

NHS Borders

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for NHS Borders
December 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.
2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
3. This annual audit plan also includes a summary of key messages and recommendations from Audit Scotland's recent national publication *NHS in Scotland 2018* at [Appendix 1](#).


Adding value


4. We aim to add value to NHS Borders through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help NHS Borders promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks

5. Based on our discussions with management, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for NHS Borders. We have categorised these risks into financial statements issues and risks and wider dimension risks. The key risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires audit work to be 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 to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable for this risk.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates and accounting policies. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.

 Audit Risk	Source of assurance	Planned audit work
<p>2 Risk of fraud over income and expenditure</p> <p>NHS Borders receives income from several sources, in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud. The Code of Audit Practice expands the ISA assumption to advise there is also a risk of fraud over aspects of expenditure for public sector bodies which tend to have an overall net expenditure outturn.</p>	<p>Effective budget monitoring by management.</p> <p>Regular monitoring of national fraud reports.</p> <p>Participation in the National Fraud Initiative.</p> <p>The Counter Fraud Group oversees the Board's fraud arrangements.</p> <p>Counter Fraud Policy and Whistleblowing Policy in place.</p>	<ul style="list-style-type: none"> Analytical procedures on income and expenditure streams. Detailed testing of income and expenditure transactions focusing on the areas of greatest risk. Audit work on the National Fraud Initiative data matches.
<p>3 Financial sustainability and brokerage requirements</p> <p>As at 30 September 2018, NHS Borders reported a year to date overspend of £6.5 million against their Revenue Resource Limit. The board is reporting it will not achieve their financial targets for 2018/19 without additional funding. NHS Borders is therefore in advanced discussions with the Scottish Government to agree brokerage (a form of loan) of approximately £10 million to fund the gap.</p> <p>There is therefore a significant risk regarding the board's financial sustainability in 2018/19 and in subsequent years.</p>	<p>Agreement of financial plans and ongoing discussions with the Scottish Government.</p> <p>Effective budget monitoring by management.</p> <p>Development of efficiency savings programme.</p> <p>A new Finance & Resources Committee has been set up to oversee the board's financial strategy.</p> <p>Regular reporting to the board.</p>	<ul style="list-style-type: none"> Liaise closely with senior finance staff regarding budget plans and discussions with the Scottish Government. Monitor monthly Financial Performance Returns submitted to the Scottish Government. Focussed cut-off testing at year-end to confirm expenditure and income has been accounted for in the correct financial period. Ensure brokerage and potential budget transfers are correctly disclosed in the annual report and accounts.
<p>4 Accounting for IJB set aside (delegated hospital budgets)</p> <p>The arrangements to record the sum set aside for hospital acute services, under the control of the Borders Integration Joint Board (IJB), are not yet operating as required by legislation and statutory guidance. In common with other IJBs, a figure has been agreed for prior financial years based on the budget agreed at the start of the year between NHS Borders and the IJB. These transitional arrangements for 2016/17 and 2017/18 were agreed by the Scottish Government.</p> <p>There is a risk that in future years the sum set aside recorded in the NHS Borders annual report and</p>	<p>Discussions with the Scottish Government on the board's set aside arrangements.</p> <p>Formation of a leadership working group to provide guidance and form budgets and plans for set aside services.</p> <p>A performance framework is being developed to allow the working group to monitor progress against agreed plans.</p>	<ul style="list-style-type: none"> Review the finance team's plans for incorporating the IJB transactions into the accounts. Review the latest technical guidance and Scottish Government advice regarding the accounting treatment for IJB set aside amounts. Perform specific substantive testing of IJB income and expenditure relating to NHS Borders.

