

Agenda Item	5
Report No	AC/29/24

## THE HIGHLAND COUNCIL

**Committee:** Audit Committee

**Date:** 28 November 2024

**Report Title:** **Audited Accounts 2023/24 – Charitable Trusts**

**Report By:** Chief Officer – Corporate Finance

### 1. Purpose/Executive Summary

- 1.1 To present the audited accounts of the charitable trusts, Highland Charities Trust (“HCT”) and Highland Council Charitable Trusts (“HCCT”) for financial year 2023/24, which are presented in a single set of accounts under the connected charities provision outlined in Section 7 of the [Charities Accounts \(Scotland\) Regulations 2006](#).
- 1.2 To explain the impact of changes made during the audit process.

### 2. Recommendations

- 2.1 Members are asked to:
  - i. Approve the audited accounts for signature, noting that the accounts to be approved will include the name of the trustee appointed as a result of the Fort William and Ardnamurchan by-election to be held on 22 November 2024.
  - ii. Agree that the letter of representation be signed by the Treasurer on behalf of the Trustees.

### 3. Implications

- 3.1 **Resource** - The audited accounts document provides details of the overall financial position for Highland Charities Trust and Highland Council Charitable Trusts as at 31 March 2024, together the Highland Council Charitable Trust Funds.

Changes from the unaudited annual accounts presented in June are noted in section 6 below, with there being no material implications to the level of resources available for use by the trusts.

- 3.2 **Legal** – none
- 3.3 **Risk** – none
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** none
- 3.5 **Gaelic** – none

#### **4. Impacts**

- 4.1 In Highland Council, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is a monitoring and update report and therefore an impact assessment is not required.

#### **5. Annual Accounts**

- 5.1 The full Trustees' Annual Report and Financial Statements document for 2023/24 can be found at the following link on the Highland Council's website:

[Charitable Trusts Accounts | \(highland.gov.uk\)](https://www.highland.gov.uk/charitable-trusts-accounts)

The accounts may not be live at the point agenda and papers are issued, but will be as soon as possible thereafter, and Committee members will be notified.

The accounts to be approved will include the name of the trustee appointed as a result of the Fort William and Ardnamurchan by-election to be held on 22 November 2024.

#### **6. Effect of Audit Changes**

- 6.1 There have been no audit changes which materially affect the surplus of the trusts for the period or the total funds.
- 6.2 During the course of the audit, it was noted that the cost of the investments per the ledger did not agree to the investments register. From this, it was ascertained that in 2019/20 there were investment disposals where the proceeds were treated as investment income in full, without accounting for the reduction in the cost of the investments. The accounts have been restated to reflect this (Investments at costs reduced by £2,534 with a related reduction in endowment funds).
- 6.3 The Letter of Representation is included as an annex to this report.

## **7. Auditor Recommendations**

- 7.1 There are no audit recommendations arising from the audit of the 2023/24 Annual Report and Financial Statements

Designation: Chief Officer – Corporate Finance

Date: 14 November 2024

Author: Lara Harrison, Accountant

## The Highland Council Audit Committee

28 November 2024

### Highland Council Charitable Trust Funds Audit of 2023/24 annual accounts

#### Independent auditor's report

1. Our audit work on the 2023/24 annual accounts is now complete. We anticipate being able to issue unqualified audit opinions in the independent auditor's report on 28 November 2024 (the proposed report is attached at [Appendix A](#)).

#### Annual Audit Report

2. 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. 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 Trustees Investment (Scotland) Act 2005. The external auditor of Highland Council, Audit Scotland, is the appointed auditor of the trusts for the year ended 31 March 2024

3. Under International Standards on Auditing in the UK, we 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 Committee of Highland Council is identified as those charged with governance. The trustees of the charity are the elected officials of Highland Council in an ex-officio capacity.

4. This report sets out, for the Audit Committee's consideration, the matters arising from the audit of the Highland Charitable Trust Funds annual report and financial statements for 2023/24 that require to be reported under ISA (UK) 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.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements in the annual accounts which I have identified during the course of my audit, other than those of a trivial nature, and request that these misstatements be corrected.

6. I have no unadjusted misstatements to be corrected.

#### Fraud, subsequent events, and compliance with laws and regulations

7. In presenting this report to the Audit Committee I 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 my attention.

## **Representations from Section 95 Officer**

- 8.** As part of the completion of our audit, I am seeking written representations from the Section 95 Officer (Chief Officer Corporate Finance) on aspects of the annual accounts, including the judgements and estimates made.
  
- 9.** A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to me by the Chief Officer Corporate Finance (Treasurer) with the signed annual accounts prior to the independent auditor's report being signed.

## **Appendix A: Proposed Independent Auditor's Report**

### **Independent auditor's report to the trustees of Highland Council Charitable Trust Funds and the Accounts Commission**

#### **Reporting 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 Highland Council Charitable Trust Funds for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the Highland Council Charitable Trust Funds for the year ended 31 March 2024 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. 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 Highland Council Charities Trust Funds 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.

##### **Responsibilities of the trustees for the financial statements**

As explained more fully in the Statement of Trustees' 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 trustee determines is necessary to enable the preparation of financial statements that are free from misstatement, whether due to fraud or error.

##### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, Charities and Trustee Investment (Scotland) Act 2005 and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the Highland Council Charities Trust Funds;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Highland Council Charities Trust Funds;
- inquiring of the Trustees concerning the Highland Council Charitable Trust Funds' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Highland Council Charitable Trust Funds' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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](http://www.frc.org.uk/auditorsresponsibilities) This description forms part of my auditor's report.

## **Reporting on other requirements**

### **Other information**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material

misstatement in the financial statements themselves. 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.

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 the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

### **Opinions prescribed by the Accounts Commission on the Trustees' Annual Report**

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 Charity Accounts (Scotland) Regulations 2006.

### **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.

### **Use of my report**

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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Claire Gardiner CPFA  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

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



## Appendix B: Letter of Representation (ISA 580)

Claire Gardiner, Audit Director  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

Dear Claire

### Highland Council Charitable Trust Funds Annual Accounts 2023/24

1. This representation letter is provided about your audit of the annual accounts of the Highland Council Charitable Trust Funds for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view and have been properly prepared, and for expressing other opinions on the Remuneration Report, Management Commentary, and Annual Governance Statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Trustees of the Trusts the following representations given to you in connection with your audit of the Highland Council Charitable Trust Funds annual accounts for the year ended 31 March 2024.

#### General

3. Highland Council Charitable Trust Funds and I have fulfilled our statutory responsibilities for the preparation of the 2023/24 annual accounts. 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 Highland Council 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 as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

#### Financial Reporting Framework

5. The financial statements have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 8(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.

6. I have ensured that the financial statements properly present the receipts and payments and the balances held by the Highland Council Charitable Trust Funds at 31 March 2024.

#### Accounting Policies and Estimates

7. All material accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2023/24 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Highland Council Charitable Trust Funds circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been

based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

**9.** I have assessed Highland Council Charitable Trust Funds ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Highland Council Charitable Trust Funds ability to continue to adopt the going concern basis of accounting.

## **Funds**

**10.** The investments shown in the balance sheet at 31 March 2023 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 or classification of the assets within the financial statements

**11.** I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2024.

## **Fraud**

**12.** I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements, and
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## **Laws and Regulations**

**13.** I 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 financial statements.

## **Related Party Transactions**

**14.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2023/24 accounting code. I have made available to you the identity of all the Highland Council Charitable Trust Funds' related parties and all the related party relationships and transactions of which I am aware.

## **Trustee's Annual Report**

**15.** I confirm that the Trustee's Annual Report has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

**16.** I confirm that there are no issues or deficiencies in internal control that require to be disclosed. There have been no changes in the corporate governance arrangements or issues identified since 31 March 2024 which require to be reflected.

## Events Subsequent to the Date of the Balance Sheet

**17.** All events subsequent to 31 March 2024 for which the 2023/24 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Brian Porter CPFA  
Treasurer