (plan)

Financial planning

37. The IJB allocates the resources it receives from NHSB and SBC in line with the Strategic Plan. The 2018/19 financial plan was presented to the Board in April 2018. The report identifies that the budget allocation to the IJB totals £168.37 million, which is funded by £45.84 million from SBC for social care, £102.39 million from NHS Borders for healthcare and £20.14 million healthcare set-aside.

38. The report includes a requirement to deliver £9.88 million of savings during the year in order to breakeven. This is split £7.44 million from NHSB and £2.44 million from SBC. At the time of the financial plan being presented, plans to achieve £5.24 million of the NHS savings were still unidentified. The budget was not approved at the April Board meeting due to the level of unidentified savings in the plan.

[Appendix 1, Action Plan point 3](#)

39. In August 2018 a paper was scheduled for consideration by the Board on the 2018/19 financial position. Monitoring was based on the proposed budget as the plan for the year had still not been agreed due to the level of unidentified savings. This report highlighted that the anticipated outturn for the 2018/19 financial year was an overspend of £7.06 million more than budget, mostly due to the remaining £4.81 million of unidentified savings. The financial position report was not considered by the Board at the August meeting as the meeting became inquorate before the paper could be discussed.

[Appendix 1, Action Plan points 4 & 5](#)

Reserves strategy

40. 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. At the year end the IJB did not hold any reserves.

EU withdrawal

41. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
- Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
- Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

42. The IJB will wish to be well informed in how Scottish Borders Council and NHS Borders are working to monitor and respond to the impact of the EU withdrawal on their services. Due the uncertainties surrounding the terms of the withdrawal, currently there are no fixed plans in place in the IJB at this stage.

Part 3

Governance, transparency and best value



Main judgements

The IJB has adequate governance arrangements in place to support the scrutiny of decisions by the board. However improvements could be made in some areas, for example by updating the Communications and Stakeholder Engagement Plan and developing a clear policy on consulting partner organisation representatives.

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

The annual performance report covered the required areas under the Act. Performance reporting to the Board should continue to be further developed.

Governance arrangements

43. 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.

44. The governance structure at the IJB consists of two layers:

- The IJB approves 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.

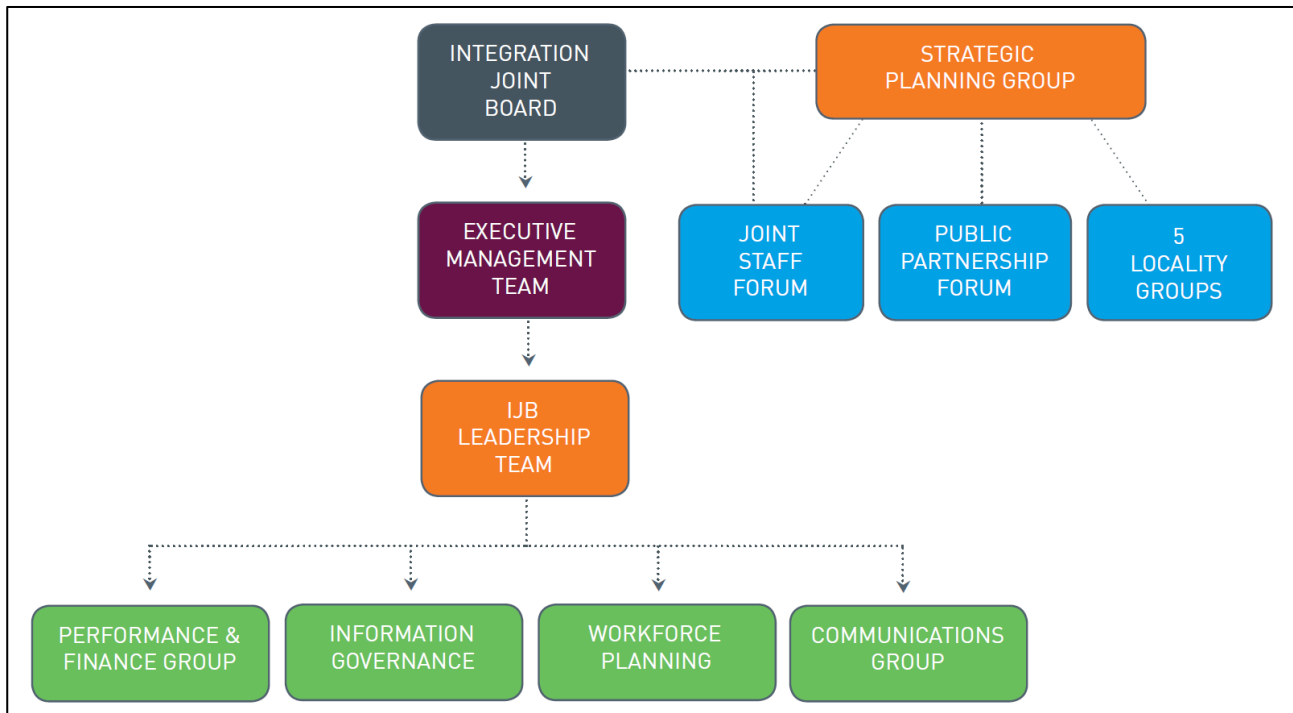
45. The Strategic Planning Group, Public Participation Forum and the Joint Staff Forum offer advice to the IJB whilst the Health and Social Care Joint Management Team provide operational support and delivery and progress reporting.

