

# Scottish Borders Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

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

August 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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# Key messages

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## 2018/19 annual report and accounts

- 1** Scottish Borders Integration Joint Board's (IJB) annual accounts give a true and fair view and were properly prepared.
- 2** The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with proper accounting practices.

## Financial management and sustainability

- 3** Arrangements to appoint a permanent Chief Financial Officer (CFO) for the IJB should be made as soon as possible as the current CFO is on secondment.
- 4** The IJB reported a breakeven position for the year. This was achieved with additional funding of £3.2 million during the year and £5.2 million at the year end from partners.
- 5** The IJB budget for 2019/20 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 value for money

- 6** The IJB has adequate governance arrangements in place that support the scrutiny of decisions by the board. However improvements could be made in some areas, including ensuring board meetings are better attended and scheduled, as well as expanding the work considered by the Audit Committee.
- 7** Arrangements for the monitoring and reporting of risks relating to the IJB have improved during the year.
- 8** The recent self assessment for the Ministerial Strategic Group for Health and Community Care noted that the IJB is only partly established in most areas.

# Introduction

1. This report is a summary of our findings arising from the 2018/19 audit of Scottish Borders Integration Joint Board (“the IJB”).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit Committee meeting on 11 February 2019. This report comprises the findings from our main elements of work in 2018/19 including:
  - an audit of the IJB's 2018/19 annual accounts including issuing an independent auditor's report setting out our opinions
  - 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

## Adding value through the audit

3. We add value to the IJB, through audit, by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
  - reporting our findings and conclusions in public
  - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

4. 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.

## Responsibilities and reporting

5. 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. 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. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

8. In doing this we aim to support improvement and accountability. 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. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

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 2018/19 audit fee of £25,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. 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) in due course.

13. 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 2018/19 annual accounts



### Main judgements

**Scottish Borders Integration Joint Board's (IJB) annual accounts 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

**14.** The annual accounts for the year ended 31 March 2019 are due to be approved by the board on 14 August 2019. We reported within the independent auditor's report that:

- 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.

**15.** 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

**16.** We received the unaudited annual accounts on 18 June 2019 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.

**17.** The working papers provided with the unaudited annual accounts were of a reasonable standard and finance staff provided support to the audit team which helped ensure the audit process ran smoothly.

### Risks of material misstatement

**18.** [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

**19.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

### 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 and was based on the 2018/19 budget. Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.
22. On receipt of the 2018/19 unaudited annual accounts we reviewed our materiality bases and concluded that they remained appropriate ([Exhibit 2](#)).

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## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£2.79 million
Performance materiality	£1.95 million
Reporting threshold	£55,000

Source: Audit Scotland

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### 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 our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. There are no significant findings arising from the audit of the IJB.

### Evaluation of misstatements

24. There were no material adjustments to the unaudited annual accounts arising from our audit. There were no individual misstatements which exceeded our reporting threshold.

### Other Findings

25. 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 annual accounts.

### Qualitative aspects of the audit

26. We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices.

### Good practice in financial reporting

27. The annual accounts reflect good practice 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

28. The IJB has made limited progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

# Part 2

## Financial management and sustainability



### Main judgements

Arrangements to appoint a permanent Chief Financial Officer (CFO) for the IJB should be made as soon as possible as the current CFO is on secondment.



The IJB reported a breakeven position for the year. This was achieved with additional funding of £3.2 million during the year and £5.2 million at the year end from partners.

The IJB budget for 2019/20 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

29. 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
  - 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.
30. 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.
31. During 2017/18 the responsibilities of the CFO role were covered by the Director of Finance at NHSB and the Chief Financial 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. A new CFO was appointed on a 12 month secondment from August 2018.

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



### Recommendation 1

**The IJB should make arrangements to appoint a CFO on a permanent basis as soon as possible.**

### Systems of internal control

32. The IJB does not have any financial systems of its own. All financial transactions 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.
33. 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.
34. As we have reported in prior years, 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 continue to recommend that the IJB is set up as a separate entity in one of the partner organisation's ledgers.



