
SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2017/18

Report by Chief Financial Officer

SCOTTISH BORDERS COUNCIL

25 SEPTEMBER 2018

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2017/18.**
- 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 2017/18 represents the second 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 eight 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, SBC Common Good Funds, the SBC Charitable Trusts, Bridge Homes LLP, SB Supports LLP and SB Cares LLP and Scottish Borders Council's Pension Fund 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 2018;**
- (b) the Scottish Borders Council Common Good Funds' (Charity SC031538) audited Annual Accounts for the year to 31 March 2018;**
- (c) the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2018;**
- (d) the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2018;**
- (e) the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2018;**
- (f) the Ormiston Trust for Institute Fund (Charity SC019162) audited Annual Accounts for the year to 31 March 2018;**
- (g) the Scottish Borders Council Charity Funds' (Charity SC043896) audited Annual Accounts for the year to 31 March 2018;**
- (h) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2018;**
- (i) the SB Supports LLP audited Annual Accounts for the year to 31 March 2018;**
- (j) the SB Cares LLP audited Annual Accounts for the year to the 31 March 2018; and**
- (k) the Scottish Borders Council's Pension Fund audited Annual Accounts for the year to 31 March 2018.**

3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2017/18 were submitted to Audit Scotland and KPMG, the External Auditors, before the statutory deadline of 30 June 2018, following presentation of the draft accounts to the Audit and Scrutiny Committee at the June 2018 meeting. External Auditors began their detailed audit work in July 2018 and this was completed by the beginning of September 2018.
- 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 2 July 2018. A number of objections from one member of the public were received. Audit Scotland considered these could potentially constitute a valid objection to the accounts and considered the matters raised accordingly. They concluded that the objections raised did not identify any issues which had an impact on their opinion on the financial statements.
- 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 2018. As a result this report was presented to the Audit and Scrutiny Committee on the 24th September 2018 and is subsequently being presented to this full Council meeting on the 25th September 2018.
- 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 2018;
 - **Scottish Borders Council Common Good Funds** (Charity

- SC031538) Annual Accounts for the year to 31 March 2018;
- **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2018;
- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2018;
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2018;
- **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2018;
- **Scottish Borders Council Charity Funds'** (Charity SC043896) Annual Accounts for the year to 31 March 2018;
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2018;
- **SB Supports** Annual Accounts for the year to 31 March 2018;
- **SB Cares** Annual Accounts for the year to the 31 March 2018;
- **Scottish Borders Council's Pension Fund** Annual Accounts for year ending 31 March 2018.

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 2018. 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 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 eight specific recommendations for improvement. The areas in question are shown in Appendix 1 "Action Plan 2017/18" of the External Auditor's Annual Audit Report. The areas identified are:
- The Council should ensure that all assets in use are appropriately included in the correct system for depreciation to be automatically calculated;
 - The Council should ensure that Pension Fund asset values reported are as accurate as possible and that any potential differences due to

timing of information are adequately considered;

- The Council should ensure that there is appropriate supporting evidence available to support credit balances included in the balance sheet and carry out timely review of the creditors ledger to identify and correct for unexpected amounts;
- The Council should try to ensure that savings are identified on a recurring basis so that pressures are not carried forward to future years;
- The Council should ensure that work to address issues with the financial system (Business World) is completed as soon as possible;
- The Council should ensure that arrangements are in place to correct issues and deliver the planned changes through Digital Transformation. It should also make sure that the lessons learned from the ERP implementation are considered for future projects;
- The Council should ensure that work on complying with GDPR requirements is completed as soon as possible;
- The Following the Public Pound guidance and Financial Regulations should be updated.

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 six recommendations. The areas in question are shown in Appendix 1 "Action Plan 2017/18" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:

- Officers should prepare working papers directly within the Custodian spreadsheet that allows for linking of data. Where external sources of information are required, this should be clearly referenced;
- Management should ensure that investment asset values reported are as accurate as possible and that any potential differences due to timing of information are adequately considered;
- A process should be developed to ensure the existence of overseas pensioners can be validated;
- All notifications into the Council should be kept and recorded to ensure that all pension payments are stopped timeously when required;
- Procedures should be put in place to ensure controls are adequately reviewed and monitored by management to ensure their efficacy is maintained;
- Sufficient review of standing data input into systems should be carried out to ensure errors are identified and rectified.

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
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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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