

# Scottish Borders Integration Joint Board

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Scottish Borders Integration Joint Board and the Controller of Audit  
November 2022

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# Key messages

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## 2021/22 annual accounts

- 1 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.
- 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.
- 3 The accounts were not made available for inspection in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

## Financial management and sustainability

- 4 The Board reported a surplus position for 2021/22 of £16.4 million. This was mainly due to additional Covid-19 funding provided by the health board and earmarked for use in future years.
- 5 The budget for 2022/23 was agreed by the Board in June 2022, following agreement of the health board budget in April 2022. This includes required savings of £7.1 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 A new Chief Officer was appointed in November 2021 and a permanent Chief Financial Officer has been appointed from August 2022.
- 8 The IJB has effective arrangements for managing performance and monitoring progress towards their strategic objectives.

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# Introduction

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1. This report summarises the findings arising from the 2021/22 audit of Scottish Borders Integration Joint Board ('the IJB').
2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the 14 March 2022 meeting of the Audit Committee.
3. This report comprises the findings from:
  - the audit of the IJB's annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#)
  - a review of the arrangements put in place by the IJB to secure Best Value.

## Adding value through the audit

4. We add value to the IJB, through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
  - providing clear 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.
6. Also, the IJB is responsible for compliance with legislation, and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.
7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

**8.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the IJB's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability, and
- Best Value arrangements.

**9.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**10.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

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

## Auditor Independence

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

**13.** We 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 2021/22 audit fee of £27,960 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**14.** 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](http://www.audit-scotland.gov.uk) in due course. We would like to thank the management and staff who have been involved in our work for their co-operation and assistance during the audit.

## Audit appointment from 2022/23

**15.** The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21

but this was extended for a year so that 2021/22 is the last year of the current appointment round.

**16.** The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 a new team from Audit Scotland will be the auditors for Scottish Borders IJB. We are working closely with the new auditors to ensure a well-managed transition.

**17.** A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

**18.** We would like to thank Board members, Audit Committee members, and other staff, particularly those in finance for their co-operation and assistance over the last six years.

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# 1. Audit of 2021/22 annual accounts

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

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## 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.

The accounts were not made available for inspection in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

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## Our audit opinions on the annual accounts are unmodified

**19.** The IJB's annual accounts for the year ended 31 March 2022 are due to be approved by the IJB on 28 November 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report, Management Commentary and the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

## There were delays in preparing and auditing the annual accounts

**20.** Submission dates for the annual audit report and audited annual accounts for 2019/20 and 2020/21 were deferred in line with the later dates for producing the annual accounts because of the impact of Covid-19. For 2021/22, the deadline for authorities to approve the audited accounts is 30 November 2022.

**21.** The unaudited annual accounts were not received in line with our agreed audit timetable on 30 June 2022, mainly due to the absence of a permanent

Chief Financial Officer. A permanent CFO was appointed from 1 August 2022. The unaudited annual accounts were approved by the Audit Committee on 31 August 2022 and submitted to audit on 29 September 2022.

## Overall materiality is £3.75 million

**22.** We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. 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.

**23.** 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 annual accounts. 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.

**24.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#). We concluded that the materiality levels set during planning remained appropriate.

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£3.75 million
Performance materiality	£2.44 million
Reporting threshold	£110 thousand

Source: Audit Scotland

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## We have significant findings to report on the audited annual accounts

**25.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

**26.** The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The inspection notice for the IJB's

unaudited annual accounts was published on Scottish Borders Council's ('the council') website on 17 June 2022, advertising that the unaudited annual accounts would be available for inspection from 1 July 2022 until 17 July 2022. However, the IJB's unaudited annual accounts were not prepared in line with this timetable and were only available at the end of August 2022, as noted in paragraph 21. above. The IJB therefore did not comply with the regulations. No objections were received to the 2021/22 annual accounts.

**27.** It is important that the IJB and its partners, the council and NHS Borders (NHSB), work together to ensure that the annual accounts are prepared in a timely manner, in line with the requirements of regulations.

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## Recommendation 1

The IJB should ensure that arrangements are in place for its annual accounts to be prepared and made available for inspection in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

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**28.** The Management Commentary that accompanies the annual accounts should clearly explain how the IJB has performed against its budget and how this is reconciled to the financial statements.

**29.** We raised several areas for improvement in the Management Commentary with the Chief Financial Officer (CFO) as part of the audit process. These changes were requested in order to improve the clarity and transparency within the Management Commentary. The CFO agreed the changes and the Management Commentary within the audited accounts has been amended to reflect these improvements.

**30.** We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

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## Exhibit 2

### Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>Although we have not identified any specific risks of</p>	<p>Service auditor assurances obtained from the external auditors of Scottish Borders Council (SBC) and NHS Borders (NHSB) in line with the 2021/22 Integration Joint Boards Protocol for Auditor</p>	<p>Assurances were provided by the auditors of NHSB and SBC regarding the completeness, accuracy and allocation of income and</p>

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Audit risk	Assurance procedure	Results and conclusions
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.	Assurances issued by Audit Scotland  Evaluation of any significant transactions outside the normal course of business.	expenditure. No issues were identified.

### **There were no identified misstatements in the audited annual accounts**

**31.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. There were no misstatements identified that exceeded our reporting threshold.

### **Limited progress was made on prior year recommendations**

**32.** The IJB has made limited progress in implementing our prior year audit recommendations. The recommendations made have been similar in each year of our audit appointment. 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 2021/22 of £16.4 million. This was mainly due to additional Covid-19 funding provided by the health board and earmarked for use in future years.

The budget for 2022/23 was agreed by the Board in June 2022, following agreement of the health board budget in April 2022. This includes required savings of £7.1 million.

### We have obtained audit assurances over the wider audit dimension risks relating to Financial Management and Sustainability identified in our 2021/22 Annual Audit Plan

33. [Exhibit 3](#) sets out the audit dimension risk(s) relating to Financial Management and Sustainability we identified in our 2021/22 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>Financial management– Chief Financial Officer</b></p> <p>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</p>	<p>Ongoing monitoring and reporting of IJB budget to the board during the year.</p> <p>Recruitment of permanent CFO during the year.</p>	<p>We confirmed that financial budget monitoring continued to be reported to, and scrutinised by, the IJB during the year.</p> <p>A permanent CFO has been appointed from August 2022.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>the prevention and detection of fraud and other irregularities. The IJB does not have a permanent CFO in post, with the role currently being covered by the Director of Finance at NHS Borders and the Director of Finance and Corporate Governance at Scottish Borders Council.</p> <p>There is a risk that 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><b>Financial management – set aside</b></p> <p>Arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance. A notional budget has been agreed and included in the annual accounts in the previous year in line with transitional arrangements agreed by the Scottish Government.</p>	<p>A Set Aside group, to ensure compliance with the national legislation and statutory guidance, is to be established. The IJB Chief Financial Officer will be the responsible officer.</p> <p>The work of this group will be aligned with the wider IJB commissioning plan, led by the IJB Chief Officer.</p>	<p>We confirmed the status of the Set Aside group with the CFO. The Set Aside group has not yet been established, but will be taken forward during 2022/23, with work already on-going to develop the financial approach to underpin the new Strategic Commissioning Plan.</p>
<p><b>Financial sustainability</b></p> <p>There remains uncertainty around financial sustainability as the wider impact of Covid-19 is not yet known. In addition, there is a projected shortfall of £6.3 million against the required efficiency savings of £9.2 million agreed as part of the 2021/22 budget for the IJB. There is a risk of added financial pressure in subsequent years as budgets</p>	<p>Regular monitoring and reporting to the Integration Joint Board on the financial position.</p>	<p>We confirmed that regular finance reports have been provided to the IJB and scrutinised during the year, and a budget for 2022/23 was agreed in June 2022.</p> <p>Internal Audit's Annual Assurance Report 2021/22 concluded that budgetary monitoring processes at the IJB are sound although its value for control purposes is limited by the high-level information provided to the IJB. It also noted that appropriate medium term</p>

Audit risk	Assurance procedure	Results and conclusions
become increasingly constrained.		financial planning arrangements are not yet fully developed.

## The 2021/22 budget included planned savings to address the funding gap

**34.** The IJB approved its 2021/22 budget in June 2021, following a draft budget considered at its March 2021 meeting, which was before the health board had agreed its 2021/22 budget. The IJB budget was set at net expenditure of £217.5 million with a savings target of £7.1 million required to achieve financial balance. These savings were split £1.4 million from the council and £5.7 million from the health board. At the year end the IJB was reporting a shortfall of £6.565m on its final savings plans, however additional support was made available by Scottish Government to offset the anticipated impact of Covid-19 on delivery of savings.

## The IJB returned a surplus in 2021/22

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

**36.** During the year the original budget for 2021/22 was supplemented by additional funding from the partners of the IJB, with NHS Borders (NHSB) providing an additional £4.8 million for delegated services at the year end. The IJB reported a surplus of £16.4 million for the year ending 31 March 2022. This was mainly due to additional funding to address Covid-19 issues from the Scottish Government which was provided by the health board near the year end, along with utilising other earmarked reserves. This funding is earmarked for use in future years.

**37.** 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 2021/22. 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. We have been advised by management that this will be a key feature of the new financial approach which has been developed and approved by the Strategic Planning Group at the IJB.

**Exhibit 4****Expenditure performance against budget**

<b>IJB budget summary</b>	<b>Original Budget</b>	<b>Revised Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
Funding for Delegated Functions	154.2	185.8	190.6	4.8
Funding for Large Hospital Set-Aside	24.2	27.5	27.5	0.0
Additional Contributions from Partners	0.0	4.8	0.0	(4.8)
<b>Total</b>	<b>178.4</b>	<b>218.1</b>	<b>218.1</b>	<b>0.0</b>

Source: Scottish Borders IJB 2021/22 annual accounts

### **Budget processes were appropriate but medium term planning has not been developed**

**38.** The Financial Plan for 2022/23 was presented to the Board in March 2022, and approved at the Board meeting in June 2022, following approval of the council and health board's budgets. No medium or long-term plans have been produced and the financial plan is for only one year as the health board only prepared a one-year budget. The report identifies that the budget allocation to the IJB for 2022/23 totals £217.5 million, which is funded by £70.2 million from the council for social care, £119.3 million from NHSB for healthcare and £28.1 million healthcare set-aside. The plan includes a required savings target of £7.1 million for the year.

**39.** Finance monitoring reports are presented to Board meetings on a regular basis. The most recent monitoring report was presented to the Board in November 2022, which included figures for the first two quarters of 2022/23. This reports a forecast overspend of £6.7 million against the budget for the year and also highlights significant risks from non-delivery of financial savings targets at the health board, continued pressures in the set aside budgets due to excess activity and emerging risks around Scottish Government funding allocations.

### **Recommendation 2**

The IJB should continue to work with partner organisations to ensure savings plans are identified and ensure the partnership is able to move into a position of financial sustainability.

**40.** We observed that senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded the IJB has appropriate budget monitoring arrangements. However, as noted in

[Exhibit 3](#), Internal Audit's Annual Assurance Report 2021/22 concluded that budgetary monitoring processes are limited by the high-level information provided to the IJB. It also noted that appropriate medium term financial planning arrangements are not yet fully developed.

### **Financial systems of internal control operated effectively**

**41.** The IJB does not have its own financial systems and instead relies on partner bodies' financial systems. 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.

**42.** As part of our audit approach, we sought assurances from the external auditor of NHS Borders and Scottish Borders Council and confirmed there were no weaknesses in the systems of internal controls for either the health board or the council which would impact on the IJB or the audit approach.

**43.** As we have reported in each of the previous years of our audit appointment, 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.

### **Internal Audit operates in accordance with PSIAS**

**44.** 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.

**45.** To minimise duplication of effort we consider the work of Internal Audit wherever possible. In 2021/22 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.

### **Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate**

**46.** The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We reviewed the arrangements in place at Scottish Borders Council and NHS Borders and found them to be adequate.

**47.** Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

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## 3. Governance, transparency and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information

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### 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.

A new Chief Officer was appointed in November 2021 and a permanent Chief Financial Officer has been appointed from August 2022.

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

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### Governance arrangements are appropriate and operate effectively

**48.** We reported in our 2020/21 annual audit report on the revised governance arrangements introduced by the IJB including 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. We have confirmed that these arrangements have been maintained in 2021/22 and remain appropriate.

**49.** We consider that the IJB's governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

### The IJB operates in an open and transparent manner

**50.** There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

**51.** Full details of the meetings held by the IJB and the Audit Committee are available through the SBC website and both meetings are open to the public to attend. This is considered good practice as not all public sector bodies offer this level of transparency, particularly when it comes to the Audit Committee.

**52.** We concluded that the IJB demonstrates an adequate commitment to openness and transparency through these approaches, although improvements to its financial reporting processes are required, as noted in paragraph 26.

#### **There have been changes in senior officers during the year**

**53.** There were changes in senior officers in year as the Chief Officer left their post in October 2021 and a new Chief Officer was appointed in November 2021. The IJB also appointed a new permanent Chief Financial Officer (CFO) from August 2022, with the CFO post having been filled on a temporary basis by various officers since the IJB was first formed in 2016. The CFO post had been advertised in previous years, but the IJB had been unable to appoint a permanent CFO due to the lack of appointable applicants for the post. The CO and CFO are key roles at the IJB and a permanent CFO should help allow the IJB to progress the required strategic planning.

#### **Arrangements are in place to secure Best Value**

**54.** 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.

**55.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including: assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of the strategic commissioning plan.

**56.** Management presented the draft Annual Performance Report for 2021/22 to the Board in June 2022, which set out the IJB's performance against the local and national integration indicators identified by Board and the Scottish Government. The performance report highlights that the impact of Covid-19 has been reflected in the IJB's health and wellbeing indicators, with the IJB performing worse than the national benchmarks in eight of the nine National Health and Wellbeing outcome areas. Performance against national benchmarks for quantitative indicators is mixed, with the IJB performing better than the benchmark in five indicators and worse than the benchmark in the other five indicators. The report provides a summary of progress the IJB has made against the Strategic Commissioning Plan 2018-2023 and includes details of the Commissioning Plan for 2022/23.

**57.** Within the report the IJB has recognised the need to provide best value and developing best value in commissioning for both health and social care is included as part of the commissioning plan for 2022/23. The Annual

Performance Report was subsequently published on the SBC website, in line with the requirements of the Act.

**58.** Performance reports are regularly reviewed by the IJB during the year 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.

### **Revisions to the Integration Scheme have been concluded**

**59.** Integration Schemes for IJBs require to be reviewed every five years. The Scottish Borders IJB's integration scheme was approved in 2015 and had not been reviewed since then. A timeline for review of the Scheme of Integration was approved in September 2021 and a 'light touch' review of the Scheme of Integration carried out in line with this timetable. The updated Scheme of Integration was reviewed and agreed by the partners, Scottish Borders Council and NHS Borders, and submitted to Scottish Ministers by 31 March 2022.

### **National performance audit reports**

**60.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 2](#).

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

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Annual accounts preparation</b></p> <p>The unaudited annual accounts for the IJB were not prepared and available for inspection at the start of July, as required by the Local Authority Accounts (Scotland) Regulations 2014. This was partly due to the new Chief Financial Officer (CFO) not being in post until the start of August 2022.</p> <p>Risk – there is a risk that the IJB does not comply with the regulations and that accounts are not available for adequate scrutiny by the public.</p>	<p>The IJB should ensure that arrangements are in place for its annual accounts to be prepared and made available for inspection in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.</p> <p><a href="#">Paragraph 26.</a></p>	<p>The appointment of a permanent CFO provides the capacity and capability to achieve this statutory requirement.</p> <p>Responsible officer: CFO</p> <p>Agreed date: By statutory deadline to be confirmed</p>
<p><b>2. Financial sustainability</b></p> <p>The 2022/23 budget for the IJB was agreed in June 2022, which included the need for £7.1 million in savings.</p> <p>The most recent financial monitoring report for the IJB up to September 2022 is forecasting an overspend of £6.7 million against the budget, due to costs of Covid-19 and undelivered savings.</p> <p>Risk – there is a risk that the IJB is not able to budget and</p>	<p>The IJB should continue to work with partner organisations to ensure savings plans are identified and ensure the partnership is able to move into a position of financial sustainability.</p> <p><a href="#">Paragraph 39.</a></p>	<p>The Financial Plan is about more than savings, it is being able to respond to and support/invest in strategic priorities. The new Financial Approach will support short and long-term planning. The CFO will become more involved in the NHS B savings approach, providing strategic support and challenge to the plans being made. Reserves Policy has been reviewed and will go to the Audit Committee in December for approval.</p>

Issue/risk	Recommendation	Agreed management action/timing
manage expenditure effectively if full savings plans are not in place.		Responsible officer: CFO Agreed date: Approach and Plan signed off in March 2023

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3. Hospital Acute Services (Set Aside)</b></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. 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>Outstanding</p> <p>The revised approach will be signed off for the new financial year as part of the financial approach supporting the new Strategic Commissioning Plan.</p> <p>Responsible officer: CFO Agreed date: March 2023</p>
<p><b>4. Financial Sustainability</b></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. The</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>The delivery of savings is only one part of the financial plan, which also needs to respond to strategic priorities. A new financial approach has been approved by the SPG</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>most recent financial 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>and the Financial Plan for next year will reflect this.</p> <p>See point 2 above</p>
<p><b>5. Chief Financial Officer</b></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 and Director of Finance at NHS Borders on a shared 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>Complete</p> <p>A permanent CFO was appointed from August 2022.</p>
<p><b>6. Financial Ledger</b></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 recorded in a spreadsheet.</p> <p>Risk – without a separate ledger for the IJB financial monitoring and reporting is</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>Outstanding</p> <p>This is not considered to be a priority given the focus required on strategic financial issues, such as agreeing a new approach to financial planning; reviewing the board's reserves policy; updating the financial regulations; and convening a network group of finance staff from across the partnership to help identify opportunities</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>not being carried out as efficiently as possible.</p>		<p>for improving financial practices. All of these have been worked on in recent months.</p> <p>This action will be reconsidered during 2023.</p> <p>Responsible officer: CFO</p> <p>Agreed date: September 2023</p>
<p><b>7. Governance – Ministerial Self Evaluation</b></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>Internal Audit’s Annual Assurance Report for 2021/22 reported that following the submission of the SBIJB’s Ministerial Strategy Group (MSG) self-assessment, an action plan was presented to the IJB Audit Committee in March 2020, with progress reports due every six months. Whilst there has been progress on actions, formal updates on progress of the consolidated MSG improvement actions and Best Value areas of improvement action plan have not yet been provided. The Chief Officer is currently updating this.</p> <p>Agreed action: Internal Audit follow-up with IJB Chief Officer has identified specific tasks required and revised due date for completion. Internal Audit follow-up report will be presented in usual cycle to IJB Audit Committee in December 2022</p> <p>Responsible officer: IJB Chief Officer</p> <p>Agreed date: March 2023</p>

# Appendix 2. Summary of 2021/22 national performance reports and briefing papers

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## May

[Local government in Scotland Overview 2021](#)

## June

[Covid 19: Personal protective equipment](#)

## July

[Community justice: Sustainable alternatives to custody](#)

## September

[Covid 19: Vaccination programme](#)

## January

[Planning for skills](#)

[Social care briefing](#)

## February

[NHS in Scotland 2021](#)

## March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

# Scottish Borders Integration Joint Board

## 2021/22 Annual Audit Report

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