

NHS Borders

2019/20 Annual Audit Report



 AUDIT SCOTLAND

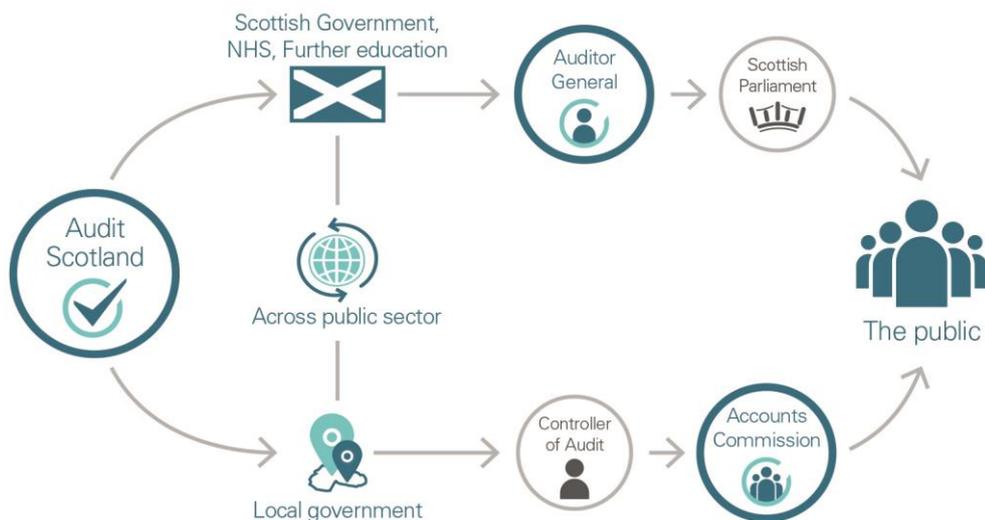
Prepared for Borders Health Board and the Auditor General for Scotland

22 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.

Contents

Key messages	4
Introduction	6
Part 1 Audit of 2019/20 annual report and accounts	8
Part 2 Financial management	12
Part 3 Financial sustainability	18
Part 4 Governance and transparency	20
Part 5 Value for money	23
Appendix 1 Action plan 2019/20	26
Appendix 2 Significant audit risks identified during planning	30
Appendix 3 Summary of national performance reports 2019/20	33

Key messages

2019/20 annual report and accounts

- 1 The financial statements of NHS Borders give a true and fair view of the state of affairs of the health board as at 31 March 2020 and of the net expenditure for the year then ended.
- 2 An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the material valuation uncertainty for land and building valuations caused by the Covid-19 pandemic. The audit opinion is not modified in respect of this matter.
- 3 Covid-19 caused delay to the financial statements audit timetable. We also recommend improvements to the narrative sections of the annual report and accounts.

Financial management

- 4 NHS Borders required brokerage of £8.3 million in 2019/20 from the Scottish Government in order to balance its revenue budget. The board remains at Escalation Level 4 in the NHS Scotland Performance Framework.
- 5 The board must prioritise re-starting the Financial Turnaround programme and quickly assess the financial impact of Covid-19, if financial balance is to be restored.

Financial sustainability

- 6 The board has developed a three-year financial plan (covering 2020/21 to 2022/23), but this reports an unbalanced position and forecasts additional brokerage of £7.9 million will be required in 2020/21. Brokerage funding will be subject to repayment if a balanced position is not achieved in this three-year period.
- 7 NHS Borders will not achieve efficiency savings targets in 2020/21 based on the current assessment of its financial position.

Governance and transparency

- 8 The board has satisfactory governance arrangements in place. These have been affected by the Covid-19 pandemic since March 2020.
- 9 IT infrastructure and resources require prioritisation to continue to improve service upgrades and enhance cyber security.

Value for money

- 10 Service performance continues to be variable in 2019/20. Only 5 out of the 13 key performance indicators were achieved, with some waiting time targets missed. Performance will continue to be challenging in 2020/21 due to the Covid-19 response and progressing remobilisation plans.

- 11** NHS Borders routinely considers equality matters but has identified scope to develop this further.

Introduction

1. This report summarises the findings from our 2019/20 audit of Borders Health Board (referred to as 'NHS Borders' or 'the board' throughout). The scope of our audit was set out in our Annual Audit Plan presented to the 12 December 2019 meeting of the Audit Committee. This report comprises the findings from our:

- audit of the annual report and accounts
- consideration of the wider dimensions that frame the 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*

2. The main elements of our audit work in 2019/20 have been:

- an audit of NHS Borders' 2019/20 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- a review of the boards' key financial systems
- consideration of the four audit dimensions.

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, NHS Borders has had to respond to the global Covid-19 pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. This has had significant implications on the services the board delivers and the costs of healthcare provision. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

Adding value through the audit

4. We add value to NHS Borders through the audit by:

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

Responsibilities and reporting

5. NHS Borders has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that is in accordance with the accounts direction from the Scottish Ministers.

6. The board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance and International Standards on Auditing in the UK. 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. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

8. 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.

9. 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 any outstanding actions from last year and progress against these.

Auditor Independence

10. 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.

11. 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 2019/20 audit fee of £124,770, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to NHS Borders and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual report and accounts



Main judgements

The financial statements of NHS Borders give a true and fair view of the state of affairs of the health board as at 31 March 2020 and of the net expenditure for the year then ended.

An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the material valuation uncertainty for land and building valuations, caused by the Covid-19 pandemic. The audit opinion is not modified in respect of this matter.

Covid-19 caused delay to the financial statements audit timetable. We also recommend improvements to the narrative sections of the annual report and accounts.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual report and accounts are unmodified

13. The board are due to approve the annual report and accounts for the year ended 31 March 2020 on 22 October 2020. 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
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Delays to the financial statements audit

14. Due to the Covid-19 pandemic, the Scottish Government permitted health boards a 3-month extension, if required, to certify their annual report and accounts by 30 September 2020. We therefore agreed a revised timetable for our financial statements audit to start on 5 August 2020.

15. However, only a few working papers were available on this revised start date, largely due to unforeseen staffing circumstances of the board's finance team. This re-emphasised there are key dependencies on a small number of finance staff. A partial set of draft accounts was first provided on 10 August, with narrative sections following later on 18 August. The annual report sections also lacked management review.

16. Workings papers were received in various tranches throughout August which caused disruption and delays to the audit. We worked closely with management to resolve issues. A full set of working papers and an improved set of annual report and accounts were received in early September which allowed the audit to be concluded.

17. The board did not meet the revised 30 September 2020 deadline to submit the audited annual report and accounts. The finance team have kept the Scottish Government fully apprised of this delay and audit progress. We therefore agreed to a revised Audit Committee meeting on 22 October 2020, with the annual report and accounts due to be approved by the Board on the same day at an extraordinary meeting. We did not consider these delays to be material to our audit opinions and have not modified our opinion in this regard. While we acknowledge the extremely challenging circumstances this year, we recommend improvements to the narrative sections of the annual report and accounts as noted in [Exhibit 3](#) below.

