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## **SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2020/21**

**Report by Director, Finance & Corporate Governance**

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### **SCOTTISH BORDERS COUNCIL**

**28 OCTOBER 2021**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report presents Members with copies of the Council's audited Annual Accounts for 2020/21.**
- 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 subsidiary Bridge Homes.
- 1.3 2020/21 represents the fifth 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 best value.
- 1.5 Audit Scotland identified six recommendations for improvement requiring action along with one follow-up to prior year recommendations. 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, Lowood Tweedbank Ltd and Scottish Borders Council's Pension Fund have been presented to and considered by the Audit and Scrutiny Committee on 21<sup>st</sup> October 2021. Audit and Scrutiny Committee agreed to recommend approval of the various accounts to Council, with the exception of Bridge Homes LLP where the accounts were noted pending completion of the audit.
- 1.7 The KPMG audit of Bridge Homes was not finally concluded when the report was considered by Audit and Scrutiny Committee on 21<sup>st</sup> October 2021. A verbal update will be provided to Council with respect to Bridge Homes prior to seeking Members approval of the final audited documents for 2020/21.

## **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 2021;**
- (b) the Scottish Borders Council's Pension Fund audited Annual Accounts for the year to 31 March 2021;**
- (c) the Scottish Borders Council Common Good Funds (Charity SC031538) audited Annual Accounts for the year to 31 March 2021;**
- (d) the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2021;**
- (e) the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2021;**
- (f) the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2021;**
- (g) the SBC Ormiston Trust for Institute (Charity SC019162) audited Annual Accounts for the year to 31 March 2021;**
- (h) the Scottish Borders Council Charitable Trusts (Charity SC043896) audited Annual Accounts for the year to 31 March 2021;**
- (i) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2021; and**
- (j) Lowood Tweedbank Ltd Annual Accounts for the year to 31 March 2021 (Note Lowood Tweedbank Ltd Annual Accounts are not required to be externally audited as they are exempt under the Companies Act 2006 relating to small companies).**

### 3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2020/21 were submitted to Audit Scotland and KPMG, the External Auditors, before the statutory deadline of 30 June 2021, following presentation of the draft accounts to the Audit and Scrutiny Committee at the 29th June 2021 meeting. The detailed audit work began in July 2021 and was completed by early October 2021.
- 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 2021. There were no objections to the accounts.
- 3.3 The Coronavirus (Scotland) Act 2020 set out provisions for the functions of public bodies in light of the impact of COVID-19, including making temporary amendments to legislation. Part 3 of the Act, covering statutory duties that require a public authority (including a local authority) to publish a report in connection with the exercise of its functions by a particular date, allowed Councils to delay publication of the audited accounts to the 30 November. As a result this report was presented to the Audit and Scrutiny Committee on the 21<sup>st</sup> October 2021 and is now subsequently being presented to this full Council meeting. The timing of the publication of the audited accounts has been notified on the Council's website.
- 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 Director, Finance & Corporate Governance.
- 3.6 This report presents audited copies of:
- **Scottish Borders Council** Annual Accounts for year ending 31 March 2021;
  - **Scottish Borders Council's Pension Fund** Annual Accounts for year ending 31 March 2021;
  - **Scottish Borders Council Common Good Funds** (Charity SC031538) Annual Accounts for the year to 31 March 2021;
  - **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2021;

- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2021;
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2021;
- **SBC Ormiston Trust for Institute** (Charity SC019162) Annual Accounts for the year to 31 March 2021;
- **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2021;
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2021; and
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2021. (Note Lowood Tweedbank Ltd Annual Accounts are not required to be externally audited as they are exempt under the Companies Act 2006 relating to small companies).

3.7 The Coronavirus (Scotland) Act 2020 allows Councils to delay publication of the audited accounts to the 30 November 2021. The Council website published a notification that the Scottish Borders Council audited accounts will be published by the 31<sup>st</sup> October 2021 following this Council meeting to approve the accounts. 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 2020/21**

- 4.1 Audit Scotland has completed their audits and have provided an unqualified independent audit opinion.
- 4.2 The KPMG audit of Bridge Homes was not finally concluded when the report was considered by Audit and Scrutiny Committee on 21<sup>st</sup> October 2021. A verbal update will be provided to Council with respect to Bridge Homes prior to seeking Members approval of the final audited documents for 2020/21.
- 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 six specific recommendations for improvement. The areas in question are shown in Appendix 1 "Action Plan 2020/21" of the External Auditor's Annual Audit Report. The areas identified are:
- **Asset valuations** - 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;
  - **Assets on Common Good land** - 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 2021/21 annual accounts of the council and Common Good Funds;

- **Internal recharges** - 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;
- **Scottish Water balance** - The council should liaise with Scottish Water on this historic balance and determine whether it can be removed from the Council's ledger;
- **Non-Domestic Rates** - The council should do further work and analysis to ensure that they are fully consistent with the Code;
- **NFI match investigation** - The council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error.

There was also a further one follow-up to prior year recommendation:

- **Best Value Action Plan** - The council should ensure that Best Value improvement recommendations continue to be actioned and progress reported to committees.

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 two specific recommendations for improvement. The areas in question are shown in Appendix 1 "Action Plan 2020/21" of the External Auditor's Annual Audit Report. The areas identified are:

- Pension recalculation for a lump sum pension calculation.
- Review administrative procedures following move to home working.

There were also a further five follow-up to prior year recommendations:

- Management should perform monthly pensioner validation using ATMOS reports and any matches investigated in a timely manner.
- Management should perform regular validation of overseas pensioners to ensure existence of overseas pensioners.
- 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.
- Management should perform monthly reconciliations are being performed across payroll to ensure all balance across payroll are investigated and adjusted when necessary.
- Resource requirement of the Pension Fund should be assessed within both departments and addressed to ensure administration of the Fund is efficient and effective.

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 Integrated Impact Assessment

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 Sustainable Development Goals

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

## 5.5 Climate Change

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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

## 5.8 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 Legal Officer (Monitoring officer), the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council are being consulted and any comments will be incorporated into the final report.

### Approved by

**David Robertson**

**Director, Finance & Corporate Governance**

**Signature .....**

### Author(s)

Name	Designation and Contact Number
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### Background Papers:

**Previous Minute Reference:** 29 June 2021 and 21<sup>st</sup> October 2021, 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)