

Scottish Borders Integration Joint Board

2019/20 Annual Audit Report



 AUDIT SCOTLAND

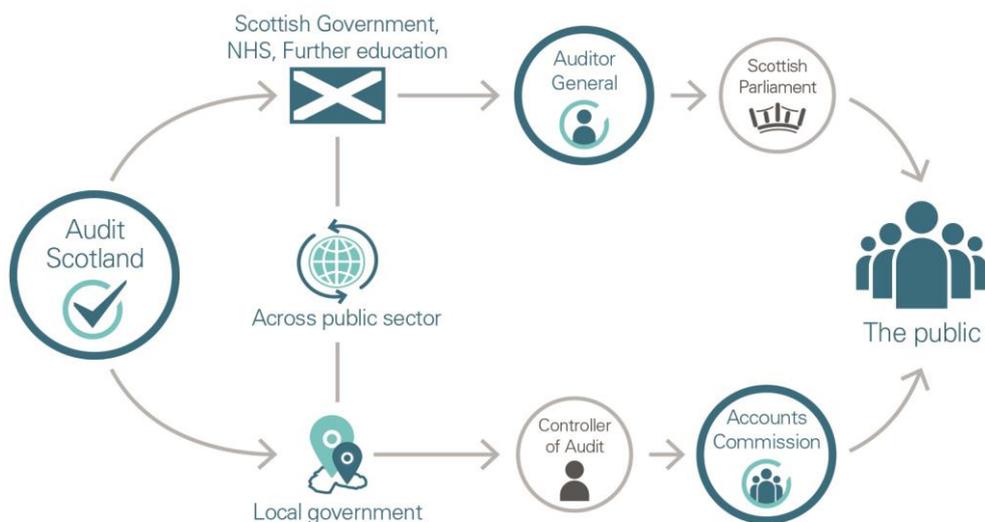
Prepared for the Scottish Borders Integration Joint Board and the Controller of Audit

October 2020

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

2019/20 annual report and accounts

- 1 Scottish Borders Integration Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 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.
- 3 Due to the impact of Covid-19 the unaudited annual accounts were not received by the agreed deadline of 30 June 2020. The unaudited annual accounts were received on 10 September 2020.

Financial management and sustainability

- 4 As reported in the previous three years, there is still no permanent Chief Financial Officer (CFO). Arrangements to appoint a permanent CFO for the IJB should be made as soon as possible as the current CFO has been appointed on a temporary basis.
- 5 The IJB reported a surplus position for the year due to underspends against delegated functions. This was achieved with additional funding of £3.2 million during the year and £5.2 million at the year end from partners.
- 6 The budget for 2020/21 was accepted by the Board in March 2020. The most recent financial monitoring information shows a forecast overspend against budget of £7.4m.

Governance, transparency and value for money

- 7 There are adequate governance arrangements in place that support the scrutiny of decisions by the board. Some improvements were made in the year, including better attendance at board meetings however there are still areas for improvement.
- 8 The IJB has effective arrangements for managing performance and monitoring progress towards their strategic objectives.
- 9 The self-assessment for the Ministerial Strategic Group for Health and Community Care noted that the IJB is only partly established in most areas. An action plan has been put in place to address this.

Introduction

1. This report summarises the findings from our 2019/20 audit of Scottish Borders Integration Joint Board (“the IJB” or “the Board”).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 09/03/20 meeting of the Audit Committee. This report comprises the findings from our:

- 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. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the IJB has had to respond to the Covid-19 pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. However, we have not had to amend our 2019/20 planned audit work and there were no new or emerging risks that related to the audit of the financial statements and the wider dimensions of audit, due to the pandemic.

Adding value through the audit

4. We add value to the IJB through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. 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

6. 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 also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice (2016) and supplementary guidance and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual report and 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.

9. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

10. This report raises matters from our audit. The 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.

11. 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.

Auditor Independence

12. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

13. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £26,560 as set out in our Annual Audit Plan, remains unchanged.

14. We are not aware of any relationships that could compromise our objectivity and independence.

15. 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 in due course.

16. We would like to thank management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 Annual Accounts



Main judgements

The IJB's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and prepared in accordance with proper accounting practices.

Due to the impact of Covid-19 the unaudited annual accounts were not received by the agreed deadline of 30 June 2020. The unaudited annual accounts were received on 10 September 2020.