### Recommendation 2

**The IJB should record its transactions in a ledger to improve record keeping and financial reporting.**

### Risk management

35. A Risk Management Strategy was approved by the IJB in March 2016 which includes the: reporting structure; types of risks to be reported; risk management framework and process; roles and responsibilities; and monitoring risk management activity and performance. The strategy identifies how risks will be identified and reported to the IJB and is included as a section in the IJB's Code of Corporate Governance.
36. It was highlighted in our annual audit reports for 2016/17 and 2017/18, along with the Internal Audit Annual Assurance Reports for those years, that risk management had not yet been embedded at the IJB. A strategic risk register had been prepared but had not been considered at any meetings of the IJB. This has been addressed during 2018/19 and the strategic risk register was scrutinised by the IJB at its meeting in January 2019. The board agreed that the register will be brought to the IJB at six monthly intervals.
37. Based on our review of the evidence we concluded that the IJB has appropriate risk management arrangements which should be subject to regular review by the board.

### Financial performance in 2018/19

38. 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 is incurred by partners' bodies (NHS Borders and Scottish Borders Council) 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.

39. During the year the original budget for 2018/19 was supplemented by additional funding from the partners of the IJB, with NHSB providing an additional £5.2 million for delegated services at the year end, as well as an additional £1.4 million for set-aside services. SBC provided an additional £3.2 million for social care services, which resulted in an underpend of £0.3 million to be returned to the council at the year end. These contributions allowed the IJB to achieve a breakeven position as summarised in [Exhibit 3](#) below. The additional funding was mainly required due to: non-delivery of savings; overspends resulting from recruitment challenges which required locum and agency staff to cover services; and increased costs of services including care at home. 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.
40. 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 2018/19. In common with other IJBs, a notional figure has been agreed and included in the annual accounts. The Scottish Government expects that IJBs should make progress during 2019/20 in using the set aside budget as a mechanism for shifting the balance of care.



### Recommendation 3

**The IJB and NHSB should work to establish revised processes for planning and performance management of delegated hospital functions and associated resources.**

## Exhibit 3 Performance against budget

IJB budget summary	Original Budget £m	Revised Budget £m	Actual £m
Funding from NHS Borders	95.1	96.3	101.5
Additional allocation from NHS Borders at year end for delegated services		5.2	
NHS Borders large hospital set-aside	20.1	25.1	25.1
Funding from Scottish Borders Council	53.6	56.3	56.3
Total funding	168.8	182.9	182.9

Source: Scottish Borders IJB annual accounts

## Financial planning and sustainability

41. The IJB allocates the resources it receives from NHSB and SBC in line with the Strategic Plan. The 2019/20 financial plan was presented to the board in May 2019.

42. The report identifies that the budget allocation to the IJB totals £176.3 million, which is funded by £49.1 million from SBC for social care, £104.1 million from NHS Borders for healthcare and £23.1 million healthcare set-aside.
43. The report included a requirement to deliver £13.3 million of savings during the year in order to breakeven. Savings plans had been identified which would deliver £1.6 million of savings, leaving a remaining requirement of £11.7 million, the majority of which (£11.1 million) sits with the health board. It was expected that the health board will be required to request brokerage from the Scottish Government in 2019/20 in order to achieve a break even position.
44. The budget was not accepted at the April board meeting due to the level of financial gap in the plan.



#### Recommendation 4

**Plans to meet the required savings should be identified and the budget for the year agreed by the IJB as soon as possible.**

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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.

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### Reserves strategy

45. 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

46. There remains significant uncertainty about the detailed implications of the UK's withdrawal from the EU (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.
47. Scottish Borders Council and NHS Borders have been making preparations for the impact of EU withdrawal on services. The IJB will wish to be well informed in how the council and the health board are working to monitor and respond to the impact of the EU withdrawal.

# Part 3

## Governance, transparency and value for money



### Main judgements

The IJB has adequate governance arrangements in place that support the scrutiny of decisions by the board. However improvements could be made in some areas, including ensuring board meetings are better attended and scheduled, and expanding the work considered by the Audit Committee.



Arrangements for the monitoring and reporting of risks relating to the IJB have improved during the year.

The recent self assessment for the Ministerial Strategic Group for Health and Community Care noted that the IJB is only partly established in most areas.

### Governance arrangements

48. 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.
49. The governance structure at the IJB consists of two layers:
  - The IJB approves 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.
50. 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.
51. The Scottish Borders Integration Joint Board is comprised of voting members appointed from the health board and council and meets almost monthly during the year. During 2018/19, the August 2018 meeting of the board became inquorate part way through the meeting and the January 2019 meeting was inquorate from the start. This meant that decisions could not be taken by the board and had to be brought back for confirmation at the next board meeting. In addition, the schedule of board meetings during 2019 has been revised several times during the year.

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.