The accounting framework was changed due to the Covid-19 pandemic

18. NHS Borders' financial statements comply with the Government Financial Reporting Manual (FRoM). An addendum to the 2019/20 FRoM was published in May 2020 to allow health boards to reduce narrative sections of their annual report and accounts if needed. On discussion with management, the board decided to produce a full set of annual report and accounts as in prior years.

Overall materiality is £2.6 million

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

20. On receipt of the unaudited annual report and accounts we reviewed our materiality and concluded that some revisions were required to our planned levels. We decided to reduce performance materiality due to the delays and challenges in preparing the draft accounts and workings. Materiality levels in [Exhibit 2](#) were also adjusted to base these on actual gross expenditure (previously based on budgeted expenditure).

Exhibit 2 Materiality values

Materiality level	Original planned materiality	Final revised materiality
Overall materiality	£2.7 million	£2.6 million
Performance materiality	£1.2 million	£1 million
Reporting threshold	£55,000	£52,000

Risks of material misstatement and our audit work to address these

21. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and 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 team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

22. We have no issues to report from the work done on the risks of material misstatement relating to the financial statements. However, [Appendix 2](#) highlights wider dimension risks which still exist for the board.

Significant findings from the audit in accordance with ISA 260

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the board's accounting practices. The significant findings from our audit are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings from the audit of the financial statements

Issue/ Recommendation	Resolution
<p>1. Annual Report requires management review</p> <p>On receipt of the first draft of the accounts, we noted several amendments were required to the annual report sections to improve readability and consistency with the financial statements.</p> <p>We recommend a full management review is undertaken for all narrative sections of the annual report and accounts before issuing to audit. Good practice guides should be used to review the required content of the performance report and governance statement to streamline narrative disclosures.</p>	<p>The 2019/20 annual report sections were revised to ensure disclosures were in accordance with the accounting framework, consistent with the financial statements and duplicated sections removed.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>
<p>2. Material valuation uncertainty for NHS Borders' land and buildings</p> <p>The board's land and buildings were revalued by Avison Young, an independent property specialist, as at 31 March 2020. This concerns assets valued at £107 million in the Statement of Consolidated Financial Position. The revaluation was completed as part of a five-year programme in line with the board's accounting policies. In common with many other bodies, the valuer's report contains a 'material valuation uncertainty' clause regarding the impact of Covid-19. It points out that less certainty should be attached to the valuations than would normally be the case, due to uncertainty in the market.</p> <p>We recommend management keep the valuation of its land and buildings under review and discuss market conditions with the valuer in 2020/21.</p>	<p>NHS Borders updated Note 1: Accounting Policies in the annual report and accounts to disclose this material valuation uncertainty.</p> <p>We have included an 'Emphasis of Matter' paragraph in our independent auditor's report to highlight this matter. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw users' attention to matters which are fundamental to the understanding of the accounts. The audit opinion is not modified in respect of this matter.</p> <p> Recommendation 2 (refer appendix 1, action plan)</p>
<p>3. Accounting for IJB set aside amounts</p> <p>As reported last year, the arrangements to record the sum set aside for hospital acute services, under the control of the Borders Integration Joint Board (IJB), are not yet operating as required by legislation and statutory guidance. A figure has been agreed in 2019/20 based on the budget agreed at the start of the year (£25.4 million) between NHS Borders and the IJB, rather than actual expenditure.</p> <p>NHS Borders have applied Scottish Government's transitional arrangements now for four years. There</p>	<p>We note that the accounting treatment and presentation of the IJB transactions in the annual report and accounts remains appropriate under the Scottish Government transitional arrangements. However, other health boards have made progress in this area.</p> <p>We therefore recommend the board should consult on this matter with Scottish Government and other health boards to</p>

Issue/ Recommendation	Resolution
remains a risk that in future years the sum set aside recorded in the NHS Borders annual report and accounts will not reflect actual hospital use and expenditure, as required by legislation.	develop their accounting practices for the IJB sum set aside in 2020/21.  Recommendation 3 (refer appendix 1 , action plan)

All identified misstatements were adjusted in the annual report and accounts

24. Total adjusted misstatements to the draft annual report and accounts which affected the Revenue Resource Limit (RRL) outturn were £149,000 (absolute value). The net effect reduced RRL expenditure by £95,000 in the audited annual report and accounts. A further £2.7 million of adjustments were identified but these related to re-classification of accounting entries and did not impact on the RRL outturn. The majority of this total related to the income tax and social security accrual (£2.4 million of pay elements paid one month in arrears) re-classified to the correct trade payables account code. All corrections have now been made in the final audited version of the annual report and accounts.

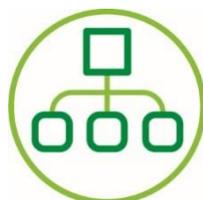
25. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no unadjusted misstatements, above our reporting thresholds, identified from our audit.

Progress was made on prior year recommendations

26. NHS Borders has made some progress in implementing our prior year audit recommendations. However, some wider dimension risks still remain. 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



Main judgements

NHS Borders required brokerage of £8.3 million in 2019/20 from the Scottish Government in order to balance its revenue budget. The board remains at Escalation Level 4 in the NHS Scotland Performance Framework.

The board must prioritise re-starting the Financial Turnaround programme and quickly assess the financial impact of Covid-19, if financial balance is to be restored.

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

NHS Borders required brokerage funding to remain within its Revenue Resource Limit (RRL)

27. The Scottish Government Health and Social Care Directorates (SGHSCD) set annual resource limits and cash requirements which NHS boards are required by statute to work within. As illustrated in [Exhibit 4](#), after receiving brokerage funding of £8.3 million from the SGHSCD, the board operated within all limits during 2019/20.

Exhibit 4 Performance against resource limits in 2019/20

Performance against resource limits set by SGHSCD	Resource Limit £m	Actual £m	Variance (surplus/(deficit) £m
Core revenue resource limit <i>(includes additional £8.3m brokerage)</i>	247.2	247.0	0.2
Non-core revenue resource limit	7.8	7.8	0
Total revenue resource limit	255.0	254.8	0.2
Total capital resource limit	2.5	2.5	0
Cash requirement	258.6	258.6	0

Source: NHS Borders Annual Report and Accounts 2019/20

The board remains at Escalation Level 4 in the NHS Performance Framework

28. NHS Borders continues to face significant financial challenges and remains at Escalation Level 4 in the NHS Scotland Performance Framework. Level 4 is described in the Framework as 'Significant risks to delivery, quality, financial performance or safety; senior level external support required'. The board therefore received tailored support in 2019/20 in the form of external expertise and scrutiny to attempt to return to financial balance. NHS Borders has also established a Financial Turnaround programme.