Our audit opinions on the annual accounts are unmodified

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

18. The annual accounts for the year ended 31 March 2020 were approved by the Board on 21 October 2020.

19. As reported in the independent auditor's report:

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

Covid-19 had an impact on the agreed audit timetable

20. The unaudited annual accounts were not received in line with our agreed audit timetable on 30 June 2020. The IJB was unable to deliver unaudited financial statements in accordance with the original audit timetable due to the impact of Covid-19 on the partner organisations, which caused delays. We received the unaudited annual accounts on 10 September 2020.

21. The unaudited annual accounts provided for audit were complete and of a good standard and finance officers provided support to the audit team which helped ensure the final accounts audit process ran smoothly.

Overall materiality is £2.9 million

22. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

23. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. Upon receipt of the unaudited annual accounts we reviewed our materiality calculations and no significant changes were identified. There was no impact on our audit approach.

Exhibit 1 Materiality values

Materiality level	Materiality
Overall materiality	£2.9 million
Performance materiality	£2.0 million
Reporting threshold	£60 thousand

Source: Annual Audit Plan 2019/20

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

24. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

25. We have no issues to report from our work on the risks of material misstatement highlighted in our Annual Audit Plan. However, we have raised points relating to the wider dimension risks

26. We have reported a number of issues from our work on the risks of material misstatement. These relate to the appointment of a permanent Chief Financial Officer and the Hospital Set Aside Sum. We have also raised points regarding the wider dimension risks of Financial Sustainability and Governance. These are included in the action plan at [Appendix 1](#).

Significant findings from the audit of the annual accounts

27. 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. We have no significant findings to report around the qualitative aspects. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2 Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Carry forward of underspends against budget are now shown as an earmarked reserve in the IJB accounts</p> <p>In prior years, underspends have always been returned to the partner bodies and shown as debtor and creditor</p>	<p>Management advised that the IJB had a policy on reserves and this policy would be applied in the 2019/20 accounts. Therefore, an earmarked reserve was</p>

Finding	Resolution
<p>balances, which were then returned to the IJB in the following financial year.</p> <p>To aid in transparency, we have recommended that these be shown as an earmarked reserve in the IJB accounts, to highlight that this is IJB funding that can be used for specific purposes in 2020/21.</p> <p>This has a significant impact on the amounts disclosed in the Balance Sheet, Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement, as adjustments were made to income, debtors and creditors. The accounts now show an earmarked reserve of £3.7m on the balance sheet relating to delegated functions, older peoples change fund and transformation fund balances carried forward.</p>	<p>created on the balance sheet. The adjustments have been reviewed and agreed with management.</p>
<p>2. Hospital Set Aside Sum</p> <p>The amount of funding included in the CIES for the set aside sum in the unaudited version of the accounts was £26.1m, which matched the expenditure of £26.1m. The actual contributions provided for set aside by NHS Borders was £25.4m (a difference of £0.7m).</p> <p>We requested that the income and expenditure shown in the CIES was adjusted to show the actual contribution of £25.4m.</p>	<p>Management agreed to amend the accounts to accurately reflect the Hospital Set Aside Sum position in the 2019/20 accounts. The adjustments have been reviewed and agreed with management.</p>

Source: Audit Scotland

All identified misstatements were adjusted in the accounts.

28. Adjustment of identified misstatements resulted in increased net assets of £3.7m and an increase to the net surplus on the CIES by £3.7m. These adjustments mainly consist of an increase to reserves of £3.7m, a decrease in debtors of £3.1m, a decrease to creditors of £6.8m and a decrease to both income and expenditure for set aside of £0.7m. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. All identified misstatements were adjusted.

Slow progress was made on prior year recommendations

29. The IJB has made slow progress in implementing our prior year audit recommendations. Of the seven recommendations made in our 2018/19 annual audit report, only two have been fully actioned, with one partly actioned and four not yet actioned. 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

Management should appoint a permanent Chief Financial Officer (CFO) as soon as possible as the current CFO has been appointed on a temporary basis.

The Board reported a surplus position for 2019/20 of £3.7m. This was achieved through additional contributions from partner organisations.

The budget for 2020/21 was accepted by the Board in March 2020. This includes a funding gap of £8.0m. Savings £3.0m have been identified, leaving a forecast overspend of £5.0m for 2020/21.

Financial Management

30. 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.

31. The Chief Financial Officer (CFO) is responsible for financial management and strategic planning, keeping proper accounting records, providing financial monitoring reports, and taking steps for the prevention and detection of fraud and other irregularities.

