

Scottish Borders Council

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Scottish Borders Council and the Controller of Audit

October 2021

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Key messages

2020/21 annual accounts

- 1 Our audit opinions on the annual accounts of the council, its group and the six section 106 charities administered by the council are unmodified.

Financial management

- 2 The council has appropriate and effective financial management and has a good track record of delivering services within budget. It operated within revised budget having received additional funding of £27.0 million from the Scottish Government, £15.7 million of which has been carried forward as earmarked reserves for 2021/22.

Financial Sustainability

- 3 The Covid-19 pandemic has had a significant impact on the short-term finances of the council and the impact of this on medium/longer term planning is still to be fully evaluated.

Governance and transparency

- 4 The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.

Best Value

- 5 The council has an appropriate and effective best value framework in place.
- 6 Our Best Value Assurance Report on the council was published in October 2019 and found that the council had made steady progress since the previous Best Value report. The council has an action plan in place to address the recommendations from the report. Progress on implementing the action plan has been limited during 2020/21 as the council responded to the Covid-19 pandemic.

Introduction

1. This report summarises the findings arising from the 2020/21 audit of the Scottish Borders Council (the council) and its group.
2. The scope of the audit was set out in our 2020/21 Annual Audit Plan presented to the meeting of the Audit and Scrutiny Committee on 8 March 2021. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.
3. The main elements of our audit work in 2020/21 have been:
 - an audit of the annual accounts of the council and its group including the statement of accounts of the six section 106 charities administered by the council and the issue of independent auditor's reports setting out our opinions
 - a review of the council's key financial systems
 - audit work covering the council's arrangements for securing best value
 - consideration of the four audit dimensions.
4. The global coronavirus pandemic has had a considerable impact on the Scottish Borders Council during 2020/21. This has had significant implications for the services it delivers, sickness absence levels, and the suspension of non-essential projects and activities, such as capital construction. Risks related to the pandemic were included in our Annual Audit Plan and revisited on receipt of the unaudited accounts. No new emerging risks were identified on receipt of the unaudited accounts.

Adding value through the audit

5. We add value to the council through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

6. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

7. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the council's performance management arrangements
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and
- Best Value arrangements.

10. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#). and supplementary guidance.

11. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the

professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £287,500 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of the council, its group and the six section 106 charities administered by the council are unmodified.

Our audit opinions on the annual accounts are unmodified

15. The accounts for the council and its group for the year ended 31 March 2021 are due to be approved by the council on 28 October 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The Covid-19 pandemic had no impact on audit evidence

16. The working papers provided with the unaudited accounts were of a good standard and finance staff provided support to the audit team. This helped ensure that the audit of the annual accounts process ran smoothly. Due to social distancing requirements, and applying modern technology, the audit was conducted remotely.

17. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by remote working and we were able to obtain the evidence we required.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

18. As a result of the continuing impact of Covid-19, the submission deadlines for Local Government audited annual accounts and annual audit reports have been set at 30 November 2021.

19. The council chose to submit the unaudited accounts in line with the normal timetable. The unaudited annual report and accounts were received in line with our agreed audit timetable, on 29 June 2021.

20. Although later than first planned, the audited annual accounts are due to be signed off a month later than the normal timetable and in line with the revised timetable permitted to reflect the impact of Covid-19.

Our audit opinions on Section 106 charities were unmodified

21. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities' legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Scottish Borders Council are sole trustees, irrespective of the size of the charity.

22. When the unaudited accounts were presented to the Audit and Scrutiny Committee on 29 June 2021, members noted the expenditure in some charities during 2020/21 was not as high as they would have expected, given the purpose of these charities is to generate an income for community use. The council is currently working on ways to increase awareness of these charities and the funding on offer amongst the communities they serve.

23. Our testing of the Common Good Fund identified a historic error of £0.1 million relating to the valuation of common good assets, which has not been adjusted for in the 2020/21 accounts for both the council and Common Good Fund accounts. Whilst this amount is above performance materiality for the Common Good Fund accounts, it is well below overall materiality for both the Common Good and council accounts and is judged to be an isolated error. Therefore, our audit approach was not modified.

24. Due to Covid-19, the council has made limited progress in 2020/21 in reducing the number of section 106 charities.

25. Our audit opinions on the Section 106 charities are unmodified.

There were no objections raised to the annual accounts

26. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations. There were no objections to the 2020/21 accounts.

Whole of Government Accounts

27. HM Treasury have informed local government bodies in Scotland that the data collection tool, to facilitate the Whole of Government Accounts return, will not be available until December 2021 at the earliest. When the data tool is available and the return is available for audit, we intend to complete the required assurance statement and submit it to the National Audit Office.

Overall materiality is £4 million

28. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit. We also apply the concept of materiality to uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

29. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

30. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Planning Amount (based on 2019/20 accounts)	Revised Amount (based on 2020/21 accounts)
Overall materiality	£3.8 million	£4 million
Performance materiality	£2.3 million	£2.4 million
Reporting threshold	£95 thousand	£100 thousand

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work performed to address these