46. 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 2017/18

47. As part of their annual assurance report, Internal Audit found that the governance arrangements at the IJB were generally effective but identified some areas of weakness that could be improved. These included updating the Communications and Stakeholder Engagement Plan to provide clear guidance on the types of issues that consultation or engagement with the public and service users will take place in the future and when to conduct it; and developing a clear policy on what, how and when staff and their representatives within the partner organisations are consulted. Internal Audit also recommended considering making the distinction clearer between IJB strategic matters and provider operational issues when setting agendas for the benefit of the IJB Board Members.

Chief Officer and Chief Financial Officer

48. 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. A new Chief Officer was appointed in October 2017 following the retirement of the previous Chief Officer in September 2017.

49. The Chief Financial Officer (CFO) is responsible for financial management and strategic planning, 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.

50. The CFO post was filled on an interim basis until September 2017 by a Scottish Borders Council officer. Since then, the responsibilities of the role have been covered by the Director of Finance at NHSB and the Chief Finance Officer at SBC. A recruitment campaign to appoint a new CFO was run during the year, however a lack of sufficient interest in the position meant that no appointment was made following the campaign. A new CFO has now been appointed on a 12 month secondment from August 2018.

Transparency

51. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

52. The IJB's purpose and vision are outlined in its Strategic Plan. The plan outlines a number of national and local policies, strategies going forward and the key priorities going forward. The Strategic Plan sets out the actions that the partnership will take and provides a basis for measuring how well they are doing and how these are linked to the IJB's priorities and the national outcomes. The Strategic Plan has been refreshed during the year and the Strategic Plan for 2018-2021 is due to be published in September 2018.

53. Full details of the meetings held by the IJB and the Audit Committee are available through the SBC website and both meetings are open to the public to attend. This is considered good practice as not all public sector bodies offer this level of transparency, particularly when it comes to the Audit Committee.

Risk management

54. 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.

55. As reported by Internal Audit and ourselves in 2016/17, although a strategy is in place, risk management is not yet embedded in the culture of the IJB and consideration of risk is rarely documented in Board deliberations. A risk register for the IJB has been developed, but this has not been presented to the Board for consideration. This is an ongoing area of improvement with an associated Internal Audit action agreed by Management.

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

Internal audit

56. Internal audit provides the IJB board and Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

57. 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.

58. To avoid duplication of effort we consider the work of Internal Audit wherever possible. In 2017/18 we used Internal Audit's work, reported in their annual assurance report for 2017/18, as part of our wider dimension work. The report for 2017/18 provided opinions on governance, risk management and performance management arrangements at the IJB, however it did not include an overall opinion on the effectiveness of the IJB's governance framework. We have agreed with the Chief Internal Auditor that the report for 2018/19 will provide greater clarity on the overall opinion.

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

59. 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 internal audit function 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. No instances of suspected fraud have been reported to the IJB Audit Committee in 2017/18.