32. During 2019/20 the responsibilities of the CFO role were covered by the interim CFO, who was appointed on a secondment basis. This secondment ended in August 2020 and the role is now being filled on a temporary basis by the Executive Director Finance and Regulatory of Scottish Borders Council. We have reported in the previous three years that the CFO post should be filled on a permanent basis.



Recommendation 1

Management should appoint a CFO on a permanent basis as soon as possible.

Systems of internal control

33. 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.

34. As part of our audit of the IJB 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.

35. 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.

The IJB operated within budget and had an underspend of £3.7m

36. The IJB does not have any tangible 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 information to the IJB.

37. During the year the original budget for 2019/20 was supplemented by additional funding from the partners of the IJB, with NHSB providing an additional £6.3 million for delegated services at the year end, as well as an additional £1.5 million for set-aside services. SBC provided an additional £3.2 million for social care services. The IJB has reported an underspend of £3.7 million for the year, as summarised in Exhibit 3 below. The accounts disclose an overspend of £0.7m by NHS Borders against the Set Aside budget. This overspend is not recognised in the IJB's accounts as it is the responsibility of NHS Borders. Therefore, it does not impact on the accumulated reserves of the IJB. The financial position was reported to the IJB at each of its meetings during the year so that members were kept informed of the actual position and of changes to the budget during the year.

38. 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. Scottish Government guidance issued during the year confirmed that transitional arrangements agreed in 2016/17 could continue to be applied in 2019/20. A notional figure has been agreed and included in the annual accounts. The Scottish Government expects that IJBs should make progress during 2020/21 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 in 2019/20

Funding	Original Budget £m	Revised Budget £m	Actual Outturn £m	Variance £m
Funding for Delegated functions	150.4	166.0	162.9	3.1
Funding for Large Hospital Set-Aside	22.5	25.3	25.3	0
Funding for Transformation fund	4.2	4.2	3.8	0.4
Funding for Older Peoples Change fund	0.5	0.5	0.3	0.2
Total Funding	177.6	196.0	192.3	3.7

Source: Scottish Borders IJB Accounts 2019/20

Financial Planning and Sustainability

39. The IJB allocates the resources it receives from NHS Borders and Scottish Borders Council in line with the Strategic Plan. The 2020/21 financial plan was presented to the Board in March 2020. This also included high-level forecasts for 2021/22 and 2022/23.

40. The report identifies that the budget allocation to the IJB for 2019/20 totals £186.9 million, which is funded by £51.5 million from SBC for social care, £110.9 million from NHS Borders for healthcare and £24.5 million healthcare set-aside.

41. The report included a requirement to deliver £8.0 million of savings during the year in order to breakeven. Savings plans had been identified which would deliver £3.0 million of savings, leaving a remaining requirement of £5.0 million, all of which sits with NHS Borders. It was expected that the NHS Borders will have to request brokerage from the Scottish Government in 2020/21 and find additional savings in order to achieve a break-even position.

Existing financial plans are being monitored following the impact of the Covid-19 pandemic

42. Finance monitoring reports are presented to the Board meetings on a regular basis. The most recent monitoring report was presented to the Board in September 2020, which included figures for the first quarter of 2020/21. This reports a forecast overspend of £7.4m against the original budget, which includes additional costs of Covid-19. The report states *Further reports will be brought to the IJB as the*

financial year progresses on a regular and frequent basis. As this happens, further analysis and refinement as a result of the impact of the Covid-19 pandemic on activity levels, mobilisation costs, remobilisation plans and associated costs, lost income and unachievable savings will take place. Management expect that any overspends at the year-end will be funded by the partner bodies in line with the agreed scheme of delegation to ensure the IJB achieves a break-even position



Recommendation 4

The IJB are currently forecasting an overspend of £7.4m for 2020/21. Plans to make the necessary savings should be agreed with the partner organisations and the impact of Covid-19 should continue to be monitored on a regular basis.

Reserves strategy

43. 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 to. At the year end the IJB holds an earmarked reserve of £3.7m relating to carry forward of underspends against delegated functions, transformation fund and older peoples change fund, as documented in [Exhibit 3](#) above.

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. We have noted improvements in Board and audit committee attendance in 2019/20.

The IJB has effective arrangements for managing performance and monitoring progress towards their strategic objectives.

The self-assessment for the Ministerial Strategic Group for Health and Community Care noted that the IJB is only partly established in most areas. An action plan has been put in place to address this.

