
SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2016/17

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

28 SEPTEMBER 2017

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2016/17.**
- 1.2 The audit appointment of Audit Scotland for Scottish Borders Council accounts includes the requirement to provide an auditor's report for the Council as well as related charities. KPMG has continued to provide the external audit of the Council subsidiaries SB Cares, SB Supports and Bridge Homes which are not registered charities. KPMG has concluded their Audit and have provided their audit opinion with no issues raised and no matters to report.
- 1.3 2016/17 represents the first year of Audit Scotland undertaking the External Audit of the Council's Annual Accounts with the process now completed. Audit Scotland has prepared the Annual Audit Report as attached on this agenda and has provided an unqualified independent audit opinion.
- 1.4 The Annual Audit Report summarises Audit Scotland's conclusions, including:
 - An unqualified audit opinion
 - Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, governance and transparency and value for money.
- 1.5 Audit Scotland identified four recommendations for improvement requiring action and these have been accepted by management and will be enacted within the agreed timescales.
- 1.6 As required under the Local Authority Accounts (Scotland) Regulations 2014, the audited Annual Accounts for Scottish Borders Council, Scottish Borders Council's Pension Fund, SBC Common Good Funds, the SBC Charitable Trusts, Bridge Homes LLP, SB Supports LLP and SB Cares LLP as contained in Appendices 1-6 have been presented to the Audit and Scrutiny Committee prior to signature.

2 RECOMMENDATIONS

2.1 It is recommended that Council approve the following audited Accounts:

- (a) the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2017 (Appendix 1);**
- (b) the Scottish Borders Council Common Good Funds' (Charity SC031538) audited Annual Accounts for the year to 31 March 2017 (Appendix 2);**
- (c) the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(i));**
- (d) the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(ii));**
- (e) the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(iii));**
- (f) the Thomas Howden Wildlife Trust (Charity SC015647) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(iv));**
- (g) the Ormiston Trust for Institute Fund (Charity SC019162) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(v));**
- (h) the Scottish Borders Council Charity Funds' (Charity SC043896) audited Annual Accounts for the year to 31 March 2017 (Appendix 3(vi));**
- (i) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2017 (Appendix 4);**
- (j) the SB Supports LLP audited Annual Accounts for the year to 31 March 2017 (Appendix 5 (i));**
- (k) the SB Cares LLP audited Annual Accounts for the year to the 31 March 2017 (Appendix 5 (ii)); and**
- (l) the Scottish Borders Council's Pension Fund audited Annual Accounts for the year to 31 March 2017 (Appendix 6).**

3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2016/17 were submitted to Audit Scotland and KPMG, the External Auditors, before the statutory deadline of 30 June 2017, following presentation of the draft accounts to the Audit and Scrutiny Committee at the June 2017 meeting. External Auditors began their detailed audit work in July 2017 and this was completed by the beginning of September 2017.
- 3.2 As part of the statutory requirements the Council is required to advise the public of their right to inspect and object to the various sets of accounts and their supporting papers and make the documents available for inspection. This process was undertaken following the timetable contained in the 2014 Regulations and the inspection period commenced on 3 July 2017. No objections to the Annual Accounts were received during the Public Inspection period.
- 3.3 The Council must meet the Local Authority Accounts (Scotland) Regulations 2014 (the 2014 Regulations) requirement to have the audited Annual Accounts approved by the local authority or the Committee with responsibility for audit or governance prior to signature on the 30 September 2017. As a result this report was presented to the Audit and Scrutiny Committee on the 25th September 2017 and is subsequently being presented to this full Council meeting on the 28th September 2017.
- 3.4 Following approval, the 2014 Regulations have the following requirements as set out in Part 3 Section 10 (3):
- Immediately **following the approval of the Annual Accounts** for signature, the statements which form part of those accounts are to be signed and dated as follows—*
- (a) *the management commentary by the Section 95 Officer, the Chief Executive and the Leader of the Council;*
 - (b) *the statement of responsibilities by the Leader of the Council and the Section 95 Officer, who must also certify the matters referred to in paragraphs (5) and (6) respectively;*
 - (c) *the annual governance statement by the Chief Executive and the Leader of the Council;*
 - (d) *the remuneration report by the Chief Executive and the Leader of the Council; and*
 - (e) *the balance sheets by the Section 95 Officer, to authorise publication of the financial statements.*
- 3.5 These requirements apply to the Annual Accounts of the Local Authority and not to the charity or limited liability partnership accounts, although these have similar signatory requirements. The Section 95 Officer for Scottish Borders Council is the Chief Financial Officer.
- 3.6 This report presents audited copies of:
- **Scottish Borders Council** Annual Accounts for year ending 31 March 2017 (Appendix 1)
 - **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2017 (Appendix 2)
 - **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the

year to 31 March 2017 (Appendix 3(i))

- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2017 (Appendix 3 (ii))
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2017 (Appendix 3 (iii))
- **Thomas Howden Wildlife Trust** (Charity SC015647) Annual Accounts for the year to 31 March 2017 (Appendix 3 (iv))
- **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2017 (Appendix 3 (v))
- **Scottish Borders Council Charity Funds'** (Charity SC043896) Annual Accounts for the year to 31 March 2017 (Appendix 3 (vi))
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2017 (Appendix 4);
- **SB Supports** Annual Accounts for the year to 31 March 2017 (Appendix 5 (i))
- **SB Cares** Annual Accounts for the year to the 31 March 2017 (Appendix 5 (ii))
- **Scottish Borders Council's Pension Fund** Annual Accounts for year ending 31 March 2017 (Appendix 6)

3.7 It is a statutory requirement to publish all of the sets of audited annual accounts, and the 2014 Regulations require this to be done no later than 31st October 2017. In addition those relating to registered charities are required to be submitted to the Office of the Scottish Charity Regulator (OSCR).

4 EXTERNAL AUDITOR'S ANNUAL REPORT 2016/17

- 4.1 Audit Scotland and KPMG have now completed their audits and all of the Annual Accounts contained in Appendices 1 – 6 have received an unqualified independent audit opinion.
- 4.2 KPMG has concluded their Audit of SB Cares, SB Supports and Bridge Homes and have provided their audit opinion with no issues raised and no matters to report.
- 4.3 Audit Scotland's associated Annual Audit Reports of Scottish Borders Council, Pension Fund and subsidiary charities are presented on this agenda. As well as being unqualified, the report expresses the following headlines:
- Audit Scotland concur with management's accounting treatment and judgements;
 - Audit Scotland concluded positively in respect of financial management, financial sustainability, governance and transparency and value for money.
- 4.4 The Scottish Borders Council Annual Audit Report highlighted four specific recommendations for improvement. The areas in question are shown in Appendix 1 "Action Plan 2016/17" of the External Auditor's Annual Audit Report. The areas identified are:
- The Council should carry out a review of trusts assets to ensure that they are being accurately reported;
 - The Council should request that audited accounts for the group

entities are received earlier to allow audited figures be used for consolidation into the group accounts;

- The Council should try to ensure that savings are identified on a recurring basis so that pressures are not carried forward to future years;
- We would recommend that a degree of longer term scenario planning is included within the budgeting process.

These recommendations have been accepted by Management and will be enacted within the agreed timescales.

4.5 The Scottish Borders Council's Pension Fund Annual Audit Report highlighted 3 recommendations. The areas in question are shown in Appendix 1 "Action Plan 2016/17" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:

- Resource requirement of the Pension Fund should be assessed and addressed to ensure administration of the Fund is efficient and effective.
- The Internal Audit Annual Report should include a specific reference to Scottish Borders Council Pension Fund, as their work over the systems and controls in place at Scottish Borders Council covers the same systems for the Pension Fund, and the Pension Fund Governance statement refers to Internal Audit assurance over their controls and systems.
- CIPFA disclosure checklist and example accounts guidance should be used to ensure disclosures are complete.

These recommendations have been accepted by Management and will be enacted within the agreed timescales.

5 IMPLICATIONS

5.1 Financial

There are no additional direct financial implications for the Council arising from the approval of the Audited Annual Accounts or from the External Auditor's Annual Audit Report and it is expected that the actions contained in the Report will be carried out within existing resources.

5.2 Risk and Mitigations

There are no direct risks arising from the report apart from those identified in the External Auditor's Annual Audit Report. The planned management actions represent the mitigating actions which the Council will be taking.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 Carbon Management

There are no direct carbon emissions impacts as a result of this report.

5.6 Rural Proofing

This report does not relate to a new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Corporate Management Team has been consulted. In addition, the Chief Legal Officer and the Chief Officer Audit and Risk are being consulted and any comments received on the report will be presented to the Committee.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

| Name | Designation and Contact Number |
|--------------|--|
| Suzy Douglas | Financial Services Manager 01835 824000 X5881 |

Background Papers:

Previous Minute Reference: 28 June 2017 Audit and Scrutiny Committee
25 September 2017 Audit and Scrutiny Committee

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Corporate Finance Manager can also give information on other language translations as well as providing additional copies.

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