### Recommendation 5

#### The IJB should ensure that arrangements are in place for members to attend meetings and emphasise the importance of attending meeting.

52. The IJB also operates an Audit Committee comprised of four voting members of the IJB (two health board representatives and two council representatives). Its membership also includes one additional non-voting member appointed from an external body in order to provide additional independence and enhance the scrutiny by the committee.
53. The remit of the Audit Committee is to provide high level oversight of the IJB's framework of internal financial control, corporate governance, risk management systems and associated internal control environment. It meets four times a year to consider business. We are aware that the chair of the IJB Audit Committee meets regularly with the chairs of the council and health board audit committees during the year, in order to discuss audit matters relevant to the IJB. However it would be beneficial if relevant audit reports from the partner organisations were also brought to the IJB Audit Committee for consideration, as happens at other IJBs.



### Recommendation 6

#### The IJB Audit Committee should consider relevant audit reports from partner organisations as part of its business.

54. Although not members of the Audit Committee, it is good practice that officers including the Chief Officer, Chief Financial Officer and Chief Internal Auditor attend committee meetings to support the work of the committee. We noted that the Chief Officer only attended one Audit Committee meeting during the year and the Chief Financial Officer did not attend one meeting. Officers should attend meetings of the Audit Committee in order to aid the effective scrutiny of activities.



### Recommendation 7

#### Officers should attend meetings of the IJB Audit Committee in order to improve effectiveness of scrutiny.

## Openness and transparency

55. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. 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.
56. The IJB's purpose and vision are outlined in its Strategic Plan. A Strategic Plan for 2018 - 2021 was agreed by the IJB during 2018/19. 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.

- 57.** 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.
- 58.** We concluded that the IJB demonstrates a commitment to openness and transparency through these approaches.

## Internal audit

- 59.** 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.
- 60.** 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.
- 61.** To minimise duplication of effort we consider the work of Internal Audit wherever possible. In 2018/19 we did not use any internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However we used Internal Audit's work, reported in their Annual Assurance Report for 2018/19, as part of our wider dimension work.

## Value for money

- 62.** 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. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

## Best value and performance management

- 63.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. 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.
- 64.** The IJB refreshed its Performance Management Framework (PMF) at the start of 2019. The PMF is for the period 2018 – 2021 to support the IJB in assessing work to achieve the objectives set out in the Strategic Plan for the same period.
- 65.** The Strategic Plan identifies three strategic priorities that are underpinned by seven partnership principles which inform local objectives. These local objectives are linked to the Scottish Government's nine health and wellbeing outcomes. The local objectives are:
- Prevention and early intervention
  - Accessible services
  - Care close to home
  - Delivery of services with an integrated care model
  - Greater choice and control
  - Optimise efficiency and effectiveness

- Reduce health inequalities

- 66.** The PMF sets out the strategic context and performance reporting arrangements at the IJB in order to increase transparency and enable closer scrutiny of performance, for services commissioned by the IJB. An Integration Performance & Finance Group monitors and reports on the performance against indicators, with performance reports taken to the IJB on a quarterly basis.
- 67.** 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.
- 68.** The IJB published its Annual Performance Report at the end of July 2019, which set out its performance against the local and national integration indicators identified by the IJB and the Scottish Government.
- 69.** The IJB has effective arrangements for managing performance and monitoring progress towards their strategic objectives.

### Productivity review

- 70.** During 2018/19 the IJB started a project to review the whole Community Pathway across SB Cares, NHSB Treatment Rooms and Community Nursing. This work is being carried out by Meridian, a consultancy firm, and initial work started looking at SB Cares in January 2019. The IJB is using this as an opportunity to review processes and pathways to ensure that they have sufficient resources in place to deliver the best service possible to patients.
- 71.** The Chief Officer has kept the board updated on progress with the work at each board meeting. A report on the work done to date is expected from Meridian in August 2019. It is important that the IJB uses the results of this work to make sure it fully understands the work being commissioned from partners and demonstrate that it is achieving value for money.

### Progress with health and social care integration

- 72.** In March 2019 the Ministerial Strategic Group for Health and Community Care (MSG) issued a self evaluation template to health and social care partnerships as part of an evaluation of progress with the integration of health and social care. The IJB worked with the council and health board to complete the self evaluation and submitted a return to the MSG in May 2019. The self evaluation was carried out against proposals, with each proposal being assessed as either not yet established, partly established, established or exemplary. The IJB evaluated itself as being not yet established in one area, partly established in 15 areas, established in 6 areas and exemplary in no areas. The one area that was assessed as being not yet established was agreeing budgets timeously.

### National performance audit reports

- 73.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which are of interest to the board as outlined in [Appendix 3](#).
- 74.** Relevant national reports are considered by the IJB Audit Committee during the year. The recommendations made in these reports are considered by the audit committee and reports on any actions required are taken to the IJB board.

# Appendix 1

## Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<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><b>Risk</b> - financial management and reporting to the IJB and preparation of the annual accounts could be adversely affected by the departure of the interim CFO.</p>	<p>The IJB should make arrangements to appoint a CFO on a permanent basis.</p> <p><a href="#">Paragraph 31</a></p>	<p>Agreed. The current Chief Financial Officer's secondment has been extended and the intention is to fill the post permanently by December.</p> <p><b>Responsible Officer</b></p> <p>Chief Officer</p> <p><b>Agreed date</b></p> <p>December 2019</p>
2	<p><b>Financial ledger</b></p> <p>As we reported in 2016/17 and 2017/18, 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><b>Risk</b> - 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><a href="#">Paragraph 34</a></p>	<p>Agreed.</p> <p><b>Responsible Officer</b></p> <p>Chief Financial Officer</p> <p><b>Agreed date</b></p> <p>March 2020</p>
3	<p><b>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. In common with other IJBs, a notional budget has been agreed and included in the annual accounts. This was a transitional arrangement for 2016/17 that was agreed by the Scottish Government to continue in 2017/18 and</p>	<p>The IJB and health board should prioritise establishing revised processes for planning and performance management of set aside hospital functions and associated resources in 2019/20.</p> <p><a href="#">Paragraph 40</a></p>	<p>The Set Aside Board is meeting throughout the year. Actual spend has been reported throughout 2018/19.</p> <p><b>Responsible Officers</b></p> <p>NHS Border Director of Finance</p> <p>Chief Financial Officer</p>

2018/19. It is expected by the Scottish Government that progress will be made in 2019/20 in managing the set aside budget as a mechanism for shifting the balance of care.

**Risk** – the sum set aside in the annual accounts is not being managed by the IJB as expected by the legislation.

4	<b>Financial Planning</b>	<p>Plans to meet the required savings should be identified and the budget for the year should be approved by the IJB.</p> <p><a href="#">Paragraph 44</a></p>	<p>A paper is being presented to August IJB seeking approval of the resource allocations made by NHS Borders and Scottish Borders Council. The partners are working to identify and deliver savings to meet the targets required to break even.</p> <p><b>Responsible Officer</b> Chief Financial Officer</p> <p><b>Agreed date</b> 31 March 2020.</p>
5	<b>Board meetings</b>	<p>The IJB should ensure that arrangements are in place for members to attend meetings and emphasise the importance of attending meeting.</p> <p><a href="#">Paragraph 51</a></p>	<p>No other meetings have been inquired. Members have been reminded of their commitment and responsibilities to the IJB.</p> <p><b>Responsible Officer</b> Chief Officer</p>
6	<b>Audit Committee agendas</b>	<p>The IJB Audit Committee should consider relevant audit reports from partner organisations as part of its business.</p> <p><a href="#">Paragraph 53</a></p>	<p>Agreed. The year's agenda will incorporate audit reports from Scottish Borders Council and NHS Borders as part of routine business.</p> <p><b>Responsible Officer</b> Chief Officer</p>

While we are aware that the chair of the IJB Audit Committee meets regularly with the chairs of the council and health board audit committees during the year, in order to discuss audit matters relevant to the IJB. It would be beneficial if relevant audit reports from the partner organisations were also brought to the IJB Audit Committee for consideration.

**Risk** – Audit Committee members may be unaware of

relevant risks arising at partner organisations.

<b>7</b>	<p><b>Audit Committee attendance</b></p> <p>It is good practice for officers including the Chief Officer, Chief Financial Officer and Chief Internal Auditor to attend Audit Committee meetings to support the work of the committee. We noted that the Chief Officer only attended one Audit Committee meeting during 208/19 and the Chief Financial Officer did not attend one meeting.</p> <p><b>Risk</b> – the Audit Committee may not be able to effectively scrutinise committee business if officers are not available to answer questions.</p>	<p>Officers should attend meetings of the Audit Committee in order to aid the effective scrutiny of activities.</p> <p><a href="#">Paragraph 54</a></p>	<p>Agreed. 2018/19 was a particularly challenging year for the Chief Officer and other officers. There is now more management capacity and the situation will be rectified from August 2019.</p> <p><b>Responsible Officer</b> Chief Officer</p>
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### Follow up of prior year recommendations

<b>b/f</b>	<p><b>Financial ledger</b></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>See action plan point 2 above</p>
<b>b/f</b>	<p><b>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. 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</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>See action plan point 3 above</p>

accounts will not reflect actual hospital use.

<b>b/f</b>	<b>Financial Planning</b>	Plans to meet the required savings should be identified and the budget for the year should be approved by the IJB.	See action plan point 4 above
	<p>The 2018/19 budget for the IJB requires the delivery of £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. 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>		
<b>b/f</b>	<b>Financial Position</b>	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
	<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>		
<b>b/f</b>	<b>Governance</b>	The Board should ensure that agenda items are prioritised and that there is sufficient time at meetings to adequately scrutinise papers.	See action plan point 5 above
	<p>The Board's August 2018 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>		
<b>b/f</b>	<b>Risk management</b>	Risk management arrangements should be embedded at the Board and risk registers should be regularly reported to the Board.	A strategic risk register was scrutinised by the board in January 2019. The board agreed that the risk register will be considered by the board at six monthly intervals.
	<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</p>		

not fully embedded, and the risk register has not been considered by the Board.

This is an ongoing area of improvement with an associated Internal Audit action agreed by Management.

There is a risk that the risk management arrangements are not effective.

We concluded that risk management has improved at the board and we will continue to monitor these arrangements.

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<b>b/f</b>	<b>Performance information</b>	Performance indicators used should continue to be improved and aligned to the refreshed Strategic Plan.	Performance management arrangements have improved during the year. A revised Performance Management Framework has been agreed which is aligned with the revised Strategic Plan.
	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.		
	This is an ongoing area of improvement with associated Internal Audit actions agreed by Management.		
	There is a risk that the board is not receiving appropriate indicators to allow monitoring of the implementation of the commissioning plan.		

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# 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 report and accounts and those relating 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>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>Owing to the nature of this risk, assurances from management are not applicable in this instance</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 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>	<p>A permanent CFO has not yet been appointed.</p> <p>See point 1 in appendix 1.</p>
<p><b>3 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>Ongoing discussions with NHS Borders ensuring that set aside is appropriately disclosed in the 2018/19 financial statements.</p>	<p>See point 3 in appendix 1.</p>

Audit risk	Assurance procedure	Results and conclusions
<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><b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b></p>		
<p><b>4 Financial sustainability</b></p> <p>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.</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>Regular financial monitoring is reported to the IJB.</p> <p>The integration scheme outlines the procedures that partner bodies should follow in the event of an overspend.</p>	<p>Additional contributions from partners were required during the year to achieve a break even position at the year end.</p> <p>The 2019/20 budget was not approved due to the level of unidentified savings.</p> <p>See point 4 in appendix 1.</p>
<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>	<p>The budget for 2019/20 was not agreed by the IJB at the start of the year.</p> <p>See point 4 in appendix 1.</p>
<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>	<p>A strategic risk register was scrutinised by the board in January 2019. It was agreed that the risk register will be considered by the board at six monthly intervals.</p> <p>We concluded that risk management has improved at the board and we will continue to monitor these arrangements.</p>

Audit risk	Assurance procedure	Results and conclusions
<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>		<p>Agendas and papers for the Audit Committee have been prepared in a more timely manner during the year.</p> <p>However, we noted that improvements to agendas could be made and senior officers still do not regularly attend meetings.</p> <p>See points 6 and 7 in appendix 1.</p>

# Appendix 3

## Summary of national performance reports 2018/19

		 <b>2018/19 Reports</b>	
Local government in Scotland: Challenges and performance 2018		<b>Apr</b>	
Councils' use of arm's-length organisations		<b>May</b>	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		<b>Jun</b>	
		<b>Jul</b>	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		<b>Aug</b>	 Major project and procurement lessons
Children and young people's mental health		<b>Sept</b>	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		<b>Oct</b>	
Health and social care integration: update on progress		<b>Nov</b>	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		<b>Mar</b>	 Local government in Scotland: Challenges and performance 2019

### Reports relevant to Integration Joint Boards

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

# Scottish Borders Integration Joint Board

## 2018/19 Annual Audit Report

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