

# Scottish Borders Integration Joint Board

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Scottish Borders Integration Joint Board and the Controller of Audit  
July 2024

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# Key messages

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## 2022/23 annual accounts

- 1 Audit opinions on the annual accounts of the Scottish Borders Integration Joint Board (IJB) are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 The annual accounts published for public inspection required significant changes in the financial statements and gaps were identified in the Performance Report. As a result of resourcing challenges within the IJB, there were significant delays in completion of the financial statements and finalising the audit.

## Financial management

- 3 Integration Joint Boards across Scotland continued to operate in a challenging environment in 2022/23 with Scottish Borders IJB facing ongoing financial and operational challenges.
- 4 Scottish Borders IJB reported a deficit of £16.8 million in 2022/23. This movement represents the use of earmarked reserves carried forward from 2021/22 to support expenditure in year. This included the Scottish Government's "reclaim" of £8.9 million of unspent Covid-19 funding which was transferred through a reduction in IJB contributions from NHS Borders.
- 5 Scottish Borders IJB has opportunities to improve financial reporting to provide more details on savings, use of earmarked reserves and recovery plans.

## Financial sustainability

- 6 Scottish Borders IJB set a balanced budget for 2023/24 in April 2023. The financial position for 2023/24 is at risk of overspend with variances in health care and set aside functions.
- 7 With pressures on public sector funding and rising cost pressures, Scottish Borders IJB faces difficult decisions around the model and level of services it can provide in a financially sustainable and safe way.

## **Vision, leadership and governance**

- 8** Whilst governance arrangements are generally appropriate and operate effectively, there is scope for improvement identified by members from their self- evaluation process.
- 9** Core documentation including financial regulations and the risk register have been revised in year.

## **Use of resources to improve outcomes**

- 10** The Strategic Framework 2023-2026 clearly articulates the IJB priorities for the next 3 years.
- 11** Scottish Borders IJB can enhance performance management arrangements to reflect the outcomes and objectives in the Strategic Framework.
- 12** Best value arrangements can be enhanced to reflect the financial and operational challenges faced.

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# Introduction

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**1.** This report summarises the findings from the 2022/23 annual audit of Scottish Borders Integration Joint Board (IJB). The scope of the audit was set out in our 2022/23 Annual Audit Plan. Our annual audit plan was presented to the 20 March 2023 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of Scottish Borders IJB’s annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.
- conclusions on the Board’s arrangements for meeting its Best Value duties

**2.** This report is addressed to Scottish Borders Integration Joint Board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**3.** I, John Boyd, have been appointed by the Accounts Commission as auditor of Scottish Borders IJB for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

**4.** My team and I would like to thank board members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

## Responsibilities and reporting

**5.** Scottish Borders IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Scottish Borders IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**6.** The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

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

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## Auditor Independence

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £31,470 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to Scottish Borders IJB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

Audit opinions on the annual accounts of the Scottish Borders Integration Joint Board (IJB) are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The annual accounts published for public inspection required significant changes in the financial statements and gaps in the Performance Report were identified. As a result of resourcing challenges within the IJB, there were significant delays in completion of the financial statements and finalising the audit.

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## Audit opinions on the annual accounts are unmodified

**11.** The annual accounts for the year ended 31 March 2023 were approved by the Audit Committee on 22 July 2024. As reported in the independent auditor's report in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

## Overall materiality was assessed as £4.9 million

**12.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

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### Exhibit 1

#### Materiality values

Materiality level	Amount
Overall materiality	£4.90 million
Performance materiality	£3.68 million
Reporting threshold	£250,000

Source: Audit Scotland

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**14.** The overall materiality threshold for the audit of the annual accounts of the Board was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75 per cent of overall materiality, reflecting a history of minimal errors and no significant issues noted during planning or from the previous audit team.

**16.** It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.



## Our audit work responded to the risks of material misstatement we identified in the annual accounts

17. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 2

#### Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Evaluate the service auditor assurances obtained from the audits of Scottish Borders Council (“the Council”) and NHS Borders (“the Health Board) in line with the 2022/23 Integration Joint Boards Protocol for Auditor Assurance.</p> <ul style="list-style-type: none"> <li>• Agreement of transactions and balances to financial reports from the Council and the Health Board.</li> <li>• Detailed testing of any significant year-end adjustments.</li> <li>• Review of Scottish Borders IJB’s financial monitoring reports during the year.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Test the process for Scottish Borders IJB to record transactions and balances around the year end where there may be increased incentive for fraud.</li> </ul>	<p>We undertook agreement of balances and transactions.</p> <p>We obtained assurances from the auditors of the Health Board and the Council.</p> <p>We reviewed significant adjustments at year-end and financial monitoring reports during the year.</p> <p>We reviewed if there were any significant transactions outside the normal course of business.</p> <p><b>Conclusion: We did not identify any incidents of management override of controls or indications of fraud or error.</b></p>

**18.** In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **IJB funding** - The Scottish Government wrote to all IJBs in September 2022 indicating that, due to changes in public health policy, it intended to reclaim and re-distribute some IJB reserves which relate to Covid funding to meet current Covid priorities. It is anticipated that this will be achieved through a reduction in NHS funding allocations, ultimately reducing NHS Borders’ funding contribution to the IJB. We will review the disclosure of this within the annual accounts.