31. [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

Significant findings from the audit in accordance with ISA 260

32. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. These are summarised in [Exhibit 2](#) and are included in the action plan at [Appendix 1](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Asset valuations</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £607 million. The council has a five-year rolling valuation programme as detailed in Note 12 of the accounts.</p> <p>In line with the Council's asset policy, assets were revalued at 1 April 2020.</p> <p>As 2020/21 has been an exceptional year with the Covid-19 pandemic, which affected how the council operated, we needed further evidence for the asset values at 31 March 2021. The valuer's certificate also included material uncertainty which was inconsistent with the latest guidance from the Royal Institute of Chartered Surveyors (RICS).</p>	<p>We sought additional information from the valuer that asset values remained unchanged in the 12 months to 31 March 2021. The valuer confirmed values remained unchanged, and also updated their certificate to remove material valuation uncertainty.</p> <p>Note 12 of the accounts was amended to remove material valuation uncertainty which reflects the latest guidance from RICS. Whilst uncertainty remains, there is better information available on labour and material costs, in the 18 months since the Covid-19 pandemic began.</p> <p>We considered the evidence in its wider context and confirmed that the asset values for the council were consistent with RICS guidance.</p> <p>We also sought assurances from the Director Finance and Corporate Governance that there had been no impairment on other asset categories not subject to revaluation this year and that values had not changed significantly in the 12 months since 1 April 2020.</p> <p>Recommendation 1</p> <p>The council should: review their asset policy and consider valuing assets at year ending 31 March, rather than year beginning 1 April, to remove uncertainty in asset values; and consider valuing 20% of each asset category annually rather than each asset category every five years which can lead to large swings in asset values.</p> <p>(refer Appendix 1, action plan 1)</p>

Issue	Resolution
<p>2. Assets on common good land</p> <p>A judicial review, published in August 2020 relating to Angus Council, concluded that all council assets built on Common Good land cannot be considered as owned separately from the land they stand on and are therefore Common Good assets. This is a new legal ruling with wide ranging impact on all Common Good funds across Scotland.</p> <p>Scottish Borders Council has a number of operational assets which stand on Common Good land. The full list of affected assets is still to be determined. The council is in the process of reviewing the legal and accounting implications of the judicial ruling and expects to conclude the process in time for the preparation of the 2021/22 accounts.</p>	<p>Operational assets which stand on Common Good land and are used to deliver council services can be considered in substance, if not legal form, to be finance leases, i.e. the council bears all the risks and rewards of asset ownership, even though the Common Good is the legal owner. Assets leased under finance leases are shown on the Balance Sheet of the lessee, so the 2020/21 council accounts, which include these assets in the Balance Sheet and Note 12 Property, Plant and Equipment, are not likely to be materially misstated.</p> <p>Recommendation 2</p> <p>(refer Appendix 1, action plan 2)</p> <p>The council should conclude the process of reviewing the legal and accounting implications of the judicial ruling by March 2022 and make any accounting adjustments in the 2021/22 annual accounts of the council and Common Good Funds.</p>
<p>3. Internal recharges to the capital budget</p> <p>Through our testing of new assets we learned that they included some internal recharges to capital expenditure, for work such as architect fees and road overlays. However, the evidence to support the amounts recharged was not clear or comprehensive.</p>	<p>The council should revisit the rationale and calculations to confirm the basis for recharges remains relevant and accurate so that the amount that has been capitalised is defensible.</p> <p>Recommendation 3</p> <p>(refer Appendix 1, action plan 3)</p>
<p>4. Scottish Water balance</p> <p>The council collects water/sewage rates on behalf of Scottish Water as an agency arrangement as part of Council Tax collection. In the accounts, Note 30 Creditors includes a £1.0 million debtor balance relating to Scottish Water for water/sewage amounts written off as part of council tax write offs. The write offs are mostly historic from 2014/15 onwards.</p>	<p>Management have agreed to liaise with Scottish Water to address this matter.</p> <p>Recommendation 4</p> <p>(refer Appendix 1, action point 4)</p>
<p>5. Non-Domestic Rates (NDR)</p> <p>Councils collect non-domestic rates on behalf of the Scottish Government who then distribute funding to councils based on council mid-year forecasts of collection, and policy decisions in the Scottish Budget. At 31 March, the debtor/creditor from/to the Scottish Government</p>	<p>The council should do further work and analysis to ensure that they are fully consistent with the Code.</p> <p>Recommendation 5</p> <p>(refer Appendix 1, action point 5)</p>

Issue	Resolution
<p>is calculated as the difference between the actual amount collected from non-domestic rate payers and the mid-year estimate forecast to the Scottish Government.</p> <p>Our testing found that the calculation of the debtor is not consistent with the Code. Specifically, the balance in Note 30 Other Receivables, relating to NDR includes taxpayers' debt rather than what the council is due to receive from or pay to the Scottish Government.</p> <p>The council also reports the year end position to the Scottish Government in the form of a return, which we audit separately each year.</p>	

Source: Audit Scotland

Identified misstatements of £0.7 million were not adjusted in the accounts; these were less than our performance materiality and we did not need to revise our audit approach

33. There were a number of presentational adjustments to the unaudited annual report and accounts arising from our audit. These were discussed with senior officials who agreed to make the necessary changes.

34. The aggregate of individual misstatements (errors) identified in excess of our 'reporting threshold' (£0.1 million) were £0.7 million. [Appendix 3](#) provides further details on these items. It is our responsibility to request that all misstatements, other than those below the reporting threshold are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have not adjusted the accounts for these errors as the net impact on the overall financial position is nil.

35. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. The aggregate of individual misstatements of £0.7 million is well below performance materiality of £2.4 million. Therefore, we did not need to revise our audit approach.

Progress was made on prior year recommendations

36. The council has made reasonable progress towards implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Main judgements

The council has appropriate and effective financial management and has a good track record of delivering services within budget. It operated within revised budget having received additional funding of £27.0 million from the Scottish Government, £15.7 million of which has been carried forward as earmarked reserves for 2021/22.

The council operated within budget in 2020/21

37. The council approved its 2020/21 budget in February 2020. The net expenditure budget was set at £297.8 million, with required savings of £8.1 million.

38. The council has a good track record in delivering services within budget over a number of years. The actual outturn for the year was expenditure of £275.6 million, which was an underspend of £2.5 million against the revised budget of £278.1 million for the year. The budget was revised downwards as a number of balances were earmarked for use in 2021/22 and carried forward to support the council's ongoing response to the pandemic.

