

Scottish Borders Integration Joint Board

2020/21 Annual Audit Report



 AUDIT SCOTLAND

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

October 2021

Contents

| | |
|---|----|
| Key messages | 3 |
| Introduction | 4 |
| 1. Audit of 2020/21 annual accounts | 6 |
| 2. Financial management and sustainability | 9 |
| 3. Governance, transparency, and Best Value | 13 |
| Appendix 1 | 16 |
| Appendix 2 | 21 |
| Appendix 3 | 24 |

Key messages

2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts of Scottish Borders Integration Joint Board (“the IJB” or “the Board”) are unmodified. The IJB’s financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 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.

Financial management and sustainability

- 3 The Board reported a surplus position for 2020/21 of £6.5 million. This was achieved through additional contributions from partner organisations.
- 4 Management should appoint a permanent Chief Financial Officer (CFO) as soon as possible as the role is currently being filled on a temporary basis by the Director - Finance and Corporate Governance of Scottish Borders Council.
- 5 The budget for 2021/22 was agreed by the Board in March 2021. This includes required savings of £7.4 million.

Governance, Transparency and Best Value

- 6 The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.
- 7 The IJB has effective arrangements for managing performance and monitoring progress towards their strategic objectives.

Introduction

1. This report summarises the findings from our 2020/21 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 Audit Committee meeting on 8 March 2021. This report comprises the findings from:
 - an audit of the IJB's 2020/21 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](#).
3. The coronavirus pandemic has had a considerable impact on the IJB and its partner bodies during 2020/21. This has had significant implications for services and initiatives.

Adding value through the audit

4. We add value to the IJB, through 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 4](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

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 also 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 and supplementary guidance, and International Standards on Auditing in the UK. 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, and the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

7. This report raises matters from our audit. 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.

8. 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 progress against these.

Auditor Independence

9. 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.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £27,330, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. 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.

1.Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of the resources and performance

Main judgements

Our audit opinions on the annual accounts of the IJB are unmodified. 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.

Our audit opinions on the annual accounts are unmodified

12. The annual accounts for the year ended 31 March 2021 were approved by the IJB on 20 October 2021. 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 Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

The annual accounts were signed off in line with timescales permitted to reflect Covid-19

13. As a result of the continuing impact of Covid-19, the submission deadlines for IJB's audited annual accounts and annual audit reports have been set at 30 November 2021.

14. The unaudited annual accounts were received in line with our agreed audit timetable on 29 June 2021. 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.

15. Although later than first planned, the annual accounts were signed off in line with the revised timetable permitted to reflect the impact of Covid-19.

Overall materiality is £3.1 million

16. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of any identified misstatements on the audit. We identify a benchmark on which to base overall materiality such as gross expenditure and apply what we judge to be the most appropriate percentage level for calculating materiality values.

17. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the financial statements. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

18. Our initial assessment of materiality 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. This is summarised in [Exhibit 1](#). There was no impact on our audit approach.

Exhibit 1 Materiality values

| Materiality level | Amount |
|-------------------------|--------------|
| Overall materiality | £3.1 million |
| Performance materiality | £1.8 million |
| Reporting threshold | £60 thousand |

Source: Audit Scotland

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

19. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit, and indicate how the efforts of the audit team are directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

20. 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](#).

We have no significant findings to report on the annual accounts

21. 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 IJB's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report.

There were no misstatements identified in the annual accounts

22. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no misstatements identified that exceeded our reporting threshold.

23. We noted that the prior year comparative figures in the Annual Accounts were restated for a reduction in Transformation Fund expenditure of £60 thousand. This impacted on each of the financial statements and most of the notes to the accounts. Prior year restatements are only required where the identified error is material to the accounts and therefore this restatement was not required.

Slow progress was made on prior year recommendations

24. The IJB has made slow 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](#).

2. Financial management and sustainability

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

Main judgements

The Board reported a surplus position for 2020/21 of £6.5 million. This was achieved through additional contributions from partner organisations.

Management should appoint a permanent Chief Financial Officer (CFO) as soon as possible as the role is currently being filled on a temporary basis by the Director - Finance and Corporate Governance of Scottish Borders Council.

The budget for 2021/22 was agreed by the Board in March 2021. This includes required savings of £7.4 million.

