
SCOTTISH BORDERS COUNCIL ANNUAL ACCOUNTS 2022/23

Report by Director of Finance & Procurement

AUDIT COMMITTEE

25 September 2023

1 PURPOSE AND SUMMARY

- 1.1 **This report presents Members with copies of the Council's audited Annual Accounts for 2022/23.**
- 1.2 The audit appointment of Audit Scotland for Scottish Borders Council (SBC) accounts includes the requirement to provide an auditor's report for the Council.
- 1.3 2022/23 represents the first year of new Audit Scotland team undertaking the External Audit of the Council's Annual Accounts with the process now completed. Audit Scotland has prepared both the Annual Audit Report and a Best Value thematic 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, vision, leadership and governance and use of resources to improve outcomes.
- 1.5 Audit Scotland identified the following recommendations across 3 reports:
 - **Scottish Borders Council annual report** - four recommendations for improvement requiring action were identified along with two follow-up to prior year recommendations.
 - **Scottish Borders Council Best Value thematic review** - six recommendations for improvement requiring action were identified.
 - **Scottish Borders Council Pension Fund** - four recommendations for improvement requiring action were identified along with one follow-up to prior year recommendation.

All recommendations 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 Pension Fund, Bridge Homes LLP, Lowood Tweedbank Ltd and SB Inspires LLP are being presented to the Audit Committee prior to signature.
- 1.7 It should be noted that:
 - As approved by Council on the 30th March 2023, SBC Common Good Funds were removed from the Scottish Charity Register on

31st March 2023. Following this deregistration, annual accounts have not been prepared, audited or submitted to OSCR. The Common Good funds have instead been consolidated within the Council's statutory accounts.

- Trusts do not have the same annual accounts statutory deadline as the Council and Pension Fund. In addition, the trusts are presented to Council members in their role as Trustees rather than as full Council. This will be done for 2022/23 via correspondence. Audit Scotland will provide a letter to Councillors as trustees at the completion of the audit, in advance of the reporting deadline of 31 December 2023.
- Bridge Homes LLP, Lowood Tweedbank Ltd and SB Inspires accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime. For financial year 2022/23 the companies were entitled to exemption under section 477 of the Companies Act 2006 which means their accounts do not require to be audited.

2 RECOMMENDATIONS

2.1 It is recommended that the Audit Committee recommend the following accounts for officer signature and Council approval:

- (a) the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2023;**
- (b) the Scottish Borders Council's Pension Fund audited Annual Accounts for the year to 31 March 2023;**
- (c) the Bridge Homes LLP audited Annual Accounts for the year to 31 March 2023;**
- (d) Lowood Tweedbank Ltd Annual Accounts for the year to 31 March 2023; and**
- (e) SB Inspires LLP Annual Accounts for the year to 31 March 2023.**

3 BACKGROUND

- 3.1 The various sets of unaudited accounts for 2022/23 were submitted to Audit Scotland, the External Auditors, before the statutory deadline of 30 June 2023, following presentation of the draft accounts to the Audit Committee at the 27th June 2023 meeting. The Pension Fund draft accounts were presented to the Pension Fund Committee and Board on the 22nd June 2023. The detailed audit work began thereafter.
- 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 2023. There were no objections to either the Council or Pension Fund accounts.
- 3.3 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.*
- 3.4 These requirements apply to the Annual Accounts of the Local Authority and not to limited liability partnership accounts, although these have similar signatory requirements. The Section 95 Officer for Scottish Borders Council is the Director of Finance & Procurement.
- 3.5 This report presents audited copies of:

- **Scottish Borders Council** Annual Accounts for year ending 31 March 2023;
- **Scottish Borders Council Pension Fund** Annual Accounts for year ending 31 March 2023;
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2023;
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2023; and
- **SB Inspires LLP** Annual Accounts for the year to 31 March 2023.

- 3.6 It should be noted that:
- As approved by Council on the 30th March 2023, SBC Common Good Funds were removed from the Scottish Charity Register on 31st March 2023. Following this deregistration, annual accounts have not been prepared, audited or submitted to OSCR. The Common Good funds have instead been consolidated within the Council's statutory accounts.

- Trusts do not have the same annual accounts statutory deadline as the Council and Pension Fund. In addition, the trusts are presented to Council members in their role as Trustees rather than as full Council. This will be done for 2022/23 via correspondence. Audit Scotland will provide a letter to Councillors as trustees at the completion of the audit, in advance of the reporting deadline of 31 December 2023.
- Bridge Homes LLP, Lowood Tweedbank Ltd and SB Inspires accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime. For financial year 2022/23 the companies were entitled to exemption under section 477 of the Companies Act 2006 which means their accounts do not require to be audited.

4 EXTERNAL AUDITOR'S ANNUAL REPORT 2022/23

- 4.1 Audit Scotland has completed their audit and have provided an unqualified independent audit opinion.
- 4.2 Audit Scotland's associated Annual Audit Reports of Scottish Borders Council 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, vision, leadership and governance and use of resources to improve outcomes.
- 4.3 The Scottish Borders Council Annual Audit Report highlighted four specific recommendations for improvement. The recommendations are shown in Appendix 1 "Action Plan 2022/23" of the External Auditor's Annual Audit Report. The areas identified are:
- The Council should ensure there is a more robust process in place to review valuation assumptions, data used and ensure conclusion are robust. An overarching review to ensure that all valuations make sense should be completed at the end of the process.
 - The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.
 - As part of the review recommended in point 2 above, the Council should also review the accounting treatment of asset additions from work done by SBc Contracts to ensure it complies with accounting standards.
 - The current accounting treatment reflects the substance of the transaction but that the Council should look to establish a formal agreement between the Council and common good funds for the use of the assets.

Previous audit Recommendations followed up:

- The Council needs to continue to monitor progress with regards to outstanding actions to ensure that all recommendations from the inquiry actions plan report are fully implemented.
- The Council should investigate a sample of recommended and further National Fraud Initiative (NFI) matches to be assured that they are not indicative of fraud or error.

4.4 The Scottish Borders Council Best Value thematic report highlighted six specific recommendations for improvement. The recommendations are shown in Appendix 1 "Action Plan 2022/23" of the External Auditor's Annual Audit Report. The areas identified are:

- The Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council Plan.
- The Council should ensure its performance management framework captures progress against the Council Plan. This should include actions being met according to target milestone and progress against the six council outcomes.
- Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.
- The Council should encourage uptake of personal development plans for elected members. These should be flexible to individual needs and be able to show that training is meeting needs. The Council should continue to support opportunities for cross-party working and promote the benefits that brings.
- The Council should review the senior management structure after a period of stability to determine how the changes at directorate level are supporting delivery of the Council Vision.
- The Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.

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 has been scrutinised by the Pension Fund Committee and Board prior to presentation to the Audit Committee and Council. The report highlighted four new recommendations and followed up one recommendation from previous audits. The recommendations are shown in Appendix 1 "Action Plan 2022/23" of the External Auditor's Annual Pension Fund Audit Report. The areas identified are:

- Management should review working papers to ensure they are reconciled with the accounts. In addition, a wider reconciliation between the ledger, the custodian and investment/fund managers records held by the Fund should be reconciled.
- Due diligence questionnaires shared with investment managers should be subject to review to ensure that management are aware of any issues arising which could impact the investments held by the Fund.
- All members of the Pension Fund Committee should ensure that the required pension toolkit training and other annual essential training requirements are completed to assist in discharging their fiduciary duties.
- Recommendations/actions from the independent review and from the Stewardship Code application and other Fund business should be consolidated in a tracker, and progress towards meeting them, including expected timescale and action owners, should be reported periodically to the Pension Fund Committee.

Previous audit Recommendations followed up:

- As part of the accounts preparation process, management should ensure that investment managers provide information to the fund on a timely basis.

These recommendations have been accepted by Management and will be enacted within the agreed timescales.

5 IMPLICATIONS

5.1 Financial

There are no expected 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. Any risks identified in the External Auditor's Annual Audit Report will be addressed through the planned management actions included in the management responses.

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 Director People, Performance & Change and the Clerk to the Council are being consulted and any comments will be reported to the meeting.

Approved by

Suzy Douglas
Director of Finance & Procurement

Signature

Author(s)

Name	Designation and Contact Number
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Background Papers:

Previous Minute Reference: 27 June 2023, Audit 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.

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