39. While the council's spending has remained in line with its overall budget, there are variations in how different services have performed.

40. Examples of (under) and overspends are summarised in [Exhibit 3](#).

Exhibit 3

Summary of under/overspends against budget

Area	£m	Reason for variance
Underspends		
Assets & Infrastructure	(£1.202)	A number of services required less Covid-19 support funding than anticipated
Finance & Corporate Services	(£0.955)	Less borrowing than planned, and reduced interest rates contributed to

Area	£m	Reason for variance
an underspend in loans charges, along with additional staff turnover.		
Overspends		
Health and Social Care	£0.070	Higher than anticipated running costs for provision of care for older people and higher than anticipated running costs for SB Cares and community support services.

Source: Scottish Borders Council 2020-21 Outturn

The Covid-19 pandemic had a significant impact on the 2020/21 budget

41. The impact on public finances of the pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

42. The pandemic had a significant impact on the council's 2020/21 budget. In June 2020 the council reported that financial savings would be key to achieving financial stability. Sources of income for the council were adversely affected, including the ability of SB Contracts to trade during parts of the year. Council tax collection rates reduced by £0.7 million (1.25% reduction) and Non-Domestic Rates collection reduced by £0.9 million (3.66% reduction). Bad debt provisions remained at 1.2% for 2020-21 as the council consider the collection rates to have been affected by timing, with enforcement action paused and more payments delayed into the following year.

43. As part of the response to the pandemic, the council carried out an in-year budget review based on the financial position at the end of June 2020 to re-align resources. Senior officers sought approval from the council for this approach in August 2020. As part of this exercise, budget pressures of £20.4 million were anticipated alongside resources of £19.1 million comprised of in-year savings of £14.8 million and Scottish Government funding of £5.6 million. A residual budget pressure of £1.4 million was identified from this review.

44. By 31 March 2021, the council received £27.0 million in additional funding from the Scottish Government and having spent £11.3 million during 2020/21, the remaining £15.7 million was carried into 2021/22 through the Covid-19 reserve.

45. The council did not use furlough and a June 2020 council report showed that 355 staff members were redeployed.

46. By 31 March 2021, the council paid out £53 million in grant support on behalf of the Scottish Government, with the three largest grant schemes being the Business Grant Scheme, £33 million; Strategic Framework Business Fund, £10.5 million; and the Retail, Leisure and Hospitality top up grant, £6.5 million. This is detailed further in the management commentary and Note 9 of the accounts.

47. This £53 million is excluded from the Comprehensive Income and Expenditure statement (CIES) as these funds were paid out as an agency arrangement on behalf of the Scottish Government. The disclosures in the accounts are considered sufficient.

48. The £53 million includes half a million relating to the £500 thank-you payment to social care workers accrued to 2020-21 and reported as an agency payment in Note 9 on behalf of the Scottish Government. The council received this funding and made the payment in May 2021 (2021/22 financial year). Our view is that, in line with the latest LASAAC guidance, the council should disclose this as a 2021/22 agency transaction and remove it from the 2020/21 accounts. The council felt the earlier decision agreed between local government finance directors reflected the activity in the 2020/21 year and did not want to change their accounts. Refer [Appendix 3](#).

49. In their procurement annual report, the council reported that their procurement team, working alongside Business Gateway, developed a process to make payment of these business grants. Across Scotland, local authorities were under pressure to facilitate payment of these grants within a very short period of time to support the local economy. The process was further developed over the following months with the Customer and Communities team taking over the administration of applications from Business Gateway.

50. The council also reported that a cross functional team was created to consider the sourcing, supply and distribution of Personal Protective Equipment (PPE), and cleaning materials across all services of the council. This involved developing a profile of the anticipated demands using up to date market intelligence from suppliers and product availability. The council worked with the Scottish Government, Scotland Excel and NHS Shared Services.

Reserves

51. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the council increased from £30.1 million in 2019/20 to £48.2 million in 2020/21. This increase is largely due to the underspend of £2.5 million delivered against the financial plan, and the carry forward of £15.7 million additional funding from the Scottish Government for Covid-19, for use in 2021/22.

52. The general fund is the largest reserve and is used to fund the delivery of services. It provides a contingency to meet unexpected expenditure and a working balance to help cushion the impact of such expenditure.

53. The council reviews the level of its uncommitted reserves when setting the budget each year. The review is based on an assessment of corporate risks, with each risk being assigned a likely financial amount as well as a likelihood of

the risk occurring. As part of the budget setting process for 2021/22 the Corporate Financial Risk Register was considered by the council in March 2021. At this time the financial risk was assessed as being £12.8 million. The unallocated general fund balance of £6.3 million is sufficient to cover 49% of these risks at that time, which is similar to the prior year position which covered 52% of the assessed risks at that time.

54. We consider the council's approach to reserves to be good practice and are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level.

Planned efficiency savings were achieved

55. With reduced core funding from government and increasing demands for services, efficiency savings are an important means of bridging the gap between funding received and spending commitments. The Executive Committee receives quarterly updates on savings during the year which provides an effective means of scrutinising the achievement of planned savings.

