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# The City of Edinburgh Council Charitable Trusts

## Audit findings report

Year ended 31 March 2020



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Our ref: NBB/CITYEC01/2020

The Trustees of the City of Edinburgh Council Charitable Trusts  
City Chambers  
High Street  
Edinburgh  
EH1 1YJ

5 November 2020

Dear Sirs

**The City of Edinburgh Council Charitable Trusts**  
**Audit findings for the year ended 31 March 2020**

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by City of Edinburgh Council management with the oversight of those charged with governance. The audit of the Charitable Trusts' financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Nick Bennett or Karen Jones.

Yours sincerely

Nick Bennett  
**Azets Audit Services**

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# Executive summary

## Audit overview

This table summarises the key findings from the external audit of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2020 for those charged with governance.

### Audit opinion

- In our opinion the financial statements of those charities listed below (collectively referred to as 'The City of Edinburgh Council Charitable Trusts') give a true and fair view and comply with the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities and Trustee Investment (Scotland) Act 2005, and all relevant accounting standards.
  - ❖ Jean F. Watson (SC018971)
  - ❖ Edinburgh Education Trust (SC042754)
  - ❖ Nelson Halls Trust (SC018946)
  - ❖ City of Edinburgh Council Charitable Funds (Boyd Anderson) (SC025067)
  - ❖ Lauriston Castle Trust (SC020737)
  - ❖ The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)
- The financial statements have been prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have common trustees. The City of Edinburgh Council's Finance and Resources Committee acts as sole Trustee for these charitable trusts.
- Our independent auditor's report to the trustees of The City of Edinburgh Council Charitable Trusts is unqualified. We have, however, drawn attention in our independent auditor's report to the fact that the City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared using a break-up basis of accounting as the trustees consider that it is not a going concern. Our opinion is not modified in respect of this matter.
- We have no matters to report regarding the adoption of the going concern basis in respect of the five other charitable trusts or inadequate disclosures relating to material uncertainties.

## Executive summary continued

Key findings on audit risks and other matters	<ul style="list-style-type: none"><li>• We have reported our audit findings on pages 7-9.</li><li>• We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.</li></ul>
Audit adjustments	<ul style="list-style-type: none"><li>• We are required to communicate all potential adjustments, other than those considered to be clearly trivial, to management and to request that management corrects them. Details of the audit adjustments are included on page 15. There were no potential audit adjustments.</li></ul>
Accounting systems and internal controls	<ul style="list-style-type: none"><li>• We have applied our risk based methodology to your audit. This approach requires us to document, evaluate and assess your business processes and internal controls relating to the financial reporting process.</li><li>• Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have reported these to you. We are pleased to report we did not identify any new control weaknesses during our 2019/20 audit. We have followed up on progress in implementing actions raised in prior years as set out on pages 17-20.</li></ul>

# Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

Our initial assessment of materiality for the year ended 31 March 2020 was set out in our External Audit Annual Plan and is detailed in the table below ("Planning materiality"). On receipt of the draft financial statements, we reassessed materiality and set it at the levels outlined below. We consider that our updated assessment has remained appropriate throughout our audit.

	Planning materiality (£)	Overall materiality for the financial statements (£)	Performance materiality (£)	Trivial threshold (£)	Explanation
Lauriston Castle	140,900	140,900	105,675	7,045	<p><b>Overall materiality:</b> our assessment is based on approximately 2% of gross assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of each charitable trust.</p> <p><b>Performance materiality:</b> Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.</p> <p><b>Trivial threshold:</b> 5% of overall materiality for the financial statements.</p>
Jean F. Watson	128,640	129,180	96,885	6,459	
Edinburgh Education Trust	20,500	20,380	15,285	1,019	
Nelson Halls	4,980	4,980	3,735	249	
City of Edinburgh Council Charitable Funds (Boyd Anderson)	2,180	2,120	1,590	106	
Royal Scots Monument Trust	700	720	540	36	

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# Significant findings

## Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Audit approach	Audit findings and conclusion
<b>Fraud in revenue recognition</b> Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Trusts' could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.	We evaluated each type of revenue transaction and reviewed the controls in place over revenue accounting. We considered the Trusts' key revenue transactions and streams and carried out testing to confirm that the Trusts' revenue recognition policy is appropriate and has been applied consistently throughout the year and accounted for correctly.	While we did not suspect incidences of material fraud and error we evaluated each type of income transaction and documented our conclusions. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements. To inform our conclusion we carried out testing to confirm that the accounting policy for income recognition is appropriate and has been applied consistently throughout the year.
<b>Management override of controls</b> Under ISA (UK) 240 there is a presumed risk that management have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.	In response to this risk we reviewed the Trusts' accounting records and obtained evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We also reviewed the key accounting estimates, judgements and decisions made by management.	We have not identified any indications of management override in the year. We have reviewed the charitable trusts' accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

## Significant findings continued

Risk	Audit approach	Audit findings and conclusion
<p><b>Lauriston Castle Trust external valuation</b> An external revaluation of the collection commenced in 2016 but has yet to be completed. The 2018/19 financial statements reflected the valuation as at the previous reporting date (31 March 2018). The charitable trusts' accounting policy on heritage assets states that such properties are included in the financial statements at a revalued amount where this is available. The notes to the financial statements detail that the previous valuation of the contents of Lauriston Castle was carried out in 1997.</p> <p>There is a risk that the result of this valuation is incorrectly accounted for in the 2019/20 financial statements.</p>	<p>In response to this risk we sought to review the outcome of the valuation exercise and ensure the results have been correctly accounted for in the 2019/20 financial statements.</p>	<p>The external valuation of the collection has yet to be completed. The financial statements therefore reflect the value as at the previous reporting date (31 March 2019).</p> <p>While we concluded that the financial statements have been prepared in accordance with the Charities SORP (FRS 102) in respect of this matter, we recommend that the external valuation of the collection should be concluded as soon as practicable to ensure incorporation into the financial statements (this recommendation was also raised in the prior year).</p>



## Significant findings continued

Risk	Audit approach	Audit findings and conclusion
<p><b>Winding up of trusts</b></p> <p>In January 2018, a paper was presented to the Council's Finance and Resources Committee seeking approval for the formal winding up of the City of Edinburgh Council Charitable Funds (Boyd Anderson) and the transfer of the remaining assets to the Lagganlia Outdoor Learning Centre. Consent to wind up this charitable trust was received from the OSCR in December 2017.</p> <p>In the 2018/19 financial statements, the Trustees prepared the financial statements for the City of Edinburgh Council Charitable Funds (Boyd Anderson) adopting a break-up basis of accounting as they considered that it was not a going concern. Our opinion was not modified in respect of this matter.</p> <p>There is a risk that this Fund is not accounted for and disclosed correctly in the financial statements.</p>	<p>We reviewed the disclosures and accounting transactions in the financial statements to ensure compliance with the Charities SORP (FRS 102) and applicable accounting standards.</p>	<p>Due to the temporary closure of the centre as a result of the COVID-19 pandemic, construction works have not yet been completed and therefore these monies have not yet been transferred. OSCR has granted consent to wind up this Trust and this will be progressed once construction works have been completed.</p> <p>In respect of this Trust, note 1 in the financial statements explains a break-up basis of accounting has been applied as the trustees consider that it is not a going concern.</p> <p>We have disclosed this matter in our independent auditor's report. Our opinion is not modified in respect of this matter.</p>

## Other findings

Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise. We have specifically updated our risk assessment and audit plan in light of COVID-19. We recognised this as a significant risk.

Risk	Audit approach	Audit findings and conclusion
<b>COVID-19</b> COVID-19 is having a significant impact on the whole economy and the ability of organisations to continue in both the short and long term. The implications of these risks and uncertainties will currently be under consideration by Trustees. The impact on year end balances and the going concern of charitable trusts should be considered. The Financial Reporting Council and OSCR has also issued guidance on the reporting organisations should provide within their financial statements. Required disclosures will likely change over time as more information about the pandemic emerges. As a result, organisations need to monitor developments and ensure that they are providing up-to-date and meaningful disclosure when preparing their annual report and financial statements.	We reviewed the charitable trusts' consideration of the impact of COVID-19. In particular we reviewed whether year end balances and disclosures reflect the position at 31 March and any post balance sheet events. We also considered the Trustees consideration of the charitable trusts' ability to continue as a going concern.	<p>From our review, and understanding of the charitable trusts' operations, we are satisfied that the impact of COVID-19 does not present a material uncertainty to the going concern basis of preparation.</p> <p>We have reviewed the disclosures within the financial statements as they relate to COVID-19 and consider these to be appropriate and in accordance with current guidance.</p>

# Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the charitable trusts’ ability to continue as a going concern” (ISA (UK) 570).

Management’s assessment of going concern	Audit work performed	Audit findings and conclusion
<p>The financial statements for the remaining five trusts, after the closure of Boyd Anderson, are prepared on the going concern basis. The trustees are of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the coming year.</p> <p>This assessment of going concern includes the expected impact of COVID-19 to the charitable trusts’ in the 12 months following the signing of these financial statements.</p>	<p>In order to gain assurance on these matters our work has included (where applicable):</p> <ul style="list-style-type: none"><li>• reviewing bank facilities;</li><li>• enquiring of Council senior management and the charitable trusts’ solicitors concerning litigation, claims and assessments;</li><li>• performing sample testing of post balance sheet transactions; and</li><li>• consideration of the impact COVID-19 has had on the charitable trusts’.</li></ul>	<p>Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that five of the six charitable trusts will continue to operate for at least 12 months from the signing date.</p> <p>In respect of the City of Edinburgh Council Charitable Funds (Boyd Anderson), we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for this trust using a break-up basis of accounting as they consider that it is not a going concern. Our opinion is not modified in respect of this matter.</p>

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# Accounting policies, key judgements and estimates and disclosures

## Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

## Key judgements and estimates

In preparing the financial statements, trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgments are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

The trustees do not consider there to be any accounting judgements required in preparing these accounts. The trustees are satisfied that accounting policies are appropriate and applied consistently.

## Disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charitable trusts.

We are satisfied with the appropriateness of accounting estimates and judgements used in the preparation of the financial statements. We did however note that the external revaluation of the Lauriston Castle Trust collection has yet to be completed and the financial statements therefore reflect the valuation as at the previous reporting date.

## Conclusion

We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the charitable trusts.

## Other communication requirements

### Fraud or suspected fraud

We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

### Non-compliance with laws and regulations

The Trustees are responsible for preparing the financial statements in accordance with the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities and Trustee Investment (Scotland) Act 2005, and relevant accounting standards.

The financial statements have been prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have common trustees. The City of Edinburgh Council's Finance and Resources Committee acts as sole Trustee for these charitable trusts.

We are not aware of any significant incidences of non-compliance.

Under Section 46 of the Charities and Trustee Investment (Scotland) Act 2005, auditors have a responsibility to report items of material significance to the Office of the Scottish Charity Regulator (OSCR).

We did not identify any areas of material significance during our audit that required reporting to OSCR.

### The Local Authority Accounts (Scotland) Regulations 2014

As part of our audit, we reviewed the charitable trusts' compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulation 9<sup>1</sup> as it relates to the financial statements.

Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone submitting the unaudited accounts to auditors and publishing the audited accounts until it is reasonably practicable. The Scottish Government has provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts.

Audit Scotland has revised the deadline for auditors to submit the audited annual accounts from 30 September to 30 November 2020. However, it is for local auditors to agree a timetable with each local government body with a view to completing the process as early possible while still delivering a high quality audit.

The financial statements are due to be considered by the Finance and Resources Committee on 5 November 2020; thereby meeting the revised timetable as set out above.

We have been working closely with the Council throughout the audit to ensure that this timetable is adhered to.

Overall, we concluded that appropriate arrangements were in place to comply with these Regulations (as they apply to charities).

## Other communication requirements

### **Written representations**

We enclose the final draft letter of representation at Appendix I which we will request the Trustees to sign at the same time as the financial statements are approved.

### **Related parties**

We are not aware of any related party transactions which have not been disclosed.

### **Confirmations from third parties**

All requested confirmations have been received.

# Misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Details of items corrected following discussions with City of Edinburgh Council management are as below.

## Adjusted misstatements

No	Detail	SOFA		Balance Sheet		Effect on net income / expenditure
		Dr £	Cr £	Dr £	Cr £	
	Net income/(expenditure) as presented for audit					6,000
1	<i>Being transfer of Royal Scots Monument from the Common Good Fund to the Royal Scots Trust (following the Common Good asset register review)</i>		1,000	1,000		1,000
	Net income/(expenditure) per audited accounts					7,000

## Disclosure amendments

No	Detail
1	Update on disclosure in respect of the winding up of the Boyd Anderson Trust
2	Update on disclosure in respect of going concern and the impact of COVID-19
3	Update on disclosures in respect of the audit adjustment noted above

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## Internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have report these to you.

We are pleased to report we did not identify any new control weaknesses during our 2019/20 audit. We have followed up on progress in implementing actions raised in prior years as set out in the following table.



## Follow up of prior year/s recommendations

Area	Observation	Implication	Recommendation	Management response
<b>Valuation of Lauriston Castle collection</b>	The external valuation of Lauriston Castle collection commenced in 2016 but has yet to be completed. The financial statements therefore reflect the valuation as at the previous reporting date. The previous valuation of the collection was carried out in 1997.	The valuation of the collection in the financial statements is materially misstated.	The external valuation of the collection should be concluded as soon as practicable to ensure incorporation in the financial statements.	<p><b>2018/19 management response</b></p> <p>The Council contracted a valuer who has carried out a substantial amount of the valuation work. Due to unforeseen and unavoidable delays, the valuation work is yet to be completed. Our intention is to give the contracted valuer a final deadline of 31 December 2019 after which time we will seek an alternative solution to those parts of the review which remain incomplete. Our forbearance with the current valuer is mainly due to the considerable additional funding that would be required were we to complete the project by an alternative means.</p> <p><b>Responsible officer:</b> Service Manager, Cultural Venues (Museums &amp; Galleries), Place  <b>Completion date:</b> March 2020</p>
<b>Current status</b>	<b>Update</b>			
<b>Outstanding</b>	<p>While the majority of required details have been received, given continuing delays in the completion of the valuation, contingency arrangements have been put in place should the outstanding elements not be received from the contracted valuer within the recently-agreed timescale.</p> <p><b>Responsible officer:</b> Service Manager, Cultural Venues (Museums &amp; Galleries), Place  <b>Completion date:</b> May 2021</p>			

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

## Follow up of prior year/s recommendations

Area	Observation	Implication	Recommendation	Management response
Missing artwork	<p>During our audit testing in 2017/18 we were unable to verify one item of artwork from the Jean F Watson collection. This item was identified as unaccounted for in 2015, following a full review of the collection. This item of artwork however remains on the valuation records which are used in the preparation of the financial statements. The value of this item is £2,500.</p> <p>A review of the Jean F Watson collection was carried out in response to our finding. The item we were unable to locate in the however still remained unaccounted for in 2018/19.</p>	Stewardship – there is a risk over the completeness of the Jean F Watson collection	Action should be taken to identify the unaccounted for item of artwork from the Jean F Watson collection.	<p><b>2018/19 management response</b></p> <p>The item in question was on loan in 2015 to another Council property. Whilst the review did not locate the item in question, efforts will continue to try and trace the artwork elsewhere within the Council’s property estate.</p> <p><b>Responsible officer:</b> Service Manager, Cultural Venues (Museums &amp; Galleries), Place</p> <p><b>Completion date:</b> March 2020</p>
Current status	Update			
Closed	<p>Extensive efforts to locate the painting have been unsuccessful and the likelihood of ever tracing it is considered remote since the building where it was displayed is no longer in the Council’s ownership. The artwork will be removed from the valuation records in the 2020/21 financial year.</p> <p><b>Responsible officer:</b> n/a <b>Completion date:</b> n/a</p>			

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

# Follow up of prior year/s recommendations

Area	Observation	Implication	Recommendation	Management response
<b>Declaration of interests</b>	<p>We noted the following during our 2018/19 audit:</p> <ul style="list-style-type: none"> <li>The Council’s website details those councillors who are members of the Finance and Resources Committee and the Jean F. Watson Committee. The website does not explicitly note that where councillors are members of the Finance and Resources Committee they are trustees of the City of Edinburgh Council Charitable Trusts.</li> <li>Individual councillor registers of interests do not make reference to the City of Edinburgh Council Charitable Trusts.</li> </ul>	<p>Openness and transparency – there is a risk over the openness of disclosures made by the Trustees of the City of Edinburgh Council charitable trusts. These records inform related party disclosures and potential conflicts of interests when considering the business of both the Council and the Trusts.</p>	<p>We recommend all councillors acting as Trustees to the City of Edinburgh Council charitable trusts review and update their registers of interest, if required, to reflect their role as Trustee on these Trusts.</p>	<p><b>2018/19 management response</b>            The two specific issues highlighted will be addressed as soon as practicable. The Council is currently implementing a new committee management software system that will simplify the process for elected members updating their register. Training is provided to all elected members on the requirements of the Code of Conduct and it remains the responsibility of individual elected members to update their register accurately and timeously.</p> <p><b>Responsible officer:</b> Governance and Democratic Services Manager  <b>Completion date:</b> On-going</p>
<b>Current status</b>	<b>Update</b>			
<b>In progress</b>	<p>Both issues identified have been progressed and reminders will be issued going forward upon any change of Finance and Resources Committee membership to ensure registers of interest remain current in this respect.</p> <p><b>Responsible officer:</b> Principal Accountant (Corporate Accounts), Finance  <b>Completion date:</b> November 2020</p>			

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

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## Responsibilities of the auditor

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment. The charitable trusts covered by this report fall within the scope of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standards.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process.

The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

## Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan confirming audit planning arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

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# Appendix I: Management representation letter

Dear Sirs

## **The City of Edinburgh Council Charitable Trusts**

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the charitable trusts' financial statements for the period ended 31 March 2020. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

### **GENERAL**

1. We have fulfilled our responsibilities as trustees under the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 , for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. We confirm all the transactions undertaken by the charitable trusts have been properly reflected and recorded in the accounting records.
3. We confirm all the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the City of Edinburgh Council (the "Council"), and with all other records and related information requested, including minutes of all committee meetings.
4. We confirm the financial statements are free of material misstatements, including omissions.
5. We believe that the system of internal controls in place are adequate to enable the preparation of accurate financial statements in accordance with United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) ("UK GAAP"), including the requirements of Financial Reporting Standards ("FRS") FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we deem necessary to address the likely effects of the COVID-19 pandemic on our system of internal controls.

### **INTERNAL CONTROL AND FRAUD**

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

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## Appendix I: Management representation letter

7. We confirm that all accounting records have been made available to you for the purposes of your audit, in accordance with your terms of engagement, and that all transactions undertaken by the charitable trusts have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all committee meetings, have been made available to you. We have given you unrestricted access to persons within the Council in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
8. We have disclosed to you all instances of known or suspected fraud affecting the charitable trusts involving Council management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
9. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the charitable trusts' financial statements communicated by current or former Council employees, analysts, regulators or others. including non-compliance matters:
  - Involving financial improprieties;
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Company's financial statements;
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Company's business, its ability to continue in business, or to avoid material penalties; and/or
  - Involving management, or employees who have significant roles in internal control, or others.

### **ASSETS AND LIABILITIES**

10. The charitable trusts' have satisfactory title to all assets and there are no liens or encumbrances on the charitable trusts' assets except for those that are disclosed in the notes to the financial statements.
11. There were no changes in fixed assets during the period ended 31 March 2020 other than those disclosed in the accounts.
12. We have reviewed the residual values attached to fixed assets and confirm they are still appropriate and reasonable reflections of these assets condition and usage.
13. We confirm all actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
14. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.
15. We confirm that all bank accounts have been disclosed to you and are included within the financial statements.
16. We confirm that the charitable trusts have not contracted for any capital expenditure other than as disclosed in the financial statements.

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# Appendix I: Management representation letter

## **ACCOUNTING ESTIMATES**

17. We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

## **LOANS AND ARRANGEMENTS**

18. We confirm the charitable trusts have not granted any advances or credits to, or made guarantees on behalf of, trustees other than those disclosed in the financial statements.

## **COMPLIANCE WITH LAWS AND REGULATIONS**

19. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the charitable trusts conduct their business and which are central to the charitable trusts' ability to conduct their business and could affect the financial statements. The charitable trusts' have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

## **LEGAL CLAIMS**

20. We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the requirements of accounting standards.

## **CONTINGENT LIABILITIES**

21. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

22. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, other than those already disclosed.

## **LAWS AND REGULATIONS**

23. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

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# Appendix I: Management representation letter

## RELATED PARTIES

24. We confirm the completeness of related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of applicable law or accounting standards.

## SUBSEQUENT EVENTS

25. We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.
26. We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.

## GOING CONCERN

27. The implications of the Covid-19 pandemic are still unclear and it is therefore difficult to evaluate the likely effect on the charitable trusts' activities and the wider economy. The trustees' assessment at the date of approval of these accounts is that the virus does not create a material uncertainty as to going concern.
28. The financial statements disclose all the matters of which we are aware that are relevant to the charitable trusts' ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.
29. The City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared using a break-up basis of accounting as we consider that it is not a going concern.

## SPECIFIC REPRESENTATIONS

30. We confirm the following specific representations made to you during the course of your audit relating to:
- All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
  - All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.



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# Appendix I: Management representation letter

- 31. We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.
- 32. Each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

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Signed on behalf of the trustees of the charitable trusts by:

Name:

Date: