

NHS Borders

Management report 2019/20



 AUDIT SCOTLAND

Prepared for NHS Borders
March 2020

Audit findings

Introduction

1. This report contains a summary of the key issues identified during our interim audit work carried out at NHS Borders (NHSB). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We will use the results of this testing to determine our approach during the 2019/20 financial statements audit.
2. This report also includes the key findings from our recent review of equalities and how this is embedded across the board's practices.
3. Our responsibilities under the Code of Audit Practice require us to assess the system of internal control put in place by management. We seek 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
 - has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
 - complies with established policies, procedures, laws and regulations.
4. We are also, under the [Code of Audit Practice](#), carrying out work on the wider dimension aspects of the audit. This focuses on financial management, financial sustainability, governance and transparency and value for money. We will report our findings on these wider dimensions in our Annual Audit Report.

Conclusion

5. We identified some control weaknesses as summarised in [Exhibit 1](#) below. We will be carrying out additional work in response to these findings where required. This should enable us to take planned assurance for our audit of the 2019/20 financial statements.
6. Our findings from our review of equalities in NHS Borders is summarised in paragraphs 12 to 14.

Work summary

7. Our 2019/20 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, change of supplier bank details, review of accounts payable and accounts receivable control checks, and system access controls. Additionally, our testing covered budget monitoring control, and controls for preventing and detecting fraud such as reviewing progress of the National Fraud Initiative data matches.
8. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, where possible we take assurance on the work of internal audit to avoid duplication of effort.

9. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Risks identified

10. The risks identified during the interim audit are detailed in [Exhibit 1](#) along with updates for prior year recommendations where these remain partially implemented. These findings will inform our approach to the financial statements audit where relevant.

11. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to NHSB.

Exhibit 1 Key findings and action plan 2019/20

Issue identified	Management response/ audit update	Responsible officer / target date
<p>New supplier checks</p> <p>Checking payment details for new suppliers is an important control to ensure payments are processed timely and accurately to the correct source.</p> <p>We tested 10 new suppliers set up by the finance team. We found that 3 out of 10 cases were missing invoices from the supplier to verify their details.</p> <p>Each case had a signed form and proof of bank details received from the supplier. However, the board's supplier creation process notes a copy invoice should be retained on file as well as the supplier creation form.</p> <p>Risk: There is an increased risk of inaccurate payments being made if appropriate supplier checks are not in place.</p> <p>Recommendation: We recommend the finance team review their procedures to ensure appropriate new supplier details are checked and retained on file.</p>	<p>NHSB response:</p> <p>We will amend the Financial Procedure to note the requirement to have a company letterhead as back up to the supplier creation paperwork and remove the requirement for an invoice as this may not always be possible.</p>	<p>Deputy Director of Finance (Financial Accounting)</p> <p>Target date: April 2020</p>
<p>Payroll documentation</p> <p>We tested the following sample of key payroll processes to ensure appropriate authorisation was in place and to gain assurance over the accuracy of staff costs:</p> <ul style="list-style-type: none"> • 15 new starts • 15 leavers • 15 changes to employee details. <p>We noted the following points where processes could be improved:</p>	<p>NHSB response:</p> <p>The following responses relate to the numbered points in the auditor comments:</p> <ol style="list-style-type: none"> 1. The process followed by the Payroll Team has been confirmed that full authorisation must be in place prior to input to the payroll system. 	<p>Deputy Director of Finance (Financial Accounting)</p> <p>Target date: September 2020</p>

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<ol style="list-style-type: none"> 1. One new starter processed did not have an authorised staff engagement form completed timeously. Subsequent authorisation from the employee's line manager was provided by email after the employee had been processed on the payroll system. This was done in order not to delay their pay. 2. One leaver did not have an authorised notification of termination form completed and sent in promptly by their line manager to the payroll team. This resulted in a small overpayment. 3. There were several cases where authorised signatories on forms were illegible. Management have assured us that the payroll team check with the requesting departments and have good knowledge of authorisers to ensure forms are adequately approved before processing. 4. We have recommended a minor improvement to staff engagement forms to ensure NHSB are complying with GDPR, as the current form asks for details of the previous postholder which is not required. <p>Risk: There is a risk that NHSB are incurring unnecessary payroll costs if clear, authorised forms are not sent in by managers timeously for processing by the payroll team.</p> <p>Recommendation: We recommend line managers should be prompted to submit clear, timely payroll documentation as part of regular budget meetings.</p>	<ol style="list-style-type: none"> 2. The Finance Team will issue a reminder to Line Managers to request prompt receipt of payroll paperwork to prevent overpayment. Recovery of the overpayment detailed in this point is complete. 3. The Payroll Team recognise on a day to day basis the signatures from authorised line managers. As part of the communication in point 2 we will however remind the need to complete a printed name and designation on any documentation. 4. Management consider the content of the current national form to be GDPR compliant. 	

Update on prior year recommendations

Salary overpayments

We reviewed a sample of weekly aged debtor reports as part of our review of Trade Receivables. We acknowledge the board's reporting system is effective at identifying and chasing debtors.

A small number of debtors invoices relate to salary overpayments. We found that total salary overpayments as at February 2019 amounted to £62,000, with cases dating back to 2012. At the time of our review, £45,000 of this total remains outstanding and due for repayment. For scale, the value of payroll costs is approximately £120 million per annum.

We reviewed a sample of the highest salary overpayments to investigate the main reasons for these cases. From our sample of

NHSB response as at March 2019:

The Payroll team will review the standard exception and audit reports and agree a future checking procedure based on a risk assessment of high risk areas.

Audit update as at March 2020:

The outstanding salary overpayments balance of all historic cases as at February 2020 is now £37,000. This is a decrease of approximately £7,000 since the same time last year, mainly due to the use of an external debt collection agency. This arrangement has been in place since November

Superseded by above point on payroll documentation.

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<p>5 high value payments, 3 were due to errors in payroll processing, 2 were due to late receipt of documentation from line managers.</p> <p>Risk: There is a risk that the board is incurring unnecessary costs due to salary overpayments.</p> <p>Recommendation: We recommend that the payroll team complete sample checking of key processes (such as new starts and leavers) and use the audit log functionality on the payroll system to perform secondary checks to help reduce errors. These sample checks are performed at other health boards. Line managers should also be prompted to submit timely payroll documentation as part of regular budget meetings.</p>	<p>2018 and to date a total of over £3,000 has been recovered.</p> <p>From our sampling of salary overpayments in 2019/20, there are two main causes of overpayments occurring - late paperwork being sent to the finance team by line managers and errors in data input by payroll staff.</p> <p>For scale, the value of total payroll costs is approximately £126 million per annum.</p> <p>Due to resourcing constraints, the payroll team continue not to use the additional audit log checking functionality on the payroll system to independently check key processes. However, appropriate exception reporting is in place to check key variances and anomalies in employees' pay (known as 'Feasibility Reports').</p> <p>NHSB updated response March 2020:</p> <p>Income recovery has been successful through the contract with the External Debt Collection Agency.</p> <p>The Payroll Team continues to review the payroll system's produced audit exception reports which are in place to check key variances and anomalies in employee's pay (Feasibility Reports). This review process is considered satisfactory by management.</p>	
<p>Capital budget management</p> <p>We assessed whether management have effective arrangements in place to monitor the board's capital budget. We acknowledge capital budgets are included in the regular financial reports which go to board meetings and other committees for scrutiny. The main group responsible for overseeing the capital budget is the Capital Management Team (CMT) which is represented by senior officers from various departments.</p> <p>However, from review of recent CMT papers, poor attendance was noted at these group meetings and the CMT terms of reference require updating to reflect current budget monitoring and approval processes in place.</p> <p>Risk: Poor engagement at CMT raises a risk that senior management are not scrutinising</p>	<p>NHSB response as at March 2019:</p> <p>Management have advised us that full representation at the CMT was attained for the prioritisation of projects and allocation of resources to the Capital Plan.</p> <p>The attendance to manage the agreed in-year Capital Plan by service representatives continues to prove challenging.</p> <p>The Capital Management Team Terms of Reference will be refreshed with prioritisation of attendance requested for each meeting.</p> <p>Agenda and Papers will continue to be circulated to all members.</p>	<p>Head of Capital</p> <p>Revised target date: September 2020</p>

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<p>the board's capital budget effectively to ensure limited resources are fully utilised.</p> <p>Recommendation: We would advise the board to refresh its Terms of Reference for the CMT and take the opportunity to review the membership of the group. Members should attend CMT meetings regularly or send suitable officers to attend in their absence. Action trackers should be kept up to date to ensure progress of capital projects.</p>	<p>Audit update as at March 2020:</p> <p>CMT meetings have reduced while the organisation remains focused on the Financial Turnaround Programme during 2019/20. The capital planning team have focused engagement on an individual project by project basis (as detailed in the Board agreed plan for 2019/20) to ensure delivery of the Capital Resource Limit (CRL).</p> <p>The Board was regularly updated on the position and projected level of spend on CRL.</p> <p>The complexity of in-year projects resulted in a low level of spend. The Board's December 2019 Finance Report to the Board noted £488,000 had been spent out of the total £2.94 million budgeted allocation.</p> <p>Other points noted from review of CMT papers available:</p> <ul style="list-style-type: none"> • Poor attendance from IM&T (similar to last year). • The CMT action tracker included a significant number of outstanding actions (32). <p>NHSB response as at March 2020:</p> <p>The Board's Capital Plan is being managed by the CMT in-year, supported by the Road to Digital Programme Board for the IM&T allocation. The Clinical Executive Operational Group and the Board have an overview of the full capital plan.</p> <p>Individual project management arrangements are in place with Project Teams set up with service stakeholders as members to monitor and progress the approved projects.</p> <p>Responsibility for Capital Planning has recently passed from the Director of Finance to the Director of Strategic Change and Performance and we will take this opportunity with this change to review the governance arrangements and associated Terms of Reference and action tracker (ensuring actions are still relevant).</p> <p>The IM&T Road to Digital (RTD) Programme has put in place a separate Programme Board chaired by the Director of Finance (who also chairs Capital Management) .</p>	

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<p>FHS: meetings with PSD</p> <p>(Reported in our 2017/18 Management Report)</p> <p>Family Health Services (FHS) of the board are made up of 4 streams:</p> <ul style="list-style-type: none"> • General Medical Services • General Dental Services • General Pharmacy Services • General Ophthalmic Services <p>The Practitioners Services Division (PSD) carry out inspections and payment verification work on behalf of the board to ensure valid claims are being made by practices. Regular meetings are held with PSD to discuss payment verification (PV) reports for each of the four FHS streams. However, formal minutes are not taken at these meetings to evidence action taken form review of PV reports, responsible officers and timescales.</p> <p>Risk: There is a risk that the board is not recording key actions taken as a result of PSD payment verification work.</p> <p>Recommendation: Either formal minutes or an ongoing action plan should be maintained by primary care officers to evidence and review actions taken for payment verification work for all 4 streams.</p>	<p>NHSB response as at March 2019:</p> <p>There is no agenda/minutes formally recorded as part of these PV meetings. This has been suggested to the NSS team. The outcomes from the meetings are shown on quarterly PV reports. In the meantime we are developing an annual report template for sharing with the Audit Committee (following receipt of the quarter 4 reports). This will summarise the quarterly reports and detail any local actions taken (this will be actioned in July/August).</p> <p>Audit update March 2020:</p> <p>In the absence of PSD meeting agendas and minutes where PV reports are discussed, the development of an annual report template noted above remains in development. This would be a useful summary to report back to the Audit Committee.</p> <p>NHSB response as at March 2020:</p> <p>This recommendation will be implemented in early 2020/21.</p>	<p>Primary Care Contracts Manager</p> <p>Revised target date: September 2020</p>

Equalities findings

12. NHS Borders has developed an approach to mainstreaming equalities and reporting its progress. The board's Public Governance Committee gives assurance that NHSB complies with its public equality duties. A corporate Equality Steering Group is chaired by the board's Lead for Equalities and is attended by its Non-Executive Lead for Equalities. The group coordinates and tracks progress. NHSB has made good progress in pursuing its eight equality outcomes although there is scope for improvement, particularly in making equality impact assessments routinely accessible online. NHSB acknowledges that it faces challenges. For example, its 2019 equality mainstreaming report noted that *'Although good progress has been made in some areas, a cultural shift has not been achieved in the organisation. There are still individuals and services where there is little knowledge or understanding of all the needs of the entire Borders. The lack of a dedicated individual with key responsibility for equality and diversity is problematic.'* NHSB is currently reviewing its governance structure for equality and diversity work.

13. NHSB advances equality and diversity internally and externally. The intranet gives staff access to useful support. Policies and practices that promote staff inclusion and retention include guidelines for transgender staff and their managers, and flexible working arrangements. NHSB applies the national NHS Knowledge and Skills Framework (KSF), with equality and diversity e-learning mandatory for all

NHSB staff at corporate induction. Training on health inequalities was delivered to the board in June 2018 and further training is planned for 2021. However, many NHSB staff choose not to disclose protected equality characteristic data (eg ethnicity) in staff surveys, making it difficult to profile the workforce accurately. Externally, NHSB engages with a range of partners to deliver services. Reducing health inequalities; promoting the prevention of ill-health; and early intervention are key objectives of the Scottish Borders Health and Social Care Integration Joint Board, involving NHSB and Scottish Borders Council. NHSB engages with numerous bodies representing communities of interest, such as about the needs of disabled patients and people with mental health issues. A central Feedback and Complaints Team provides a single contact point for patients and the public alike. NHSB's website features an online tool and easy-read guidance for anyone seeking to give feedback or complain. A detailed annual report on feedback and complaints describes lessons learnt and improvements made. The 2018/19 report found that scope for improvement in 2019/20 included '*Support services to ensure any improvements identified in complaints are implemented and sustained.*'

14. There is now scope for NHSB to address challenges that it identified in its 2019 mainstreaming report update and in particular to:

- 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 (Board Executive Team).
- Evidence equality and diversity aspects of its stakeholder engagement and consultation activity.
- 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.

15. Following our reporting of these equalities findings, we will monitor actions and provide an update alongside management responses in our Annual Audit Report.

16. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk after the publication of NHS Borders' annual report and accounts.

NHS Borders Management report 2019/20

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