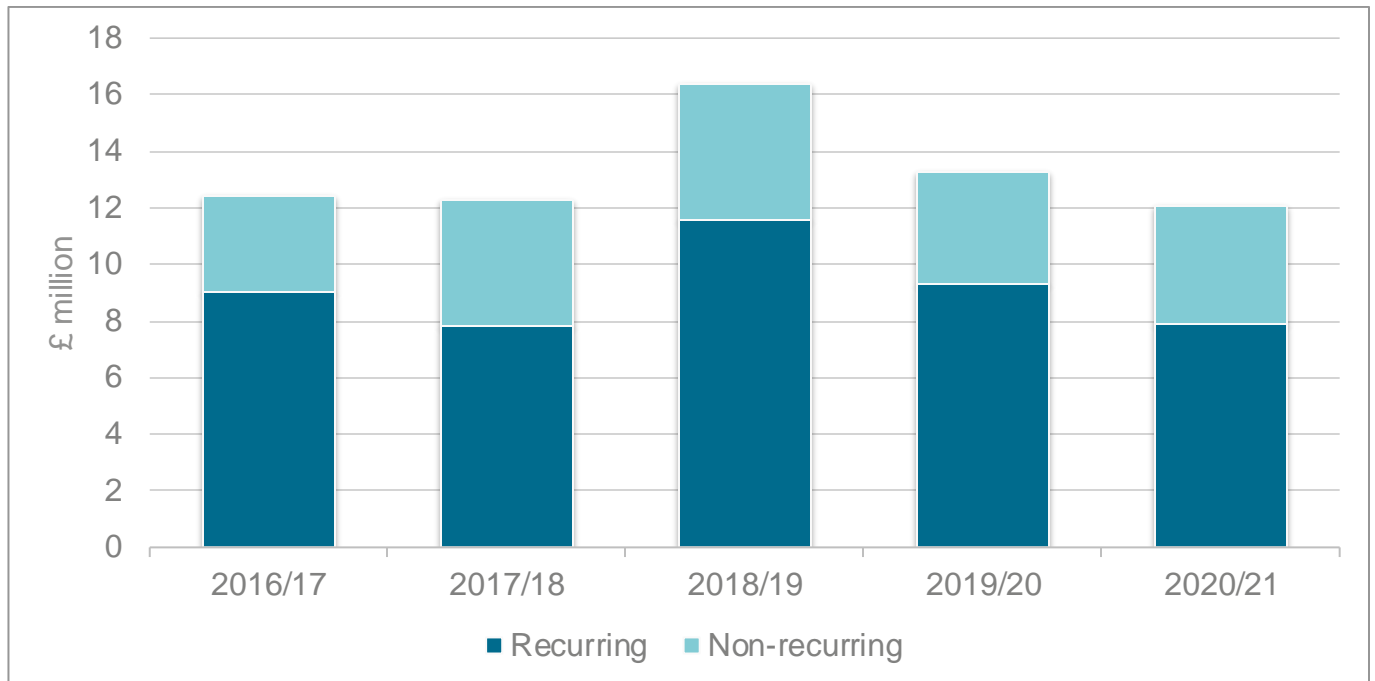
56. The council has responded well to the challenges it has faced and has a good track record of delivering savings each year. Delivering savings during 2020/21 was an important strategy for the council in maintaining financial stability when demands on services and funding levels in response to Covid-19 were uncertain.

57. Savings of £12.1 million were reported as delivered during 2020/21. This is in line with the level of savings achieved by the council in recent years. Of this total, £7.9 million (66%) of savings were on a recurring (permanent) basis. Recurring savings are savings, that once achieved, recur year-on-year from that date.

58. As illustrated in [Exhibit 4](#), the council has continued to achieve a proportion of in-year savings on a non-recurring (temporary) basis, with £4.2 million (34%) achieved on a non-recurring basis in 2020/21, which is similar in percentage terms compared to the prior year (30%). Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

Exhibit 4

Savings – recurring and non-recurring



Source: Scottish Borders annual accounts

Capital expenditure reduced in 2020/21 as the council delayed capital investment projects into future years

59. The Council agrees a ten-year capital plan each year as part of its budget process. Total capital expenditure in 2020/21 was £54.8 million. Despite the pandemic, the council progressed key capital projects such as the Hawick Flood Protection Scheme, the Great Tapestry of Scotland and procurement of ICT software. The total capital spend was £9.5 million below the budget for the year of £64.3 million.

Borrowing levels increased slightly

60. At 31 March 2021, long term borrowing stood at £217 million, an increase of £10 million on the 2020 level of £207 million.

61. Total external debt, which includes the council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy. The current borrowing position complies with the Prudential Code, and the council will continue to consider the affordability of future borrowing.

Financial systems of internal control operated effectively

62. Our management report presented to the Audit and Scrutiny Committee on 29 June 2021 reported our findings from the review of systems of internal

controls. We concluded that the council has satisfactory systems of internal control in place. No significant internal control weaknesses were identified during the audit which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

63. Scottish Borders Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

64. The risk profile of public bodies during 2020/21 has been significantly affected by the pandemic. This is likely to have increased the risk of fraud and error as control environments and internal controls have had to change to allow for services to operate effectively and respond to issues in a timely manner. Internal audit adapted their audit plan to respond to management concerns around areas of heightened risk, and for example, undertook a review of the business grants processed by the council on behalf of the Scottish Government. Their review found that improvements should be made around the administration and recording of evidence and therefore, limited assurance was provided on three of the four grants reviewed.

65. The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, counter-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

66. We note the retiral of the Corporate Fraud & Compliance Officer during 2020/21. The council are currently considering options to widen counter fraud responsibilities across management. In the absence of a Corporate Fraud & Compliance Officer, the Integrity Group meet regularly and carried out a Covid-Fraud-Risks Control Assessment in 2020/21, the findings of which were reported to the Audit and Scrutiny Committee in March 2021. The council will also need to revise its counter fraud policy once it has agreed on its revised counter fraud arrangements.

National Fraud Initiative

67. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. The council received matches for investigation in January 2021 and in July 2021 and should have investigated recommended matches by 30 September 2021.

68. By September 2021, the council had not investigated any NFI matches due to ongoing capacity issues in the relevant service areas. Given that NFI included data matching on business grants this year, and that weaknesses were identified by Internal Audit in the control environment for processing these grants, the council should investigate a sample of matches to confirm no fraud or errors have been identified.