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.

Overall governance and transparency arrangements were adequate

44. We commented on governance arrangements in detail in our 2018/19 Annual Audit Report. Our previous year's conclusion is still relevant, that 'the IJB has adequate governance arrangements in place that support the scrutiny of decisions by the board'. Follow up of the action plan points raised in 2018/19 has been documented in [Appendix 1](#). There have been no significant changes to the governance of the IJB during 2019/20, with the exception of comments below on the response to the Covid-19 pandemic. The governance and transparency arrangements we consider include:

- board and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption. This includes action in response to the National Fraud Initiative
- openness of board and committees
- public access to information via websites
- reporting of performance and whether this is fair, balanced and understandable.

The Covid-19 pandemic has affected governance and working arrangements

45. The pandemic has had an impact on the governance arrangements of the IJB. Covid-19 required a rapid and shared response, which meant that the existing Executive Management Team (EMT) structure was replaced by a new joint group from across the partner bodies. This allowed the Board to consider any paper or issue without the approval of the EMT, which ensured the IJB was more agile in

decision-making. The Board and Audit Committee have continued to meet virtually to ensure that the governance structure remains effective.

46. The IJB has also re-focused its Strategic Implementation Plan (SIP) as a result of Covid-19, which has led to an increased number of priority workstreams, overseen by the SIP Oversight Board. The role of the SIP Oversight Board is to lead on the delivery of the SIP, to oversee and coordinate the agreed work identified within the SIP and to hold the officers responsible for individual work streams accountable for the delivery of their agreed objectives. Membership of this board comes from across the partnership.

47. We conclude that, in response to the significant disruption in recent months, arrangements put in place by the Board have supported appropriate governance and accountability.

Board and audit committee attendance

48. In our 2018/19 annual audit report we raised recommendations relating to Board attendance due to a meeting becoming inquorate during the year (see b/f recommendation 5 in Appendix 1). We also raised a recommendation highlighting that the Chief Officer and Chief Financial Officer did not regularly attend Audit Committee meetings, which limited the effectiveness of the scrutiny provided by the committee. (See b/f recommendation 7 in Appendix 1)

49. From a review of Board and Audit Committee minutes in 2019/20, we have noted that no Board meetings were inquorate during 2019/20 and the CO and CFO attended all Audit Committee meetings during the year. This is an improvement on the prior year and has allowed more effective scrutiny.

Openness and transparency

50. 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.

51. 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.

52. We concluded that the IJB demonstrates a commitment to openness and transparency through these approaches.

Internal audit

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

54. To minimise duplication of effort we consider the work of Internal Audit wherever possible. In 2019/20 we did not place any formal reliance on the work of internal audit for our financial statements audit, however we used their work as part of our wider dimension work.

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

Value for money

55. Integration Joint Boards have a statutory duty to make arrangements to secure best value. To achieve value for money the Board 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.

56. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. The deadline for this was extended for 2019/20 due to the impact of Covid-19. 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.

57. Management presented the Annual Performance Report for 2019/20 to the Board in September 2020, which set out the IJB's performance against the local and national integration indicators identified by Board and the Scottish Government. Within this report the IJB has recognised the need to provide best value and commented on the recommendations made in SBC's 2019 Best Value Assurance Report which highlighted improvement areas for the IJB.

58. Performance reports are regularly reviewed by the IJB to ensure scrutiny of performance information. We have concluded that the IJB has effective arrangements for managing performance and monitoring progress towards their strategic objectives.

Progress with health and social care integration

59. 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.

60. As raised in our Annual Audit Plan we reported that an action plan has been put in place to track progress against this self-evaluation, which would be scrutinised by the Audit Committee. From review of Audit Committee papers and minutes, the action plan was presented to the Audit Committee in March 2020 however there has been no review of progress against this since then.



Recommendation 5

The IJB Audit Committee should receive regular updates on progress against the action plan arising from the self-evaluation carried out to ensure they can provide effective scrutiny.

National performance audit reports

61. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2019/20 a number of reports were published which are of direct interest to the board and are highlighted in [Appendix 3](#). We are pleased to note Audit Scotland reports of relevance to the board are routinely considered at Audit Committee meetings.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Chief Financial Officer</p> <p>There is currently no Chief Financial Officer (CFO) employed by the IJB on a permanent basis. As reported in previous years, the IJB has never had a permanent CFO. The role is currently filled by the Executive Director Finance and Regulatory of Scottish Borders Council on a temporary basis.</p> <p>Risk – financial management and reporting to the IJB and preparation of the annual accounts could be adversely affected if a permanent CFO is not employed.</p>	<p>Management should appoint a CFO on a permanent basis.</p> <p>Paragraph 32</p>	<p>Work on this position is currently underway, and we expect to resolve the vacancy shortly.</p> <p>Responsible officer</p> <p>Chief Officer</p> <p>Agreed date</p> <p>December 31st 2020</p>
2	<p>Financial Ledger</p> <p>As we reported in the previous three years, 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>Risk – 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 35</p>	<p>Finance Officers from both SBC and NHSB will work to create the IJB ledger for the 2021/22 financial year.</p> <p>Responsible officer</p> <p>Chief Officer, Dir of Finance for SBC and NHSB</p> <p>Agreed date</p> <p>March 31st 2021</p>
3	<p>Hospital Acute Services (set Aside)</p> <p>As reported in the previous three years, arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet</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 2020/21.</p>	<p>The Set Aside group shall be re-formed with representatives from the Snr. Management of the IJB and NHSB, The sum will be determined following national guidance.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>operating as required by legislation and statutory guidance. 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 into 2019/20. It is expected by the Scottish Government that progress will be made in 2020/21 in managing the set aside budget as a mechanism for shifting the balance of care.</p> <p>Risk – the sum set aside in the annual accounts is not being managed by the IJB as expected by the legislation.</p>	<p>Paragraph 38</p>	<p>Responsible officer Chief Officer and Dir of Finance NHSB</p> <p>Agreed date March 31st 2021</p>
4	<p>Financial Sustainability</p> <p>The 2020/21 budget for the IJB was agreed in March 2020, however this included the need for an additional £5.0 million in savings which had yet to be identified.</p> <p>The most recent financial monitoring report for the IJB to June 2020 is forecasting an overspend of £7.4m against the original budget, which includes additional costs of Covid-19.</p> <p>Risk – there is a risk that the IJB is not able to budget and manage expenditure effectively if full savings plans are not in place</p>	<p>The IJB should continue to work with partner organisations to ensure savings plans are in place to support the budget for the year. The impact of Covid-19 should be monitored.</p>	<p>IJB will continue to work with both SBC and NHSB to identify required savings and negotiate access to NHS Brokerage as required</p> <p>Responsible officer Chief Officer and Dir of Finance from NHSB and SBC</p> <p>Agreed date March 31st 2021, dependant on availability of external support for the pandemic and from “Turnaround Support” from NHS Scotland.</p>
5	<p>Governance – Ministerial Self Evaluation</p> <p>In March 2019 the Ministerial Strategic Group for Health and Community Care (MSG) issued a self-evaluation template as part of an evaluation of progress with the integration of health and social care. The IJB evaluated itself as being not yet established in one area, partly established in 15 areas, established in 6</p>	<p>Progress on the implementation of the self-evaluation action plan should be reported periodically to the audit committee to ensure effective scrutiny of the progress the IJB is making.</p>	<p>Further work will be undertaken to renew decision making procedures, and to support better partnership working. This will be reported back to the Audit Committee and the Strategic Partnership Group</p> <p>Responsible officer Chief Officer</p> <p>Agreed date</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>areas and exemplary in no areas.</p> <p>An action plan has been put in place and was presented to the March 2020 audit committee. There has been no further update presented to the committee since the initial action plan was presented.</p> <p>Risk – There is a risk that health and social care are not fully integrated and this could lead to the IJB operating in an ineffective manner.</p>		<p>Ongoing from now through the next financial year. 2021/22.</p>
Outstanding prior year recommendations			
b/f 1	<p>Chief Financial Officer</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>Risk - 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>Not actioned. See action plan point 1</p>
b/f 2	<p>Financial ledger</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>Risk - 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>Not actioned. See action plan point 2</p>
b/f 3	<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</p>	<p>The IJB and health board should prioritise establishing revised processes for planning and performance management of set aside hospital functions</p>	<p>Not actioned. See action plan point 3</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>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 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.</p> <p>Risk – the sum set aside in the annual accounts is not being managed by the IJB as expected by the legislation.</p>	and associated resources in 2019/20.	
b/f 4	<p>Financial Planning</p> <p>The 2019/20 budget for the IJB requires the delivery of £13.3 million of savings during the year in order to breakeven. The budget was not approved by the IJB at the start of the financial year as plans to achieve £11.7 million of the savings were still unidentified.</p> <p>Risk – the IJB is not able to develop appropriate budgets each year if full savings plans are not in place.</p>	Plans to meet the required savings should be identified and the budget for the year should be approved by the IJB.	Not Actioned. See action plan point 4.
b/f 5	<p>Board meetings</p> <p>During 2018/19, one meeting of the board became inquorate part way through the meeting and one 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.</p>	The IJB should ensure that arrangements are in place for members to attend meetings and emphasise the importance of attending meeting.	Fully Actioned. From our review of minutes and papers of IJB meetings, no issues were identified in 2019/20.



