

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

24th September 2018

Dear Audit and Scrutiny Committee Members

Charitable Trusts administered by Scottish Borders Council Report to those charged with governance on the 2017/18 audit

1. In accordance with the Charities Accounts (Scotland) Regulations 2006 an audit is required for all registered charities where the local authority is the sole trustee irrespective of the size of the charity (see [Appendix A](#)). This is due to the interaction of Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The auditor of Scottish Borders Council, Audit Scotland, has been appointed as the auditor of the relevant charitable trusts for the year ended 31 March 2018.
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 Audit and Scrutiny Committee of Scottish Borders Council is 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 2017/18 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 and trustees of the registered charities and no responsibility to any third party is accepted.

Status of the Audit

4. Our work on the financial statements is now complete. The issues arising from the audit were discussed with officers during the audit.
5. We received the unaudited financial statements on 29 June 2018. The working papers and information provided in support of the financial statements were adequate. Finance staff provided support to the audit team through the course of the audit.

Matters to be reported to those charged with governance

6. We are required to report to those charged with governance all unadjusted misstatements which we have identified during 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.

Conduct and scope of the audit

7. We are required to audit the financial statements of the charitable trusts where the sole trustees are elected members of Scottish Borders Council.
8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan of Scottish Borders Council presented to the Audit and Scrutiny Committee on 19 March 2018 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in 2016.
9. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2017/18 agreed fee for the audit was disclosed in the Scottish Borders Council Annual Audit Plan and as we did not carry out any additional work out with the planned audit activity this fee remains unchanged.

Fraud

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

Audit opinion & representations

11. We are required to report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature. There were no unadjusted misstatements.
12. As part of the completion of our audit we seek written assurances from the Chief Financial Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation 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 opinion being certified.
13. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Significant findings from the audit

14. In our view, there are no known issues that 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.

15. The Cash Flow Statement for the Common Good Funds contained several errors which needed correction. An amended statement required to be re-submitted for audit. In addition, presentational adjustments were identified within the financial statements during our audit. These were discussed with finance officers who agreed to amend the unaudited financial statements.

Independent auditor's reports

16. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised sets of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's reports on 25 September 2018 (the proposed report is listed at [Appendix B](#)).

Acknowledgements

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

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 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 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 Welfare Trust and the Accounts Commission

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 Welfare Trust) and the Accounts Commission (*include/delete as appropriate*) for the year ended 31 March 2018 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 2018 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 for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the charity to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit 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) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

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, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

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

September 2018

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 2018

Dear Mr Haseeb

Charitable Trusts administered by Scottish Borders Council - Annual Accounts 2017/18

- 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 Welfare Trust
1. This representation letter is provided in connection with your audit of the Annual Report and Financial Statements of the registered charitable trusts listed above for the year ended 31 March 2018 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 2018 and their statements 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 trust where the sole trustees are members of Scottish Borders Council, the following representations given to you in connection with your audit for the year ended 31 March 2018.

General

3. I acknowledge my responsibility and that of Scottish Borders Council (as the administering authority) for the financial statements. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the Charitable Trusts have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 9(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.
6. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and of the registered charitable trusts for the year ended 31 March 2018.

Accounting Policies & Estimates

7. 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

8. The Trustees have assessed the ability of the registered charitable trust 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

9. 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 to comply with the requirements of IAS24.

Events Subsequent to the Balance Sheet Date

10. 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.
11. 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

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

Fraud

13. 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

14. The investments shown in the balance sheet at 31 March 2018 were owned by the registered charity. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value of classification of the assets within the financial statements.
15. This letter is signed on behalf of the Trustees.

Yours sincerely

David Robertson
Chief Financial Officer