**19.** We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

### **Significant findings and key audit matters**

**20.** Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body’s accounting practices.

**21.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

**22.** The significant findings from the audit are summarised in [Exhibit 3](#).

## Exhibit 3

### Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p><b>1 Accounts issued for inspection</b></p> <p>The accounts which were issued for inspection required a number of changes to the draft financial results and areas of the management commentary were incomplete. The unaudited financial statements are published allowing for public inspection and should be completed to meet the requirements of the CIPFA Code of Practice on Local Authority Accounting.</p> <p>Areas of the management commentary were to be completed and figures in core statements required changes between this version and that subsequently shared for audit.</p> <p>The remuneration report was not prepared in line with Local Authority guidance.</p> <p>These accounts lacked the detail to enable effective public inspection of the accounts.</p>	<p>A recommendation has been raised regarding the preparation of accounts, so that a complete version is shared for public inspection going forward.</p> <p>A quality control process should be in place prior to issuing the report for inspection.</p> <p><b>Recommendation 1</b></p> <p><a href="#">Appendix 1</a></p>

Source: Audit Scotland

### The annual accounts shared for inspection were incomplete therefore did not support effective public inspection.

**23.** The public notification for the inspection of the accounts was issued by Scottish Borders Council on behalf of the Scottish Borders IJB on 14 June 2023. The annual accounts whilst published for the inspection period were incomplete. There were elements missing from the accounts, including aspects of the management commentary, and generally the quality of the disclosures included were of a poor standard. This did not permit effective public inspection.

**24.** An updated set of accounts was provided for audit inspection by the Chief Financial Officer. However, a review of these and the accompanying working papers highlighted further issues.

**25.** The working papers provided were of a poor standard with a number of broken links which made audit work challenging. There were several inconsistencies in the accounts whereby figures in the management commentary did not agree to the figures in the financial statements.

**26.** The accounts preparation process should include time for a quality control review including checks of the accounts and supporting working papers.

### **There were several changes made to the remuneration report.**

**27.** The remuneration report in the unaudited accounts was not prepared in line with the guidance for local authority bodies. This resulted in all pension figures being revised.

**28.** The pay band table did not comply with legislation and has been reworked to ensure that it complies with guidance.

### **The audit was not completed until after the statutory deadline.**

**29.** The audit of the financial statements was delayed due to staff absence. This meant that the audit was not able to progress as planned and was completed after the statutory deadline of 30 September 2023.

**30.** The IJB brought in finance staff from the partner bodies to support the completion of the audit and resolution of issues raised during the audit process in respect of the financial statements. This included appointing an interim Chief Financial Officer in April 2024. The annual report and accounts were updated to reflect the initial audit findings and were found to be of a better standard. Our audit work has been completed in respect of these financial statements.

**31.** [Exhibit 4](#) details the high-level changes in the reported results of the IJB between those presented for audit and the revised financial statements.

**Exhibit 4****Revised financial statements – Adjustments during the audit period**

<b>IJB financial statements</b>	<b>Original accounts £m</b>	<b>Revised accounts £m</b>	<b>Adjustment £m</b>
Healthcare Services Delegated	149.538	130.753	(18.785)
Social Care Services Delegated	65.719	71.607	5.888
Health Services Set Aside	29.031	29.031	0
Corporate Services	0.295	0.273	(0.022)
<b>Cost of Services</b>	<b>244.582</b>	<b>231.644</b>	<b>(12.938)</b>
Taxation and Non-Specific Grant Income	(226.882)	(214.910)	11.972
<b>Deficit on Provision of Services</b>	<b>17.700</b>	<b>16.753</b>	<b>(0.947)</b>
Short Term Debtors	11.015	12.295	1.28
Short Term Creditors	(2.120)	(2.452)	(0.332)
<b>Usable Reserves</b>	<b>8.895</b>	<b>9.843</b>	<b>0.948</b>

Source: IJB annual accounts

**Adjustments to the financial statements and unadjusted errors**

**32.** [Exhibit 4](#) outlines the impact of the adjustments arising during the course of the audit. The adjustments arose as a result of inconsistencies between the underlying financial records and the unaudited financial statements. In addition, during the audit it was identified that there was duplication in the recognition of income and expenditure relating to the application of reserves.

**33.** While work was undertaken to reconcile the final outturn position between the amounts reported by the NHS Borders, Scottish Borders Council and the Integration Joint Board, our audit identified that there were outstanding differences between the closing amounts included in the accounts as amounts due from Scottish Borders Council. The IJB has reported balances due from the Council £1.072 million higher than that reported by the Council and corresponding reserve balance of the amount. Audit are satisfied that this difference is not material to the financial statements.

