

Audit and Scrutiny Committee
Scottish Borders Council
Newtown St Boswells
TD6 OSA

25 September 2017

Dear Audit and Scrutiny Committee Members

Charitable Trusts administered by Scottish Borders Council Report to those charged with governance on the 2016/17 audit

1. An audit is required for 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 Scottish Borders Council, Audit Scotland, has been appointed as the auditor of the relevant trusts.
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 Members of the Audit and Scrutiny Committee of Scottish Borders Council are identified as those charged with governance. The trustees of the charities are the elected members of Scottish Borders Council.
3. This report sets out for the Audit and Scrutiny Committee's consideration, the matters arising from the audit of the financial statements for 2016/17 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 prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Scottish Borders Council, as the trustees of the registered charitable trusts listed at [Appendix A](#), and no responsibility to any third party is accepted.
4. Our audit work is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of revised sets of financial statements for review, we anticipate being able to issue unqualified auditor's reports on 29 September 2017 (the proposed reports are attached at [Appendix B](#)). There are no anticipated modifications to the audit reports.
5. In presenting this report to the Audit and Scrutiny Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any

subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

6. 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 and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
7. 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.
8. 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.
9. 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.
10. The statement of recommended practice (SORP) based on the 'FRSSE' financial reporting standard for smaller entities became effective from 1 January 2015, and during 2015/16 the Trusts transitioned to this SORP for the preparation of the 2015-16 financial statements. However, this 'FRSSE' has been withdrawn and no longer applies in 2016/17. Charities are required to apply the SORP based on Financial reporting standard (FRS) 102 when preparing their accounts on an accruals basis. FRS102 SORP had not been followed in the preparation of the 2016/17 accounts and therefore some presentational adjustments were required to align the disclosures in the accounts to the SORP.
11. The Ormiston Trust for Institute accounts included its tangible asset in the balance sheet at a value of £216k. When reviewing the asset register we identified that the value within the accounts had been overstated by £17k. This is material in the context of the trust accounts. The value of the asset was required to be corrected in the audited version of the accounts.
12. During the audit of the Charitable Trusts, management advised us that land (£86K) and investments (£6k) owned by the Ormiston Trust for Institute had been historically included in the books of one of the unregistered Trusts, not subject to our audit. Management has amended the relevant figures and disclosures.
13. As part of the completion of our audit we seek written assurances from management on aspects of the financial statements and judgements and estimates made. A letter of representation template under ISA580 is attached at [Appendix C](#). This should be signed and returned by the Chief Financial Officer with the signed financial statements prior to the independent auditor's opinions being certified.

Yours faithfully,

Asif A Haseeb OBE

Appendix A - Registered Charitable Trusts of Scottish Borders Council

The following is the list of Trusts which are administered by Scottish Borders Council:

- Scottish Borders Council Common Good Funds (Registered Charity No. SC031538)
- Scottish Borders Council Charitable Trusts (Registered Charity No. SCO43896) comprising 76 Trusts and Bequests
- Scottish Borders Council Community Enhancement Trust (Registered Charity No. SC044764)
- Scottish Borders Council Education Trust (Registered Charity No. SC044762)
- Scottish Borders Council Ormiston Trust for Institute (Registered Charity No. SCO19162)
- Scottish Borders Council Thomas Howden Wildlife Award Fund (Registered Charity No. SCO15647)
- Scottish Borders Council Welfare Trust (Registered Charity No. SCO44765)

APPENDIX B: Proposed Independent Auditor's Report (Scottish Borders Council Charitable Trusts/ Scottish Borders Council Common Good Funds/ Scottish Borders Council Community Enhancement Trust/Scottish Borders Council Education Trust/ Scottish Borders Council Ormiston Trust for Institute/Scottish Borders Council Thomas Howden Wildlife Award Fund/Scottish Borders Council Welfare Trust)

Independent auditor's report to the trustees of Scottish Borders Council Charitable Trusts/Scottish Borders Council Common Good Funds/ Scottish Borders Council Community Enhancement Trust/Scottish Borders Council Education Trust/ Scottish Borders Council Ormiston Trust for Institute/Scottish Borders Council Thomas Howden Wildlife Award Fund/Scottish Borders Council Welfare Trust) and the Accounts Commission (*include/delete as appropriate*)

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 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Scottish Borders Council Charitable Trusts/Scottish Borders Council Common Good Funds/ Scottish Borders Council Community Enhancement Trust/Scottish Borders Council Education Trust/ Scottish Borders Council Ormiston Trust for Institute/Scottish Borders Council Thomas Howden Wildlife Award Fund/Scottish Borders Council Welfare Trust (*include/delete as appropriate*) for the year ended 31 March 2017 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 Financial Activities, the Balance Sheet, Accounting Policies and Notes to the Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- ☐ give a true and fair view of the state of affairs of the charity as at 31 March 2017 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; and
- ☐ 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.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and 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 circumstances of the charity 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.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the statement of accounts 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.

Report on other requirements

Opinion on other prescribed matter

I am required by the Accounts Commission to express an opinion on the following matter. In my opinion, based on the work undertaken in the course of the audit 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 and that report has been prepared in accordance with the Charities SORP (FRS 102).

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.

Asif A Haseeb OBE
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

29 September 2017

Asif A Haseeb is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

APPENDIX C: Letter of Representation (ISA 580)

Asif A Haseeb OBE
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

25 September 2017

Dear Mr Haseeb

Charitable Trusts administered by Scottish Borders Council - Annual Accounts 2016/17

- ☐ Scottish Borders Council Charitable Trusts
- ☐ Scottish Borders Council Common Good Funds
- ☐ Scottish Borders Council Community Enhancement Trust
- ☐ Scottish Borders Council Education Trust
- ☐ Scottish Borders Council Ormiston Trust for Institute
- ☐ Scottish Borders Council Thomas Howden Wildlife Award Fund
- ☐ Scottish Borders Council Welfare Trust

1. This representation letter is provided in connection with your audit of the financial statements of the registered charitable trusts listed above for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view/ properly present the financial position of each of these registered charitable trusts as at 31 March 2017 and its statement of financial activities 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, the following representations given to you in connection with your audit for the year ended 31 March 2017.

General

3. I acknowledge my responsibility and that of Scottish Borders Council (as the administering authority of the Charitable Trusts) 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 Charitable Trusts 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. I confirm that these seven trusts presented for audit are all the trusts that require an audit.
5. The information given in the Trustees Annual Reports to the financial statements, present a balanced picture of the Charitable Trusts and are consistent with the financial statements.
6. I confirm that there are no uncorrected misstatements to the financial statements.

Regularity of Financial Transactions

7. The financial transactions of the Charitable Trusts are in accordance with the relevant legislation and regulations governing its activities and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

Financial Reporting Framework

8. The financial statements of the Scottish Borders Council Charitable Trusts, Scottish Borders Council Common Good Funds, Scottish Borders Council Community Enhancement Trust, Scottish Borders Council Education Trust, Scottish Borders Council Ormiston Trust for Institute, Scottish Borders Council Thomas Howden Wildlife Award Fund and Scottish Borders Council Welfare Trust have been prepared in accordance with the requirements of the Charities Statement of Recommended Practice (SORP): Financial Reporting Standard 102 (FRS 102) and directions made thereunder by the Scottish Ministers including all relevant presentation and disclosure requirements.
9. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view/properly present the transactions and state of affairs of Charitable Trusts for the year ended 31 March 2017.

Accounting Policies & Estimates

10. The Trustees' Annual Reports and Financial Statements of the Scottish Borders Council Charitable Trusts, Scottish Borders Council Common Good Funds, Scottish Borders Council Community Enhancement Trust, Scottish Borders Council Education Trust, Scottish Borders Council Ormiston Trust for Institute, Scottish Borders Council Thomas Howden Wildlife Award Fund and Scottish Borders Council Welfare Trust have been prepared on an accruals basis as per applicable regulations and the founding documents of each Trust.
11. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

12. 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

13. 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 Date of the Balance Sheet

14. 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.

15. 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

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

Fraud

17. 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

18. The assets shown in the Balance Sheet at 31 March 2017 were complete and were owned by Charitable Trusts, other than assets which have been purchased under finance leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

19. All liabilities have been provided for in the financial records, including the liabilities for all purchases to which title has passed prior to 31 March 2017.

Carrying Value of Assets and Liabilities

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the relevant financial reporting framework. There are no plans or intentions that are likely to affect the carrying value or classification of the assets and liabilities within the financial statements.

Yours sincerely

David Robertson
Chief Financial Officer