Best Value and performance management

60. Best Value duties apply to accountable officers across the public sector. As part of this year's audit IJB auditors have looked at how the IJB demonstrates that it is meeting its BV duties. 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.

61. 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.

62. A draft annual performance report was submitted to the IJB Board meeting in May 2018 and the final report published in July 2018. The report covers the information required by the Act and sets out the IJB's performance against its 12 key priorities for the year. Work highlighted in the report includes a continued focus on reducing unplanned admissions to hospital as well as reducing delayed discharges. This has resulted in the development of a number of discharge to assess initiatives, pathway redesigns and enablement approaches in 2017/18.

63. The IJB board receives performance reports on a quarterly basis. During the year an Integration Performance & Finance Group was formed which monitors and reports on the performance against indicators. The indicators reported to the Board have continued to develop during 2017/18, however the Internal Audit report found that reporting could still be improved by developing monitoring of: progress against national and local objectives; the quality of services it commissions for users; and value for money within commissioned services. This is an ongoing area of improvement with associated Internal Audit actions agreed by Management.

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

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

National performance audit reports

64. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published some reports which are of direct interest to the Board as outlined in [Appendix 3](#). Processes are in place to ensure that all national performance reports and their impact are considered by the Board.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial ledger</p> <p>As we reported last year 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>Paragraph 33</p>	<p>Agreed</p> <p>Responsible Officer</p> <p>Chief Financial Officer Scottish Borders Council</p> <p>Agreed date</p> <p>31 March 2019</p>
2	<p>Hospital acute services (set aside)</p> <p>Arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance. 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 was a transitional arrangement for 2016/17 that was agreed by the Scottish Government to continue in 2017/18.</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 2018/19.</p> <p>Paragraph 36</p>	<p>Actual spend has been reported throughout 17/18.</p> <p>Director of Finance NHS Borders</p> <p>Chief Financial Officer IJB</p>
3	<p>Financial Planning</p> <p>The 2018/19 budget for the IJB requires the delivery of £9.88 million of savings during the</p>	<p>Plans to meet the required savings should be identified and the budget for the year should be approved by the IJB.</p>	<p>Plans have been presented to the Board relating to the savings required by the Council Social Work budget and elements of the NHS</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>year in order to breakeven. This is split £7.44 million from NHSB and £2.44 million from SBC. The budget was not approved by the IJB as plans to achieve £5.24 million of the NHS savings were still 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>Paragraph 38</p>	<p>budgets. The remaining gap is the subject of ongoing management action and negotiation between NHS Borders and the Scottish Government regarding brokerage. The IJB has asked NHS Borders to advise them how this gap will be bridged and when that is reported will be in a position to approve the budget for 2018/19.</p> <p>Responsible Officer(s)</p> <p>Chief Financial Officer IJB and NHS Director of Finance</p> <p>Agreed date</p> <p>31 October 2018</p>
4	<p>Financial Position</p> <p>In August 2018 a paper was scheduled for consideration by the Board on the 2018/19 financial position based on the proposed budget. The anticipated outturn for the 2018/19 financial year was an overspend of £7.06 million more than budget, mostly due to £4.81 million of unidentified savings.</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>Paragraph 39</p>	<p>Agreed. Regular monitoring reports will continue to be presented to the IJB. The next Board meeting agenda on the 17 September will contain the latest monitoring update for 2018/19.</p> <p>Responsible officer</p> <p>Chief Financial Officer IJB</p> <p>Agreed date</p> <p>17 September 2018</p>
5	<p>Governance</p> <p>The Board's August meeting became inquorate part way through the meeting meaning that papers, including financial monitoring and performance reporting, could not be considered by the Board.</p> <p>There is a risk that the Board is not able to provide effective scrutiny without sufficient prioritisation of agenda items in meetings.</p>	<p>The Board should ensure that agenda items are prioritised and that there is sufficient time at meetings to adequately scrutinise papers.</p> <p>Paragraph 39</p>	<p>There was an important issue that absolutely required debate and agreement and was therefore prioritised in the meeting. Any papers that weren't presented were put on the following meeting agenda which was in 4 weeks. The business of the IJB has increased and a decision was made to increase the frequency of the meetings. This issue is not considered a risk.</p> <p>Chief Officer IJB</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			17 September 2018
6	<p>Risk management</p> <p>As we reported last year, although the IJB has a risk management strategy in place, and a risk register has been prepared, risk management is not fully embedded, and the risk register has not been considered by the Board.</p> <p>This is an ongoing area of improvement with an associated Internal Audit action agreed by Management.</p> <p>There is a risk that the risk management arrangements are not effective.</p>	<p>Risk management arrangements should be embedded at the Board and risk registers should be regularly reported to the Board.</p> <p>Paragraph 55</p>	<p>One ongoing Management Action agreed with Internal Audit which is being progressed.</p> <p>Responsible officer Chief Officer IJB</p> <p>Agreed date December 2018</p>
7	<p>Performance information</p> <p>Information on performance that is reported to the Board has continued to develop during 2017/18. There are still areas that could be improved, including updating the Communications and Stakeholder Engagement Plan and developing a clear policy on what, how and when staff and their representatives within the partner organisations are consulted.</p> <p>This is an ongoing area of improvement with associated Internal Audit actions agreed by Management.</p> <p>There is a risk that the board is not receiving appropriate indicators to allow monitoring of the implementation of the commissioning plan.</p>	<p>Performance indicators used should continue to be improved and aligned to the refreshed Strategic Plan.</p> <p>Paragraph 63</p>	<p>Two ongoing Management Actions agreed with Internal Audit which are being progressed.</p> <p>Responsible officer Chief Officer IJB</p> <p>Agreed date December 2018</p>

