

SCOTTISH BORDERS COUNCIL

28 SEPTEMBER 2015

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2014/15.**
- 1.2 The Council's External Auditors, KPMG, have now completed the audit of the Council's 2014/15 Annual Accounts. KPMG have prepared the Annual Audit Report (see Item 5(a) on Agenda) and have provided an unqualified independent audit opinion.
- 1.3 The Annual Audit Report summarises KPMG's conclusions, including:
- An unqualified audit opinion
 - The Accounts have been prepared in accordance with relevant legislation, Codes of Practice and accounting requirements
 - High quality working papers
- 1.4 KPMG identified four Grade 3 (minor) recommendations requiring action and these have been accepted by management and will be enacted within the agreed timescales.
- 1.5 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 and Bridge Homes LLP as contained in Appendices 1-4 were presented to the Audit & Risk Committee and approved by the Executive Committee on 29 September 2015 prior to signature.

2 RECOMMENDATIONS

- 2.1 **It is recommended that Council note the following:**
- (a) **the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2015;**
 - (b) **the Scottish Borders Council Common Good Funds' (Charity SC031538) audited Annual Accounts for the year to 31 March;**
 - (c) **the following audited Group and Subsidiary Bodies Accounts :**
 - (i) **SBC Welfare Trust (Charity SC044765)**
 - (ii) **SBC Education Trust (Charity SC044762)**
 - (iii) **SBC Community Enhancement Trust (Charity SC044764)**

- (iv) the Thomas Howden Wildlife Trust (Charity SC015647)**
- (v) the Ormiston Trust for Institute Fund (Charity SC019162)**
- (vi) Scottish Borders Council Charity Funds' (Charity SC043896)**
- (vii) the Bridge Homes LLP**

3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2014/15 were submitted to KPMG, the External Auditors, before the statutory deadline of 30 June 2015, following presentation of the draft accounts to the Audit & Risk Committee at the June meeting. KPMG began their detailed audit work in July and this was completed by the beginning of September.
- 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 new timetable contained in the 2014 Regulations and the inspection period commenced on 1 July 2015. No competent 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 2015. It has been identified that the Council's Scheme of Administration does not provide this authority to the Audit & Risk Committee and the next Council meeting is not until the 7 October 2015. As a result Emergency Powers have been sought to seek approval to amend the scheme of Administration on a temporary basis to enable the Council, Pension Fund, Common Good and Trust fund 2014/15 accounts to be submitted for approval to the Executive committee on the 29 September, following consideration by the Audit committee thereby ensuring compliance with the statutory deadline of the 30 September 2015.
- 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 proper officer, the Chief Executive and the Leader of the Council;*
- (b) the statement of responsibilities by the Leader of the Council and the proper 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 proper officer, to authorise publication of the financial statements.*

These requirements apply to the Annual Accounts of the Local Authority and not to the charity or limited liability partnership accounts, although there are similar type signatory requirements. The proper officer for Scottish Borders Council is the Chief Financial Officer.

3.5 This report presents audited copies of:

- **Scottish Borders Council** Annual Accounts for year ending 31 March 2015
- **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2015
- **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2015
- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2015
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2015
- **Thomas Howden Wildlife Trust** (Charity SC015647) Annual Accounts for the year to 31 March 2015
- **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2015
- **Scottish Borders Council Charity Funds'** (Charity SC043896) Annual Accounts for the year to 31 March 2015
- **Bridge Homes LLP** Annual Accounts for the period 7 February 2014 to 31 March 2015

3.5 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 2015. 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 2014/15

- 4.1 KPMG has now completed their audit, and I am pleased to report that the all of the Annual Accounts have received an unqualified independent audit opinion.
- 4.2 KPMG's associated Annual Audit Report is also presented on the Agenda. As well as being unqualified, the report expresses the following headlines:-
- Statements supported by high quality working papers
 - Statements are compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15
 - The Management Commentary was in line with guidance, contained a readily understandable overview of the Council and was presented clearly, with good use of tables and graphs.
 - KPMG were content with management's judgements and accounting treatment of the specific areas of audit focus.

4.3 The Annual Audit Report highlighted four specific recommendations together with graded risks. The areas in question are shown in Appendix 4 "Action Plan" of the External Auditor's Annual Audit Report. The areas in question are:-

- Transport Infrastructure Assets Grade 3 (Minor)
- Fixed Asset Reconciliation Grade 3 (Minor)
- National Fraud Initiative Grade 3 (Minor)
- Financial Capacity in Public Bodies Grade 3 (Minor)

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

As stated in paragraph 3.3 an Emergency Powers has been prepared to seek approval to amend the Scheme of Administration on a temporary basis with regard to the approval of the 2014/15 Annual Accounts.

6 CONSULTATION

6.1 The Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council 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)

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Background Papers:

Previous Minute Reference: 29 September 2015 Executive 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.

Contact us at: Lynn Mirley, Corporate Finance Manager, Scottish Borders Council, Council HQ, Newtown St Boswells, Melrose TD1 0SA, 01835 825016, treasuryteam@scotborders.gov.uk