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## **SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2018/19**

**Report by Chief Financial Officer**

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**SCOTTISH BORDERS COUNCIL**

**26 SEPTEMBER 2019**

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### **1 PURPOSE AND SUMMARY**

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2018/19.**
- 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.
- 1.3 2018/19 represents the third 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 two 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, Lowood Tweedbank Ltd and Scottish Borders Council's Pension Fund have been presented to the Audit and Scrutiny Committee prior to signature.
- 1.7 KPMG has concluded their audit of SB Cares, SB Supports and Bridge Homes and have provided their audit opinion. KPMG has concluded that the ongoing review of SBC Cares creates material uncertainty with regard to the status of SB Cares as a going concern and has included this comment in its audit opinion. Late in the audit process KPMG has identified a consistency issue with the actuarial valuation of pension fund liabilities for SB Cares. Regarding Bridge Homes KPMG have raised no issues and no matters to report.

## **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 2019;**
- (b) the Scottish Borders Council's Pension Fund audited Annual Accounts for the year to 31 March 2019;**
- (c) the Scottish Borders Council Common Good Funds' (Charity SC031538) audited Annual Accounts for the year to 31 March 2019;**
- (d) the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2019;**
- (e) the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2019;**
- (f) the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2019;**
- (g) the Ormiston Trust for Institute Fund (Charity SC019162) audited Annual Accounts for the year to 31 March 2019;**
- (h) the Scottish Borders Council Charity Funds' (Charity SC043896) audited Annual Accounts for the year to 31 March 2019;**
- (i) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2019;**
- (j) the SB Supports LLP audited Annual Accounts for the year to 31 March 2019;**
- (k) the SB Cares LLP audited Annual Accounts for the year to the 31 March 2019; and**
- (l) Lowood Tweedbank Ltd Annual Accounts for the 30<sup>th</sup> November 2018 to the 31 March 2019 (part year).**

### 3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2018/19 were submitted to Audit Scotland and KPMG, the External Auditors, before the statutory deadline of 30 June 2019, following presentation of the draft accounts to the Audit and Scrutiny Committee at the June 2019 meeting. External Auditors began their detailed audit work in July 2019 and this was completed by the beginning of September 2019.
- 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 1 July 2019. There were 4 objections to the accounts, these related to the Council's purchase of Lowood estate during the year and its measurement and disclosure in the accounts. Audit Scotland confirmed that the estate had been correctly accounted for as an addition in the year and concluded that the accounts were not materially misstated. At the year end the asset was valued in accordance with the accounting policies of the Council, which is in compliance with the Code of Practice on Local Authority Accounting in the UK 2018/19. As no further contractual commitments have been taken out in connection with the development of this site, there is no requirement for Note 12 to disclose future capital plans in connection with this site. Issues with disclosure of the purchase were corrected for the audited accounts. The final management commentary has been amended to reflect narrative around the Lowood purchase.
- 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 2019. As a result this report was presented to the Audit and Scrutiny Committee on the 23<sup>rd</sup> September 2019 and is subsequently being presented to this full Council meeting on the 26<sup>th</sup> September 2019.
- 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's Pension Fund** 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;and
- **Lowood Tweedbank Ltd** Annual Accounts for the 30th November 2018 to the 31 March 2019 (part year).

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 2019. 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 2018/19**

- 4.1 Audit Scotland has completed their audits and have provided 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. KPMG has concluded that the ongoing review of SBC Cares creates material uncertainty with regard to the status of SB Cares as a going concern and has included this comment in its audit opinion. Late in the audit process KPMG identified that the actuarial valuation of pension fund liabilities for SB Cares had been undertaken on a different basis from 2017/18 and figures are being revised accordingly. Regarding Bridge Homes KPMG have raised no issues 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 two specific recommendations for improvement. The areas in question are shown in

Appendix 1 "Action Plan 2018/19" of the External Auditor's Annual Audit Report. The areas identified are:

- The Council should carry out timely review of the creditors ledger and reconcile payroll amounts during the year;
- The Council should review the Following the Public Pound guidance to ensure that it is still appropriate and available to relevant staff.

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 five recommendations. The areas in question are shown in Appendix 1 "Action Plan 2018/19" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:

- Management should perform monthly reconciliations across payroll to ensure all balances are investigated and adjusted when necessary.
- The pensions paid figure should be reconciled month on month and variances to the ledger investigated. Management should perform monthly reconciliations between the pensions paid figure and the ledger.
- Resource requirement of the Pension Fund should be assessed within both departments and addressed to ensure administration of the Fund is efficient and effective.
- Pensions Committee and Pension Board members should ensure that they keep their pensions knowledge up to date and take advantage of the training and development opportunities offered.
- Procedures should be put in place to ensure controls are adequately reviewed and monitored by management to ensure their efficacy is maintained.

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:** 25 June 2019 Audit and Scrutiny Committee  
23 September 2019 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 Financial Services Manager can also give information on other language translations as well as providing additional copies.

Contact us at: Suzy Douglas, Financial Services Manager, Scottish Borders Council, Council HQ, Newtown St Boswells, Melrose TD1 0SA, 01835 824000 X5881, [sdouglas@scotborders.gov.uk](mailto:sdouglas@scotborders.gov.uk)