Follow up of prior year recommendations

b/f	<p>Hospital acute services (set aside)</p> <p>Arrangements for the sum set aside for hospital acute</p>	<p>NHSB and the IJB should prioritise establishing revised processes for planning and performance management of</p>	<p>Guidance from the Scottish Government during the year confirmed that the set aside figure in the annual accounts</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>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>	delegated hospital functions and associated resources in 2017/18.	<p>could continue to be based on the agreed notional figure.</p> <p>We will continue to monitor the position as part of the 2018/19 audit.</p> <p>See action plan point 2 above</p>
b/f	<p>Financial ledger</p> <p>The financial transactions of the IJB are currently based on transactions within the ledgers of NHSB and SBC, with the year end accounts prepared based on workings recorded in a spreadsheet.</p> <p>There is a risk that without a separate ledger for the IJB financial monitoring and reporting is not being carried out as efficiently as possible.</p>	The IJB should arrange for its financial transactions to be recorded within a financial ledger in order to allow easier financial monitoring and reporting.	See action plan point 1 above
b/f	<p>Savings in future years</p> <p>The financial statement (plan) covering 2017/18 – 2019/20 contains a large level of required savings over the period, with a significant level of these currently unidentified.</p> <p>There is a risk that the IJB is not able to develop appropriate budgets each year if full savings plans are not in place.</p>	The IJB should ensure that plans for the required savings are identified as soon as possible.	See action plan point 3 above
b/f	<p>Financial Performance</p> <p>The latest financial monitoring report from August 2017 highlighted that an anticipated outturn of £9.40 million more than budget was expected, with work on-going to implement a recovery plan.</p>	The Board should continue to monitor financial performance and ensure savings plans are in place to manage forecast overspends.	See action plan point 4 above



No.	Issue/risk	Recommendation	Agreed management action/timing
	<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>		
b/f	<p>Chief Officer and Chief Financial Officer</p> <p>The Chief Officer and Chief Financial Officer for the IJB are both leaving their posts in September 2017, with the Chief Financial Officer having been in his post on an interim basis since April 2016.</p> <p>There is a risk that changes in key personnel impacts on the ability of the IJB to deliver its strategic objectives.</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>A new Chief Officer was appointed on a permanent basis from October 2017.</p> <p>A new Chief Financial Officer has been appointed from August 2018 on a 12 month secondment.</p>
b/f	<p>Risk Management</p> <p>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.</p> <p>There is a risk that the arrangements are not effective.</p>	<p>Risk registers should be regularly reported to the Board.</p>	<p>See action plan point 6 above</p>
b/f	<p>Performance monitoring</p> <p>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.</p> <p>There is a risk that the Board is not able to adequately monitor performance.</p>	<p>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.</p>	<p>See action plan point 7 above</p>

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 our wider responsibility under the Code of Audit Practice 2016.












Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>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 order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Service auditor assurances will be obtained from the audits of Scottish Borders Council ("the council") and NHS Borders ("the health board") over the completeness, accuracy and allocation of the income and expenditure.</p>	<p>Assurances were provided by the auditors of NHSB and SBC regarding the completeness, accuracy and allocation of income and expenditure.</p> <p>No issues were identified.</p>
<p>2 Hospital Set Aside Sum</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 should 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>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>Guidance from the Scottish Government during the year confirmed that the set aside figure in the annual accounts could continue to be based on the agreed notional figure.</p>
<p>3 Chief Financial Officer</p> <p>There is currently no Chief Finance Officer (CFO) in post. The IJB has agreed that the CFO role will be advertised and it is expected that a new CFO will be appointed from April 2018.</p>	<p>Ongoing meetings and discussions with officers</p>	<p>A new CFO was not appointed due to lack of suitable candidates. A CFO has been appointed from August 2018 on a 12 month secondment.</p> <p>See point 5 in Appendix 1.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>There is a risk that financial reporting to the IJB and preparation of the annual accounts could be adversely affected by the absence of a permanent CFO.</p>		
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>4 Financial sustainability</p> <p>The latest financial monitoring report presented to the IJB in February 2018 reported a projected outturn of £175.4m against a revised budget of £166.6m, an overspend of £8.8m. This overspend relates mostly to healthcare services and a recovery plan has been prepared setting out how the forecast overspend will be addressed in order to achieve a breakeven position.</p> <p>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. .</p>	<p>Ensure budget monitoring is robust and accurately reflects the financial position.</p> <p>Confirmation of agreement of funding and balances with host bodies.</p>	<p>Budget monitoring reports were presented to the IJB during the year. The IJB reported a breakeven position at the year end, however additional contributions totalling £4.52 million were required from partners to achieve this position.</p> <p>See points 2 and 3 in Appendix 1</p>
<p>5 Chief Officer</p> <p>The IJB has had four Chief Officers since its initial formation in February 2016, including one interim Chief Officer. The Chief Officer is a key role, responsible for the preparation, implementation and reporting on the Strategic Commissioning Plan as well as overseeing operational delivery of delegated services.</p> <p>There is a risk that the high turnover in this key governance role has delayed delivery of the IJB's Commissioning Plan.</p>	<p>Monitor arrangements during the year through discussion with officers and attendance at meetings.</p>	<p>A permanent Chief Officer has been in post from October 2017.</p> <p>No issues have been identified with the arrangements.</p>
<p>6 Care Services</p> <p>The Care Inspectorate and Healthcare Improvement Scotland published a joint report on adult health and social care services in the Scottish Borders in September 2017. This report evaluated three out of nine quality indicators as being 'weak' and</p>	<p>Monitor follow up to the agreed action plan.</p>	<p>An action plan was produced and reported to the IJB in June 2018. The plan was agreed with the Care Inspectorate and Healthcare Improvement Scotland. Meetings are regularly held with the Care Inspectorate to confirm progress with the action plan.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>identified thirteen recommendations for improvement.</p> <p>There is a risk that the IJB is not ensuring that adequate services are being delivered.</p>		<p>The IJB is taking appropriate steps to address the issues identified in the inspection.</p>

Appendix 3

Summary of national performance reports 2017/18

 2017/18 Reports		
Apr		
May		
Common Agricultural Policy Futures programme: further update		Jun  Scotland's colleges 2017
		Jul  NHS workforce planning
Self-directed support: 2017 progress report		Aug
Equal pay in Scottish councils		Sept
Transport Scotland's ferry services		Oct  NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov
Dec		
Jan		
Early learning and childcare		Feb
Managing the implementation of the Scotland Acts		Mar

Reports relevant to Integration Joint Boards

[*Self-directed support: 2017 progress report*](#) – August 2017

[*NHS in Scotland 2017*](#) – October 2017

Scottish Borders Integration Joint Board

2017/18 Annual Audit Report

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