**34.** There is scope to improve the production of the annual accounts. This would include working with both the NHS and Council to ensure that there is clear agreement of figures relating to year end funding contributions and corresponding expenditure, and year end debtors and creditors to support a clear audit trail from working papers to the accounts. This could be expanded to obtaining formal written assurances from the NHS and Council over matters including internal controls and corporate governance arrangements.

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## **Recommendation 1**

Officers should ensure that they work colleagues within NHS Borders and the Scottish Borders Council to ensure they have timely preparation of the financial statements. Officers should ensure that there is a quality control process in place to ensure the unaudited accounts issued for public inspection are complete and accurate and supported with clear working papers.

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

**35.** Scottish Borders IJB has made some progress in implementing the audit recommendations identified by Audit Scotland, Scottish Borders IJB's previous external auditor. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Main judgements

Integration Joint Boards across Scotland continued to operate in a challenging environment in 2022/23 with Scottish Borders IJB facing ongoing financial and operational challenges.

Scottish Borders IJB reported a deficit of £16.8 million in 2022/23. This movement represents the use of earmarked reserves carried forward from 2021/22. This included the Scottish Government's "reclaim" of £8.9 million of unspent Covid-19 funding which was transferred through a reduction in IJB contributions from NHS Borders.

Scottish Borders IJB has opportunities to improve financial reporting to provide more details on savings, use of earmarked reserves and recovery plans.

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### The 2022/23 budget was approved in June 2022 and included planned savings and contributions from reserves to address the funding gap.

**36.** Scottish Borders IJB approved its 2022/23 balanced budget in June 2022. A draft budget had been prepared for the March 2022 meeting, but it was not finalised until both NHS Borders and the Council had set their budgets. A balanced budget should be set before the start of the financial year to ensure there is no unauthorised expenditure.

**37.** This budget set out an overall uplift of 7.7% in resources for delegated services. Despite this increase in resources, the budget including a savings target of £7.1 million with the savings not fully identified at the time of the budget. Work was planned for 2022/23 to look at the reserves balance to identify if any of the reserves could be used to help address the funding gap, however there was limited reporting on this apart from Covid-19 reserves.

## **Scottish Borders IJB reported a deficit position of £16.8 million in 2022/23 which was supported by use of reserves.**

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

**39.** Scottish Borders IJB reported a deficit of £16.8 million in 2022/23 in the comprehensive income and expenditure statement. This movement reflects the use of earmarked reserves which were carried forward from 2021/22. This is mirrored in the movement in reserves which has decreased from £26.6 million to £9.8 million by the corresponding £16.8 million. This movement in reserves included the Scottish Government's "reclaim" of unspent Covid-19 funding of £8.9 million which was transferred through a reduction in IJB contributions from NHS Borders. It was not evident in the budget monitoring reports in year that expenditure in 2022/23 was being supported by earmarked reserves, see paragraph 4040.

## **Budget monitoring reporting should provide greater clarity around savings, use of reserves and how these feed into recovery plans.**

**40.** Quarterly budget monitoring reports were submitted to meetings of the Board throughout 2022/23. These provided details of the year to date, forecast year-end outturn position and the areas where there were financial pressures. There was limited information on efficiency savings and progress in this area. There was some information about the total reserves in an appendix, but there was limited detail on how the earmarked reserves were being used in year to support the financial performance. It was noted in the quarter 2 report that asides from Covid reserves, £0.7 million of reserves would be used to support expenditure, which is significantly different from the year end position.

**41.** The Board generally received detailed and timeous budget reporting that allows members and the management team to review finances excluding detailed information on reserves and savings.

**42.** Changes have been made to the format of quarterly budget monitoring reports for 2023/24. While these changes have made the tables and notes more accessible, there is even less detail on savings, use of earmarked reserves and details on recovery plans. There is an opportunity for these to remain more accessible but ensure that key information on savings, reserves and recovery plans are included to allow scrutiny by members.

**43.** Further, we have noted from our work across audits that, a detailed year-end outturn report to members can be presented along with the unaudited annual accounts. This gives members a comprehensive overview of the financial position along with explanations for variances against budget, details on the efficiency savings achieved and how earmarked reserves are used during the year.



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## Recommendation 2

Whilst improved accessibility of financial reporting is important and this has been introduced in 2023/24, reporting and monitoring can be enhanced through providing key information on savings, the use of reserves to support expenditure in year, and any recovery plans in place. This will ensure there is sufficient information for member scrutiny.

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### **Scottish Borders IJB has appropriate financial control arrangements in place via the partner bodies.**

44. Scottish Borders IJB does not have its own financial systems and instead relies on partner bodies' financial systems. All financial transactions are therefore processed under the partner bodies' internal controls.

45. As part of our audit approach, we sought assurances from the external auditor of NHS Borders and Scottish Borders Council. Neither the health board nor council auditors reported any significant weaknesses that could result in a risk to the annual accounts of the IJB.