Recommendation 6

The council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error.

69. Instances of fraud and corruption can be particularly prevalent in the procurement function. As reported in our 2020/21 management report, we concluded that appropriate procurement procedures, controls and reporting arrangements are in place at the council, supported by a clear strategy and objectives.

Education Maintenance Allowance grant claim

70. As part of our audit, we certify the council's Education Maintenance Allowance (EMA) claim each year. For each of the last four years we have noted the council attendance records for pupils were not being adequately updated by schools and did not always match payment details during the year. Our testing for the 2020/21 grant claim found examples of inconsistencies in records of how absence reasons were applied which led to payment for some weeks and not others. However, we also noted improvements in record keeping compared to the prior year as a result of the work undertaken across the council to address our recommendation in last year's annual audit report. The council are looking at ways to better capture the audit trail for the payment. Management should continue to improve recording keeping for EMA payments.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

Main judgements

The Covid-19 pandemic has had a significant impact on the short-term finances of the council and the impact of this in medium/longer term planning is still to be fully evaluated.

The financial impact of the Covid-19 pandemic on the council will be significant

71. The financial impact of the pandemic on the council is likely to extend across several years and could include a reduction in income from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, public transport and parking. Challenges include rising demands for services, increasing costs of services and reductions in local government core funding.

72. The council approved its 2021/22 budget in March 2021. The budget was set at £295.8 million. Like other local authorities, Scottish Borders Council is facing several challenges in maintaining a sustainable financial position, and financial plan savings of £9.3 million are required to be delivered in 2021/22. The monitoring report of the 2021/22 General Fund Revenue Budget, which went to the Executive Committee in June 2021 highlighted reduced management capacity to drive forward savings as a result of responding to Covid-19. However, the council are reporting the first quarter's savings as being on target.

73. The council is facing additional costs of £21 million in 2021/22 because of Covid-19, for example, in personal protective equipment (PPE), cleaning materials and homecare costs, education recovery and service pressures.

74. The Scottish Government provided further funding to support financial pressures in 2020/21 and 2021/22 and together with the funding brought forward through the Covid-19 reserve, the council has £31 million of funds to manage the impact of Covid-19 in 2021/22. The impact of the pandemic on council finances into the medium and longer term is still to be fully evaluated.

Medium and longer term financial plans are in development

75. As part of our 2019/20 audit, we recommended the council should review its medium-term financial plan following the pandemic to reflect its impact on the council's finances going forward, including scenario planning of key financial assumptions.

76. The 2021/22 financial strategy covers five years and includes scenario planning where the council modelled variations in the assumed level of Scottish Government grant, Council Tax increases and estimated inflationary increases in cost pressures over the ten-year period commencing 2021/22. This is shown as an appendix to the financial strategy with three graphs for three different scenarios. The council reported that this analysis highlights a range of potential financial outcomes which, if realised, would require them to identify revenue savings of between £39 million and £72 million over the next ten-year period depending on the assumptions used.

77. The scenario planning developed by the council is a positive step towards best practice and helps ensure decisions are made on a sustainable basis. The council are currently developing a longer-term financial strategy over a ten-year period to 2031/32 and have identified key risks and significant variables which affect the budget. The council intend for this to accompany the budget documents in February 2022. The financial strategy also includes capital planning on a ten-year basis so there is financial planning for capital expenditure into the longer term.

Fit for 2024

78. Fit for 2024 emphasises the importance of a cross-cutting approach and of a transformation programme being driven corporately. Its seven main aspects are:

- a whole-council service review and redesign programme
- enhancing community engagement, participation and empowerment
- making best use of physical assets, assisted by a corporate landlord model
- investing in well-planned and designed digital solutions
- developing the workforce's skills, flexibility and working patterns
- optimising partnership resources
- making process and productivity improvements.

79. The Fit for 2024 corporate transformation programme is considered by the council to be crucial to service change and achieving financial efficiencies. The council found Covid-19 increased the need for transformational change and accelerated some projects within the programme, for instance, the Inspire Learning programme which involved providing over 7,000 iPads to school pupils

and staff. This programme was expanded during 2020/21 to include all P4-P7 staff and pupils.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.

Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively

80. The council has made significant changes to its governance arrangements in response to the pandemic. These have been set out in the Annual Governance Statement in the annual report and accounts and include changes in when and where services were provided, changes to standing orders, systems remote access, virtual meetings, and redeployment of staff to alternative duties.

81. On 26 March 2020 the council held a virtual meeting to agree decision-making arrangements to minimise social contact during the pandemic. It was agreed all formal council and committee meetings would be cancelled unless required for statutory reasons and additional powers delegated to the chief executive in consultation with officers and members. From May 2020, some council committee meetings restarted, and meetings were held on a virtual basis. Copies of reports and decisions made under the delegated responsibilities were made available on the council's committee papers website. The additional powers delegated to the chief executive were transferred back to committees on 10 August 2020.

82. Following the retirement of the chief executive in September 2020, effective arrangements were put in place for the remaining 6 months of the year to ensure business continuity. A new chief executive was appointed at the end of March 2021.

83. We reviewed governance arrangements as part of our audit planning work and concluded the council has appropriate governance arrangements in place which support effective scrutiny, challenge and decision making.

Reporting of financial performance

84. The management commentary that accompanies the financial statements should explain in simple terms and, provide clarity to readers to help them understand how the council has performed against its budget and how this is reconciled to the financial statements.

85. The management commentary describes the council's highlights of 2020/21 as well as setting out political structure, and the council's financial strategy followed by a summary of outturn against budget (for both revenue and capital). The management commentary also includes a summary of the group components financial performance.

86. As part of our audit, we encouraged the council to include further details on Covid-19 support to increase transparency in this area along with other amendments to aid a reader's understanding of the reported financial position.

87. Overall, we concluded that the council's management commentary was balanced, well presented and understandable, and consistent with the financial statements. In the management commentary the council also acknowledged that capital investment decisions taken now have long-term borrowing and revenue implications and the potential to place undue burden on future taxpayers. We found this acknowledgement to be transparent and an example of good practice.

ICT Governance

88. CGI supported the council with their switch to home working during the pandemic. An extension of the council's strategic partnership with CGI has been negotiated which will extend their contract for fully managed ICT services by 10 years, until 2040. This has provided an £11 million reduction in service costs. In return the council has committed to spending £34 million over the next three years on IT transformation with CGI.

89. The council's digital strategy provides a strategic direction, and the intention is for this to sit within a revised Transformation Programme to be fully aligned with a new Council Plan. The next steps of determining key projects, responsibilities and governance should continue through to completion. The Benefits Tracker needs to be fully implemented, along with agreed indicators and measurements for delivery of objectives. The council should continue to further develop and refine their digital strategy.

90. Our annual audit plan highlighted risks for the council in cyber security and disaster recovery.

91. On cyber security the council is continuing work to achieve cyber essentials reaccreditation and have contracted the help of a third-party company in achieving this.

92. On disaster recovery arrangements, a move to the new Waterton data centre back up facility in Wales (which will be managed by CGI) has been postponed for over a year, in part due to the pandemic. Work has largely been

completed and full disaster recovery (DR) test is scheduled to take place by the end of November 2021, in conjunction with CGI.

Good practice points

93. The council's unaudited accounts are presented to the Audit and Scrutiny Committee on an annual basis in line with statutory requirements. Alongside this, the Director Finance and Corporate Governance provides a succinct presentation on the key financial information and the implications of this. We consider this to be good practice in supporting members' scrutiny of the accounts.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

The council has an appropriate and effective best value framework in place .

Our Best Value Assurance Report on the council was published in October 2019 and found that the council had made steady progress since the previous Best Value report. The council has an action plan in place to address the recommendations from the report. Progress on implementing the action plan has been limited during 2020/21 as the council responded to the Covid-19 pandemic.

The council has made limited progress during 2020/21 in addressing Best Value recommendations, given capacity issues in responding the pandemic

94. Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council is considered by the Accounts Commission at least once in this period. The BVAR report for the council was published in October 2019 and found that the council had made steady progress since the previous Best Value report.

95. The recommendations of the BVAR were:

- Embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking
- Seek to improve partnership working with NHS Borders in order to support the strategic objectives of the Scottish Borders Health and Social Care Integration Joint Board
- Improve how the Scottish Borders community planning partnership involves communities and the third sector, through greater involvement in local decision-making and by accelerating implementation of the Community Empowerment (Scotland) Act 2015
- Establish a structured programme of ongoing staff consultation and engagement
- Update its people plan for 2017–21 and ensure longer-term workforce plans are reflected in service and financial plans

- Support members' continuing professional development by tailoring training to meet their individual needs, and use technology to make training more accessible
- Ensure performance reports to members and the public are more comprehensive and balanced, and that they cover service performance and delivery of the Fit for 2024 programme.

96. As the council reported in their Annual Governance Statement, progress in implementing the 40 actions that support these points above has been slow during 2020/21 as the officers responsible for the plan's implementation were heavily involved in the council's response to Covid-19.

97. A Best Value Implementation Plan was presented to the Audit & Scrutiny Committee in February 2021. Overall, the council are reporting audit recommendations are either fully complete (30%) or partially complete (approximately 60%) with the remainder less than 20% complete. Management intend to provide a further update before the end of December 2021. We will follow up progress as part of our 2021/22 audit.

Performance management arrangements are satisfactory in the circumstances

98. The council's performance management arrangements were considered in our BVAR, issued in October 2019. We identified that the council has an established performance management framework that managers and councillors clearly understand. Performance was noted as good or improving in the key service areas of education and social work and the council's performance was maintained or improved on 68 per cent of national indicators relevant to its priorities and services between 2013/14 and 2017/18. However, the report found that the council needs to embed a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking.

99. The council participates in the Local Government Benchmarking Framework (LGBF). The framework aims to bring together a wide range of information about how all Scottish councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

100. The council's Executive Committee usually receives quarterly performance reports throughout the year and an annual performance report. The pandemic disrupted this timetable and performance reports were presented in January 2021 for quarter 1 and 2, March 2021 for quarter 3, and June 2021 for the annual report and quarter 4. These reports monitor progress against the council's key priorities as set out in its Corporate Plan. The performance reports are also made available to the public through the performance section of the council's website.

Statutory performance indicators (SPIs) are being met

101. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

102. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes;
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

103. We have evaluated the council's arrangements for fulfilling the above requirements and concluded that the arrangements are satisfactory. The council publishes an annual performance report which mostly meets the requirements listed in the paragraph above. We noted that the council does not have arrangements in place to engage with communities regarding the type of information to be reported. Improving community engagement is one of the actions identified in response to the council's 2019 BVAR and this will be followed up as part of our BVAR follow up work.

National performance audit reports

104. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published a number of reports which may be of interest to the council. These are outlined in [Appendix 4](#).

105. The council has good arrangements in place for considering national reports issued during the year, with the reports being considered by the Audit and Scrutiny Committee on a regular basis.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Asset valuations</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £607 million. The council has a five-year rolling valuation programme as detailed in Note 12 of the accounts.</p> <p>In line with the Council's asset policy, assets were revalued at 1 April 2020. Given 2020/21 has been an exceptional year with the Covid-19 pandemic which affected how the council operated, we needed further evidence for the asset values at 31 March 2021. The valuer's certificate also included material uncertainty which was inconsistent with the latest guidance from RICS.</p> <p>Risk - that a value at 1 April is not representative of fair value as at 31 March the following year, as required by the Code.</p>	<p>The council should: review their accounting policy and consider valuing assets at 31 March, rather than at 1 April; and consider valuing 20% of each asset category annually rather than each asset category every five years which can lead to large swings in asset values</p> <p>Exhibit 2, point 1</p>	<p>Agreed. The recommended review will be undertaken.</p> <p>Responsible officer Director, Infrastructure and Environment</p> <p>Agreed date 31 January 2022</p>
<p>2. Assets on Common Good land</p> <p>A judicial review concluded that all council assets built on Common Good land cannot be considered as owned separately from the land they</p>	<p>The council should conclude the process of reviewing the legal and accounting implications of the judicial ruling by March 2022 and make any accounting adjustments in the 2021/22 annual accounts of the</p>	<p>A review group has been established to review the assets built on Common Good Land. This review aims to conclude findings and implement actions including</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>stand on and are therefore Common Good assets.</p> <p>Scottish Borders Council has a number of operational assets which stand on Common Good land. The full list of affected assets is still to be determined. The council is in the process of reviewing the legal and accounting implications of the judicial ruling and expects to conclude the process in time for the preparation of the 2021/22 accounts.</p> <p>Risk – the Common Good Funds omit assets which rightly belong to them.</p>	<p>council and Common Good Funds.</p> <p>Exhibit 2, point 2</p>	<p>any accounting adjustments required by March 2022.</p> <p>Responsible officer Pensions & Investments Manager</p> <p>Agreed date 31 March 2022</p>
<p>3. Internal recharges</p> <p>Through our testing of new assets we learned that they included some internal recharges to capital expenditure, for work such as architect fees and road overlays. However, the evidence to support the amounts recharged was not clear or comprehensive.</p> <p>Risk – items are being incorrectly capitalised and revenue expenditure is understated.</p>	<p>The council should revisit the rationale and calculations to confirm the basis for recharges remains relevant and accurate so that the amount that has been capitalised is defensible.</p> <p>Exhibit 2, point 3</p>	<p>Agreed. Work has commenced to ensure there is a sound, rationale for recharges to capital for 2021/22.</p> <p>Responsible officer Financial Services Manager</p> <p>Agreed date 31 March 2022</p>
<p>4. Scottish Water balance</p> <p>The council collects water/sewage rates on behalf of Scottish Water as an agency arrangement as part of Council Tax collection. In the accounts, Note 30 Creditors includes a £1.0 million debtor balance relating to Scottish Water for water/sewage amounts written off as part of council</p>	<p>The council should liaise with Scottish Water on this historic balance and determine whether it can be removed from the council's ledger.</p> <p>Exhibit 2, point 4</p>	<p>Agreed.</p> <p>Responsible officer Financial Services Manager</p> <p>Agreed date 31 March 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>tax write offs. The write offs are mostly historic from 2014/15 onwards.</p> <p>Risk – this understates Creditors unnecessarily and remains an unresolved balance that sits in the ledger.</p>		
<p>5. Non-Domestic Rates</p> <p>Our testing found that the calculation of the NDR debtor is not consistent with the Code. Specifically, the balance in Note 30 Other Receivables, relating to NDR includes taxpayers' debt rather than what the council is due to receive from or pay to the Scottish Government.</p> <p>Risk – the council's reporting to the Scottish Government on Non-Domestic Rates is inconsistent with the Code.</p>	<p>The council should do further work and analysis to ensure that they are fully consistent with the Code.</p> <p>Exhibit 2, point 5</p>	<p>Agreed.</p> <p>Responsible officer Financial Services Manager</p> <p>Agreed date 31 March 2022</p>
<p>6. NFI match investigation</p> <p>As at September 2021, the council had not investigated any NFI matches due to ongoing capacity issues in the relevant service areas. NFI includes data matching on business support grants where weaknesses in controls were identified by internal audit.</p> <p>Risk – there are fraud and errors undetected without investigating the data matches</p>	<p>The council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error</p> <p>Paragraphs 67. 68.</p>	<p>Integrity Group at its meeting in October 2021 will discuss resourcing to progress review of NFI 2020-2021 data matches with the aim to develop a plan for the next three months on data match review activity.</p> <p>Responsible officer Chief Officer Audit & Risk</p> <p>Agreed date 31 March 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>7. Best Value Action Plan</p> <p>The council agreed an action plan in December 2019 in response to the Best Value Assurance Report (BVAR) published in October 2019. Updates on progress with the action plan were delayed due the council's response to the Covid-19 pandemic.</p> <p>Risk - that required improvement actions are not being addressed.</p>	<p>The council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.</p> <p>Paragraphs 94. 97.</p>	<p>In Progress</p> <p>Responsible officer Senior Manager – Business Strategy & Resources</p> <p>Revised date 31 March 2022</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>Although we have not identified any specific risks of management override relating to the council, International Standard on Auditing (ISA) 240 requires that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates and accounting policies.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of detailed testing of journal entries.</p> <p>No significant transactions outside the normal course of council business were identified.</p>
<p>2. Risk of material misstatement caused by fraud over income and expenditure</p> <p>The council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA 240, there is a risk of fraud. This relates to various fees and charges, service income, council tax and non-domestic rates income.</p>	<p>Analytical procedures on material income and expenditure streams.</p> <p>Detailed substantive testing of income transactions focusing on the areas of greatest risk.</p> <p>Detailed substantive testing of expenditure including housing benefit transactions.</p>	<p>Sample testing of income and expenditure transactions confirmed that these were in the normal course of business.</p> <p>Our conclusion is that the council's systems of internal control minimise the risk of fraud over income and expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Practice Note 10 (Audit of financial statements of public sector bodies in the UK) and the Code of Audit Practice expands the ISA 240 assumption on fraud over income to aspects of expenditure. The council incurs significant expenditure in areas such as welfare benefits, social care payments and grants.</p>	<p>Review of internal audit work on systems of internal control.</p>	
<p>3. Risk of material misstatement due to estimations and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets, pension liabilities and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Completion of 'review of the work of an expert' for the professional valuer and actuary.</p> <p>Focused substantive testing of key areas; such as detailed review of provisions and contingent liabilities, valuation and impairment of non-current assets and triennial valuation from the actuary.</p> <p>Review the appropriateness of the council's accounting policies in these areas.</p>	<p>Our work on the review of the professional valuer confirmed that we could rely on the asset valuation information being provided. As part of the 2020/21 work we also considered whether the impact of Covid-19 on asset values had been appropriately assessed by the valuer.</p> <p>We confirmed that pension valuations provided by the actuary are correctly reflected in the 2020/21 financial statements.</p> <p>Sample testing of contingent liabilities, and provisions confirmed they were appropriate.</p> <p>Our conclusion is that the estimates and judgements used are appropriate.</p>
<p>4. Risk of misstatement due to Covid-19 disclosure requirements</p> <p>During 2020/21 the council has administered significant Covid-19 support grants on behalf of the Scottish Government in excess of £40 million to date. Under IFRS 15, these payments are made on an 'agency basis' and will therefore not be recognised in the council's Comprehensive Income and Expenditure Statement in the annual accounts. Instead, additional</p>	<p>Review further technical guidance when available and discuss with the council's finance team.</p> <p>Review Covid-19 disclosures in the 2020/21 annual accounts for accuracy and completeness.</p>	<p>Reviewed technical guidance from LASAAC and used this to evaluate Covid-19 disclosures in the 2020/21 accounts. One accounting issue identified as set out in paragraph 48.</p> <p>Our conclusion is the disclosures are materially accurate and appropriate.</p>

Audit risk	Assurance procedure	Results and conclusions
disclosures are expected to be required in the 2020/21 annual accounts to report these grant payments accurately, and to promote transparency for users of the accounts. There is a risk of disclosure misstatement for this new area of agency expenditure. This will need to be separated from the Covid-19 funding the council has received to support its own budget.		

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>5. Financial sustainability</p> <p>The pandemic has had significant impact on the council's revenue and capital financial plans. Budget pressures amounting to £28m have been identified for the 2020/21 financial year. Additional funding from Scottish Government and re-allocated resources have been used to offset these pressures, with the council forecasting a break-even position for 2020/21. The council, like other public sector bodies, will need to continue reviewing the ongoing impact and response to the pandemic. Capital plans are also having to be continually revised. Any further financial implications and uncertainties will require to be carefully managed leading into 2021/22. This may lead to a risk of budget shortfalls and achievement of planned savings, affecting the</p>	<p>Review of budget reports and updated financial plans as and when available.</p> <p>Focused cut-off testing at year-end to confirm expenditure and income has been accounted for in the correct financial period.</p> <p>Review of management commentary in annual report and accounts to ensure financial risks are adequately explained</p>	<p>Our sample of cut off testing confirmed expenditure and income correctly accounted for in the correct period.</p> <p>Management commentary disclosed key financial risks.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>delivery of the 'Fit for 2024' programme. Shortfalls may require to be funded from reserves which is only a short-term solution.</p>		
<p>6. Cyber security and disaster recovery</p> <p>The council, together with its partner CGI, have accelerated its digital plans and improvements to the ICT infrastructure. For example, the roll out of working from home arrangements for staff and 'Inspire Learning' (online learning) for school children and teachers. A number of risks continue to be managed:</p> <p>Cyber security risk: The council is currently undertaking cyber essentials plus (CE+) re-accreditation (last certification was achieved in September 2019).</p> <p>Disaster recovery arrangements: A move to the new Waterton data centre back up facility in Wales (which will be managed by CGI) has been postponed for over a year, in part due to the pandemic. This is now scheduled for March 2021. Full disaster recovery (DR) testing has not recently taken place due to this delay.</p> <p>This places the council at risk of cyber-attack and business continuity failure.</p>	<p>Discuss ongoing ICT arrangements with the council's IT Client Manager.</p> <p>Review the refreshed Digital Strategy and related ICT policies to assess their appropriateness.</p> <p>Review the council's progress with recommendations contained in the recent Audit Scotland report 'Digital Progress in Local Government'(January2021).</p>	<p>Our work found there was progress in this area as outlined at paragraphs 90. 92. but that the risks remain.</p>

Appendix 3

Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual accounts that are individually greater than our reporting threshold of £0.1 million and request they be corrected.

The table below summarises uncorrected misstatements that were identified during our audit testing and have not been corrected by management. Cumulatively these errors are below our performance materiality level as explained in [paragraph 35](#). We are satisfied that these errors do not have a material impact on the financial statements.

Account areas	Comprehensive income and expenditure statement		Balance sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
1. Creditors				(112)
Debtors			112	
2. Creditors			499	
Debtors				(499)
3. Common Good Assets			111	
Revaluation Reserve				(111)
Total			722	(722)
Net impact			0	0

Notes:

Entry 1 relates school trip refunds reported as creditor rather than debtor due to unusual circumstances this year. The ledger code is normally a creditor balance.

Entry 2 relates to accounting for £500 thank-you payment as outlined at [paragraph 48](#).

Entry 3 relates to historical errors in how common good assets have been capitalised as outlined at [paragraph 23](#).

Appendix 4

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Scottish Borders Council

2020/21 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk

www.audit-scotland.gov.uk