



Charitable Trusts administered by Argyll and Bute Council

Report to those charged with governance on the 2015/16 audit



Prepared for the members of Argyll and Bute Council
September 2016

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Introduction

1. Since 2013/14 an audit is required for the financial statements of all registered charities where the local authority is the sole trustee irrespective of the size of the charity. This is due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) Regulations 2006. The auditor of Argyll and Bute Council, David Jamieson, Audit Scotland, has been appointed as the auditor of the relevant trusts for the year ended 31 March 2016.
2. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The trustees of the Argyll and Bute trusts will receive a copy of this report at the Audit Committee meeting on 23 September; a Trustee will sign the financial statements on behalf of the other Trustees.
3. This report sets out for the trustees' consideration the matters arising from the audit of the financial statements for 2015/16 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements that are prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Argyll and Bute Council, as the sole trustees of the registered charitable trusts listed at [Appendix C](#), and no responsibility to any third party is accepted.

Status of the audit

4. Our work on the financial statements is now substantially complete. The issues arising from the audit were discussed with officers at regular intervals during the course of the audit. The more significant issues arising were discussed with the Head of Strategic Finance at a meeting on 7 September 2016.
5. We received the unaudited financial statements by 30 June 2016, in accordance with the agreed timetable. The working papers in support of the financial statements were of an adequate standard. Finance staff provided good support to the audit team and we completed our on-site fieldwork on 19 August 2016.

Matters to be reported to those charged with governance

Conduct and scope of the audit

6. In 2015/16 we have been asked by the council to audit the financial statements for nine trusts, where the sole trustee is Argyll and Bute Council; these trusts are set out in [Appendix C](#).

7. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan of Argyll and Bute Council presented to the Audit Committee on 11 March 2016, and follows the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
8. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was disclosed in the council's Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Fraud

9. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In presenting this report to the trustees we seek confirmation from those charged with governance of any instances thereof that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

Audit opinion & representations

10. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 30 September 2016 (the proposed report for each of the registered charitable trusts is attached at [Appendix A](#) and [Appendix B](#)). There are no anticipated modifications to the audit report.
11. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £10. There were none identified as part of our audit work.
12. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements.
13. The council has decided not to recharge any administration or audit costs to the trusts in 2015/16. This policy is disclosed in the Notes to the Accounts for all Trusts. As a result the costs incurred in administering the trusts are not known by the trustees.
14. As part of the completion of our audit we seek written assurances from the council's Accountable Officer on behalf of the trustees, on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix D](#). This should be signed and returned by the Head of Strategic Finance with the signed financial statements prior to the independent auditor's opinion being certified.

Accounting and internal control systems

15. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Significant findings from the audit

16. In our view, the following issues require to be brought to your attention regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.
17. In particular, we would draw your attention to the paragraph below regarding the absence of expenditure incurred by a number of the trusts. The trustees should establish whether these are active funds, or whether they should enter into discussions with the Office of the Scottish Charity Regulator (OSCR) to reorganise or wind up these trusts. There is a risk that the trustees are not fulfilling the terms of the trust deeds.
18. **Baillie Gillies Bequest; Kidston Park Trust; Marquess of Bute Silver Wedding Dowry; Miss Annie Dickson Burgh Bequest; Logie Baird Prize Fund; Norman Stewart Institute Trust; McCaig Trust:** There has been little or no expenditure incurred by these trusts in the last few years. As the majority of the trusts are dormant, there may be a perception that these trusts are not being run for the public benefit. Trustees should consider whether the trusts are meeting their objectives and whether or not they should be wound up.

Resolution: Argyll and Bute Council are continuing to conduct a review of all its charitable trusts.

19. **Kidston Park Trust:** There are no trust deeds or governing documents available for this trust. The financial statements disclose that a bequest of £1,000 by William Kidston was made towards the upkeep of Kidston Park in April 1889. This is noted in the minutes of a meeting of the Town Council of the Burgh of Helensburgh. The council have been unable to provide a copy of the will or these minutes. However no funds have been disbursed by the trust in 2015/16, the lack of governing documents has not impacted on our audit opinion.

Resolution: The council are asked to provide a copy of the minute of the meeting of the Town Council of the Burgh of Helensburgh, to support the purpose and terms of this trust. If it cannot be traced, the trustees should liaise with OSCR, as appropriate, and consider preparing new governance documents.

20. **McCaig Trust:** There are no trust deeds or governing documents available for this Trust. The financial statements disclose that funds be used toward the cost of a library and institute in Oban. The council have been unable to provide further details. However no funds have been disbursed by the trust in 2015/16, the lack of governing documents has not impacted on our audit opinion.

Resolution: The council are asked to provide a copy of the relevant document to support the purpose and terms of this trust. If it cannot be traced, the trustees should liaise with OSCR, as appropriate, and consider preparing new governance documents.

21. **Oban Common Good:** The council do not have a stock certificate to support the investment in Oban Livestock Preference Shares of £20,000. We were not able to verify this stockholding.

Resolution: The council will contact the stock investor intermediaries to request duplicate certificates for these investments for 2016/17.

22. **Baillie Gillies Bequest; Kidston Park Trust; Miss Annie Dickson Burgh Bequest; Logie Baird Prize Fund; Norman Stewart Institute Trust; Marquess of Bute Silver Wedding Dowry; McCaig Trust; County of Argyll Educational Trust:** In the main, trust assets are either cash balances with Argyll and Bute Council loans fund or bond investments. The return on the investment in the council's loans fund was 0.361% for 2015/16. Notwithstanding the low rates of return generally available, the rate of return appears to be considerably less than that available in the market. While we acknowledge that there is a cost involved in an actively managed portfolio, trustees should assure themselves by means of a costs benefits analysis that they are obtaining, commensurate with risk, the best returns possible.

Resolution: An investment manager will be used to seek to obtain a higher rate of return for trust funds.

Acknowledgements

23. We would like to express our thanks to the staff of Argyll and Bute Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

Appendix A: Proposed Independent Auditor's Report

Local authority registered charities (Receipts and payments accounts)

Independent auditor's report to the trustees of <name of trust/prepare one for each of the receipts and payments trusts at [appendix C](#)> and the Accounts Commission for Scotland.

I certify that I have audited the financial statements of <trust listed at [appendix C](#)> for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of receipts and payments, statement of balances, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

The trustees are responsible for the preparation of the financial statements which properly present the receipts and payments of the charity. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of

performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2016 and its statement of balances at that date
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

David Jamieson
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place,
Glasgow,
G2 1BT

xx September 2016

David Jamieson is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Appendix B: Proposed Independent Auditor's Report

Local authority registered charities (Fully accrued accounts)

Independent auditor's report to the trustees of <name of trust/prepare one for each of the fully accrued trusts at appendix C>and the Accounts Commission for Scotland

I certify that I have audited the financial statements of <name of trust> for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the statement of the financial activities, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

The trustees are responsible for the preparation of the financial statements which give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2016 and of its incoming resources and application of resources for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In my opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

David Jamieson
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

xx September 2016

David Jamieson is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Appendix C: Registered Trusts where Argyll and Bute Council is the sole trustee

- Baillie Gillies Bequest (Registered Charity SC013578)
- Kidston Park (Registered Charity SC013600)
- Miss Annie Dickson Bequest (Registered Charity SC018697)
- Logie Baird Prize Fund (Registered Charity SC018698)
- McCaig Trust (Registered Charity SC019599) *
- Norman Stewart Institute (Registered Charity SC019601)x
- Marquess of Bute Silver Wedding Dowry (Registered Charity SC019607)
- County of Argyll Educational Trust Scheme 1960 (Registered Charity SC020382) *
- Oban Common Good Fund (Registered Charity SC021328) *

* *Fully Accrued accounts*

x At the Council meeting on 21 April 2016 final authorisation was given to transfer the Norman Stewart Institute funds to For Bute (Scottish Charity Number SC044153).

Appendix D: ISA 580 - Letter of Representation

David Jamieson
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
Nelson Mandela Place
Glasgow
G2 1BT

xx September 2016

Dear David

- Baillie Gillies Bequest (Registered Charity SC013578)
- Kidston Park (Registered Charity SC013600)
- Miss Annie Dickson Bequest (Registered Charity SC018697)
- Logie Baird Prize Fund (Registered Charity SC018698)
- McCaig Trust (Registered Charity SC019599)
- Norman Stewart Institute (Registered Charity SC019601)
- Marquess of Bute Silver Wedding Dowry (Registered Charity SC019607)
- County of Argyll Educational Trust Scheme 1960 (Registered Charity SC020382)
- Oban Common Good Fund (Registered Charity SC021328)

Annual Accounts 2015/2016

1. This representation letter is provided in connection with your audit of the financial statements of the registered charitable trusts listed above where Argyll and Bute Council is the sole trustee for the year ended 31 March 2016. It is provided for the purpose of expressing an opinion as to whether the financial statements properly present the financial position of each of these registered charitable trusts as at 31 March 2016 and its receipts and payments for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts where Argyll and Bute Council is the sole trustee, the following representations given to you in connection with your audit for the year ended 31 March 2016.

General

3. I acknowledge my responsibility and that of Argyll and Bute Council (as the administering authority) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered trusts listed above have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Trustees Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 including all relevant presentation and disclosure requirements. The financial statements also comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 and guidance issued by the Office of the Scottish Charity Regulator (OSCR).
7. Disclosure has been made in the financial statements of all matters necessary for them to properly present the transactions and state of affairs of each registered charitable trust for the year ended 31 March 2016.

Accounting Policies

8. The Annual Report and Accounts have been prepared on a receipts and payments or an accruals basis as per applicable regulations and the founding documents of each Trust.

Going Concern

9. A number of the trusts have been dormant in recent years and Trustees are progressing reorganisation of the trusts with OSCR. Where this is the case it has been disclosed in the Trustees' Annual Report. The Trustees have assessed the ability of the registered charitable trusts to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

10. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24.

Events Subsequent to the Statement of Balances Date

11. There have been no material events since the date of the balance sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
12. Since the date of the balance sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

13. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

Fraud

14. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

15. The cash fund and investments shown in the statement of balances at 31 March 2016 were owned by the registered charitable trust. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value or classification of the assets within the financial statements.

Liabilities

16. There are no known liabilities or claims against the trusts that would impact the income and expenditure contained within the financial statements.

Yours sincerely

Kirsty Flanagan
Head of Strategic Finance