### **Internal audit's opinion was that there are generally sound governance arrangements, risk management and systems of internal control in place for the year ending 31 March 2023.**

46. Internal Audit provides Scottish Borders IJB with independent assurance on risk management, internal control, and corporate governance processes. The Internal Audit service to the Scottish Borders Integration Joint Board is provided by the Internal Audit function of Scottish Borders Council, including the appointed role of IJB Chief Internal Auditor, (Scottish Borders Council's Chief Officer Audit & Risk). Planned work for 2022/23 was completed in year.

47. We found the internal audit functions to be operating effectively, and in line with the Public Sector Internal Audit Standards (PSIAS) requirements.

48. The Internal Audit Annual Assurance Report 2022/23 to the Scottish Borders IJB in June 2023 included the opinion that: there are generally sound governance arrangements, risk management and systems of internal control in place for Scottish Borders IJB to support the achievement of its objectives. Management have implemented improvements during the year.

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

49. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

**50.** Scottish Borders IJB, through reliance on the internal control framework of the partner bodies, has adequate arrangements in place to prevent and detect fraud or other irregularities.

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

# 3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

## Main judgements

Scottish Borders IJB approved a balanced budget for 2023/24 in April 2023, as further information on the health board recovery plan was required before it was approved.

The financial position for 2023/24 is at risk with pressures on cost base as a result of inflationary pressures including pay and non-pay costs and demand led pressures.

With pressures on public sector funding and rising cost pressures, Scottish Borders IJB faces difficult decisions around the model and level of services it can provide in a financially sustainable and safe way.

52. [Exhibit 5](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Audit work has addressed the wider scope risks identified in our Annual Audit Plan

### Exhibit 5

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

Audit risk	Assurance procedure	Results and conclusions
<b>Financial Sustainability</b> The IJB operates in an environment of increasing constraints.	<ul style="list-style-type: none"> <li>Review of the IJB's financial reporting to assess the reasonableness of the assumptions in the financial plan.</li> </ul>	The deficit in 2022/23 related to the use of earmarked reserves to support in year expenditure along with the reclaim of Covid funding has significantly reduced reserves at year end.

Audit risk	Assurance procedure	Results and conclusions
<p>There remains a risk around financial sustainability and financial pressure as budgets become increasingly constrained.</p> <p>There is a projected shortfall of £6.25m forecasted for the year to 31 March 2023, with this including the estimated impact of non-delivery of savings plans.</p> <p>This highlights the financial pressures facing the IJB and it needs to ensure it can transform services and service delivery to be financially sustainable.</p> <p>The IJB's future financial plans should demonstrate how it is working with partner bodies to deliver health and social care in a financially sustainable way.</p>	<ul style="list-style-type: none"> <li>• Review of progress made in dealing with cost pressures, including meeting any savings targets.</li> <li>• Review of the Management Commentary in the annual accounts for disclosures on the IJB's financial decision making during 2022/23.</li> <li>• Review of Board papers and minutes to assess the transparency of financial decision making.</li> </ul>	<p>Reporting in year has not always clearly evidenced progress against savings.</p> <p>A balanced budget was set for 2023/24 which requires £13.1 million savings (including set aside), not all of which are identified.</p> <p>Failure to meet savings targets in year will put increased pressure on future years.</p> <p>There is a need for a medium-term financial plan and longer-term financial strategy to support the Strategic Framework.</p>

### Scottish Borders IJB approved a balanced budget for 2023/24 in April 2023 whilst waiting for information on the NHS Borders recovery plan.

**53.** Scottish Borders IJB approved its budget at the April 2023 Board meeting. Although a paper had been brought to the March 2023 Board meeting and information relating to the council was complete and approval had been sought for this element, there was further information required from the NHS recovery plan before the budget could be finalised. This set a delegated budget of £201.8 million, and a set aside budget of £28.8 million. To set this balanced budget, there is a required savings target of £13.1 million (6% of the total budget – delegated and set aside) to be delivered through its funding partners. A balanced budget should be set before the start of the financial year to ensure that there are controls in place to prevent unauthorised spend. Although there may be needs for further review or to recognise subsequent change, the budget should be approved in principle.

**54.** At the time of setting this budget there was £5.0 million of unidentified savings across the NHS and set aside budgets. Scottish Borders IJB has requested a Financial Recovery Plan.

**55.** The underlying financial position has continued to deteriorate during the year. Based on the latest financial monitoring report presented to the Scottish Borders IJB on 24 January 2023 there is an overall forecast overspend of £7.4 million in delegated services compared to budget. With reserves of £9.8 million, this does not provide the IJB with significant resources to address unforeseen costs in future years.

**With pressures on public sector funding and rising cost pressures, Scottish Borders IJB face difficult decisions around the model and level of services it can provide in a financially sustainable and safe way.**

**56.** Management recognises that the scale of the challenge to make the Scottish Borders IJB financially sustainable cannot be underestimated. In both delivery of the 2023/24 financial position as well as longer term financial sustainability, Scottish Borders IJB face difficult decisions around the level and range of services it can provide.

**57.** A financial framework document was noted by the Audit Committee in March 2023, and this documents the need for a financial strategy covering the longer term. This should be underpinned by a medium-term finance plan which includes scenario planning which covers cost pressures in future years. The current finance plan included with the budget only covers 2023/24 and therefore does not help address sustainability.

**58.** The new Strategic Framework 2023-2026 (the IJB's Strategic Commissioning Plan) was published in April 2023, and it identifies how it will be underpinned by a financial strategy/ framework, a workforce plan and communications and engagement plan. The commissioning framework identifies at an appropriately high level the financial challenges facing Scottish Borders IJB. This will be supported by an annual plan which will detail how actions will be delivered. It is important that the Scottish Borders IJB demonstrates clear alignment to strategic priorities and outcomes when allocating resources and making difficult decisions around potential areas of disinvestment.

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## **Recommendation 3**

**Developing a long-term financial strategy underpinned by a medium-term financial plan, including scenario planning, is required to support delivery of the Strategic Framework and help support make challenging decisions.**

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## **The Integrated Workforce Plan was approved in October 2022.**

**59.** An integrated workforce plan was approved by the Scottish Borders IJB Board in October 2022. The workforce plan requires to be interlinked with the Strategic Framework to support transformation, change and redesign to meet the current and emerging needs of the Scottish Borders communities.

**60.** The plan notes the workforce challenges facing as the country emerges from the impact of the pandemic, leaving a health and social care workforce which is worn out from their caring role. Five core priorities; plan, attract, train, employ and nurture have been identified which will be taken forward by short life working groups.

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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Main judgements

Whilst governance arrangements are generally appropriate and operate effectively, there is scope for improvement identified by members from their self-evaluation process.

Core documentation including financial regulations and the risk register have been revised during 2023/24.

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## **A self-assessment evaluation of Scottish Borders IJB was completed during 2023. An improvement plan has been put in place to address the findings.**

**61.** In line with ministerial guidance, a periodic self-evaluation of the effectiveness of Scottish Borders IJB was completed. The Improvement Service sent out questionnaires to members in March 2023 covering 22 proposals including; the IJB response to Covid-19, leadership and relations and governance and accountability.

**62.** Areas where members responded positively to included:

- IJB meetings take place with a positive spirit of transparency, openness and trust.
- IJB should permanently retain new ways of working developed during Covid-19.
- Priorities and outcomes in the Strategic Plan reflect the key challenges facing the IJB.

**63.** Areas which were responded to negatively (members disagreed with) included:

- IJB aligns resources in order to better deliver early intervention and prevention approaches.
- IJB holds individual Board members to account for their performance and contribution to the outcomes in the Strategic Plan.
- The performance information considered by the IJB is timely, relevant and provides a good measure of progress towards the desired outcomes and key time specific targets.

**64.** A workshop was held in April 2023 by the Improvement Service to identify areas for further focus, and a development session was held by Scottish Borders IJB in October 2023. A self-assessment improvement plan has been prepared and this should be brought to meetings periodically to demonstrate progress made against the plan.

**65.** In addition, the Audit Committee carried out its annual self-evaluation using the toolkit from the CIPFA Audit Committees Guidance. The outcome of the self-assessments was a high degree of performance against the good practice principles and a medium degree of effectiveness with evidence of improvement during the year.

**66.** From attendance at meetings, we recognise that meetings are conducted in an open and transparent manner. Papers are detailed on the Scottish Borders Council website for both the Board and Audit Committee. We consider that there is effective scrutiny and challenge by members at these meetings.

### **There are opportunities to enhance governance arrangements.**

**67.** We consider that governance arrangements are generally appropriate and operate effectively, whilst recognising there is scope for improvement in holding members to account for their performance and contributions, as identified by members themselves.

**68.** Recognising the financial challenges facing the organisation, Scottish Borders IJB appointed a Chief Financial Officer in August 2022 after the role had been jointly carried out by the Directors of Finance at NHS Borders and Scottish Borders Council for some years. This has permitted progression in developing revisions to documentation.

- New financial regulations, which have been discussed with partner bodies, were approved in July 2023.
- A tracker was introduced for Directions issued by Scottish Borders IJB which shows when work is planned to be completed to permit better oversight on progress and any issues identified.
- A revised risk register was introduced in year with support from the Scottish Borders Council risk team.



**69.** These updates will permit better oversight and scrutiny of finances and directions.

### **Equality monitoring arrangements have been improved in year**

**70.** In summer 2022, the Scottish Parliament’s Regulator of the Public Sector, the Equality and Human Rights Commission (‘the Commission’) wrote to the IJB’s Chief Officer to advise that they had recently considered the extent to which IJBs had been meeting their equality duties. In the letter the Commission advised that an examination of the Scottish Borders IJB’s website had found that: the IJB had failed to report on the mainstreaming of the equality duty and the IJB had failed to develop and publish a set of equality outcomes for the period 2021 to 2025.

**71.** In response to this, Scottish Borders IJB published on its website in March 2023, a mainstreaming report for 2019 to 2023 and an equalities outcomes and monitoring framework for 2023 to 2025. This details six equality outcomes and what success will look like.

**72.** In line with, the Code of Audit Practice, we will review the best value characteristic of fairness and equality during our five-year audit appointment.

### **Climate change arrangements**

**73.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**74.** Scottish Borders IJB are required to comply with the Climate Change (Scotland) Act 2009. All covering papers for reports to the Board and Audit Committee include a section on impacts, with climate change and sustainability matters considered through this process, evidencing implications are considered as part of the evaluation process. As part of our audit work carried out on NHS Borders and Scottish Borders Council, as delegated partners, we considered the arrangements in place over climate change. A Climate Change return for 2021/22 was submitted in late 2022 showing that Scottish Borders IJB is aware of climate change matters.

**75.** The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

### **Cyber security**

**76.** There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

**77.** The IJB rely on the cyber security arrangements in place at the key strategic partners (NHS Borders and Scottish Borders Council) and assurance is provided to the Audit Committee twice yearly.

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# 5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusion

The Strategic Framework 2023-2026 clearly articulates the IJB priorities for the next 3 years.

Scottish Borders IJB can enhance performance management arrangements to reflect the outcomes and objectives in the Strategic Framework.

Best value arrangements can be enhanced to reflect the financial and operational challenges faced.

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**The Scottish Borders IJB Strategic Framework 2023-2026 clearly articulates the outcomes and objectives for the next three years. There is an opportunity to further develop outcomes-based performance monitoring.**

**78.** The Strategic Framework 2023-2026 was published in March 2023. The Framework, which was developed through working with communities, sets the direction of travel for the 'Enjoying Good Health and Wellbeing' theme of the Scottish Borders Community Planning Partnership. There are nine National Health and Wellbeing Outcomes agreed by the Scottish Government that the IJB is required to deliver against. The outcomes are high-level statements of what health and social care partners are attempting to achieve through integration by improving quality across health and social care.

**79.** The Framework identifies six strategic issues impacting on health and social care, and six corresponding objectives. Objectives include:

- Improving access to services
- Rising to the workforce challenge
- Focusing on prevention and early intervention

**80.** The Framework is underpinned by the need for a financial framework, workforce plan (which was introduced for 2022-2025) and a communications and engagement framework. The Communication and Engagement Framework 2023-2026 was approved in September 2023. It identifies three aims of building awareness and understanding, trust and confidence, and encouraging involvement and meaningful two-way dialogue, with a focus on involving people.

**81.** With the new Strategic Framework, there is an opportunity to enhance performance monitoring arrangements to clearly link the strategic objectives to the nine outcomes through quarterly and annual performance reporting.

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## Recommendation 4

There is an opportunity to enhance performance management arrangements to clearly link the new strategic objectives to the nine outcomes detailed in the Strategic Framework. Including reporting on quality of the integrated service and how it is providing value for money should also be future development areas.

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### Scottish Borders IJB annual performance reporting complies with the requirements of legislation, and performance in year has been mixed.

**82.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires IJBs to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

**83.** Performance in 2022/23 against these measures has been mixed. Whilst there was a small reduction in the emergency admission rate, there was an increase in the emergency bed day rate, and emergency readmission to hospital within 28 days of discharged also increased slightly. The proportion of care services rated good (level 4) or better in Care Inspectorate inspections increased and was above the rate for Scotland.

**84.** There were more notable deteriorations in delayed discharges from hospitals and in the percentage of carers who feel they are supported in their role. For these two areas, Scotland wide figures moved in the same direction as in the Scottish Borders.

**85.** There is an opportunity for performance reports to provide more information on the quality of the integrated services and how these services are providing value for money.

**86.** Quarterly performance reports are shared with the Board. In 2022/23 these were structured against the objectives in the previous strategic plan, and included tables, charts and narrative on 'how we are performing'.

**87.** A review of the quarterly performance reports for 2023/24 noted that whilst the first quarter report format was prepared on the same basis as previous years, reporting from quarter two onward has been revised to align with the objectives in the new Strategic Framework.

**88.** The revised quarterly performance reports shared with the Board continue to be structured against the objectives set in the Strategic Framework along with relevant tables and charts relating. The reporting has been enhanced with the inclusion of narrative highlighting what the data presented is reporting and details of the actions taken by the IJB in response to any issues identified from the analysis.

**89.** Data in both the quarterly and annual performance reports is not always timely. Key data comes from Public Health Scotland with the next update of data due in 2024, so some statistics reported are still for 2021/22. This means that reporting to the Board does not always give the most up to date position.

### **Scottish Borders IJB continues to develop its arrangements for demonstrating best value.**

**90.** IJBs have a statutory duty to have arrangements to secure Best Value. IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**91.** Whilst Scottish Borders IJB has processes in place to scrutinise performance, this is an area for improvement noted by members in their self-evaluation in 2023. The budget papers for 2023/24 note that in addition to identifying savings, there is a need to start using the 'Best Value for Every Pound' approach to ensure that Scottish Borders IJB invest in services that have greatest impact relative to the amount invested. A toolkit is currently being tested to support assessing the impact of use of resources and enabling decisions based on best value. We will look to see evidence of this during the rest of our audit appointment.