	Audit Risk	Source of assurance	Planned audit work
	accounts will not reflect actual hospital use and expenditure, as required by legislation.		
5	Estimation and judgements There is a significant degree of subjectivity in the measurement and valuation of the material account areas of accruals and provisions. This subjectivity represents an increased risk of misstatement in the financial statements, particularly due to the financial pressures NHS Borders faces in 2018/19.	Effective budget monitoring by management. Regular reporting to the board. The Annual Accounts Sub Group will review working papers prepared for audit and account areas subject to judgement and estimation.	<ul style="list-style-type: none"> • Focused substantive testing during the financial statements audit of key areas. • Review of accounting policies to ensure these are reasonable. • Review of methodology for trade payables and accruals categories. • Review provisions calculations for appropriateness and consistency.
Wider dimension issues and risks			
6	ICT infrastructure investment The board currently operate an out-dated and unsupported version of TrakCare. There is a risk to service provision if this system should fail.	The board is due to consider options to upgrade this system or migrate to a managed service option.	<ul style="list-style-type: none"> • We will review the result of these considerations and monitor the board's continuing IT investment plans.
Source: Audit Scotland			

Reporting arrangements

6. Under the Public Finance and Accountability (Scotland) Act 2000 there is a requirement for the resource account of the Scottish Government to be presented to Parliament within nine months of the financial year-end, i.e. 31 December. NHS Borders are required to submit their audited financial statements by 30 June to meet the consolidation timetable.

7. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk after the Board's annual report and accounts have been laid before the Scottish Parliament.

8. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

9. We will provide an independent auditor's report to NHS Borders and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will provide NHS Borders and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2018/19 Audit outputs

Audit Output	Target date (Per planning guidance)	Audit Committee/ Board Date
Annual Audit Plan	31 December 2018	11 December 2018
Interim Report	31 March 2019	20 March 2019
Annual Audit Report	30 June 2019	17 June 2019
Independent Auditor's Report	30 June 2019	27 June 2019

Source: Audit Scotland

Audit fee

10. The audit fee for the 2018/19 audit of NHS Borders is £123,000 (2017/18: £122,790). In determining the audit fee we have taken account of the risk exposure of NHS Borders, the planned management assurances in place and the consideration of the work of internal audit. Our audit approach assumes receipt of a complete set of the unaudited NHS Borders annual report and accounts, and a full working papers package on 7 May 2019.

11. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

NHS Borders

12. NHS Borders has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

13. The audit of the annual report and accounts does not relieve management or the Audit Committee as those charged with governance, of their responsibilities.

Appointed auditor

14. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

15. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual report and accounts

16. The annual report and accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of NHS Borders and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how NHS Borders will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

17. We will give an opinion on whether the financial statements:

- give a true and fair view of the state of affairs of NHS Borders and its group as at 31 March 2019 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.

18. We also review and report on other information published within the annual report and accounts including the performance report, governance statement and the remuneration and staff report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

19. We also read and consider any information in the annual report and accounts other than the financial statements and audited part of the remuneration and staff report, and report any uncorrected material misstatements.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

20. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

21. We calculate materiality at different levels as described below. The calculated materiality values for NHS Borders are set out in [Exhibit 3](#).

Exhibit 3: Materiality values



Materiality	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross budgeted expenditure for the year ended 31 March 2019 based on the latest Financial Performance Return available.	£2.6 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£1.3 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 2% of planning materiality.	£50,000

Source: Audit Scotland

Timetable

22. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us to produce the unaudited annual report and accounts. We have included an agreed timetable at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee and Board meeting dates:

Exhibit 4 Financial statements timetable

 Key stage	 Date
Latest submission date of a complete set of unaudited annual report and accounts with full working papers package to the audit team	7 May 2019
Date for final clearance meeting with the Director of Finance	31 May 2019
Agreement of audited unsigned annual report and accounts	6 June 2019
Issue of Annual Audit Report to those charged with governance (Audit Committee)	17 June 2019
Independent auditor's report signed	27 June 2019
Submission of Minimum Data Set ¹	28 June 2019

¹ The Minimum Data Set is an information request Audit Scotland use each year to collate data for the national NHS reports

Internal audit

23. Internal audit is provided by PriceWaterhouseCoopers (PwC). As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). This review will be concluded in December 2018. We will report the findings of this review in our interim management report at the Audit Committee in March 2019.

Using the work of internal audit

24. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We will consider the work of internal audit wherever possible to avoid duplication. We plan to use the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

25. From our initial review of internal audit plans and discussions with PwC, we plan to consider the following internal audit work as assurance for our wider dimension audit responsibilities:

- Information Asset Register
- Staff Recruitment
- Emergency Patient Flow Management
- Medicine Costs (healthcare at home)
- Staff and Patient Safety
- Complaint Handling.