29. These challenges led to the board receiving non-recurring brokerage funding of £8.3 million (2018/19: £10.1 million brokerage) in 2019/20 to support its revenue budget. The health board continues to face cost pressures in acute services and delegated IJB services.

30. Brokerage is an advance of funding from the Scottish Government (SG) which usually has to be repaid. SG agreed, as part of the Financial Planning Framework, that NHS boards that received brokerage in 2018/19 would not be required to repay. However, this has changed from 2019/20 onwards. SG have removed the requirement for boards to achieve financial balance annually. Instead, boards are required to achieve a break-even position over a rolling three-year period, with the ability to exercise flexibility within 1% of their budget each year.

31. NHS Borders have a three-year financial plan for 2020/21 to 2022/23, but this highlights a continued requirement for brokerage in the next two years. SG have indicated that brokerage required to support financial balance in 2019/20 and thereafter will be subject to repayment, with terms to be agreed with the board as part of ongoing financial planning discussions.

Cost pressures have continued in 2019/20

32. After receipt of brokerage funding, the board recorded a surplus of £226,000 against its core revenue resource limit (RRL) of £247.2 million. The financial stability of the organisation remains a cause for concern. In addition, the full financial impact of the Covid-19 pandemic is currently being assessed by management. The board's priority has been its Covid-19 response which has resulted in the Financial Turnaround programme being paused since March 2020. The financial outlook and financial sustainability are discussed further in the next sections of this report.

33. The main cost pressures identified by NHS Borders in 2019/20 were as follows:

- Pressures continued in IJB set aside budgets, particularly at its main acute site at the Borders General Hospital. This was due to the requirement to provide surge beds to support delayed discharges.
- An additional funding contribution of £6.3 million was provided by NHS Borders to the IJB, to allow the IJB to reach a break-even position. The additional funding contribution supported the non-delivery of the full efficiency savings target apportioned to the IJB.
- Workforce costs, such as increased employer's pension contributions.
- Prescribing costs, both as a result of increased drugs and medicines prices and due to an advance of prescriptions at the end of March 2020 as a result of Covid-19.

Capital investment was progressed, but some projects have slipped into next year

34. NHS Borders received a total capital allocation of £2.5 million in 2019/20 and recorded a break-even position against this target. Capital expenditure this year included ongoing work on the Information Management & Technology (IM&T) Road to Digital Programme, such as the construction of a new data centre facility to improve resilience. As explained later in this report, several ICT improvements and streams of work have taken place in response to Covid-19 and key projects will continue in 2020/21.

35. The board has continued its capital works at its primary care premises, such as Eyemouth and Knoll health centres. Improvement work at the West Linton health centre was paused as a result of Covid-19 but is expected to be completed in 2020/21.

36. As at March 2020, capital slippage of circa £0.7 million was reported, partly due to Covid-19. Some slippage has also been reported in the IM&T department due to resourcing challenges and delays on national programmes. However, management anticipate this capital funding will be re-instated in 2020/21 to enable completion of planned projects.

Efficiency savings were achieved, but the board continues to report a deficit at year-end

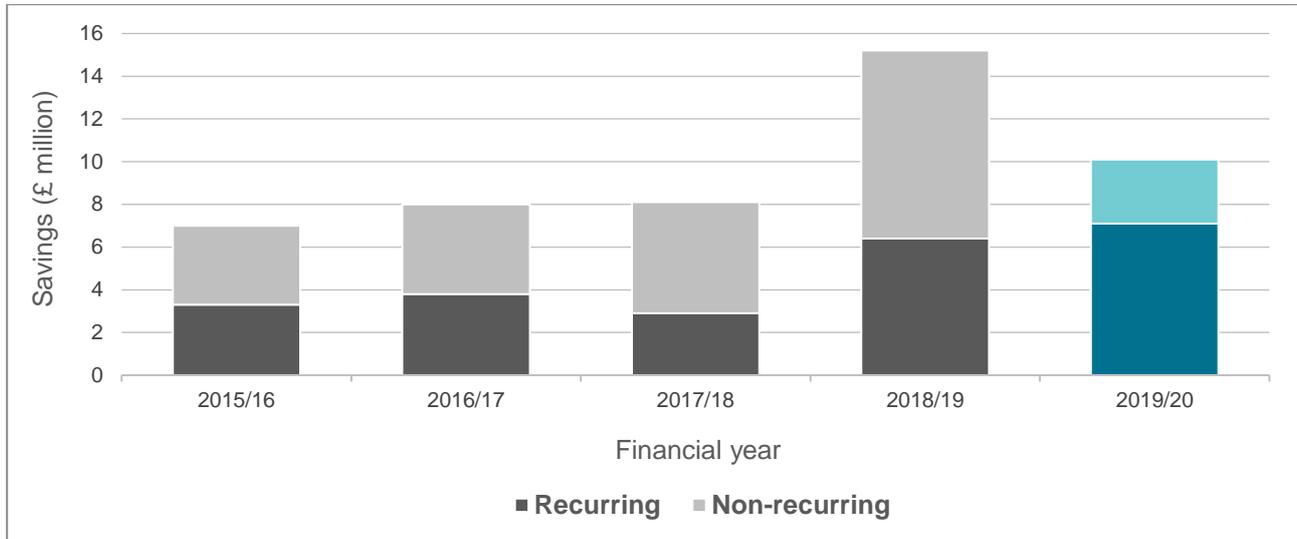
37. In 2019/20, NHS Borders was required to make efficiency savings of £21.7 million due to deficits brought forward from previous years. This was partly achieved, with the board reporting recurring savings of £7.1 million and non-recurring savings of £2.9 million. Due to unachieved savings and continued financial pressures, management are reporting a £13.1 million deficit will be carried forward in to 2020/21.

38. Recurring savings are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

39. As illustrated in [Exhibit 5](#), the board has managed to increase its recurring savings compared to prior years, but overall savings have reduced since last year where a record total of £15.2 million was reported. While increased recurring savings are favourable and a sign of progress made by the Financial Turnaround programme, this is unlikely to be sustained. Management have advised that work on delivering savings has been significantly affected due to efforts directed towards the Covid-19 response in the last 6 months.

Exhibit 5

Savings – recurring and non-recurring



Source: NHS Borders Annual Report and Accounts 2015-16 to 2019-20



Recommendation 4

The board must prioritise re-starting the Financial Turnaround programme and quickly assess the financial impact of Covid-19, if financial balance is to be restored.

Financial systems of internal control are operating effectively

40. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that NHS Borders has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

41. Our findings were included in the management report presented to the Audit Committee on 23 March 2020. We concluded, subject to management addressing the points raised in the report's action plan, that the board:

- has adequate systems for recording and processing transactions to ensure financial statements are appropriately prepared
- has systems of internal control which provide sufficient means of preventing and detecting material misstatement, error, fraud or corruption
- complies with established policies, procedures, laws and regulation.

