
SB CARES LLP AND SB SUPPORTS LLP ANNUAL ACCOUNTS 2018/19

Report by Chief Operating Officer, SB Cares

Audit and Scrutiny Committee

25 November 2019

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the SB Cares LLP and SB Supports LLP audited Annual Accounts for 2018/19.**
- 1.2 The audit appointment of KPMG for SB Cares accounts includes the requirement to provide an Auditor's report attached.
- 1.3 This report is tabled separately for discussion and as the final signed accounts for SB Cares for 2018/19 as the accounts were draft when submitted to Council on 26 September 2019.
- 1.4 These accounts represent the fourth year of KPMG undertaking the External Audit of the SB Cares LLP's Annual Accounts with the process now completed. KPMG has prepared the Annual Audit Report as attached on this agenda and has provided an unqualified independent audit opinion.
- 1.5 The Annual Audit Report summarises KPMG's conclusions, including:
 - give a true and fair view, of the state of affairs of the LLP as at 31 March 2019 and of its loss for the year then ended;
 - have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
 - have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.
- 1.5 KPMG identified five recommendations requiring action and these have been accepted by management. These will be dealt with as a result of the transfer to SBC.

- 1.6 As reported to Scottish Borders Council on 26 September 2019 the SB Cares accounts were unsigned at that point due to KPMG identifying a consistency issue with actuarial valuation of the pension fund liabilities for SB Cares late in the audit process. A further actuarial report was requested from Hymans Robertson and the accounts were subsequently signed on 30 October 2019. There is no adjustment to the consolidated Council accounts as reported.

2 RECOMMENDATIONS

2.1 It is recommended that Audit & Scrutiny Committee discuss and note the following signed accounts:

- (a) the SB Cares LLP audited Annual Accounts for the year to 31 March 2019;**
- (b) the SB Supports LLP audited Annual Accounts for the year to 31 March 2019.**

3 BACKGROUND

- 3.1 The unaudited accounts for 2018/19 were submitted to KPMG, the LLP's External Auditors, by June 2019. Detailed audit work commenced in July 2019 and this was completed by the beginning of October 2019.
- 3.2 Prior to final sign off on 30 October 2019 the External Auditors were notified of a forthcoming report to Council on the future of SB Cares. KPMG also identified a consistency issue with the actuarial valuation submitted to SB Cares by Hymans Robertson of the pension fund liabilities for SB Cares late in the audit process. A further actuarial report was therefore requested from Hymans Robertson and the accounts have subsequently been signed on 30 October 2019.
- 3.3 The annual reports narratives have been updated to reflect the decision of Scottish Borders Council on 26 September 2019 to reintegrate SB Cares back into Scottish Borders Council. To that end, in line with accountancy standards, the accounts are now prepared on a not going concern basis in light of the decision that SB Cares will cease and not operate for another 12 months from the date of signing the accounts.

4. EXTERNAL AUDITOR'S ANNUAL REPORT 2018/19

- 4.1 KPMG has completed their audits and have concluded the accounts provide a true and fair view.
- 4.2 KPMG has approved that the Members have not prepared the financial statements on a going concern basis for the reasons set out in the Members report. The report detailed a full report was submitted by Council Officers and approved by Members at the Scottish Borders Council meeting to reintegrate both of the LLPs back into Scottish Borders Council on 1 December 2019. There was no impact on the financial statements as a result of this reporting change. Members have agreed to voluntarily terminate SB Cares and SB Supports LLPs on 1 December 2019 and begin the process of reintegrating the services delivered, as well as the assets and liabilities held, by the LLPs into the Council from that date.
- 4.3 The SB Cares LLP's Audit Report highlighted five recommendations. The areas in question are shown in Appendix 2 "Control Improvement Points" of the External Auditor's Audit Highlight Memorandum Report. The areas identified are:
 - 4.3.1 It is recommended that a review control incorporating segregation of duties is implemented in the journals authorisation process.
We note that this functionality will be included in the new finance system expected to be implemented during financial year 2019-20.
 - 4.3.2 It is recommended that a fixed asset register is created and maintained, and that assets are tagged and their location recorded when placed into domestic homes or care homes for use.
We note management has undertaken a project to implement a fixed asset registration and tagging control during financial year 2019-20.

4.3.3 It is recommended that balance sheet reconciliations are completed on a timely basis each month, reviewed by a more experienced staff member and signed (either physically or electronically) to evidence this review.

We note that following changes to the finance team in financial year 2018-19, this was identified and management have undertaken urgent steps to reconcile the balance sheet, making clean up adjustments as appropriate for the 31 March 2019 financial statements. Additionally, balance sheet reconciliations have been completed monthly since May 2019.

4.3.4 We recommend that a process is implemented to evidence and record management review of the payroll reconciliations, either through printing and physically signing the payroll reconciliation (or summary sheet for all reconciliations), or another method which would evidence this electronically.

4.3.5 We recommend that on an annual basis when the actuarial valuation is completed and the actuary's report received, that management undertake a formal review of the report to ensure they are satisfied with the accuracy and appropriateness of the membership data, return on investment and cash flow data in the actuary's valuation report.

Recommendation 3 was implemented prior to the audit report as identified by management and Recommendation 2 was a project identified and raised with auditors. Recommendation 1, 4 and 5 will be implemented as result of movement onto Business World and transfer back to SBC.

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

The External audit report has highlighted areas of risk that the Management Team now seek to mitigate as described in Section 4.3.

SB Cares follows the Council's Corporate Risk Management Framework and holds a Risk Register, reviewed quarterly and was regularly presented to the SB Cares Board. The Management Team will continue to work with the Corporate Risk Officer to ensure that further risks are identified and so mitigated during the transition back into the Council.

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 Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR, the Clerk to the Council, Corporate Communications and members of CMT have been consulted and any comments received will be incorporated into the final report.

Approved by

Name: Jen Holland **Signature**
Title: Chief Operating Officer

Author(s)

Name	Designation and Contact Number
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Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. The Chief Operating Officer can also give information on other language translations as well as providing additional copies.

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