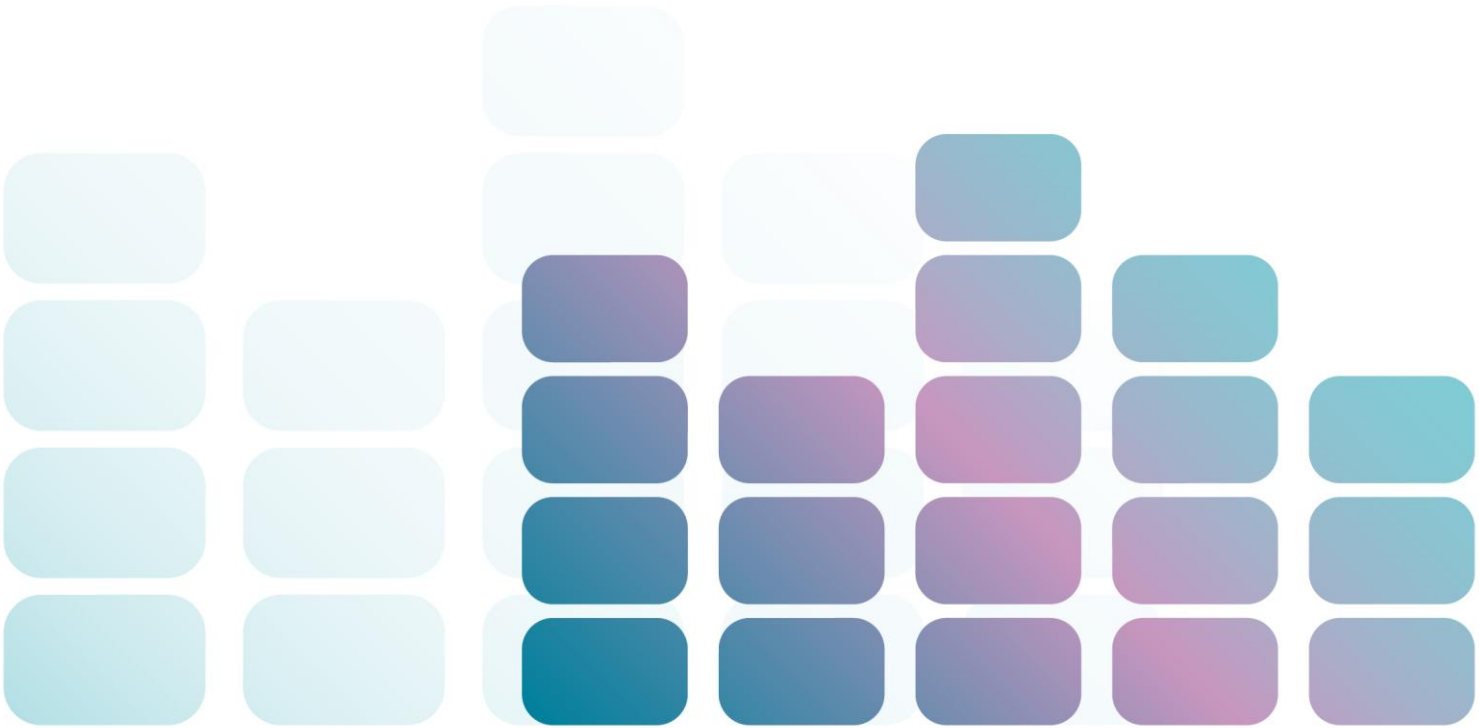


NHS Borders

2024/25 Annual Audit Report



Contents

Key messages	3
Introduction	5
Audit scope and responsibilities	6
Audit of the annual report and accounts	8
Wider scope and Best Value audit	20
Appendix 1	37
Appendix 2	44
Appendix 3	46
Appendix 4	47

Accessibility

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions stated that the annual report and accounts were free from material misstatement.
- 2 The significant findings and key audit matters relate to the reimbursement of the CNORIS provision of £19.6 million which was incorrectly credited to expenditure instead of income. The notional expenditure with the IJB was understated by £5.1 million. Both matters have been adjusted in the accounts.
- 3 All audit adjustments required to correct the financial statements were processed by NHS Borders.

Wider scope and Best Value audit

- 4 NHS Borders operated within its statutory revenue resource limits. However, this was only achieved through £13.3 million of brokerage funding from the Scottish Government. Brokerage funding will not be provided going forward.
- 5 NHS Borders' outturn position included the delivery of £8.6 million savings, of which £7.6 million (88%) were recurring. This is an improved position on recurring savings than in previous years (2023/24: £8.1 million savings, with 46% recurring).
- 6 The medium-term financial plan 2025/26 - 2027/28 does not set a balanced budget position. The plan includes the need for £40 million of savings and there remains a gap of £46.7 million over the three years.
- 7 The forecast for 2025/26 is an overspend of £12.8 million, with the Scottish Government setting a target of not exceeding an overspend of £10 million. Savings targets for 2025/26 are already £14.6 million, more than 50% higher than in 2024/25. These savings plans are not fully identified. This places increased pressure to deliver efficiencies.
- 8 Systemic change is required to develop a financially sustainable healthcare delivery model. NHS Borders has started work on understanding its cost

basis and levels of patient activity. This should support more informed and effective decision making, and the implications of making difficult decisions about service provision.

- 9** Performance delivery remains a challenge for NHS Borders with 75% of its Key Performance Indicators classified as underperforming with no evidence of improvement in year. Given the financial challenges facing the Board, it will be difficult to balance attaining financial sustainability whilst trying to improve service delivery.
 - 10** NHS Borders has recognised the need for strategic transformation of delivery to deliver a financially sustainable operating model that that supports improved performance. A new Organisation Strategy 2025-2030 has been developed to outline this strategic direction.
 - 11** Governance structures have generally been effective in year including in supporting the Board.
 - 12** NHS Borders recognises the importance of having arrangements for securing Best Value. The new organisation strategy is a stepping stone to delivering continuous improvement whilst returning towards financial sustainability.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of NHS Borders' annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to NHS Borders and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. John Boyd, of Audit Scotland, has been appointed as external auditor of NHS Borders for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, John Boyd and the audit team are independent of NHS Borders in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from NHS Borders, including no provision of non-audit services.

Acknowledgements

4. We would like to thank NHS Borders and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on NHS Borders' arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on NHS Borders' arrangements for securing Best Value.
- Providing assurance on the NHS Borders consolidation schedule to facilitate the preparation of the health information included in the Scottish Government Consolidated Accounts.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of NHS Borders and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and

concluding on the NHS Borders' arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve NHS Borders from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

NHS Borders' responsibilities

10. NHS Borders has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for NHS Borders and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National and performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to NHS Borders and the Audit and Risk Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 4](#).

Audit of the annual report and accounts

Main judgements

All audit opinions stated that the annual report and accounts were free from material misstatement.

The significant findings and key audit matters relate to the reimbursement of the CNORIS provision of £19.6 million which was incorrectly credited to expenditure instead of income. The notional expenditure with the IJB was understated by £5.1 million. Both matters have been adjusted in the accounts.

All material audit adjustments required to correct the financial statements were processed by NHS Borders.