The board places assurance on shared systems

42. The NHS in Scotland procures a number of service audits each year for shared systems: NHS National Services Scotland (NSS) procures service audits covering primary care payments and the national IT contract; and NHS Ayrshire & Arran procure a service audit of the National Single Instance eFinancials service.

43. We have considered the content of the service auditor assurance reports, and any associated external audit reports. There are findings to draw to management's attention this year. The service auditors for Practitioner Services (part of NSS) have issued a qualified opinion in 2019/20 for the controls in place. This concerns controls issues at Practitioner Services to properly evidence the completeness, validity and accuracy of the Family Health Service (FHS) payment streams processed on behalf of each health board.

44. Our interim work reviewed local reconciliations and checks in place over FHS payment schedules received from Practitioner Services and we found these to be satisfactory. The governance statement notes NHS Borders has accepted the assurances provided by the NSS Audit Committee, which states that each point raised within the service auditor report will be addressed as part of its continuous improvement programme of work. NHS Borders also reference payment verification checks in place locally at the board to provide assurance over payments to independent FHS practitioners. We will continue to discuss these matters with our NSS external audit team and monitor progress in this area in 2020/21.

Internal audit complies with the PSIAS

45. The internal audit function for 2019/20 was carried out by Grant Thornton. Each year Audit Scotland carries out a review of the adequacy and effectiveness of internal audit and their compliance with Public Sector Internal Audit Standards (PSIAS). Our review concluded that Grant Thornton comply with PSIAS and have appropriate procedures in place regarding their methodology and quality arrangements.

46. This year's internal audit reports did not directly relate to testing key financial controls. Therefore, we have not carried out any re-performance of their work or placed assurance on internal audit work for the purposes of our financial statements audit. We have placed assurance on internal audit's reports for reporting on the wider audit dimensions.

The 2018/19 National Fraud Initiative is complete

47. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. NHS Borders have now concluded their 2018/19 NFI exercise. No frauds were identified. A number of errors were found relating to duplicate creditor payments amounting to around £58,000. The board have recovered the majority of these payments and have implemented additional monthly checks to review any duplicate payments.

48. We conclude the board is pro-active in investigating matches and reporting the outcomes of NFI activity. The 2020/21 NFI exercise is due to start in the coming months with data matches due for release in early 2021. We will again review the response and investigation of matches and report our findings in due course.

The procurement function is operating satisfactorily

49. Our consideration of financial management includes evaluating the arrangements for preventing and detecting fraud and corruption. During our interim audit, we carried out an assessment of the arrangements in place at the board to prevent fraud and corruption in the procurement function. A summary of key controls and procedures in place are as follows:

- Compliance checks and a spend analysis of all procurements over £500 are reviewed at regular 'grip and control' meetings associated with the Financial Turnaround programme.
- Authorisation limits and segregation of duties are in place to adequately authorise, procure and process orders.

- Approximately 88% of the board's procurement spend is through national contracts. Other local contracts are carefully managed and vetted.

50. We concluded that the board has satisfactory arrangements in place for the procurement of goods and services.

Part 3

Financial sustainability



Main judgements

The board has developed a three-year financial plan, but this reports an unbalanced position and forecasts additional brokerage of £7.9 million will be required in 2020/21. Brokerage funding will be subject to repayment if a balanced position is not achieved in this three-year period.

NHS Borders will not achieve efficiency savings targets in 2020/21 based on the current assessment of its financial position.

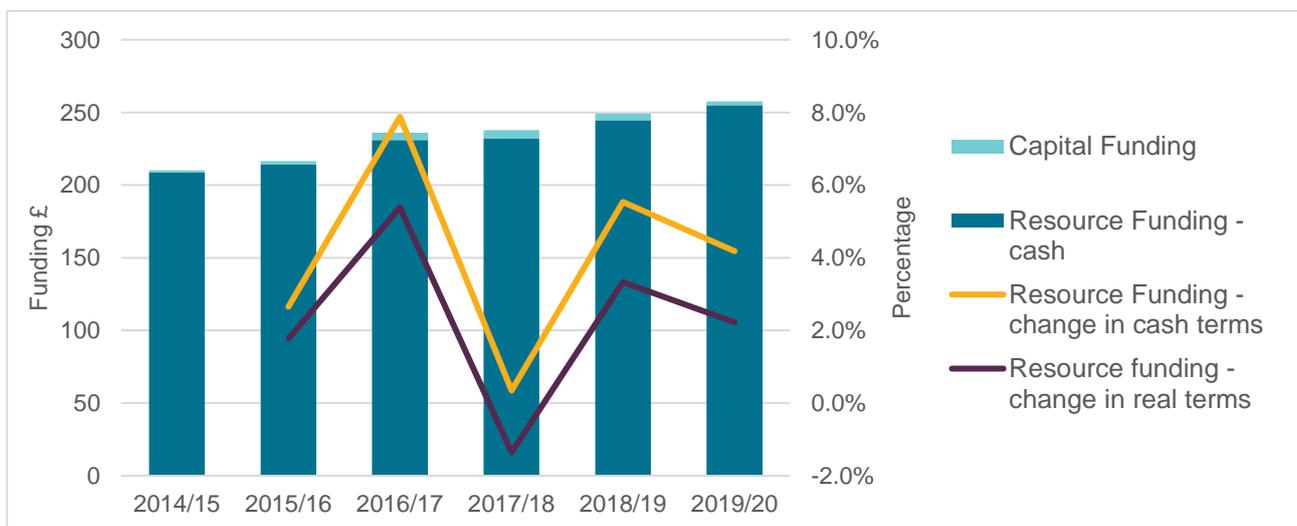
Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Over the last year revenue funding has grown in real terms by 2.2 per cent

51. Revenue funding to NHS Borders from the Scottish Government has grown by 4.2 per cent in cash terms and 2.2 per cent in real terms compared to 2018/19 as shown in [Exhibit 6](#). The board has had to manage significant financial pressures and, as noted previously, had to rely on additional brokerage funding for the last two years to achieve its financial targets.

Exhibit 6

Cash and real term core funding to NHS Borders has risen in the last 2 years



Source: NHS Borders Annual Report and Accounts 2014/15 to 2019/20; and HM Treasury GDP deflators

NHS Borders has a medium-term financial plan, but it forecasts additional funding will be required

52. The board approved a one-year financial plan for 2020/21 and indicative financial plans for 2021/22 and 2022/23 at its meeting on 2 April 2020. The plans set out that there is a significant financial shortfall in 2020/21 to manage and forecasts further brokerage support of £7.9 million will be required from the Scottish Government. The financial plans were submitted to the SGHSCD as part of the board's Annual Operational Plan and further discussions will continue to agree the level of brokerage required. This will also be contingent on the impact of Covid-19 which is expected to have a significant impact on 2020/21 plans and beyond.