The 2020/21 budget included planned savings to address the funding gap

25. The IJB approved its 2020/21 budget in March 2020. The budget was set at net expenditure of £195.0 million, with a funding gap of £8.0 million. Savings plans had been identified which would deliver £3.0 million of savings, leaving a remaining requirement of £5.0million.

The IJB returned a surplus in 2020/21

26. The impact on public finances of the Covid 19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

27. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

28. During the year the original budget for 2020/21 was supplemented by additional funding from the Scottish Government, provided to the partners of the IJB. In addition, the partners provided additional funding, with NHS Borders (NHSB) providing an additional £3.9 million for delegated services at the year

end, as well as an additional £1.3 million for set-aside services. Scottish Borders Council (SBC) provided an additional £100 thousand for social care services. The IJB has reported an underspend of £6.5 million for the year, as summarised in Exhibit 3 below. The accounts disclose an overspend of £1.3 million 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.

29. 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 confirmed that transitional arrangements agreed in 2016/17 could continue to be applied in 2020/21. A notional figure has been agreed and included in the annual accounts. The Scottish Government expects that IJBs should make progress in using the set aside budget as a mechanism for shifting the balance of care.

Recommendation 1

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 Outturn £m | Variance £m |
|--|-----------------------|----------------------|----------------------|----------------|
| Funding for Delegated functions | 166.9 | 177.8 | 175.6 | (2.2) |
| Funding for Large Hospital Set-Aside | 23.6 | 25.5 | 25.5 | 0.0 |
| Additional Contributions from partners | 0.0 | 4.0 | 0.0 | (4.0) |
| Total | 190.5 | 207.3 | 201.1 | (6.2) |

Source: Scottish Borders IJB 2020/21 Annual Accounts

Financial Planning and Sustainability

30. The Financial Plan for 2020/21 approved by the Board in March 2020 included high level plans for 2021/22 and 2022/23. This plan included required

recurring savings of £18.8million over the period of the plan, with identified savings of £8.0 million.

31. The Financial Plan for 2021/22 was agreed by the Board in March 2021, with no plans for future years. This was due to the Scottish Government only providing detailed funding information for one year. The report identifies that the budget allocation to the IJB for 2021/22 totals £194.4 million, which is funded by £54.2 million from SBC for social care, £113.8 million from NHS Borders for healthcare and £26.4 million healthcare set-aside. The plan includes a recurring savings target of £7.4 million for the year.

32. 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 2021, which included figures for the first quarter of 2021/22. This reports a forecast overspend of £6.0 million against the budget for the year.

Recommendation 2

The IJB should continue to work with partner organisations to ensure savings plans are in place to support the budget for the year.

Chief Financial Officer

33. 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.

34. During 2020/21 the responsibilities of the CFO role were covered by the interim CFO, who was appointed on a secondment basis, until the secondment ended in August 2020. The role has been filled on a temporary basis since then by the Director - Finance and Corporate Governance of Scottish Borders Council supported by a Finance Business Partner at NHS Borders. We have reported in the previous four years that the CFO post should be filled on a permanent basis as required by section 95 of the Local Government (Scotland) Act 1973.

Recommendation 3

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

Systems of internal control

35. The IJB does not have any financial systems of its own. All financial transactions are processed through the financial systems of NHSB and SBC. The key financial systems it relies upon include general ledger, trade payables, trade receivables and payroll.

36. 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 NHSB and SBC that impacted on the IJB.

37. 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 4

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

Internal audit operates in accordance with PSIAS

38. 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.

39. To minimise duplication of effort we consider the work of Internal Audit wherever possible. In 2020/21 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.

3. Governance, transparency, and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information. Using resources effectively and continually improving services.

Main judgements

The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.

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

Governance arrangements operating throughout the Covid 19 pandemic have been appropriate and operated effectively

40. The IJB has made significant changes to its governance arrangements in response to the pandemic. These have been set out in the Annual Governance Statement in the annual accounts and included the existing Executive Management Team (EMT) structure being replaced by a new joint group from across the partner bodies. This has had the impact of the IJB being able to consider any paper or issue without the approval of the EMT, which allowed the IJB to be more agile in their decision-making processes. The Board and Audit Committee have continued to meet virtually to ensure that the governance structure remains effective.

41. We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

Openness and transparency

42. 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.

43. 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.

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

Chief Officer

45. The Chief Officer is accountable directly to the Integration Joint Board for the preparation, implementation and reporting on the Strategic Commissioning Plan, including overseeing the operational delivery of delegated services. In May 2021 the Chief Officer of the IJB announced his intention to retire at the end of October 2021, having been in the post since 2017. The process to appoint the new Chief Officer is currently underway.

Arrangements are in place to secure Best Value

46. 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.

47. 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 to November for 2020/21 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.

48. Management presented the draft Annual Performance Report for 2020/21 to the Board in July 2021, which set out the IJB's performance against the local and national integration indicators identified by Board and the Scottish Government. Much of the report is Covid-19 related, with the impact of the pandemic on people and service delivery highlighted within the report. There is mixed performance described in the Annual Performance Report due to the impact of Covid-19 on performance. Within the 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. The Annual Performance Report was subsequently published on the SBC website, in line with the requirements of the Act.

49. 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.

Review of adult social care services

50. An independent review of adult social care services, chaired by Derek Feeley, was published in February 2021. This was requested by the Scottish Government in September 2020 with the primary aim of the review being to recommend improvements to adult social care services in Scotland. The review

made a number of recommendations including the set-up of a National Care Service for Scotland that is equal to the NHS and that self-directed support must work better for people with decisions being based on their needs, rights and preferences.

51. The IJB discussed the report at the Board meeting in February 2021. The IJB continues to monitor developments as a result of the review and is actively engaged in discussions around the implementation of the review with partners and stakeholders.

National performance audit reports

52. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 4](#).

53. Audit Scotland reports of relevance to the board are routinely considered at Audit Committee meetings.

Good practice

54. The IJB's Audit Committee has an additional external member. This allows for external expertise to be considered when carrying out the committee's remit of assessing arrangements and monitoring systems of internal control.

Appendix 1

Action plan 2020/21

2020/21 recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|--|--|--|
| <p>1. Hospital Acute Services (Set Aside)</p> <p>As reported in the previous four years, 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 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 2020/21.</p> <p>In 2019/20 management agreed that the Set Aside group would be re-formed with representatives from the Senior Management of the IJB and NHSB however this has not happened.</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>The IJB and NHSB should prioritise establishing revised processes for planning and performance management of set aside hospital functions and associated resources in 2021/22.</p> <p>Paragraph 29.</p> | <p>We will establish a Set Aside group to ensure compliance with the national legislation and statutory guidance.</p> <p>The IJB Chief Financial Officer will be the responsible officer. Pending recruitment, interim arrangements will be established for the management of this group.</p> <p>The work of this group will be aligned with the wider IJB commissioning plan, led by the IJB Chief Officer.</p> <p>The group will be established in quarter four of 2021/22 and agree a work plan for implementation during the course of 2022/23.</p> <p>Responsible Officer Chief Financial Officer</p> <p>Agreed date March 2023</p> |
| <p>2. Financial Sustainability</p> <p>The 2021/22 budget for the IJB was agreed in March 2021, however this included the need for an additional £7.4 million in savings which had yet to be identified.</p> <p>The most recent financial</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.</p> <p>Paragraph 32.</p> | <p>The Chief Officer and Chief Financial Officer (CFO) will work with both NHS Borders and Scottish Borders Council Directors of Finance to develop and implement appropriate savings plans.</p> <p>The resource allocation for</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|--|--|--|
| <p>monitoring report for the IJB to June 2021 is forecasting an overspend of £6.0m 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 delegated services of the IJB will also be included within NHS Borders request for brokerage support from Scottish Government in line with the Medium Term Financial Framework for NHS Scotland.</p> <p>Work will continue for both the current financial year and planning for the next three financial years.</p> <p>Responsible Officer</p> <p>Chief Officer supported by the CFO when appointed.</p> <p>Agreed date</p> <p>March 2022</p> |
| <p>3. 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 Director Finance and Corporate Governance 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. Paragraph 34.</p> | <p>The process for the appointment of a permanent IJB Chief Financial Officer has begun, and we expect the appointment to be made before the end of the current financial year.</p> <p>Responsible Officer</p> <p>Chief Officer of the IJB, and the appointment will be made by the IJB Board.</p> <p>Agreed date</p> <p>March 2022</p> |
| <p>4. Financial Ledger</p> <p>As we reported in the previous four 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</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. Paragraph 37.</p> | <p>Arrangements for the management of financial transactions in relation to the IJB will be reviewed following appointment of the CFO with a view to implementing revised arrangements by March 2022.</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|---|----------------|--|
| <p>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>Responsible Officer</p> <p>IJB Chief Financial Officer</p> <p>Agreed date</p> <p>March 2022</p> |