Audit opinions on the annual report and accounts

12. NHS Borders and its group's annual report and accounts were approved by the Board on 26 June 2025 and signed by the appointed auditor on 26 June 2025. The Independent Auditor's Report is included in NHS Borders' annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual report and accounts and all working papers were received on 6 May 2025 in accordance with the agreed audit timetable.

The audit fee remained at the level agreed in our Annual Audit Plan

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £171,630. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality levels were reassessed to reflect the unaudited annual report and accounts

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the audit of NHS Borders and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts and were updated. These can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for NHS Borders and its group

Materiality	NHS Borders	Group
Materiality – set at 1.5% of gross expenditure (less contributions to the IJB and endowment expenditure)	£5.80 million	£5.90 million
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£4.35 million	£4.40 million
Reporting threshold – set at 5% of materiality.	£0.29 million	£0.295 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for NHS Borders is the Audit and Risk Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
CNORIS debtor NHS Borders correctly recognised a provision for clinical and medical claims. The associated debtor to reflect the amount which will be received from CNORIS (Clinical Negligence and Other Risks Scheme) has been netted off against expenditure rather than disclosed as income. The value of this amendment means that it is classed as significant.	This has been updated in the accounts. Income and expenditure in the Statement of Comprehensive Net Expenditure (SoCNE) have both increased by £19.6 million to reflect this. There is no impact on the outturn position.
Health and social care integration expenditure NHS Borders includes all expenditure transaction commissioned by the Scottish Borders Integration Joint Board (IJB) in its accounts and these costs impact the overall outturn position. At year end an additional line for total expenditure and total income with the IJB is disclosed in the accounts. The expenditure figure was incorrect in the unaudited	This has been updated in the accounts. All underlying transactions are already in the accounts, and these were not impacted by this error. The notional nature of this transaction with the IJB means that this has not impacted the outturn position.

Significant findings and key audit matters	Outcome
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accounts and should have been £5.17 million greater.	
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This related to a timing matter in receiving updated information from the IJB.	
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The value of this change means that it is classed as significant.	
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Source: Audit Scotland

22. There were two uncorrected misstatements which were above our reporting threshold.

- Knoll Community Hospital and Health Centre – is currently not operational due to ongoing work due to RAAC (reinforced autoclaved aerated concrete) being identified in the roof which has required immediate remedial work. The roof has a carrying value in the annual report and accounts of £0.25 million with the cost of completing the work expected to be £2 million. Whilst we are satisfied that the asset has been reclassified as non-operational following advice from an external valuer, no impairment of the roof was included in the annual report and accounts. The impairment would be expected to be between the carrying value and repair cost, and therefore not material to the accounts. There has been no adjustment in the financial statements. If it was adjusted this would reduce the value of property, plant and equipment on the Statement of Financial Position (SOFP) and reduce the revaluation reserve in the Statement of Comprehensive Taxpayers' Equity (SoCTE) (SoCNE) to the extent of the reserve with the remaining balance of the loss is then treated as an expense in the SoCNE.
- Accruals balances – audit work on the PECOS automated accrual identified errors of £0.70 million (whereby the invoice was not matched on the PECOS system and therefore paid, with the accrual continuing to be recorded at year end). This has not been adjusted in the annual report and accounts. If it was adjusted this would reduce the value of accruals on the SOFP and decrease expenditure on the SoCNE. Management has completed an assessment of all lines in the PECOS automated accrual and identified a further £0.65 million require investigation in 2025/26. Further, the items accrued from 2024/25 which have not matched post year end will require to be reviewed before the end of the 2025/26 financial year.

23. A number of other corrections have been made to accruals balances which are detailed in [Appendix 2](#). These include an accrual incorrectly

included in provisions (£1.5 million) and NHS board balances being incorrectly recorded in the debtors note instead of the creditors note. The year end creditor with Scottish Government was incorrectly included in receivables (as a credit balance). Year-end accrual journals are subject to approval, but this process did not identify these issues.

24. Further, the holiday pay accrual (annual leave earned by staff but not taken by 31 March 2025) increased by £1 million to £7.2 million. The policy has been that a maximum of five days leave could be carried forward at year end. NHS Borders has required staff to support operational pressures within services but should look to manage these levels down to support staff wellbeing and align with the Board's policy. No correction was required.

Recommendation 1

NHS Borders should ensure that Knoll Community Hospital and Health Centre is formally revalued following completion of the roofing work for inclusion in the 2025/26 financial statements.

Recommendation 2

A full review of accruals should take place in year to ensure that all balances at 31 March 2026 are correctly stated and meet the recognition criteria for accruals as detailed in accounting standards. The PECOS accrual should be subject to specific investigation. Additional evidence of review for year-end accruals and supporting documentation should be introduced as part of the year-end accruals journal approval process.

Qualitative aspects of accounting practices

25. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of NHS Borders' accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

26. The appropriateness of accounting policies adopted by NHS Borders was assessed as part of the audit. These were considered to be appropriate to the circumstances of NHS Borders, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM)/NHS Manual.

Accounting estimates

27. Accounting estimates are used in number of areas in NHS Borders' financial statements, including the indexation of land and buildings assets in 2024/25 and accruals. Audit work considered the process management of NHS Borders has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

28. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 4](#).

Disclosures in the financial statements

29. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate. Whilst there were some additional levels of detail provided for disclosures around areas of greater sensitivity, such as accruals, there was scope for improvement. Some revisions to the estimation uncertainty note include adding in sensitivity analysis in line with the NHS Manual.

Group audit

30. NHS Borders is part of a group and prepares group financial statements. The group is made up of three components, including NHS Borders which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on a number of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. Group audit instructions were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in [Exhibit 3](#).

Exhibit 3**Summary of audit work on the group's components**

Group component	Auditor and audit work required	Summary of audit work performed
NHS Borders	Audit Scotland Fully scope audit of the body's annual report and accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2 .
Borders Health Board Endowment Funds ("the Difference")	Thomson Cooper Specific audit procedures completed on investments which are material. Analytical procedures at the group level.	The specific audit procedures required on investments were performed by the component auditor, and these were evaluated and reviewed by the audit team. No significant issues were identified with the investments or the audit procedures performed by the component auditor. Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Scottish Borders Integration Joint Board	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

31. ISA (UK) 600 requires auditors to report the following matters if these are identified or encountered during a group audit:

- any instances where review of a component auditor's work gave rise to issues and how this was resolved.
- any limitations on the group audit.
- any frauds or suspected frauds involving group or component management.

32. There were no issues identified from our work regarding the above points.

33. NHS Borders did not eliminate intra-group transactions and balances on consolidation with the Endowment Fund. The annual report and accounts do identify the recharge of staff from NHS Borders to the Endowment Fund, but we are satisfied that this is not material to the accounts.

Recommendation 3

NHS Borders should ensure that any intra-group transactions and balances are eliminated as part of the work on consolidation in the accounts.

Other matters to report

34. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. These matters included suspected or identified fraud, non-compliance with legislation, significant deficiencies in control. From work done throughout the audit, there were no matters identified or encountered on the audit of NHS Borders which require to be reported.

Significant matters discussed with management

35. All significant matters identified during the audit and discussed with NHS Borders' management have been reported in the Annual Audit Report.

Audit adjustments

36. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.29 million are outlined in [Appendix 2](#).

37. In addition to the corrected misstatements outlined in [Appendix 2](#), there were other misstatements identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

38. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not

material. Management of NHS Borders has not processed any audit adjustments to correct these misstatements.

39. Details of the uncorrected misstatements can be seen in [Appendix 3](#).

Significant risks of material misstatement identified in the Annual Audit Plan

40. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was

Risk of material misstatement	Planned audit response	Outcome of audit work
	assess these for evidence of management bias.	no evidence of management bias. Conclusion: no evidence of fraud caused by management override of controls.
Risk of fraud in the completeness of expenditure In line with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, most public-sector bodies are net spending bodies therefore the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. Our audit focus is on transactions around the year end where we consider greatest incentive for management to understate expenditure due to significant pressure from stakeholders to breakeven.	The audit team will: • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of non-pay expenditure transactions and other adjustments. • Detailed testing of completeness of non-pay expenditure transactions with a focus on significant risk areas, including year-end and post-close-down entries. • Evaluate any identified significant transactions outside the normal course of business, identified through audit testing of expenditure and accruals. • Review expenditure accruals for indication of understatement.	Audit work performed found: • No inappropriate or unusual activity relating to the processing of non-pay transactions was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of the completeness of non-pay transactions, including in focused work on year-end and post-close-down entries. • No significant issues were identified from transactions outside the normal course of business. • Although errors were identified in accruals, there was no indication of attempts to understate expenditure accruals. Conclusion: no evidence of fraud in the completeness of expenditure.
Estimation in the valuation of property, plant and equipment	The audit team will: • Evaluate the design and implementation of controls over the valuation/indexation process.	Audit work performed found: • The design and implementation of controls over the valuation process were appropriate.

Risk of material misstatement	Planned audit response	Outcome of audit work
NHS Borders held £150.9 million of property, plant, and equipment (PPE) at 31 March 2024, of which £132.8 million was land and building assets. NHS Borders is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations. A full revaluation is commissioned every five years or when NHS Borders considers there is a potential significant movement in year. The latest full revaluation was carried out at 31 March 2023. A full revaluation is not planned for 31 March 2025. The property adviser will identify a recommended indexation uplift for properties.	• Review the information provided to the external valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the external valuer. • Review reports from the external valuer to confirm overall asset valuation movements. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Consider whether the valuation frequency is appropriate. • Review the completeness and accuracy of the key data used in the valuations and reasonableness of the assumptions used in the 2024/25 valuation process, and challenge these where required. • Review management's assessment that the value in the balance sheet of land and buildings assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required.	• The information provided to the valuer was accurate and complete for indexation purposes. • The valuer had sufficient competence, capability, and objectivity to perform their work. • External valuer reports were reviewed and confirmed indexations for assets. • Management is involved in the valuation process and have an appropriate level of oversight. • The indexation frequency is annual between formal valuations and therefore appropriate. • The data and assumptions used in the 2024/25 indexation process were appropriate. • Management has ensured that all land and building assets were subject to indexations. Therefore in 2024/25 was reasonable and concluded there was unlikely to be a material difference to the current value at the year-end. Conclusion: the valuation of land and buildings is not materially misstated.

Prior year recommendations

41. NHS Borders has made progress in implementing the agreed prior year audit recommendations in relation to financial statements preparation. Recommendations in relation to service auditor reports and financial management and sustainability have been superseded in year.

Wider scope and Best Value audit

Audit approach to wider scope and Best Value

Wider scope

42. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

43. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements that NHS Borders has in place for each of these is reported in this chapter.

Duty of Best Value

44. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

45. Consideration of the arrangements NHS Borders has in place to secure Best Value has been carried out alongside the wider scope audit.

46. As reported in the Annual Audit Plan, specific work covering the 'fairness and equality' Best Value characteristic was carried out as part of the 2024/25 audit.

Wider scope and Best Value risks

47. Audit work has been performed in response to the wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#).

Exhibit 5

Wider scope and Best Value risks

Wider scope risk	Planned audit response	Outcome of audit work
Financial management NHS Borders, whilst having the required three-year financial plan, is not able to set a balanced budget over this period. The 2024/25 forecast at period 8 was forecasting a £21 million overspend for the financial year (after expected in year savings). This was in excess of the £14.8 million brokerage cap set by the Scottish Government at the start of the year. The Scottish Government will now provide additional brokerage to cover up to a £21.1 million year-end overspend. Planned efficiency savings cannot close the predicted financial gap in 2024/25 and budget pressures continue to impact NHS Borders, leaving the board unable to deliver a balanced outturn.	The audit team will: • Discuss the development of financial plans with NHS Borders and progress towards setting balanced budgets. • Assessing the extent to which NHS Borders has an understanding around its underlying cost base and the extent to which cost control measures have been implemented in year to meet financial targets. • Review the 2024/25 financial outturn and achievement of savings.	NHS Borders has a medium-term financial plan 2025/26 to 2027/28. It does not have plans to demonstrate progress towards setting balanced budgets and there remains sizeable budget gaps in each of the three years of the plan. Cost control measures in year have focused on following NHS Scotland policies on switching medicines to generic brands (following completion of mandates) and looking to reduce the overall cost base through 3% savings targets. However, these alone will not lead to sustainability and wider actions to services including more proactive primary care and reduce hospital admissions are needed to change the cost profile. A new system has been procured to develop information about patient activity and service costs which should allow more understanding of the cost base. The outturn resulted in a £0.07 million deficit after receiving £13.3 million of brokerage. This was an improvement on the 2024/25 forecasted position of a £21.1 million overspend. Savings of £7.6 million recurring and £1.0 million non-recurring were achieved.

Wider scope risk	Planned audit response	Outcome of audit work
		Conclusion: During 2024/25 NHS Borders delivered a small deficit against RRL. However, this position included £13.3 million of brokerage and the underlying financial position is unsustainable. Management has made progress in implementing cost controls and savings plans in year to deliver the outturn position in year. However, NHS Borders continues to face challenges to financial management with no route to delivering a financially sustainable operating model.
Financial sustainability In previous years, £42 million of brokerage has been provided to NHS Borders by the Scottish Government. Further brokerage of up to £21 million will be provided in 2024/25. This is in excess of the brokerage gap agreed at the start of 2024/25 (see above) The medium-term financial plan estimates a cumulative deficit of £64.2 million over the three years 2024/25 - 2026/27. This would bring the brokerage total to over £100 million in the medium term. NHS Borders continues to work with the Scottish Government to address the sustainability challenges. However, it is unclear how the Board will return to a breakeven position or how this level of brokerage will be repaid.	The audit team will: • Monitor NHS Borders' financial position and plans, including underlying savings plans, as reported to the board / relevant committees. • Assess the measures put in place by the board to establish grip and control of both financial and non-financial performance. • Review any assessment of NHS Borders' future financial position (including outputs from the financial improvement programme and recovery plans). • Discussions with senior finance staff on financial position and what scenario planning has been undertaken to inform strategic planning. • Assess progress made by NHS Borders in implementing sustainable	Reports were shared on the financial position with the Board and committees throughout the year. The Financial Improvement Programme (FIP) group met regularly to challenge budget holders on savings targets in year. Brokerage of £13.3 million was provided by the Scottish Government, bringing the cumulative total of repayable brokerage to £48.8 million. The medium-term financial plan 2025/26-2027/28 identifies a further gap after savings of £46.7 million which requires Scottish government support. Despite the overspend, performance against the 12 key performance indicators and 3 safety indicators in the Annual Delivery Plan showed that only 3 were met at March 2025.

Wider scope risk	Planned audit response	Outcome of audit work
The Board has also experienced challenges in meeting performance targets. With the current level of financial pressures, the Board faces significant challenges in maintaining or improving service delivery in a financially sustainable way.	transformational change to address financial targets while meeting performance targets.	Work has started to introduce a new cost and activity system which should support making more informed decisions on how to address the ongoing financial challenges. Conclusion: NHS Borders continues to face challenges to financial sustainability and in meeting performance targets. A new Organisation Strategy 2025-2030 has been developed. However there remains no clear route to fully identifying the savings and addressing the gaps in the financial plan.

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management and Sustainability

Conclusions

NHS Borders operated within its statutory revenue resource limits. However, this was only achieved through £13.8 million of brokerage funding from the Scottish Government. Brokerage funding will not be provided going forward, and the reliance on brokerage funding is unsustainable.

NHS Borders' outturn position included the delivery of £8.6 million savings, of which £7.6 million (88%) were recurring. This is an improved position on recurring savings than in previous years (2023/24: £8.1 million savings, with 46% recurring).

The medium-term financial plan 2025/26 - 2027/28 does not set a balanced budget position. The plan includes the need for £40 million of savings and there remains a gap of £46.7 million over the three years.

The forecast for 2025/26 is an overspend of £12.8 million, with the Scottish Government setting a target of not exceeding an overspend of £10 million. Savings targets for 2025/26 are already £14.6 million, more than 50% higher than in 2024/25. These savings plans are not fully identified. This places increased pressure to deliver efficiencies.

Systemic change is required to develop a financially sustainable healthcare delivery model. NHS Borders has started work on understanding its cost basis and levels of patient activity. This should support more informed and effective decision making, and the implications of making difficult decisions about service provision.

48. The audit work performed on the financial management and sustainability at NHS Borders identified that there continues to be significant challenges going forward. Assurance gaps regarding third party hosting for key financial systems were identified.

NHS Borders ended the year with a £0.07 million deficit which was only achieved with the receipt of £13.3 million of brokerage

49. 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.

50. The 2024/25 budget, approved by the board in April 2024, projected a deficit of £25.8 million. At this time, Scottish Government brokerage support was capped at £14.8 million. Scottish Government advised that the financial plan would not be approved, with NHS Borders to continue to work towards an improved financial position through collaboration with the Scottish Government Finance Delivery Unit (FDU). Through engagement, it was agreed that a revised plan was not requested for 2024/25, and improvement would be monitored through the regular performance reporting cycle.

51. The year end position was a £0.07 million deficit position. This was achieved in year following the receipt of £13.3 million of brokerage (repayable loans) from the Scottish Government. Whilst brokerage was required, this was less than originally anticipated.

52. The improved position stemmed from factors including additional funding from Scottish Government in year, including £6 million non-recurring funding in March to address acute service pressures. Late funding allocations can impact effective financial management by creating uncertainty in budgeting, disrupting cash flow and potentially delaying the start of planned programme expenditure. This can slow decision making and reduce the efficiency of resource use. The [NHS in Scotland 2024 Finance and Performance](#) highlighted that the Scottish Government

needed to work to provide more certainty for Boards to allow them to effectively manage their budgets.

Whilst savings targets were not met, the amount of recurring savings in year was significantly higher than in previous years

53. In 2024/25 the Scottish Government required all health boards to plan to deliver at least 3 per cent recurring savings during the financial year. NHS Borders set a savings target of £14.6 million and other cost reduction measures to improve the financial position 2024/25.

54. Progress was made in year to generate recurring savings. In total £8.6 million of savings was made in year (£7.6 million on a recurring basis) and cost avoidance measures (e.g. a reduction in agency staff) of £2.25 million. The percentage of recurring savings was significantly greater than in previous years, for example in 2023/24 there was £8.1 million savings but only 46% on a recurring basis.

55. NHS Borders continues to face challenges from RAAC (reinforced autoclaved aerated concrete) present in four sites across the estate portfolio. Work is ongoing to replace the roof at Knoll Community Hospital and Health Centre in Duns with financial support received from the Scottish Government. Further, there is an increasing backlog for estates maintenance across the Board's properties and equipment. This cannot be remedied through current resources and therefore prioritisation of work is needed to limit the impact on service delivery.

The medium-term financial position remains challenging for NHS Borders with the financial gap of £46.7 million over the next three years

56. Audit Scotland's [NHS in Scotland 2024 Finance and Performance](#) highlights that the affordability of healthcare spending is now an urgent issue that the Scottish Government must address. Difficult decisions need to be made about transforming services potentially identifying areas of limited clinical value and considering how services can be provided more efficiently or withdrawn. Boards should work with the Scottish Government to focus on longer term reform. This will be essential for managing the demands placed on the healthcare system and ensuring its future sustainability.

57. Audit work performed identified that there continues to be significant financial challenges faced by NHS Borders in the medium-term. NHS Borders remains at Level 3 on the Scottish Government Support and Intervention Framework, relating to financial management and performance. This means there is enhanced monitoring and support as there is a significant variation from the agreed plan.

58. In line with Scottish Government requirements, NHS Borders developed a medium-term financial plan for the period 2025/26 to

2027/28. The medium-term financial plan was required to show a balanced budget over the three-year period.

59. NHS Borders' plan identifies a financial gap of £86.7 million over three years before savings. There are savings targets of £40.0 million and a forecast variance after savings of £46.7 million, detailed in [Exhibit 1](#). Given the scale of the deficit and ongoing work to identify actions to achieve financial balance, the medium-term plan does not meet Scottish Government requirements.

Exhibit 6

Forecasted financial variances in the medium-term financial plan 2025/26 to 2027/28

	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total (£m)
Financial gap before savings	-27.245	-31.334	-27.983	-86.742
Recurring savings targets	9.110	9.383	9.665	28.157
Non-recurring savings target	5.537	3.128	3.222	11.886
Forecast variance (after savings targets)	-12.779	-18.823	-15.097	-46.699

Source: NHS Borders medium-term financial plan 2025/26 – 2027/28

The Scottish Government approved the 2025/26 financial plan with conditions. The overspend in 2025/26 cannot exceed £10 million with the forecast variance in the plan totalling £12.8 million

60. For 2025/26, NHS Borders have forecast an overspend of £12.8 million (3.6% of the revenue resource limit) assuming savings of £14.6 million will be achieved. The Scottish Government reported that following the receipt of £5.5 million in non-recurring sustainability funding, and based on a like for like comparison, this is a deterioration of £0.3 million from the 2024/25 year end forecast. The Scottish Government confirmed the 2025/26 plan was approved subject to a number of conditions which includes close monitoring of savings, a credible five-year plan and also not exceeding a £10 million overspend in 2025/26.

61. Achieving the required savings is predicated on exceeding the recurring savings target of 3% (against the resource limit) each year. There remains a significant risk regarding these being achieved as some savings plans for 2025/26 are classed as high risk, and savings plans have only been identified for approximately 70% of the target. There

continue to be larger gaps in savings plans for future years. Based on previous years savings performance, the scale of the savings targets may not be achievable. There will continue to be close monitoring of savings via the Financial Improvement Programme Board.

62. NHS Borders has identified risks towards achieving the forecast variance position and these include non-achievement of savings, pay and national insurance pressures and prescribing pressures. These have been pressures which have impacted delivery of financial performance in previous years, therefore it is likely that these pressures may manifest in year.

63. In addition to the challenges noted above, NHS Borders has already received cumulative brokerage (repayable loan funding) of £48.8 million since 2019/20 which remains repayable to the Scottish Government. This is due to be repaid when NHS Borders returns to financial balance.

Improving data on patient costs and activity levels should support making difficult decisions on service provision

64. There is a recognition at NHS Borders that simply trying to cut a percentage of costs each year alone will not drive longer-term sustainability. A focus has to be on more proactive community care which should reduce the number of people needing acute care in hospital settings. This will reduce costs but should also improve patient outcomes and support performance.

65. New software has been procured aimed at understanding patient activity and the cost bases associated with treatment and procedures. In line with the 15 Box Grid (targeted areas to make savings) from the Scottish Government, NHS Borders is aiming to develop an analysis of its costs and associated patient activity by 31 October 2025. This should allow NHS Borders to understand their costs and activities, including benchmarking against other health boards, to identify how they can make more informed decisions on how to address the ongoing financial challenges. Difficult decisions will need to be made as continuing to deliver services as before will not allow a return to a financially sustainable service.

Recommendation 4

NHS Borders needs to develop a financial strategy that supports the transformation of services to deliver these in a financially sustainable manner. There needs to be pace in delivering the patient activity and cost basis information to support effective decision making. This should support the board in making the challenging decisions required to deliver systemic transformation.

Assurance gaps in third party hosting arrangements remain

66. eFinancials: NHS Ayrshire and Arran procures a Type II service audit of the National Single Instance (NSI) eFinancials services. The service auditor assurance reporting in relation to the NSI eFinancials was unqualified for 2024/25.

67. In 2022/23 and 2023/24 we reported that a gap was identified in the current service audit arrangements. The NSI service auditor report for 2024/25 again reports that: 'Atos provides national IT services to the NHS in Scotland and hosts the servers upon which the financial ledger sits. Therefore, IT general controls, controls over the server, backup of financial ledger data and disaster recovery arrangements are outside the scope of this report'. The assurance gap therefore remains for the IT general controls, system backup and disaster recovery for the NSI eFinancials system. This continues to be a risk for NHS Scotland that needs to be addressed, but it did not impact on our 2024/25 audit.

68. IT services: NHS National Service Scotland (NSS) procures Type II service audit of its national IT services.

69. The service auditor assurance report in relation to its national IT services controls carried out by NSS Digital and Security (DaS) and Atos had a qualified opinion. The basis of this qualification was that 'logical access was not sufficiently controlled and in a number of instances controls relating to logical access did not operate'. In all material respects, except for the matter relating to logical access, controls provided reasonable assurance. NSS management provide responses to each of the recommendation in the report and reported that actions are being taken. This did not impact on our 2024/25 audit.

70. PECOS: NHS Borders use the PECOS purchase to pay application. The PECOS application is available to all Scottish public sector bodies under the Scottish Government (SG) eCommerce shared service license agreement. In November 2024, the hosting arrangements of the PECOS application changed from being held at the Scottish Government's Saughton House data centre to being held and managed externally from the Scottish Government by a third-party provider, Elcom.

71. While the Scottish Government own the contractual arrangement with Elcom, it is for individual bodies to ensure themselves that there are appropriate application and hosting controls in place at Elcom. NHS Borders has not received any assurances around the operation of these controls at the third-party provider.

72. NHS Borders is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there has been no adverse

impact on the Board's system of internal control or governance arrangements in respect of the use of the PECOS application.

73. These are areas that needs to be resolved more widely across NHS Scotland. Work should be completed to ensure appropriate service auditor assurance is provided to other NHS boards on Atos services which support e-Financials and for the PECOS arrangements.

Recommendation 5

NHS Borders should continue to engage with NHS NSS and wider NHS Scotland to address the assurance gap over eFinancials general IT controls and PECOS hosting arrangements.

A digital refresh programme has been launched in 2025 to address digital challenges facing NHS Borders

As part of our audit work, we noted that testing of business continuity and disaster recovery policies and procedures was still identified as an area of weakness in the Network and Information Security (NIS) audits. A digital refresh programmes has been launched to address this and other digital challenges facing NHS Borders. These have been reported in the governance statement and action plans are in place to address recommendations from the NIS audit.

Whistleblowing arrangements were revised in year and internal audit will review these in 2025/26

74. We noted that whistleblowing arrangements were identified in the governance statement disclosures, with the whistleblowing champion identifying some issues with ongoing cases, how information is reported and the timeliness of the report. Internal audit will complete a review of whistleblowing arrangements in 2025/26 as part of its work on fraud and whistleblowing.

Internal audit's annual opinion is partial assurance with improvement required

75. NHS Borders internal audit function was carried out by Grant Thornton LLP. Internal Audit completed its 2024/25 work programme. The overall opinion for the period 1 April 2024 to 31 March 2025 based on the scope of reviews and sample testing carried out that the opinion is of "partial assurance with improvement required" on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

76. All recommendations from reporting in year have been accepted in full by NHS Borders with plans identified to address these risks. Only one report in 2024/25 on a Productivity Review (allied health professionals)

identified a red risk and actions for this have been appropriately disclosed in the governance statement in the annual report and accounts. Work has been ongoing a number of red risks from prior years have been closed during 2024/25. We are satisfied that based on the areas which have high risks, and the arrangements in place around the recommendations, that these have not impacted on our audit approach or opinion on the annual report and accounts.

Areas where financial management arrangements were effective in year

77. There are areas where arrangements were effective and appropriate. This judgement is evidenced by NHS Borders having:

- no significant weaknesses or deficiencies from our walkthroughs of key controls for the financial systems, which were operating effectively except for the assurance gaps on third party hosting for IT controls and accruals matters which are detailed above.
- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place to support financial management.
- having a revised counter fraud policy in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI). Work on NFI matches has progressed well in 2025.
- having effective arrangements in place for the scrutiny of financial management, with challenge provided by both the Resources and Performance Committee and the Board.

Use of Resources to Improve Outcomes

Conclusions

Performance delivery remains a challenge for NHS Borders with 75% of its Key Performance Indicators classified as underperforming with no evidence of improvement in year. Given the financial challenges facing the Board, it will be difficult to balance attaining financial sustainability whilst trying to improve service delivery.

NHS Borders has recognised the need for strategic transformation of delivery to deliver a financially sustainable operating model that supports improved performance. A new organisation strategy 2025-2030 has been developed to outline this strategic direction.

Performance against outcomes remains challenging with most national key performance indicators rated as red

78. The audit work performed on the arrangements NHS Borders has in place around its use of resources to improve outcomes identified that performance is currently challenging with most national key performance indicators red (underperforming and out with the standard by over 11%). Despite overspends in year, performance against targets has not seen improvements.

79. The annual delivery plan for 2024/25 outlined the national drivers of recovery and how NHS Borders will address the priorities set out by the Scottish Government. A dashboard of key performance indicators is reported to the Board at each meeting highlighting trends and trajectories against each target.

80. Nine out of the twelve key performance indicators were rated red at year-end and have been consistently red throughout the year. Three were classed at green at year end. Of the three healthcare infection associated measures, all three were classified as red at year-end. Whilst actions are identified in the reports, these have not yet addressed the challenges facing the health board.

81. Work is ongoing with Scottish Borders Integration Joint Board to support delayed discharges, as many of these individuals have additional social work needs which require to be addressed before they can leave hospital. Whilst there has been progress made in year; this remains red rated.

A new Organisational Strategy 2025-2030 has been approved to help deliver systemic change

82. A new strategic direction for NHS Borders has been outlined in its Organisational Strategy 2025-2030. This outlines four key drivers for the future:

- Developing a clinical strategy to empower frontline staff
- Rewiring the internal operating model
- Instilling improvement in the workforce by supporting continuous improvement for all staff
- Agreeing a social compact – the amount of improvement needed and how to develop staff.

83. There is ongoing engagement with staff and the community to deliver these new drivers of change. The new software on patient costs and activities should be used to support the development of these drivers so that decisions can be made with greater understanding of the cost drivers

facing the health board. This will inform decision making and should be used to drive systemic change needed to deliver improved outcomes.

84. The new organisation strategy and its key drivers need to be a catalyst for delivering systemic transformation at pace to help ensure that service users' needs are being met.

NHS Borders reporting on performance is clear and highlights the challenges facing the health board

85. NHS Borders demonstrates an understanding of its current performance through:

- Reporting on waiting times performance and hot topic measures including performance against delivery plan measures which were agreed with the Scottish Government
- Sharing reporting against the key performance measures contained within the annual Local Delivery Plan 2024/25 with the Scottish Government on a quarterly basis with Scottish Government.
- Reporting appropriately on performance to both the Resources and Performance Committee and the Board via dashboard style scorecards and narrative. These scorecards are available on NHS Borders' website. In most cases, the narrative identifies plans that are in place to try and improve performance when it is rated red.

86. There is a focus on trying to identify routes to address these priority measures. Whilst the annual delivery plan links the use of resources at NHS Borders with its delivery of priorities, and performance over time, there is limited evidence in the reporting about benchmarking against other comparable NHS boards.

Vision, Leadership and Governance

Conclusions

Governance structures and arrangements have generally been effective in year including in supporting the Board.

87. Audit Scotland reported in [NHS in Scotland: Spotlight on governance](#) (May 2025) that NHS boards' ability to drive reform is constrained by the financial, policy and planning parameters set by the Scottish Government. A new planning framework is being put in place and new national strategies and plans for reform and improvement are due this year.

88. The audit work performed on the arrangements NHS Borders has in place around its Vision, Leadership and Governance found that these were generally effective and appropriate.

A new Organisational Strategy 2025-2030 was developed collaboratively. It will need to align with new national strategies and deliver the systemic change required for NHS Borders

89. NHS Borders has introduced a new Organisational Strategy 2025-2030 with the underlying strategies for this still to be developed. This clearly sets out the future vision and values for NHS Board. It details the priority areas and reflects the pace and depth of improvement required to realise these in a sustainable manner. This has involved collaboration with service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs through ongoing work in year. We will review progress on this plan and the development of the underlying strategies during the remainder of our audit appointment.

90. NHS Borders will need to ensure that this new strategy is aligned with the national strategies and plans for reform and improvement. This includes an operational improvement plan (published in March 2025), a population health framework and a medium-term approach to health and social care reform (both due to be published in summer 2025).

91. Transformation change to date has been slow. Difficult decisions will need to be made to help address the challenges facing the health board as it tries to improve performance whilst progressing towards a more balanced financial position in the medium to longer term. Proactive and effective leadership will be needed to drive this new strategy to transform services.

Governance arrangements are generally effective

92. There are generally effective governance arrangements in place, as reflected in the review of governance framework which supports the Governance Statement included in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate. Aligned with the Blueprint for good governance, each standing committee undertook an annual self-assessment with issues identified feeding into the disclosures in the governance statement. As reported in the Spotlight on governance report, some health boards have also used the Blueprint to develop improvement plans, which may be considered by NHS Borders to support the review of internal governance in 2025/26 (see below).

93. The Board is supported by standing committees, with the minutes of these committees presented to the Board as standard agenda items. In addition, minutes from meetings of Scottish Borders Integration Joint Board (IJB) are presented to Board meetings as appropriate. Non-

executive Board members are also members of selected committees, with some members also represented at the IJB meetings.

94. There has been no significant change to governance arrangements during 2024/25. The overarching structure detailed in the governance statement in the annual report and accounts is supported by a very complex architecture of internal boards. In 2025/26, a review is due to take place to streamline decision making to make processes clearer and ensure that these internal committees are focused on delivery of the new strategy.

95. There is clear financial and performance reporting in place with these reports included in publicly available Board papers. NHS Borders Board members provide appropriate scrutiny and challenge at regular bi-monthly meetings to allow NHS Borders' performance to be reviewed.

96. Through our attendance at the Audit and Risk Committee, we concluded that committee papers were well prepared (and in sufficient time in advance of meeting for review), adequate time was allowed to discuss the issues on the agenda and committee members were well-prepared and asked appropriate questions. This enables the committee to exercise effective scrutiny.

97. A new Chief Executive joined NHS Borders in 2024/25 following the retirement of the previous Chief Executive. As reported in the Spotlight on governance there has been a high turnover in NHS board chief executives during 2023/24 and 2024/25. Twelve new chief executives have been appointed, including ten new chief executives for territorial boards.

Conclusions on duty of Best Value

Conclusions

NHS Borders recognises the importance of having arrangements for securing Best Value. The new organisation strategy is a stepping stone to delivering continuous improvement whilst returning towards financial sustainability.

98. The audit work concluded that NHS Borders recognises the importance of securing Best Value. This judgement is evidenced by:

- NHS Borders has established governance arrangements in place, with Best Value being a main aspect of the governance arrangements.
- Best value is about creating an effective organisational context from which NHS Borders can deliver its key outcomes. NHS Borders

reports an annual best value statement outlining the aims and duties for the board.

- NHS Borders recognises that Best Value is a codification of good governance and good management and therefore existing governance processes should be utilised wherever possible. Best value arrangements are not held separately by the board with each governance committee required to consider delivery for best value principles in everyday business.

99. Best value arrangements are also about securing continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance. From our work on financial sustainability and use of resources noted above, currently NHS Borders is not delivering best value. The new strategic direction which looks to drive longer term sustainability and continuous improvement should support the delivery of best value in the medium term.

The 2025 Equalities Mainstreaming report has highlighted areas to improve equality outcomes

100. As reported in the Annual Audit Plan, specific work covering the 'fairness and equality' Best Value characteristic was carried out as part of the 2024/25 audit.

101. The 2025 Equality Mainstreaming report was approved by the Board in April 2025, in advance of the required publication date of 30 April 2025. It comprises eight reporting outcomes on which NHS Borders highlight work done to date and a progress report will be produced in 2027. NHS Borders should ensure this is now published on the equality and diversity page of the website.

102. Areas which require most progress have been identified in the reporting which includes obtaining data about equality outcomes relating to services and obtaining better data across a number of protected characteristics for those accessing clinical services. This data will allow NHS Borders to understand if there is equity of access to clinical services. NHS Borders has obtained funding from the Scottish Inequalities Fund to produce a Screening Equity Action Plan, and this will be monitored, and the learning from this used to support equitable access to other clinical services. NHS Borders should use feedback from service users to support improvement in these areas.

103. The mainstreaming report identifies that there is support and guidance for staff to undertake impact assessments to ensure equality and diversity measures have been considered and appropriate actions taken. In previous mainstreaming reports it was noted that health inequalities impact assessments would be published on the NHS Borders website and

there was an intention for this to be taken forward into key performance indicator. There is no evidence of this currently on the Board's website, or in key performance indicators.

104. The Director for Public Health report 2024 Full to the Brim was shared with the Board in April 2025. Whilst focused on challenges around obesity in the Borders region, it noted that obesity and poor nutrition are rooted in social inequality. The work completed in the audit noted the need for NHS Borders to continue to focus on health inequalities at the same time as equalities mainstreaming as reducing health inequalities will support the outcomes in the mainstreaming report.

Recommendation 6

Health equality impact assessments should be published on NHS Borders' website.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Impairment Knoll Community Hospital and Health Centre's roof was not impaired following RAAC being identified. Work is ongoing to address this, but the cost of the work will exceed the added value to the building. Risk – that the property is not valued in line with accounting standards	NHS Borders should ensure that Knoll Community Hospital and Health Centre is formally revalued following completion of the roofing work for inclusion in the 2025/26 financial statements.	Accepted The Board will carry out the appropriate re-valuation of the Knoll hospital following the remedial actions to repair the RAAC detected in the roof. Responsible officer: Deputy Director of Finance Agreed date: 30/10/2025
2. Payables errors A number of errors have been identified in payables balances in year. These errors highlight that accruals from previous years have not been fully reviewed as some no longer meet the criteria for recognition including some having been paid in year and still detailed as an accrual. There are errors in year which have not been identified in the accounts preparation process. Year-end approval of accrual journals has not identified these errors. Risk – that the recognition of accruals is inconsistent with the accounting standards.	A full review of accruals should take place in year to ensure that all balances at 31 March 2026 are correctly stated and meet the recognition criteria for accruals as detailed in accounting standards. The PECOS accrual should be subject to specific investigation. Additional evidence of review for year-end accruals and supporting documentation should be introduced as part of the year-end accruals journal approval process.	Accepted Work will be undertaken throughout 2025/26 with the Finance Team including Procurement to put in place regular reviews of the monthly POP accrual to ensure that any paid (non-pop) or older completed orders with residual balances are removed from the overall accrual. Responsible officer: Senior Finance Manager Agreed date: 30/10/2025

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
The review of year end accrual journals does not identify issues.		
3. Group accounts – intra company transactions NHS Borders had not eliminated intra-group transactions with the Endowment Fund. Risk – that the treatment of intra-group transaction and balances is inconsistent with accounting standards.	NHS Borders should ensure that any intra-group transactions and balances are eliminated as part of the work on consolidation in the accounts.	Accepted NHS Borders will look to eliminate intra group transactions as part of the consolidated accounts for future years starting from the production of the 2025/26 accounts. Responsible officer: Deputy Director of Finance Agreed date: 31/03/2026
4. Financial challenges remain in place NHS Borders was only able to meet the statutory financial target to deliver a balanced outturn with the support of £13.3 million of brokerage. Planned efficiency savings are not enough to close the predicted financial gap in 2025/26, and further financial support will be required from the Scottish Government. The medium-term financial plan does not demonstrate a pathway back to delivering a balanced outturn. Transformation progress has been slow and as of there is currently no clear plan to develop further measures to reduce the Board's residual financial gap. Performance against key performance indicators continues to be challenging. Systemic transformation is required to	NHS Borders needs to develop a financial strategy that supports the transformation of services to deliver these in a financially sustainable manner. There needs to be pace in delivering the patient activity and cost basis information to support effective decision making. This should support the board in making the challenging decisions required to deliver systemic transformation.	Accepted A financial strategy including further development to the medium-term financial strategy will be developed by Q2 of 2025/26, in line with the recommendations from Scottish Government. The strategy will include actions required over the medium to longer term to ensure that the board returns to balance over the next five years. Transformation of services will be a key part of the ongoing financial strategy to enable to board to meet its future financial targets. Work is underway to implement the new Synergy software PLICS (Patient Level Information Costing System) which will initially allow the board to publish its 2024/25 costing return to Public Health Scotland (due by 31/10/2025) and will be further developed to enable the output to inform future

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
deliver savings whilst improve performance. Risk – NHS Borders is unable to meet its statutory financial target to deliver a balanced outturn and performance against indicators continues to be red rated.		decision making around patient level costs. Responsible officer: Director of Finance Agreed date: 30/10/2025
5. Assurance gaps with third party providers Whilst an unqualified opinion was provided by service auditors on the controls operating in shared systems, an assurance gap remains over eFinancials general IT controls. Further, the hosting arrangements for the PECOS system was revised in year. No service auditor assurance was provided. Risk -The Board does not have adequate control assurance over key elements of its IT environment.	NHS Borders should continue to engage with NHS NSS and wider NHS Scotland to address the assurance gap over eFinancials general IT controls and PECOS hosting arrangements.	Accepted Assurance gaps on eFinancials and general IT controls will continue to be discussed within the NHS Scotland Corporate Finance Network and Technical Accounting Groups. Responsible officer: Deputy Director of Finance Agreed date: ongoing
6. Equalities It is good practice to regularly publish, online, updated lists of completed equality impact assessments. These are not currently on the equalities and diversity section on the NHS Borders website nor found via the search engine. Risk- there is non-compliance with good practice	Health equality impact assessments should be published on NHS Borders' website.	Accepted The board will look to publish data in relation to Health Equality impact assessments. Responsible officer: Director of Public Health Agreed date: ongoing

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Preparation of financial statements The initial submission of the unaudited annual report and accounts was incomplete with delays in producing an updated version for audit. The updated annual report and accounts continued to exclude the figures for the Scottish Borders Integration Joint Board. Risk: The Board fails to support the delivery of audited financial statements within the statutory deadline.	The Board should review its arrangements for preparing the annual report and accounts, including ensuring finance staff have sufficient capacity to support the delivery of audited financial statements within the statutory deadline. Management response: A revised resource plan will be developed for the 2024/25 audit. NHS Borders finance team will work with Scottish Borders Council and Scottish Borders IJB finance colleagues to address issues re. availability of IJB figures. Responsible officer Director of Finance Agreed date 31 January 2025	Implemented The initial submission of the annual report and accounts was complete and included figures for the Scottish Borders Integration Joint Board. Additional staff supported the audit delivery in year.
2. Service auditor reports Unqualified opinions were provided by service auditors on the controls operating in shared systems, however an assurance gap remains over eFinancials general IT controls. Specific assurance for general IT controls provided by the IT services report relates only to payroll and practitioner services. Risk: The Board does not have adequate control	NHS Borders should continue to engage with NHS NSS and wider NHS Scotland to address the assurance gap over eFinancials general IT controls. Management response: Assurance gaps on eFinancials general IT controls will be raised for discussion within the NHS Scotland Corporate Finance Network and Technical Accounting Groups. Responsible officer Deputy Director of Finance	Superseded by recommendation 4 for 2024/25

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
assurance over key elements of its IT environment.	Agreed date 30 September 2024	
3. Financial sustainability The predicted 2024/25 financial gap is £11 million higher than the Scottish Government support cap for 2024/25. The Board has been slow to transform services. Future financial plans must demonstrate how its services will be delivered within the funding it will receive. Planned efficiency savings are not enough to close the predicted financial gap in 2024/25 and financial recovery in the medium to longer term will require radical reform of health services. There is currently no clear plan to develop further measures to reduce the Board's residual financial gap towards the brokerage cap set. Risk: The Board is unable to meet its statutory financial target to deliver a balanced outturn.	The Chief Executive, Director of Finance and Board members need to ensure future delivery plans demonstrate how services will change and efficiencies will be realised to meet the growing needs of patients within the financial constraints it faces. Effective leadership is required to drive the changes needed and progress should be challenged by the Board. Management response: An updated financial recovery plan for 2024/25 will be developed through the Board's quarter one review, setting out actions available to address gap against brokerage target. The Board will develop its medium-term financial plan and recovery plan during 2024/25 with the aim of setting out actions over the medium to longer term which will deliver a balanced financial position (i.e. breakeven). This will include assessment of the transformation and reform activities necessary to deliver this position and their impact. Responsible officer Agreed date 2024/25 plan Director of Finance	Superseded by recommendation 5 for 2024/25

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	31 August 2024 Medium Term Plan Chief Executive Officer 31 March 2025	
b/f. Accounting for IJB set aside amounts 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.	2022/23 action: NHS Borders highlighted that work in 2022/23 was paused pending clarification of changes arising from development of National Care Service. This is still to be addressed and will carry forward into 2023/24. 2023/24 action: Ongoing	Closed Health boards are required to calculate the set aside in accordance with guidance issued by the Scottish Government. An amount set aside for the provision of these delegated services should be calculated and the IJB advised accordingly. This should be based on actual expenditure. An extended transitional arrangement is in place whereby the Scottish Government continues to allow health boards and IJBs to agree a figure for the sum set aside based on the budget to be included in the financial statements. NHS Borders complies with the extended transitional arrangements in place.
b/f. Equality considerations The Board has scope to address challenges that it identified in its 2019 mainstreaming report update as follows: • Complete, implement and sufficiently resource its review of the corporate governance arrangements for discharging its equality and diversity responsibilities.	2022/23 action: An equalities outcome report 2023 was shared with the Board at its meeting in June 2023. However, there are further actions outstanding in relation to this work. Internal audit carried out a review of health inequalities during 2022/23 and this was shared at the June 2023 Audit Committee. All recommendations were agreed by management and	Implemented (with one recommendation superseded in recommendation 6 above) NHS Borders has issued a new Equalities Mainstreaming Report in April 2025. An equality, diversity and inclusion (EDI) in employment group is in place to monitor culture and behaviour, actions to make improvements and collecting and monitoring data to inform the equality agenda.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
- 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. - 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.	will be taken forward during 2023/24. The action remains open, and we will assess work on equalities after allowing time for the internal audit recommendations to be actioned. 2023/24 action: Ongoing	The Executive team have management objectives which incorporate each of the protected characteristics within individual objectives and these are assessed by the Chief Executive. Since the last mainstreaming report, three equality staff networks have been established. NHS Borders is striving to make services more accessible including translators and interpreters, equity in screening and working in partnership with other bodies. This includes the Scottish Borders IJB. Equitable service provision is being taken forward by NHS Borders as an area for improvement. Equality impact assessments are not currently being published on the website – this is included in recommendation 6 for 2024/25.

Appendix 2

Summary of corrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Audit adjustments to financial statements		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
1. Provision – debtor for CNORIS repayment					
	Other expenditure	19,587			
	Income CNORIS		19,587		
2. IJB – timing error					
	IJB (notional) expenditure	5,173			
	Other expenditure		5,173		
3. Accruals – incorrectly posted to receivables					
	Accruals			374	
	Receivables				374
4. Accrual – incorrectly posted to provisions					
	Provisions			1,524	
	Accruals				1,524
Net impact on financial statements					
		24,760	24,760	1,898	1,898

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)	Statement of Financial Position (SoFP)
Audit adjustments in disclosures			
1. Within Property, Plant and Equipment Note 7a, the transfer of £0.84 million from asset under construction to plant and machinery has been restated to £0. This was amended in 2023/24 annual accounts and was incorrectly included. Within the same note, the Knoll Community Hospital and Health Centre has been moved from land and buildings to assets under construction to reflect the non-operational status of this property whilst ongoing work is being carried out on its roof. This has moved £3.79 million of property assets into assets under construction.			
2. Within Note 12 payables, £0.36 million of accruals has been reclassified as FHS accruals.			
3. Included in the Scottish Government debtor balance were £2.4 million of historic balances which required to be corrected. This has been corrected in Note 9, with this being corrected via the general fund reserves.			
4. Within receivables note 9 and provisions Note 12 the time profiling of receivables and provisions has been revised. £20.1 million of debtors have moved from within one year to after more than one year. A change has been made in provisions with £18.8 million moving from due to be paid out within one year to within two to five years.			
5. Within the summary of non-core revenue resource outturn, capital grants were incorrectly shown as a debit instead of a credit. This has reduced the non-core revenue resource limit by £3.4 million and expenditure by the same amount. A revised allocation letter was provided by the Scottish Government to support this.			
6. The ratios within the 2024/25 fair pay disclosure have been revised following audit work on the calculations.			
7. The disclosures in accounting policies note 29 on key sources of judgement and estimation uncertainty were updated in year to provide more detail in the note. This is to better align with the NHS manual requirements. NHS Borders notes that this will be an iterative process to refine this note.			

Appendix 3

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
		Dr	Cr	Dr	Cr
Uncorrected misstatements		£000	£000	£000	£000

1. PECOS accrual –
Items incorrectly accrued at year end

Accruals				696	
Expenditure			696		

Management completed an assessment of all lines in the PECOS automated accrual and identified a further £0.65 million which require specific investigation in 2025/26. All 2024/25 PECOS accruals not paid by 31 March 2026 will require investigation.

2. No impairment was completed in 2024/25 regarding Knoll Community Hospital and Health Centre. The carrying value of the roof (depreciated replacement cost) was £0.25 million and the expected repair cost for the roof is £2 million. The value of the impairment would require professional valuation and is unquantified but would be expected to be between these two figures. The total property carrying value is £3.79 million.

If adjusted this would reduce the value of property, plant and equipment on the SoFP and reduce the revaluation reserve in the Statement of Comprehensive Taxpayers' Equity to the extent of the reserve, with the remaining loss treated as an expense in the SoCNE.

Uncorrected misstatements in disclosures

1. There was no elimination of intra-group balances in the group accounts. Areas where we would expect there to be elimination would include staff recharged from NHS Borders to the endowment fund. This totalled £0.7 million.

2. Capital transactions within the movement of trade payables and receivables are not separately identified in the Statement of Cashflows. These are disclosed in cash from operating activities as opposed to cash from investing activities, totalling £0.3 million.

3. Sustainability reporting: there are additional requirements in year in the NHS manual. Narrative was added during the audit, but this does not fully address all required disclosures.

We concluded these were not material to the financial statements (see [paragraph 37](#)).

Appendix 4

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

NHS Borders

2024/25 Annual Audit Report



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