53. NHS Borders submitted its quarter one review to SG in September 2020. Currently plans assume that any Covid-19 related expenditure included in the reported position will be fully funded by the SG. This assumption is not reflected in the reported position to date and remains a significant risk to the board's ability to deliver its financial targets.

54. Expenditure costs in 2020/21 relating to the Covid-19 response for all business units totalled £4.5 million at the end of August 2020¹. The total Covid-19 spend is in line with the board's Local Mobilisation Plan (LMP) and updates to this plan are submitted regularly to SG. Expenditure reported in the LMP has been approved in principle by SG to the end of quarter one. However, allocation of additional funding remains under discussion.

Efficiency plans are not advanced and it's difficult to see how planned future savings are going to be achieved

55. The recurring savings target for 2020/21 is £9.0 million. At present, the impact of non-delivery against this target is mitigated by underspend in operational budgets. But as service remobilisation and the level of activity increases, the level of underspend supporting efficiency will be reduced.

56. No savings are reported as achieved in the five months to the end of August 2020. This is in part due to the re-prioritisation of support functions and the focus of clinical services being on the response to Covid-19 and subsequent remobilisation of services. Following review of the savings plans the board is only anticipating achieving £1.6 million of recurring savings in 2020/21 and these will be realised in the latter stages of the financial year.

57. We acknowledge that resources have been diverted to the Covid-19 response. However, financial planning must be quickly revised in the coming months to assess the financial impact of Covid-19 and re-focus on efficiency savings, if the board is to achieve financial balance.

Reference: Appendix 1, Recommendation 4

¹ Finance report to the end of August 2020, presented to the Board on 24 September 2020

Part 4

Governance and transparency



Main judgements

NHS Borders has satisfactory governance arrangements in place. These have been affected by the Covid-19 pandemic since March 2020.

IT infrastructure and resources require prioritisation to continue to improve service upgrades and enhance cyber security.

Governance and transparency are 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 satisfactory

58. We commented on governance arrangements in detail in our 2018/19 Annual Audit Report. Our previous year's conclusion is still relevant, that 'there are satisfactory governance arrangements in place that support scrutiny of decisions made by the board'. There has been no significant change 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 arrangements from March 2020

59. The impact of Covid-19 from March 2020 on governance arrangements was significant and allowed the organisation to cope with the unprecedented nature and scale of the threat to its communities and staff. We note that the following steps were taken to allow staff to prioritise their response to the outbreak:

- A Pandemic Committee (Gold Command) was set up in March 2020 and met on a regular basis. Clinical Boards escalated any issues for resolution by the Committee. A Gold Command Decision Log is continuously updated noting all decisions taken.
- A Remobilisation Planning Group (RPG) was formed in April 2020 and continues to meet on a weekly basis to coordinate the system wide

response. The RPG and the business units continue to develop and refine plans for service recovery.

- The board and committees continued to meet, albeit in different formats. At first, some meetings were held either by teleconference or papers discussed via email exchanges. Home working arrangements and IT equipment were then more widely rolled out in early summer which has allowed board and committees to take place online.

60. We conclude that, in response to the significant disruption in recent months, arrangements put in place have supported appropriate governance and accountability. The following section sets out further significant changes to staff working arrangements and IT developments in recent months.

The board continue to make ICT improvements, but there are still risks to manage

61. We noted in our Annual Audit Plan that the Information Management & Technology (IM&T) department continue to manage a number of risks. The IM&T department has played an important role in the board's Covid-19 response, to ensure key systems and services continue to operate.

Information and Communications Technology (ICT) improvements

62. Although support for the Covid-19 response has placed considerable pressure on the IM&T department, we are pleased to report there have notable improvements made in the following areas:

- An upgrade to TrakCare was delivered as planned in July 2020. This means that the board's electronic patient management system is now a fully managed service hosted by the supplier. This upgrade means that NHS Borders is now using the latest version of the system and is now on an upgrade path for TrakCare every two years.
- The board has recently finished the construction of a second data storage facility on the Borders General Hospital campus. Key elements of IT infrastructure that relate to disaster recovery have been relocated from the primary server room to this new facility. This separation of primary and recovery servers improves data resilience and business continuity arrangements. However, management have advised a full disaster recovery test has still to be completed for the new facility.
- IM&T have rapidly rolled out working from home (WFH) arrangements for a number of staff to support the Covid-19 response. IM&T were required to make significant improvements to the remote working infrastructure and roll-out a significant number of laptops to staff. This has expanded the board's WFH capability from around 50 concurrent remote workers in March 2020, to now regularly supporting between 500 and 600 remote workers each day. Management plan to provide more staff with WFH capability where possible for the wellbeing and safety of staff during the pandemic.

ICT risks and areas of improvement

63. IM&T management have advised they continue to manage multiple projects to improve IT infrastructure and cyber resilience:

- As part of a national programme, the SG were due to review the board's compliance with the Network and Information Systems (NIS) Directive in July 2020. This audit, which assesses cyber resilience capability, was delayed due to the national Covid-19 response arrangements but has been re-scheduled for October 2020. Management expect a number of recommendations from this audit which IM&T will then use as the basis for an action plan, with the aim of achieving Cyber Essentials (CE) accreditation in 2021. The board are unlikely to achieve CE status while they continue to

operate on a number of aged servers, and continue to use Windows 7 which is now an unsupported operating system.

- Due to the Covid-19 response and service delivery priorities, the planned transition to Windows 10 and a full roll out of Office 365 have been delayed this year. Office 365 applications such as Microsoft Teams have been implemented for staff, but there remains much work to do on these programmes which will continue into 2021.
- We conclude that the board has done well to roll out system upgrades and working from home capability to an increased number of staff in recent months. However, the progress of key ICT projects is currently being restricted by resourcing and recruitment challenges in the IM&T department. There continues to be much reliance on the use of fixed term contracts rather than permanent appointments to fill key delivery positions. Management have identified the need to increase the number of programme staff within IM&T if the required rate of programme delivery is to be maintained. We were informed that this resourcing challenge is currently being considered by the board's vacancy committee.



Recommendation 5

Cyber resilience continues to be at risk while unsupported systems remain in use. Cyber Essentials accreditation, improvements to IT infrastructure and planned programmes are contingent on resolving key IM&T staffing vacancies. Progressing IT capabilities and suitable resourcing should be a priority for the board's service delivery.

The health and social care partnership recorded a break-even position after receiving additional funding from NHS Borders

64. The Scottish Borders Integration Joint Board (IJB) is the health and social care partnership between NHS Borders and the Scottish Borders Council. 2019/20 was the fourth year the health board has been required to consolidate the financial results of the IJB in its annual report and accounts. NHS Borders delegated services and provided resources for those services during 2019/20 to the IJB. The board's total contribution to the IJB in 2019/20 was £140.8 million (2018/19: £134.7 million). The IJB recorded a break-even position for 2019/20 on commissioned services from NHS Borders following an additional contribution of funding totalling £6.255 million.

65. This year saw the health and social care partnership redesign dementia inpatient services, decreasing the number of beds from 26 to 12 and re-investing in community services. The aim has been to alleviate pressure on specialist inpatient beds and enhance the care of dementia patients in the community setting.

66. As noted previously in [Exhibit 3](#), we recommend management should consult on its treatment of the IJB set aside budget (£25.4 million in 2019/20) with the Scottish Government and other health boards to develop their accounting practices in this area in 2020/21.

Reference: Appendix 1, Recommendation 3

Part 5

Value for money



Main judgements

Service performance continues to be variable in 2019/20. Only 5 out of the 13 key performance indicators were achieved, with some waiting time targets missed. Performance will continue to be challenging in 2020/21 due to the Covid-19 response and progressing remobilisation plans.

NHS Borders routinely considers equality matters but has identified scope to develop this further.

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

NHS Borders routinely considers equalities but has identified scope to develop this further

67. *Ministerial guidance to Accountable Officers* for public bodies and the *Scottish Public Finance Manual* (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

68. Our Annual Audit Plan noted the focus of our best value work in 2019/20 was an assessment of how the board demonstrates that equalities are embedded in the organisation. Our detailed findings were subsequently reported in our interim management report presented to the Audit Committee on 23 March 2020.

69. We noted NHS Borders has developed an approach to mainstreaming equalities and reporting its progress. The Public Governance Committee gives assurance that the board complies with its public equality duties.

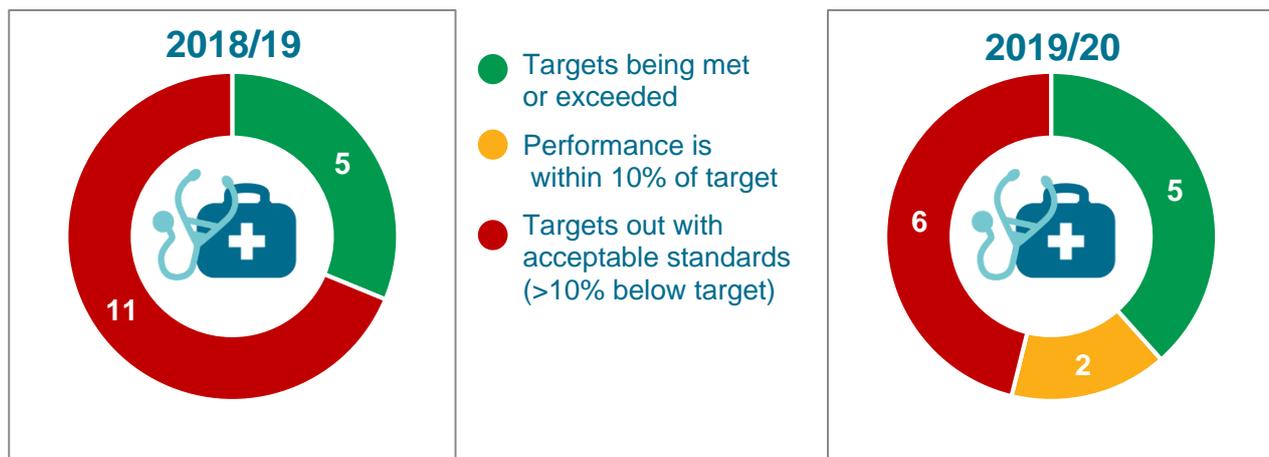
70. We conclude that good progress has been made recently to consider equality matters and engage with staff and other stakeholders. But there is further scope to address challenges that the board identified in its 2019 equalities mainstreaming report.

Reference: Appendix 1, Recommendation 6

Only 5 of the 13 key performance measures are being met

71. Every year the SGHSCD asks each health board to report to them on their performance and delivery plans for the next financial year against a series of measures. Regular updates on the Annual Operational Plan (AOP) performance measures are reported at board meetings. The 2019/20 annual report and accounts include an up-to-date position at the end of March 2020 on the board's performance against its AOP key performance indicators as summarised in [Exhibit 7](#).

Exhibit 7 Summary of key performance targets



Source: NHS Borders Annual Report and Accounts 2018-19 and 2019-20

72. The board has continued to report mixed performance in 2019/20. Cancer waiting time targets continue to be a strong area of performance e.g. as of 31 March 2020, 100% of patients were treated within 31 days of diagnosis. However, poorer areas of performance are shown for other waiting time targets, such as the 12-week Treatment Time Guarantee. Performance against all key national waiting time targets is shown in [Exhibit 8](#) along with prior year comparators.

Exhibit 8 Performance against key national waiting time standards

Target/standard	Performance at March 2019	Performance at March 2020
Cancer 62 Day RTT <i>95% patients starting treatment within 62 days of referral</i>	● 80.8%	● 95%
Cancer 31 Days RTT <i>95% patients starting treatment within 31 days of decision to treat</i>	● 100%	● 100%

18 Weeks RTT <i>90% patients starting treatment within 18 weeks of referral</i>	 90.8%	 90%
Patient Treatment Time Guarantee (TTG) <i>Zero patients waiting longer than 12 weeks from decision to treat</i>	 179 patients	 62 patients
Outpatients waiting less than 12 weeks <i>Zero patients waiting longer than 12 weeks (maximum)</i>	 zero	 287 patients
A&E attendees <i>95% of A&E attendees are admitted, transferred or discharged within 4 hours</i>	 96.5%	 85.5%
Drug and Alcohol 21 days <i>90% of drug and alcohol patients started treatment within 21 days</i>	 93%	 93%
CAMHS Waiting Times <i>90% of patients seen and treated within 18 weeks of referral</i>	 45.8%	 84.2%

Source: NHS Borders Annual Report and Accounts 2018/19 and 2019/20

73. Improvement is shown for the Child and Adolescent Mental Health Services (CAMHS) waiting times, with 7 out of the 10 months in the year achieving the 18-week referral to treatment target. However, an area of decreasing performance is particularly prevalent for outpatients waiting less than 12 weeks. Maintaining outpatient services in areas such as Dermatology, Oral Surgery and Orthopaedics has proved difficult this year due to service demand and resourcing pressures. Delayed discharges also remain an ongoing challenge for the board. Since March 2020, there has been a sustained effort to try to reduce delayed discharges as close to zero as possible to rapidly release bed space for the Covid-19 response.

74. We conclude the board has reported variable performance in 2019/20. There will be significant challenge and demands in 2020/21 to cope with the Covid-19 response and progress with remobilisation plans for other acute services.

National performance audit reports

75. 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.

76. The NHS Overview Report on the 2019/20 audits will include a review of the response to the Covid-19 pandemic by the NHS in Scotland along with a report on financial and operational performance. This is due to be published in early 2021.

Appendix 1

Action plan 2019/20



No. Issue/risk



Recommendation



Agreed management action/timing

1	<p>Annual report requires management review</p> <p>On receipt of the first draft of the accounts, we noted several amendments were required to the annual report sections to improve readability and consistency with the financial statements.</p> <p>Risk: There is a risk that the annual report is not consistent with the financial statements or easy to understand.</p>	<p>We recommend a full management review is undertaken for all narrative sections of the annual report and accounts before issuing to audit. Good practice guides should be used to review the required content of the performance report and governance statement to streamline narrative disclosures.</p> <p>Exhibit 3</p>	<p>Management response:</p> <p>This recommendation is accepted and review of the 2020/21 Annual Report will be completed prior to issue to the audit team.</p> <p>The Board remains a member of the SG Technical Advisory Group and Good Practice Guidelines will be incorporated to the Annual Report content.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: April 2021</p>
2	<p>Material valuation uncertainty for land and buildings</p> <p>The board had a material valuation uncertainty clause in their valuation report as a result of Covid-19. This concerns assets valued at £107 million as at 31 March 2020. The report notes less certainty should be attached to the valuations than would normally be the case, due to uncertainty in the market.</p> <p>Risk: There is a risk that the valuation of the board's assets is not accurate.</p>	<p>We recommend management keep the valuation of its land and buildings under review and discuss market conditions with the valuer in 2020/21.</p> <p>Exhibit 3</p>	<p>Management response:</p> <p>This recommendation is accepted.</p> <p>The Board continue to be in correspondence with the Property advisor and will arrange site visits to finalise on the valuations when this is deemed appropriate given Covid-19 restrictions.</p> <p>Responsible officer: Deputy Director of Finance (Head of Finance)</p> <p>Agreed date: March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p>Accounting for IJB set aside amounts</p> <p>The arrangements to record the sum set aside for hospital acute services, under the control of the Borders Integration Joint Board (IJB), are not yet operating as required by legislation and statutory guidance. A figure has been agreed in 2019/20 based on the budget agreed at the start of the year between NHS Borders and the IJB, rather than actual expenditure.</p> <p>NHS Borders have applied Scottish Government's transitional arrangements now for four years.</p> <p>Risk: There remains a risk that in future years the sum set aside recorded in the annual report and accounts will not reflect actual hospital use and expenditure, as required by legislation.</p>	<p>We recommend management should consult on this matter with the Scottish Government and other health boards to develop their accounting practices for the IJB sum set aside in 2020/21.</p> <p>Exhibit 3</p>	<p>Management response:</p> <p>This recommendation is accepted.</p> <p>The Director of Finance will work with the Board's Executive Team, the IJB Chief Officer and Chief Finance Officer to make recommendation to the NHS and IJB Boards on the basis for reporting IJB set aside budgets in 2020/21.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: March 2021</p>
4	<p>Financial sustainability risk</p> <p>NHS Borders required £8.3 million brokerage funding to achieve financial targets this year. Management report a deficit of £13.1 million carried forward into 2020/21 and therefore additional financial support will again be required. The Financial Turnaround programme has been paused for 6 months.</p> <p>Risk: The board will not return to a balanced financial position if financial planning and efficiencies savings are not prioritised and achieved.</p>	<p>The board must prioritise re-starting the Financial Turnaround programme and quickly assess the financial impact of Covid-19, if financial balance is to be restored.</p> <p>Paragraph 39</p>	<p>Management response:</p> <p>This recommendation is currently underway with the Executive Management Team reviewing the Financial Turnaround Programme and the level of focus which can be given to its progress whilst recognising the ongoing focus to remobilisation and a possible impact from a Covid-19 2nd wave of infections. The NHS Board will be updated on the level of turnaround activities which will be possible during 2020/21.</p> <p>The financial impact of Covid-19 is also being regularly reported to the NHS Board and Scottish Government. Impact will be modelled to the Board's Financial Plan for future years, particularly 2021/22, in</p>



No. Issue/risk



Recommendation



Agreed management action/timing

No. Issue/risk	Recommendation	Agreed management action/timing
<p>5 ICT improvements are required</p> <p>Cyber resilience continues to be at risk while unsupported systems and aged servers remain in use. Cyber Essentials accreditation, improvements to IT infrastructure and progressing planned programmes are contingent on resolving IM&T staffing vacancies and skills shortages.</p> <p>Risk: We acknowledge improvement made to resilience in recent months, but the board remains at risk of both cyber-attack and business continuity disruption.</p>	<p>IT upgrades and suitable resourcing in the IM&T department should be progressed to maintain and improve service delivery.</p> <p>Disaster recovery testing of the new data facility should also be prioritised.</p> <p>Paragraph 63</p>	<p>line with agreed timelines.</p> <p>Responsible officer: Director of Finance</p> <p>Agreed date: March 2021</p> <hr/> <p>Management response:</p> <p>This recommendation is accepted and resourcing issues continue to be considered.</p> <p>The IM&T Programme Board will agree the appropriate timing of the disaster recovery test for the resilient facility.</p> <p>Responsible officer: Director of Strategic Change & Performance</p> <p>Agreed date: July 2021</p>
<p>6 Equality considerations</p> <p>The board has scope to address challenges that it identified in its 2019 mainstreaming report update as follows:</p> <ul style="list-style-type: none"> • Complete, implement and sufficiently resource its review of the corporate governance arrangements for discharging its equality and diversity responsibilities. • Promote awareness and understanding of equality and diversity across all parts of the organisation, including the value of staff disclosing full details of their personal characteristics in confidential staff surveys. • Ensure that equality and diversity issues are addressed in sustained continuing professional development for all staff groups, including the management board. • Evidence equality and diversity aspects of its stakeholder engagement and consultation activity. 	<p>We recommend management consider developing its equality considerations in these areas.</p> <p>Paragraph 70</p>	<p>Management response:</p> <p>This recommendation is accepted.</p> <p>The Board will progress work to address the challenges as identified in its 2019 mainstreaming report.</p> <p>Responsible officer: Director of Public Health</p> <p>Agreed date: July 2021</p>



No. Issue/risk



Recommendation



Agreed management action/timing

- Support services to ensure that when feedback and complaints identify the need for improvements, useful changes are implemented.
- Regularly publish, online, updated lists of completed equality impact assessments.

Follow up of prior year recommendations

7	<p>Stock certificates</p> <p>Our review of stock workings found that not all year-end stock balances were supported by signed stock certificates, as required by the board's stocktaking procedures.</p>	<p>We recommend all stock areas complete and sign stock certificates and return these to the finance department at year-end, in accordance with the board's stocktaking procedures.</p>	<p>Status: In Progress</p> <p>Revised action:</p> <p>Due to Covid-19 restrictions, physical stock counts were not completed in March 2020 and therefore no stock certificates were completed. This recommendation is carried forward to 2020/21 and is subject to further Covid-19 restrictions.</p> <p>Responsible officer:</p> <p>Deputy Director of Finance (Head of Finance)</p> <p>Revised date: March 2021</p>
8	<p>Backlog maintenance</p> <p>The Estates backlog maintenance requirement for the board is estimated at £8.29 million. Only £2.75 million is recognised for Estates in the capital plan 2019/20 to 2023/24.</p>	<p>Management should update the Property & Asset Management Strategy data and consider which elements of backlog maintenance need prioritising. A business case should be considered if current levels of capital funding for its Estate are inadequate.</p>	<p>Status: In Progress</p> <p>Revised action:</p> <p>The Director of Finance supported by the Head of Estates and Facilities will review the backlog maintenance schedule and agree with the Board allocation of resource during 2020/21 to progress priority works.</p> <p>Responsible officer:</p> <p>Director of Finance</p> <p>Revised date: March 2021</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 to our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>International Standards on Auditing (ISA) 240 require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates and accounting policies. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. 	<p>Results: No significant issues to report in addition to Appendix 1.</p> <p>Conclusion: Satisfactory</p>
<p>2 Risk of material misstatement caused by fraud in income and expenditure recognition</p> <p>NHS Borders receives income from several sources, in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud. Practice Note 102 expands the ISA assumption to advise there is also a risk of fraud over aspects of expenditure for public sector bodies which tend to have an overall net expenditure outturn.</p>	<ul style="list-style-type: none"> • Analytical procedures on income and expenditure streams. • Detailed testing of income and expenditure transactions focusing on the areas of greatest risk. • Review of NHS Borders' investigation of data matches for the National Fraud Initiative. • Reviewing counter fraud arrangements. 	<p>Results: No significant issues to report in addition to Appendix 1.</p> <p>Conclusion: Satisfactory</p>
<p>3 Risk of material misstatement due to estimation and judgement</p> <p>We have determined there is a significant degree of subjectivity in the measurement and valuation of the account areas: accruals and fixed assets. This subjectivity represents an increased risk of</p>	<ul style="list-style-type: none"> • Focused substantive testing of key account areas. • Review of accounting policies to ensure these are reasonable. 	<p>Results: Appendix 1 recommendation 2 notes the issue regarding material valuation uncertainty over the board's land and buildings.</p> <p>Conclusion: We have noted this issue in our independent</p>

² Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom

Audit risk	Assurance procedure	Results and conclusions
<p>misstatement in the financial statements, particularly due to the continued financial pressures NHS Borders faces in 2019/20.</p>	<ul style="list-style-type: none"> Review of methodology for trade payables and accruals categories. Review the accounting treatment of assets for appropriateness and consistency. Review the revaluation exercise and related accounting entries of the board's assets in 2019/20. 	<p>auditor's report. No other issues identified.</p>
<p>4 Financial sustainability and brokerage requirements</p> <p>The board are reporting they will not achieve their financial targets for 2019/20 without additional funds. Management have advised they have agreed £9.3 million brokerage funding with the Scottish Government to achieve a break-even outturn.</p> <p>Scottish Government have tasked NHS Borders to produce a balanced 3-year financial plan covering 2020/21 to 2022/23. Management have advised the final plan has been delayed and is now due to be submitted in draft as part of the Annual Operational Plan in December 2019. However, the plan will not be balanced. Instead, the financial plan will aim to reduce the board's recurring deficit to an estimated £2-3 million by the end of the 3-year period.</p> <p>There is therefore a significant risk regarding the board being financially sustainable.</p>	<ul style="list-style-type: none"> Inspect third party confirmation of additional funding for 2019/20. Liaise closely with senior finance staff regarding budget plans and discussions with the Scottish Government. Monitor monthly Financial Performance Returns submitted to the Scottish Government. Focussed cut-off testing at year-end to confirm expenditure and income has been accounted for in the correct financial period. Ensure brokerage and potential budget transfers are correctly disclosed in the annual report and accounts. 	<p>Results: See Appendix 1 recommendation 4 which supersedes this point.</p> <p>Conclusion: Financial sustainability risk still remains.</p>
<p>Wider dimension risks</p>		
<p>5 Financial Turnaround programme</p> <p>Management have advised that significant senior staff time is being invested in the financial turnaround programme. There is a risk of this diminishing focus on other strategic priorities, such as the health and social care partnership.</p>	<ul style="list-style-type: none"> Review reported progress and impact of the financial turnaround programme. 	<p>Results: The board achieved £7.1 million savings in 2019/20. However, NHS Borders has prioritised their Covid-19 response since March 2020 and the Financial Turnaround programme has effectively paused. Management have advised the programme is planned to re-start by the end of the 2020 calendar year.</p> <p>Conclusion: The board faces significant challenge in the next three years to return</p>

Audit risk	Assurance procedure	Results and conclusions
		to a balanced financial position.
<p>6 Borders IJB arrangements</p> <p>The following issues relating to the Scottish Borders Integration Joint Board (IJB) are pertinent to NHS Borders' financial planning:</p> <ul style="list-style-type: none"> • There is no permanent Chief Finance Officer for the IJB in place. The interim CFO has extended their post to December 2019 • The arrangements to record the sum set aside for hospital acute services, under the control of the IJB, are not yet fully operating as required by legislation and statutory guidance • £13.3 million savings³ are required by the IJB in 2019/20, linked to the same financial pressures as NHS Borders. 	<ul style="list-style-type: none"> • Review the finance team's plans for incorporating the IJB transactions into the annual report and accounts. • Review the latest technical guidance and Scottish Government advice regarding the accounting treatment for IJB set aside amounts. • Perform specific substantive testing of IJB income and expenditure relating to NHS Borders. 	<p>Results: See Appendix 1 recommendation 3 which supersedes this point.</p> <p>Conclusion: IJB set aside arrangements and financial pressures remain the same as prior year.</p>
<p>7 ICT risks</p> <p>The board's Information Management & Technology (IM&T) department continue to manage a number of issues:</p> <ul style="list-style-type: none"> • The currently unsupported version of Trak Care is due to be upgraded in summer 2020, with an interim solution being progressed with the provider. • The creation of a second data storage facility is in progress. • The board is migrating to Office 365 in spring 2020. There is a potential risk of information loss during this process. <p>IM&T require to make improvements to the board's cyber security arrangements and business continuity plans.</p>	<ul style="list-style-type: none"> • We will review the progress of the RTD programme and monitor the board's continuing IT investment plans. • We will meet with IM&T management to review key system upgrades and review cyber security arrangements are appropriate. 	<p>Results:</p> <p>See Appendix 1 recommendation 5 which supersedes this point.</p> <p>Conclusion: Progress has been noted for the successful update of Trak Care and new data facility, but further ICT improvements are still required.</p>

³ Scottish Borders Integration Joint Board 2018/19 Annual Audit Report

Appendix 3

Summary of national performance reports 2019/20



		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

NHS relevant reports

[NHS workforce planning – part 2](#) – August 2019

[NHS in Scotland 2019](#) – October 2019

NHS Borders

2019/20 Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



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