Information Management & Technology (IM&T)

26. We reported last year that the first phase of the Board's "Road to Digital" was underway. This comprised an IT investment programme designed to improve the resilience of the IT infrastructure, making it easier to support. The first tranche of upgrades, delivering a virtualised server environment capable of supporting the majority of the board's core IT services, is now operational. This is supported by a new resilient file storage cluster that ensures all data is replicated between two separate file stores. Currently these are co-located in the same data centre facility which is not ideal. We have been advised by management that a proposal to invest in the creation of a separate data centre to further improve the board's recovery plans is to be considered by the board in February 2019. We will monitor progress in this area.

27. Two of the board's key clinical systems (TrakCare and Labs) are not supported by this new resilient server infrastructure. In addition, we note that the version of the TrakCare system currently in use is out-dated and no longer supported by the software vendor. Management are aware of the risk to service provision that this presents, and we understand that options to upgrade this system or migrate to a managed service will be considered by the board in February 2019. We will review the outcome of these considerations and report further on the board's approach to mitigating this risk in our Annual Audit Report.

28. We reported last year that the board was progressing toward Cyber Essentials certification. The most significant barrier to gaining this certification is continued dependence upon unsupported and un-patched software. A prime example of this is the continued prevalence of the Microsoft XP operating system on many of the board's PCs. The next phase of the IT investment programme will see these PCs replaced by a virtual desktop infrastructure (VDI) by March 2019, which will slowly remove these legacy, unsupported PCs. We will continue to monitor the board's

progress in this task, and other areas of cyber security improvement and report our conclusions in our Annual Audit Report.

Audit dimensions

29. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

Financial sustainability

30. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability.

31. As noted in [Exhibit 1](#), we have raised a risk regarding the board's financial sustainability, particularly due to the additional brokerage funding the board will require in 2018/19 to break-even. It should be noted that several NHS boards in Scotland face similar financial challenges, with the Health Secretary announcing in summer 2018 that total brokerage requirements for 4 health boards was forecast to be £71 million overall.

32. At the end of November 2018, the Scottish Government escalated NHS Borders to 'Stage 4' as set out in the SGHSCD Performance Escalation Framework. The definition of Stage 4 escalation is '*significant risks to delivery, quality, financial performance or safety; senior level external support required*'.

33. Stage 3 level of escalation previously required NHS Borders to develop a recovery plan for submission to the Scottish Government, and further discussions and scrutiny continue on the board's progress against their financial plans. Stage 4 requires additional reporting to the Director General and CEO of NHS Scotland.

New NHS financial targets

34. The board's brokerage requirements also need to be set in the context of the changes recently announced to NHS Scotland financial targets which will take effect from the 2019/20 financial year. Targets have previously stipulated health boards must achieve a break-even position annually against their budgets. New financial targets form part of the Scottish Government medium-term health and social care financial framework, which sets out the following key elements:

- NHS boards will be required to produce finance plans that break-even over a three-year period, rather than annually, from 2019/20 onwards
- if this condition is met, boards will be offered the flexibility to underspend or overspend by up to 1% of budgets in any one year
- the Scottish Government will not seek to recoup brokerage paid to territorial boards in the last five years.

35. Therefore, NHS Border's position is the £10 million brokerage required for the 2018/19 financial year could potentially be written off i.e. not required to be re-paid to the Scottish Government. But it is important to note that any brokerage write-off would only be permissible if NHS Borders is able to demonstrate a break-even position for the three-year financial cycle from 2019/20 to 2021/22. However, currently NHS Borders is not able to produce a balanced financial plan for this period.

36. We will continue to closely monitor the board's discussions with the Scottish Government on this matter and review further financial plans.

Financial pressures and scrutiny

37. From review of the board's current financial plans and related governance arrangements, we have noted the following key points:

- **Cost pressures:** As at September 2018, the board is reporting a year to date overspend of £6.5m against their Revenue Resource Limit. Financial Performance Returns have noted this is primarily due to cost pressures across nursing staff budgets (linked to demand on services, patient acuity and sickness absence), rising prescribing costs and pressures within the IJB Delegated Functions resulting from slower than expected delivery of agreed savings plans and the remaining level of unidentified savings.
- **Efficiency savings:** The board's total savings target for 2018/19 is £24.8 million. Against this target, £15.5 million planned savings had been identified, however slippage of £2.9 million is now being reported against these planned savings. The forecast year-end recurring deficit remains unchanged at £14.3 million which will be carried forward into financial year 2019/20. This is a significant savings gap for the board and is derived from the underlying deficit of £8.8 million being carried forward from 2017/18, with the addition of further unmet savings from 2018/19. These significant challenges to produce savings are having a clear impact on the board's financial position.
- **Longer term financial plans:** The board's financial plans² detail a continuing increase in the recurring deficit year on year over the planning period from 2019/20 to 2022/23. Over these four years the recurring deficit is forecast to increase from £14.3 million to £18.2 million. Therefore, based on current assumptions, NHS Borders will require brokerage in each of these four years.
- **CRL to RRL transfer:** The board are anticipating a transfer of £1 million will be required from their Capital Resource Limit (CRL) to their Revenue Resource Limit (RRL). Similar budget transfers have been sanctioned for the previous two years to alleviate pressures on the RRL budget. The board should consider if this is a sustainable option, as capital investment is being reduced each year. This needs to be considered against the board's ageing Estate, including certain works required at the Borders General Hospital which have been flagged as high risks in their Risk Register.

² Board Financial Plan Update, presented by NHS Borders Director of Finance to the NHS board in September 2018.

- **External reviews:** NHS Borders have recently had two reviews to assess their financial position. A high level external review was completed by the NHS Lanarkshire Director of Finance to assess NHS Borders' financial plans. This review highlighted there has been an increased trend in delayed discharges for NHS Borders since the integrated health and social care funding has been introduced, and is an outlier compared to delayed discharge rates for Scotland as a whole. The board should consider recommendations raised in this review, particularly in the areas of delayed discharges and patient flow, and consider actions to be taken as part of their financial and savings plans. A second review has been commissioned by the Scottish Government to review the planned delivery of the board's transformational change programme, with a report due to follow shortly.
- **Additional scrutiny:** Brokerage requirements and financial challenges will bring further scrutiny on the board from the media, patients and service users and the Scottish Parliament. At this time, members will wish to consider their training and development requirements as part of the board's ongoing self-assessment process, to ensure they continue to provide robust challenge and scrutiny.

38. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether NHS Borders can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

39. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether NHS Borders has arrangements in place to ensure systems of internal control are operating effectively
- whether the board can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the board has assured itself that its financial capacity and skills are appropriate
- whether the board has established appropriate and effective arrangements for the prevention and detection of fraud and corruption
- how the board meets the requirements of the 2018/19 National Fraud Initiative.

Governance and transparency

40. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

41. The leadership of the board will see further change over the coming months, with a number of key members of senior management due to leave:

- The Chief Executive is set to retire from the board in April 2019
- The Chair of the board will reach the end of his 8-year appointment in March 2019

- The Director of Nursing and Midwifery recently left the board in November 2018, with the Associate Director of Nursing & Midwifery taking up this position on an interim basis.

42. An announcement of the new Chair is expected in late December 2018, with interviews for the Chief Executive position set to take place early in 2019. Leadership of the organisation is crucial at this time, as the board faces significant financial and operational challenges in the months and years ahead. We will continue to monitor the leadership and decision making of the board and new senior management appointments, to ensure appropriate governance arrangements remain in place.

43. Our audit will review, conclude and report on:

- whether the board can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as the Borders IJB)
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

44. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- NHS Borders can provide evidence that it is demonstrating value for money in the use of their resources
- NHS Borders can demonstrate that there is a clear link between money spent, output and outcomes delivered
- NHS Borders can demonstrate that outcomes are improving
- There is sufficient focus on improvement and the pace of it.

Best Value

45. Best Value (BV) duties apply across the public sector. In the health service, BV is a formal duty on all Accountable Officers – NHS Board Chief Executives and the Chief Executive of the NHS in Scotland. This is set out in the 2011 Scottish Government circular titled *'Best Value in Public Services, Guidance for Accountable Officers'*.

46. Audit Scotland is committed to ensuring the BV auditing across the public sector adds value to existing arrangements, is risk-based and builds on our knowledge of NHS Borders. Specifically, we aim to:

- report on the delivery of outcomes for people who use health services
- protect taxpayer's interest by examining use of resources
- put an increased emphasis on self-assessment by the board.

47. As part of our audit work, we will assess how NHS Borders assures their stakeholders that Best Value principles are being achieved. The work planned for our NHS Borders audit this year will focus on the board's arrangements for demonstrating Best Value in 'Effective Partnerships'. This reflects local arrangements with the health board's key partners, such as the Borders IJB and Scottish Borders Council. This review will involve gaining an understanding of how effective the board's self-evaluation processes are in driving improvement in this area across the organisation. The results of this BV work will be reported in our Annual Audit Report.

Other Issues

48. Borders merger: It was reported in September 2018 that Scottish Borders Council (SBC) was considering a merger with the NHS Borders and Borders IJB. SBC have put forward an initial proposal to the Scottish Government. From our discussions with NHS Borders' management, this proposed merger is unlikely to occur in the near future and would require significant changes to legislation and governance arrangements before this is considered a viable option. Nevertheless, this is a signal that SBC are willing to consider new options for the Borders region to provide more effective and streamlined services for their stakeholders.

49. EU withdrawal: The board has set up an EU Withdrawal Working Group to assess risks and implications for the health board in the lead up to the UK's exit from the European Union in March 2019. This group is represented by managers across various areas of NHS Borders. The group has identified key areas to consider are workforce implications, financial and procurement implications.

50. We will monitor developments in these areas closely.

Independence and objectivity

51. 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 also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

52. The engagement lead (i.e. appointed auditor) for NHS Borders is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of NHS Borders.

Quality control

53. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

54. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

55. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Appendix 1

Summary of *NHS in Scotland 2018* report

The table below summarises the key themes in Audit Scotland's national performance report

[NHS in Scotland 2018](#) published in October 2018 (link provided to the full report on our website):

NHS in Scotland 2018	
Key Messages	Recommendations
<ol style="list-style-type: none"> 1. The NHS urgently needs to move away from a short-term focus to long-term fundamental change to meet people's health and care needs. Further and faster change is essential to secure the future of the NHS in Scotland. 2. The NHS in Scotland is not in a financially sustainable position. NHS boards are struggling to break-even, relying increasingly on Scottish Government loans and one-off savings. The Scottish Government's recent health and social care medium-term financial framework and other measures are welcome steps but more needs to be done. 3. The pressure on the NHS is increasing. Performance against the eight key national performance targets continues to decline. No board met all the key national targets. Only three boards met the 62-day target for cancer referrals. The number of people on waiting lists continues to increase. 4. The scale of the challenges means decisive action is required, with an urgent focus on the elements critical to ensuring the NHS is fit to meet people's needs in the future. These include being clear about how the NHS is governed, multiple planning layers exist at local and national level, it is unclear how regional planning will operate in the future and health and social care integration continues to develop. 5. Ensuring effective leadership is critical. Much more engagement and information is needed about how new forms of care will work, what they cost and the difference they make to people's lives. 	<p>The Scottish Government, in partnership with NHS boards and integration authorities, should:</p> <ul style="list-style-type: none"> • strengthen board-level governance arrangements, including developing an improved national approach to induction, training, and assessment for non-executive directors. • identify why NHS leadership posts are difficult to fill and develop ways to address this. • develop a national capital investment strategy to ensure capital funding is strategically prioritised. • continue to develop a comprehensive approach to workforce planning that: <ul style="list-style-type: none"> - reflects forecasts of future staffing and skills requirements to deliver changing models of healthcare provision at regional, local and community level - provides a clear breakdown of transitional and future costs to meet projected demand through additional recruitment and training. • work together to develop a clearer understanding of demand for services, and capacity and activity trends within primary and secondary care and use this to inform medium to long-term service and workforce planning. • publish clear and easy to understand information on how the health funding system works, including how much funding was provided, what it was spent on, and the impact it has on people's lives. • put NHS staff, local communities, and the public at the heart of change and involve them in planning and implementing changes to how services are accessed and delivered.

NHS Borders

Annual Audit Plan 2018/19

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