### **Community Integration Groups will be launched to provide stakeholder input into Scottish Borders IJB.**

**92.** Scottish Borders IJB previously had locality working groups which became dormant in 2017. Linked to improving communications and engagement, these are to be relaunched as Community Integration Groups, with a pathfinder approach to be developed in Eildon. Initial aims for the group include mapping health and social care related services in the locality, exploring how to involve communities and focusing on outcomes and initiatives to bring in preventative health care. Discussions have been made with the Council to ensure this work does not duplicate the Resilient Communities teams in place. There is a requirement for the Community Integration Groups to have responsibility for a participatory budget and this would be introduced in a phased manner to ensure the group is established before taking on a budget role.

# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1 Incomplete accounts were shared for public inspection and the accounts required significant changes.</b></p> <p>The accounts shared for public inspection were incomplete. A quality control process for the accounts is required before publication.</p> <p><b>Risk</b> – no effective public inspection could be completed.</p>	<p>Sufficient planning is required to ensure there is time prepare the annual accounts, so they are complete and of a good standard before they are subject to public inspection. A quality control process should be put in place.</p> <p>Improvements to working papers are required to provide a clear audit trail. Contingency planning should be put in place to prevent these issues going forward.</p> <p><a href="#">Exhibit 3</a></p>	<p>Additional staff have been recruited to support completion of the IJB Accounts for 2022/23 and 2023/24. It is likely that although the 2023/24 accounts will be put up for inspection late, they will be available for inspection by the end of July, and of the required standard having implemented lessons learned from 2022/23.</p> <p><b>Responsible officer:</b> Chief Officer, Finance and Procurement</p> <p><b>Timing</b> 31<sup>st</sup> July 2024</p>
<p><b>2 Budget monitoring reporting</b></p> <p>Budget monitoring requires to give additional information on savings, use of reserves to support expenditure in year and recovery plans.</p> <p><b>Risk</b> – reporting does not give the full picture of the IJB performance and risks to the financial position are not scrutinised.</p>	<p>Whilst improved accessibility of reporting is important and this has been introduced in 2023/24, key information on savings, the use of reserves to support expenditure in year, and any recovery plans in place should also be included in reporting to ensure there is sufficient information for member scrutiny.</p> <p><a href="#">Paragraph 34</a></p>	<p>Budget monitoring reports for 2024/25 will be reviewed to ensure sufficient information is included.</p> <p><b>Responsible officer:</b> Chief Officer, Finance and Procurement</p> <p><b>Timing</b> 31<sup>st</sup> October 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3 Medium-term financial plan and long-term financial strategy</b></p> <p>Given the financial challenges facing the IJB, a medium-term financial plan and longer-term financial strategy are required.</p> <p><b>Risk</b> – without these the building blocks for the Strategic Commissioning Framework are not in place and risks to financial sustainability may not be identified.</p>	<p>Developing a long-term financial strategy underpinned by a medium-term financial plan, including scenario planning, is required to support delivery of the Strategic Commissioning Framework and help support make challenging decisions.</p> <p><a href="#">Paragraph 57</a></p>	<p>A plan for delivering a medium-term financial plan will be presented to the board during Summer 24 with a forward looking Medium term plan presented before the end of the financial year.</p> <p><b>Responsible Officer</b> Chief Officer, Finance and Procurement</p> <p><b>Timing</b> 31<sup>st</sup> March 2025</p>
<p><b>4 Performance management reporting</b></p> <p>This can be enhanced to give more timely information along with what actions will be taken to address performance issues, aligned to the new strategic objectives.</p> <p><b>Risk</b> – performance against objectives and outcomes is not clear and does not show improvement.</p>	<p>There is an opportunity to enhance performance management arrangements to clearly link the new strategic objectives to the nine outcomes detailed in the Strategic Framework. Including reporting on quality of the integrated service and whether it is providing value for money should also be future development areas.</p> <p><a href="#">Paragraph 81</a></p>	<p><b>This work has been undertaken during 2023/24.</b></p> <p><b>Responsible officer:</b> Chief Executive Officer</p> <p><b>Timing</b> 30<sup>th</sup> June 2024</p>

## Follow-up of prior year recommendations 2021/22

Issue/risk	Recommendation	Agreed management action/timing
<p><b>PY 1. Annual accounts preparation</b></p> <p>The unaudited annual accounts for the IJB were not prepared and available for inspection at the start of July, as required by the Local Authority Accounts (Scotland) Regulations 2014. This was partly due to the new Chief Financial Officer (CFO) not being in post until the start of August 2022.</p> <p><b>Risk</b> – there is a risk that the IJB does not comply with the regulations and that accounts are not available for adequate scrutiny by the public.</p>	<p>The IJB should ensure that arrangements are in place for its annual accounts to be prepared and made available for inspection in line with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.</p>	<p><b>2021/22 response</b></p> <p>The appointment of a permanent CFO provides the capacity and capability to achieve this statutory requirement.</p> <p><b>2022/23 update</b></p> <p>Superseded by 2022/23 recommendation 1.</p>
<p><b>PY 2. Financial sustainability</b></p> <p>The 2022/23 budget for the IJB was agreed in June 2022, which included the need for £7.1 million in savings. The most recent financial monitoring report for the IJB up to September 2022 is forecasting an overspend of £6.7 million against the budget, due to costs of Covid-19 and undelivered savings.</p> <p><b>Risk</b> – there is a risk that the IJB is not able to budget and manage expenditure effectively if full savings plans are not in place.</p>	<p>The IJB should continue to work with partner organisations to ensure savings plans are identified and ensure the partnership is able to move into a position of financial sustainability.</p>	<p><b>2021/22 response</b></p> <p>The Financial Plan is about more than savings, it is being able to respond to and support/invest in strategic priorities. The new Financial Approach will support short and long-term planning. The CFO will become more involved in the NHSB savings approach, providing strategic support and challenge to the plans being made. Reserves Policy has been reviewed and will go to the Audit Committee in December for approval.</p> <p><b>2022/23 update</b></p> <p>Superseded by 2022/23 recommendation 3</p>



Issue/risk	Recommendation	Agreed management action/timing
<p><b>c/fwd into 2021/22</b></p> <p><b>3. Hospital Acute Services (Set Aside)</b></p> <p>As reported in the previous four years, arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance. A notional budget has been agreed and included in the annual accounts. This was a transitional arrangement for 2016/17 that was agreed by the Scottish Government to continue into 2020/21. In 2019/20 management agreed that the Set Aside group would be re-formed with representatives from the Senior Management of the IJB and NHSB however this has not happened.</p> <p><b>Risk</b> – the sum set aside in the annual accounts is not being managed by the IJB as expected by the legislation.</p>	<p>The IJB and NHSB should prioritise establishing revised processes for planning and performance management of set aside hospital functions and associated resources in 2021/22.</p>	<p><b>2021/22 response</b></p> <p>Outstanding</p> <p>The revised approach will be signed off for the new financial year as part of the financial approach supporting the new Strategic Commissioning Plan.</p> <p><b>2022/23 update</b></p> <p>Outstanding</p> <p>Work is planned for 2023/24.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>c/fwd into 2021/22</b></p> <p><b>6. Financial Ledger</b></p> <p>As we reported in the previous four years, the financial transactions of the IJB are currently based on transactions within the ledgers of NHSB and SBC, with the year-end accounts prepared based on workings recorded in a spreadsheet.</p> <p><b>Risk</b> – without a separate ledger for the IJB financial monitoring and reporting is not being carried out as efficiently as possible.</p>	<p>The IJB should continue to work with partner organisations to ensure savings plans are in place to support the budget for the year. The impact of Covid-19 should be monitored.</p>	<p><b>2021/22 response</b></p> <p>Outstanding</p> <p>This is not considered to be a priority given the focus required on strategic financial issues, such as agreeing a new approach to financial planning; reviewing the board’s reserves policy; updating the financial regulations; and convening a network group of finance staff from across the partnership to help identify opportunities All of these have been worked on in recent months. This action will be reconsidered during 2023.</p> <p><b>2022/23 response</b></p> <p>The CFO identified that this was not something which they wish to take forward.</p> <p><b>Closed</b></p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>c/fwd into 2021/22</b></p> <p><b>7. Governance – Ministerial Self Evaluation</b></p> <p>In March 2019 the Ministerial Strategic Group for Health and Community Care (MSG) issued a self-evaluation template as part of an evaluation of progress with the integration of health and social care. The IJB evaluated itself as being not yet established in one area, partly established in 15 areas, established in 6 areas and exemplary in no areas.</p> <p>An action plan has been put in place and was presented to the March 2020 audit committee. There has been no further update presented to the committee since the initial action plan was presented.</p> <p><b>Risk</b> – There is a risk that health and social care are not fully integrated, and this could lead to the IJB operating in an ineffective manner.</p>	<p>Progress on the implementation of the self-evaluation action plan should be reported periodically to the audit committee to ensure effective scrutiny of the progress the IJB is making.</p>	<p><b>2021/22 response</b></p> <p>Outstanding</p> <p>Internal Audit’s Annual Assurance Report for 2021/22 reported that following the submission of the SBIJB’s Ministerial Strategy Group (MSG) self-assessment, an action plan was presented to the IJB Audit Committee in March 2020, with progress reports due every six months. Whilst there has been progress on actions, formal updates on progress of the consolidated MSG improvement actions and Best Value areas of improvement action plan have not yet been provided. The Chief Officer is currently updating this.</p> <p>Agreed action: Internal Audit follow-up with IJB Chief Officer has identified specific tasks required and revised due date for completion. Internal Audit follow-up report will be presented in usual cycle to IJB Audit Committee in December 2022.</p> <p><b>2022/23 response</b></p> <p>A new self-evaluation was a carried out during March 2023. With this, a new improvement plan was prepared which supersedes the action plan from 2020.</p> <p><b>Closed</b></p>

# Scottish Borders Integration Joint Board

## 2022/23 Annual Audit Report

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