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk – the IJB is not able to effectively carry out its business and make decisions.</p>		
b/f 6	<p>Audit Committee agendas 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</p>	<p>The IJB Audit Committee should consider relevant audit reports from partner organisations as part of its business.</p>	<p>Partly Actioned. The IJB have recognised the need for the audit committee to review relevant audit reports from partner organisations. A report was presented to the committee in December 2019 but no further reports have been presented since. A report is scheduled for December 2020 and every 6 months after that. Revised Date 31st December 2020</p>
b/f 7	<p>Audit Committee attendance 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 2018/19 and the Chief Financial Officer did not attend one meeting. Risk – 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>Fully Actioned. From our review of minutes and papers of audit committee meetings, and attendance at meetings, no issues were identified in 2019/20.</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.

(Include any additional audit risks communicated to those charged with governance arising from COVID-19)

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by 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>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>Assurances were provided by the auditors of NHSB and SBC regarding the completeness, accuracy and allocation of income and expenditure. No issues were identified.</p>
<p>2 Chief Financial Officer</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. 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 is not yet in place.</p> <p>See action plan point 1, Appendix 1.</p>
<p>3 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 is to be agreed and included in the financial statements. The IJB has established a working group to</p>	<p>Ongoing discussions with NHS Borders ensuring that set aside is appropriately disclosed in the 2019/20 financial statements.</p>	<p>See action plan point 3, Appendix 1</p>

Audit risk	Assurance procedure	Results and conclusions
<p>monitor the set aside budget. There is a risk that the sum recorded as set aside for acute services in the annual accounts does not reflect actual hospital use in line with legislation.</p>		
<p>4 Financial sustainability</p> <p>The IJB's financial plan for 2019/20 required a significant level of efficiency savings, totalling £13.6m, of which £11.7m were unidentified. These savings targets were revised in August, highlighting a new savings target of £5.5m, as a result of NHS Borders agreeing additional brokerage with the Scottish Government and identification of nonrecurring savings. The latest finance update in October 2019 highlighted that the Board were forecasting unidentified savings of £1.4m at the year end.</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. The integration scheme outlines the procedures that partner bodies should follow in the event of an overspend.</p>	<p>See action plan point 4, Appendix 1.</p>
<p>5 Financial management: Budget Setting</p> <p>Due to the high level of unidentified savings needed, the IJB only formally agreed their budget for 2019/20 in August 2019. 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>See action plan point 4, Appendix 1.</p>
<p>6 Governance: Audit Committee Attendance</p> <p>We reported variable levels of attendance by senior officers at audit committee meetings in 2018/19. This has continued in 2019/20. There is a risk that the Audit Committee may not be able to effectively scrutinise committee business if officers</p>	<p>The meetings schedules and senior officers' calendars have been aligned to ensure attendance at Audit Committee meetings from August 2019.</p>	<p>This has been fully actioned in 2019/20. No issues identified.</p> <p>See action plan point b/f 7, Appendix 1.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>are not available to answer questions.</p>		
<p>7 Governance: Ministerial Review Self Assessment</p> <p>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 evaluated itself as being not yet established in one area, partly established in 15 areas, established in 6 areas and exemplary in no areas. There is a risk that health and social care are not fully integrated and this could lead to the IJB operating in an ineffective manner</p>	<p>Progress on the implementation of the MSG Self Evaluation Health and Social Care Partnership Action Plan will be scrutinised by the Audit Committee. Audit Committee Action Tracker.</p>	<p>See action plan point 5, Appendix 1</p>

Appendix 3

Summary of national performance reports 2019/20



**2019/20
Reports**

		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

Scottish Borders Integration Joint Board

2019/20 Annual Audit Report

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