Follow-up of prior year recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|--|--|--|
| <p>5. 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>Outstanding</p> <p>See action plan point 3.</p> |
| <p>6. 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</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>Outstanding</p> <p>See action plan point 4.</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|--|---|--|
| <p>efficiently as possible</p> <p>Narrative on issue</p> <p>Risk –</p> | | |
| <p>7. 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 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>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>Outstanding</p> <p>See action plan point 1.</p> |
| <p>8. 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>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>On-going</p> <p>See action plan point 2.</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|--|---|--|
| <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>9. 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 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>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>Outstanding</p> <p>No updates on progress have been provided during the year.</p> <p>Internal Audit’s Annual Assurance Report 2020/21 included a recommendation that updates on progress against the MSG Self Evaluation HSCP Action Plan and Best Value Areas of Improvement should be provided to the SBIJB Audit Committee every 6 months.</p> <p>Update:</p> <p>The new Chief Officer appointee has indicated his intention to undertake a rapid review of IJB governance arrangements during the early part of 2022.</p> <p>Indicative timescales – June 2022</p> |

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the Code of Audit Practice.

Risks of material misstatement in the financial statements

| Audit risk | Assurance procedure | Results and conclusions |
|---|--|---|
| <p>1. Risk of material misstatement due to fraud caused by the 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>Service auditor assurances will be obtained from the audits of Scottish Borders Council ("the Council") and NHS Borders ("the Health Board") over the completeness, accuracy and allocation of the income and expenditure</p> | <p>Assurances were provided by the auditors of NHSB and SBC regarding the completeness, accuracy and allocation of income and expenditure. No issues were identified.</p> |
| <p>2. Chief Financial Officer (CFO)</p> <p>There is no permanent Chief Financial Officer (CFO) at the IJB. The role is being carried out jointly by the chief finance officers of NHS Borders and Scottish Borders Council. The statutory responsibilities of the role are currently being undertaken on an interim basis by the Executive Director Finance and Regulatory of Scottish</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 2, Appendix 1.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|---|--|--|
| <p>Borders Council. These temporary arrangements have been in place since August 2020.</p> <p>There is a risk that financial reporting to the IJB and preparation of the annual accounts could be adversely affected if a permanent CFO is not employed.</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 monitor the set aside budget.</p> <p>There is a risk that the sum recorded as set aside for acute services in the annual accounts does not reflect actual hospital use in line with legislation.</p> | <p>The Set Aside group shall be re-formed with representatives from the Senior Management of the IJB and NHSB. The sum will be determined following national guidance.</p> | <p>See action plan point 1, Appendix 1</p> |

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| <p>4. Financial sustainability</p> <p>The IJB's financial plan for 2020/21 requires a significant level of efficiency savings, totalling £8.1m, of which £5.1m were unidentified. These savings targets were revised in December, highlighting a new savings target of £8.3m, of which</p> | <p>The IJB continues to work with the partner organisations to ensure savings plans are in place to support the budget for the year. The impact of Covid-19 is also be monitored.</p> <p>Regular financial monitoring is reported to the IJB.</p> | <p>See action plan point 2, Appendix 1.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|---|---|
| <p>£5.8m have yet to be identified.</p> <p>There is a risk that failure to achieve planned savings will result in overspend. This may require additional payments from Scottish Borders Council and NHS Borders and there may also be difficulties in producing a balanced outturn in future years.</p> | | |
| <p>5. 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 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. 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>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>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>See action plan point 9, Appendix 1.</p> |

Appendix 3

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Scottish Borders Integration Joint Board

2020/21 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk