



The City of Edinburgh Council Charitable Trusts & The City of Edinburgh Council Charitable Funds

Audit findings report

Year ended 31 March 2022



Our ref: NIBE/CITYEC01/31 March 2022

City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

10 November 2022

Dear Sirs

**The City of Edinburgh Council Charitable Trusts & City of Edinburgh Council Charitable Funds
Audit findings for the year ended 31 March 2022**

This Audit Findings Report highlights the significant findings arising from the audit of the charitable trust funds administered by the City of Edinburgh Council 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 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.

Yours faithfully

Azets Audit Services

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

Azets Audit Services is a trading name of Azets Audit Services Limited. Registered in England & Wales. Registered No. 09652677. VAT Registration No. 219 0608 22. Registered office: 2nd Floor, Regis House, 45 King William St, London EC4R 9AN. Registered to carry on audit work in the UK under Firm Number C004632199 and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales. The term 'Board Director' is used to refer to a statutory director and principal of the company as registered at Companies House. Any other designations that include the term 'Partner' or 'Director' are not registered statutory directors or principals of the registered company.



1. Executive summary

Audit overview

This table summarises the key findings from the external audit of the charitable trust funds administered by City of Edinburgh Council (The City of Edinburgh Council Charitable Trusts and The City of Edinburgh Council Charitable Funds) for the year ended 31 March 2022 for those charged with governance.

Audit opinions	<p>Our independent auditor's report to the Trustee of The City of Edinburgh Council Charitable Trusts is unqualified. 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 and Trustee Investment (Scotland) Act 2005, Charities Accounts (Scotland) Regulations 2006 (as amended), and all applicable accounting standards.</p> <ul style="list-style-type: none">• Jean Fletcher Watson (SC018971)• Edinburgh Education Trust (SC042754)• Nelson Halls Trust (SC018946)• Lauriston Castle Trust (SC020737)• The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945) <p>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 a common trustee. The City of Edinburgh Council's acts as sole Trustee for these charitable trusts. The Council's Finance and Resources Committee has delegated authority from the Council to act in the role of Trustee of its charities.</p> <p>We have no matters to report regarding the adoption of the going concern basis or inadequate disclosures relating to material uncertainties in respect of the five charitable trusts which comprise The City of Edinburgh Council Charitable Trusts.</p> <p>A separate set of financial statements has been prepared for The City of Edinburgh Council Charitable Funds (Boyd Anderson). Our independent auditor's report on these financial statements 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 Trustee considers that it is not a going concern. Our opinion is not modified in respect of this matter.</p>
Key findings on audit risks and other matters	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>The Council had appropriate administrative processes in place to prepare the financial statements and the required supporting working papers.</p>

1. Executive summary (continued)

Audit adjustments	<p>We identified no audit adjustments to The City of Edinburgh Council Charitable Trusts or The City of Edinburgh Council Charitable Funds (Boyd Anderson) financial statements. There were also no unadjusted audit differences.</p> <p>Presentational adjustments were proposed and accepted by City of Edinburgh Council management.</p>
Accounting systems and internal controls	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the charitable trusts' processes and internal controls relating to the financial reporting process.</p> <p>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 included these in this report. No material weaknesses or significant deficiencies were noted.</p>

2. Significant risk areas

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.

Key risk area	Audit Approach	Conclusions
Management override In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i> .	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 did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.
Revenue recognition Under ISA (UK) 240 - <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i> 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 and expenditure transactions 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.	Overall 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.

2. Significant risk areas

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.

Key risk area	Audit Approach	Conclusions
<p>Lauriston Castle Trust: governance arrangements</p> <p>In 2020/21, we received an objection in relation to the City of Edinburgh Council Charitable Trusts financial statements. The objection raised issues over the governance of Lauriston Castle Trust. The objection claimed that the Council is not the sole trustee of the Lauriston Castle Trust, and that magistrates are also perpetual trustees.</p> <p>The Council obtained legal advice confirming that the City of Edinburgh Council is the sole trustee of the Lauriston Castle Trust. The Council is currently conducting a review of its administration of trusts.</p> <p>At the Finance and Resources Committee meeting of 12 August 2021, details were provided of the principal findings of an external review of the effectiveness of current governance arrangements in discharging the Council's responsibilities under the Deed of Trust for Lauriston Castle Trust (LCT). In considering the report's recommendations, members agreed to receive a further report to full Council early in the new year including a routemap on a proposed way forward for the Trust, as well as reviewing the arrangements for the other trusts of which the Council is sole trustee with reference to the arrangements agreed for Lauriston Castle Trust.</p> <p>We understand that the report will propose to reshape Lauriston Castle Trust. Assuming this is approved, an application will subsequently be made to OSCR to implement a reorganisation scheme which will vary the terms of the Deed of Trust.</p>	<p>In response to this risk, we considered any approved changes to the governance structures of the charitable trusts and the impact this had on the financial statements of the trusts.</p>	<p>No changes were made to the governance arrangements of the charitable trusts in 2021/22.</p> <p>The review was postponed due to local government elections in May 2022. The Council is considering options for adapting the governance of the Trust, which is likely to take place in 2023. The outcome of this review will be reported to a future Committee.</p>

2. Significant risk areas

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.

Key risk area	Audit Approach	Conclusions
<p>Asset valuations (significant accounting estimate)</p> <p>Heritage Assets are stated in the accounts at a revalued amount where this is available. The valuation base for such assets is value for insurance purposes. Where this information is not available, historic cost has been used. This is the case for the Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scots Monument.</p> <p>The Lauriston Castle valuation of £7.6million includes £2million for the Lauriston Castle buildings and grounds based on historic cost and £5.6million based on full inventory valuation of the collection. An external revaluation of the collection was completed in November 2020 by Art & Antiques Appraisals.</p> <p>There is a significant degree of subjectivity in the measurement and valuation of fixed assets. This subjectivity and the material nature of the asset base represents an increased risk of misstatement in the financial statements.</p>	<p>We will ensure that tangible fixed assets are recorded in the financial statements in accordance with the Charities SORP (FRS 102) and the charitable trusts' accounting policies and have been accounted for appropriately. We will review asset valuations and ensure that the Council has completed a recent assessment for impairment across the portfolio.</p> <p>Where applicable, we will consider the competence, capability and objectiveness of the valuer in line with ISA (UK) 500 Audit Evidence. We will review the valuation report and consider the assumptions used by the valuer against external sources of evidence. In addition, we will consider the scope of the valuer's work and the information provided to the valuer for completeness. We will ensure that all key assumptions and estimates over the valuation of tangible fixed assets are formally reviewed on an annual basis to ensure these remain appropriate</p>	<p>In 2021/22 there were no asset valuation exercises carried out over the charitable trusts' heritage assets.</p> <p>The Council's in-house valuer includes, as part of their annual review of the council asset portfolio, Lauriston Castle and Nelson Halls to identify if there are any changes in value of those assets including impairment. There were no material changes identified in respect of these assets.</p> <p>Management rely on the team who are responsible for the JFW artwork to notify of any impairment / changes to the value of the portfolio. No changes were identified in respect of these assets.</p> <p>An external revaluation of the Lauriston Castle Collection was completed in November 2020 and incorporated into the 2020/21 financial statements. No further work was carried out by management in year as to the value of this collection.</p> <p>Overall, the accounting policy and judgements taken by management in the preparation of the accounts are consistent with the requirements of the Charities SORP (FRS 102) in respect of heritage assets.</p> <p>We have gained reasonable assurance on the value of fixed assets and are satisfied that fixed assets are fairly stated in the financial statements.</p>

2. Significant risk areas

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.

Key risk area	Audit Approach	Conclusions
<p>Recognition of Council support on the running and maintenance of the Trusts (significant accounting estimate)</p> <p>The financial statements include income and expenditure associated with the running and maintenance of Lauriston Castle, Nelson Halls and The Royal Scots Monument (incorporated into the Royal Scots Trust). This includes support funding from the City of Edinburgh Council towards the operating and maintenance costs of these assets. The key judgements and estimates applied are as follows:</p> <ul style="list-style-type: none">• Lauriston Castle Trust: time-based estimates of curatorial and management costs where relevant staff also have responsibility for other Council operated venues. An estimate of gardening costs, comprising employee and associated materials expenditure, is also included.• Nelson Halls: based on the total floorspace (in sqm) covered by the halls as a percentage of the entire floorspace of the libraries or community centres to which they are attached.• The Royal Scots Monument: based on the estimated cost, as provided by Parks and Greenspace services, for maintaining the specific grounds the monument is situated. <p>There is a risk that the judgements and estimations applied are inappropriate and materially misstated in the financial statements.</p>	<p>Our audit testing focused on the recognition of Council support in the financial statements where values and balances are derived by judgement and estimation.</p>	<p>The key judgements and estimates applied by management are the same as applied in the previous year.</p> <p>We considered the judgements and estimates applied and consider these to be appropriate. We did not identify any areas of bias in the judgements made by management and the estimation techniques applied were consistent with the prior year.</p> <p>We have gained reasonable assurance that the support in kind from City of Edinburgh Council is fairly stated in the financial statements.</p>

2. Significant risk areas (continued)

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.

Key risk area	Audit Approach	Conclusions
Winding up of trusts		
<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>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 2020/21, separate financial statements were prepared for this Trust. The Trustee 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>The Council has reviewed the project post covid closure and found the costs of the original project to be prohibitive. The Council is exploring alternative options which meet the same business outcomes but are more effective and time efficient. The monies from the City of Edinburgh Council Charitable Funds (Boyd Anderson) will still be used for this project.</p> <p>A new business case is required. The intention is that the project will commence this financial year (2022/23) with a view to completion in Summer 2023.</p> <p>Note 1 in the financial statements explains that 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>

3. Other risk factors / observations from the audit

Impact of COVID-19 on the financial statements

COVID-19 continued to present unprecedented challenges to the operation, financial management and governance of organisations in 2021/22. In response to the pandemic, we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion.

We reviewed the 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 both management's (City of Edinburgh Council) and the Trustee's consideration of the individual trusts ability to continue as a going concern.

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.

Local Authority Accounts (Scotland) Regulations 2014 – notice of public right to inspect and object to accounts

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: the notice of public right to inspect and object to accounts.

Overall we concluded that appropriate arrangements are in place to comply with the Regulations. No submissions were received in 2021/22.

4. Estimates and judgements

During the audit planning process we identified the following areas which require significant estimation or judgement. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between **Prudent**, **Balanced** and **Optimistic**.

Area	Assessment	Comment
------	------------	---------

As noted in section 2 of this report:

Asset valuations

Balanced

Heritage Assets are stated in the financial statements at a revalued amount where this is available. Where this information is not available, historic cost has been used. This is the case for the Lauriston Castle buildings and grounds, Nelson Halls and the Royal Scots Monument. The collections of paintings, ceramics, textiles, silverware, clocks and books are based on values for insurance purposes.

In 2021/22 there were no asset valuation exercises carried out over the charitable trusts' heritage assets. A review of the asset values in 2021/22 was carried out by management with no material changes identified.

The accounting policy and judgements taken by management in the preparation of the financial statements are consistent with the requirements of the Charities SORP (FRS 102) in respect of heritage assets.

Recognition of Council support on the running and maintenance of the Trusts

Balanced

As noted in section 2 of this report:

City of Edinburgh Council management has exercised judgement in applying the charitable trust fund's accounting policies. Judgements and estimates have been applied in respect of the Council's support in kind in on the running and maintenance of Lauriston Castle, Nelson Halls and The Royal Scots Monument.

We considered the judgements and estimates applied and consider these to be appropriate. We did not identify any areas of bias in the judgements made by management and the estimation techniques applied were consistent with the prior year.

5. 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 entity's ability to continue as a going concern” (ISA (UK) 570).

Management's assessment of going concern

The financial statements for the five trusts, excluding The City of Edinburgh Council Charitable Funds (Boyd Anderson), are prepared on the going concern basis. The City of Edinburgh Council support the ongoing operation and maintenance of the trusts; as is evidenced through the support in kind to Lauriston Castle Trust, Nelson Halls Trust and The Royal Scots (The Royal Regiment) Monument Trust Fund.

In respect of the City of Edinburgh Council Charitable Trust Funds (Boyd Anderson); these have been prepared using a break-up basis of accounting as they are not considered to be a going concern (refer to section 2 of this report 'winding up of Trusts').

Trustee assessment of going concern

The trustees are of the opinion the five trusts, excluding The City of Edinburgh Council Charitable Funds (Boyd Anderson), are a going concern from reviewing activities undertaken, based on expected expenditure and commitments in the coming year.

Audit work performed

ISA 570 (revised) specifies mandatory procedures that we are required to carry out on going concern.

In order to gain assurance on these matters our work has included:

- enquiring of Council management and the charitable trusts' solicitors concerning litigation, claims and assessments;
- review of financial forecasts;
- consideration of post balance sheet events; and
- consideration of the impact COVID-19 has had on charitable trusts'.

Disclosures

We have reviewed the disclosures set out in the notes to the financial statements on going concern and consider these to be appropriate.

Conclusion

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.

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 Trustee has 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 audit report refers to the material uncertainty although our opinion is not modified in respect of this matter.

6. Audit communication

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 2022 was set out in our External Audit Annual Plan and is detailed in the table below ("Planning materiality"). On receipt of the unaudited 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 (£)	Final overall materiality for the financial statements (£)	Performance materiality (£)	Trivial threshold (£)	Explanation
Lauriston Castle	153,220	153,220	114,915	7,661	<p>Overall materiality: 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>Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.</p> <p>Trivial threshold: 5% of overall materiality for the financial statements.</p>
Jean F. Watson	132,920	132,920	99,690	6,646	
Edinburgh Education Trust	23,940	25,760	19,320	1,288	
Nelson Halls	5,540	5,880	4,410	294	
City of Edinburgh Council Charitable Funds (Boyd Anderson)	2,000	2,000	1,500	100	
Royal Scots (The Royal Regiment) Monument Trust Fund	720	720	540	36	

6. Audit communication (continued)

Accounting policies

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

Presentation and 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.

Overall we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

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.

Written representations

We will present final letter of representations to the Finance and Resources Committee 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 third party confirmations have been received.

Non-compliance with laws and regulations

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 City of Edinburgh Council Charitable Trusts financial statements are 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 acts as sole Trustee for these charitable trusts.

As The City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared on a break-up basis of accounting, separate financial statements have been prepared.

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

7. Internal controls

Control environment

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. 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 include them in this report. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	Satisfactory	We consider the control environment to be satisfactory. No material weaknesses or significant deficiencies were noted in the control and process environment.
Quality of supporting schedules	Satisfactory	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	Satisfactory	Management's responses to our audit queries were appropriate and received on a timely basis.

7. Internal controls (continued)

Follow up of prior year/s recommendations

As part of our audit process, we have specifically followed up on the recommendations either raised in last year's report or carried forward from prior reports. Our findings are noted below.

The recommendations are categorised into three risk ratings as shown in the key.

Key: 1. Significant deficiency 2. Other deficiency 3. Other observations

Area	Observation	Implication	Recommendation	2020/21 management response
Regular financial reporting 3	The Finance and Resources Committee does not receive regular financial information on income generated / expenditure incurred on the Charitable Trusts. As the Trustee of the trusts the Council should receive regular financial information to ensure that income generated is applied in accordance with the charitable objectives of the Trusts.	There is a risk that income is not spent in accordance with the charitable objectives of the Trusts.	Regular financial information should be presented to enable the Council to fulfil its role as Trustee to these Trusts.	Six-monthly financial updates to elected members will be introduced, aligned to the revised governance arrangements expected to be approved early in the new year. Responsible officer: Principal Accountant (Corporate Accounts) Completion date: June 2022
Current status	Update from management			
Ongoing	While activity during the year was somewhat limited and the revised governance arrangements are still to be implemented, an update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022. This will be supplemented by commentary included in the Annual Report in November.			

8. Internal controls (continued)

Follow up of prior year/s recommendations (continued)

Key: **1. Significant deficiency** **2. Other deficiency** **3. Other observations**

Area	Observation	Implication	Recommendation	2020/21 management response
Financial forecasts 3	Forecasting is due to be carried out by City of Edinburgh Council finance staff in 2021/22 to ensure those charged with governance are aware of funds available in 2022/23 which will enable longer term planning.	There is a risk that those charged with governance do not have sufficient / up to date information to base decisions on over the longer term financial position of the trusts.	Once prepared; the financial forecasts should be presented to enable the Council to take decisions over the longer term financial position of the Trusts.	<p>Members of the Committee on the Jean F Watson Bequest already receive regular financial updates to inform decisions on the allocation of available funds. While four of the other five trusts are either in receipt of a net funding contribution from the Council or are being wound up, opportunities to improve financial planning will nonetheless be considered and reported as part of the updates mentioned in the recommendation above.</p> <p>Responsible officer: Principal Accountant (Corporate Accounts) Completion date: June 2022</p>

Current status	Update from management
Ongoing	An update was provided in the Business Bulletin of the Finance and Resources Committee on 16 June 2022 including forecasts for 22/23. This will be supplemented by commentary included in the Annual Report in November.

8. Internal controls (continued)

Follow up of prior year/s recommendations (continued)

Key: **1. Significant deficiency** **2. Other deficiency** **3. Other observations**

Area	Observation	Implication	Recommendation	2020/21 management response
Declaration of interests	We noted the following during our 2018/19 audit:	Openness and transparency – there is a risk over the openness of disclosures made by the City of Edinburgh Council as Trustee of the charitable trusts. These records inform related party disclosures and potential conflicts of interests when considering the business of both the Council and the Trusts.	We recommend that any councillors who may in future be appointed to act 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.	If revised governance arrangements to be presented to Council early in the new year are approved and implemented, any individual councillor trustees will be asked to ensure that their respective registers of interest are updated.
3	<ul style="list-style-type: none"> 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. Individual councillor registers of interests do not make reference to the City of Edinburgh Council Charitable Trusts. 			<p>Responsible officer: Head of Democracy, Governance and Resilience</p> <p>Completion date: On-going</p>

Current status	Update from management
Ongoing	Consideration of the report on these revised arrangements was delayed until after the Local Government Election in May 2022 but will be presented to the Finance and Resources Committee in due course. Relevant registers of interests will be updated once this process has concluded.

9. Independence and ethics

Independence and Ethics

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

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Audit and non-audit services

The following services were provided in the year to 31 March 2022 and to 31 March 2021.

Audit services	Fees 2022 £	Fees 2021 £
Audit of the financial statements	9,000	8,240

No non-audit services were provided in either year.

AZETS