

Agenda Item	8b
Report No	AC/27b/25

## THE HIGHLAND COUNCIL

**Committee:** Audit Committee

**Date:** 12 November 2025

**Report Title:** Audited Accounts 2024/25 – 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 2024/25, 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.
  - ii. Agree that the letter of representation be signed by the Treasurer on behalf of the Trustees;
  - iii. Consider and note the report to those charged with governance on the 2024/25 accounts; and
  - iv. Scrutinise, consider and note the 2024/25 annual audit report findings.

### 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 2025, 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 2024/25 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.

#### 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 identified that the classification between unrestricted and restricted funds was misstated for the Caithness Educational Trust, Inverness Royal Academy Endowments Trust and Gairloch & Plockton High Schools Educational Trust.

These misstatements arose from the introduction of new restrictions on revenue surpluses and a cap on the amount that may be retained as unrestricted funds in these Trust Schemes which were revised in 2024/25.

Under the revised Trust Schemes, the Trusts are permitted to hold a maximum of £10,000 as unrestricted funds, representing a significant change from prior years’ arrangements.

This resulted in a decrease to the HCCT unrestricted fund of £127,415 and a corresponding increase to the HCCT permanent endowment (capital) funds of £127,415. The total funds balance, however, remains unchanged.

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 2024/25 Annual Report and Financial Statements

Designation: Chief Officer – Corporate Finance

Date: 31 October 2025

Author: Jennifer Johnston, Accountant

## **Letter of Representations (ISA (UK) 580)**

Esther Scoburgh CPFA  
Senior Audit Manager  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

Dear Esther

### **Highland Council Charitable Trust Funds (HCCTF)**

#### **Trustees' annual report and financial statements 2024/25**

1. This representation letter is provided in connection with your audit of the annual report and financial statements of Highland Council Charitable Trust Funds for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements properly present the receipts and payments and have been properly prepared.
2. I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of Highland Council Charitable Trust Funds annual accounts for the year ended 31 March 2025.

#### **General**

3. I have fulfilled my responsibilities for the preparation of the 2024/25 annual accounts as set out in your 2024/25 Annual Audit Plan. 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 Trust Funds 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. As you have reported, there are no uncorrected misstatements.

#### **Financial Reporting Framework**

5. The annual accounts 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.
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 2025.

#### **Accounting Policies and Estimates**

7. All material accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2024/25 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 2025 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 2025.

### **Fraud**

12. I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

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

- my assessment of the risk that the financial statements may be materially misstated as a result 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**

14. 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**

15. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24, as adopted by the 2024/25 accounting code. I have made available to you the identity of all of Highland Council Charitable Trust Funds' related parties and all the related party transactions of which I am aware.

### **Trustee's Annual Report**

16. 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**

**17.** 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 2025 which require to be reflected.

## **Events Subsequent to the Date of the Balance Sheet**

**18.** All events subsequent to 31 March 2025 for which the 2024/25 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Brian Porter CPFA  
Treasurer

## **The Trustees of the Highland Council (Section 106) Charitable Trust Funds**

**12 November 2025**

### **Highland Council Charitable Trust Funds Audit of 2024/25 Trustees' Annual Report and Financial Statements**

#### **Independent Auditor's Report**

1. The audit work on the 2024/25 annual report and accounts is now complete. We anticipate being able to issue unmodified audit opinions in the Independent Auditor's Report on 12 November 2025. The proposed Independent Auditor's Report is attached at [Appendix A](#).

#### **Annual Audit Report**

2. Under International Standards on Auditing in the UK (ISA (UK)), I am required to report specific matters identified from the audit of the annual accounts to those charged with governance of Highland Council (Section 106) Charitable Trust Funds (HCCTF) in sufficient time to enable appropriate action. For the HCCTF, those charged with governance are the trustees who are also the elected members of The Highland Council. I present for consideration the draft Annual Audit Report on the 2024/25 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts, including those that I am required to report to you.

3. The Annual Audit Report will be issued in final form after the audit of the annual accounts has been completed.

#### **Uncorrected misstatements**

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

5. There are no uncorrected misstatements to report.

#### **Other ISA (UK) matters**

6. In presenting this letter and the Annual Audit Report to the trustees, I seek confirmation from those charged with governance on the following matters:

- if they are aware of any instances of actual, suspected, or alleged fraud,
- if they are aware of any subsequent events that have occurred since the date of the financial statements,
- if they are content that the methods, assumptions, and data used in making accounting estimates in the annual accounts are appropriate,

- if all related party relationships and transactions they are aware of are reflected in the annual accounts, and
- if they are aware of any non-compliance with laws and regulations.

**7.** Any issues that I have identified from my audit in relation to other ISA (UK) matters that I am required to report to those charged with governance have been reported in the section headed “Other matters to report” in the Annual Audit Report.

### **Representations from the Treasurer (Section 95 Officer for The Highland Council)**

**8.** As part of the completion of the audit, I am seeking written representations from the Treasurer, who is the Section 95 Officer for The Highland Council, on aspects of the annual accounts, including any judgements or estimates made.

**9.** A draft letter of representations is attached at [Appendix B](#). This alongside the trustees’ annual report and financial statements will be signed using DocuSign following agreement and approval by the trustees on 12 November 2025. This takes place prior to the Independent Auditor’s Report being signed.

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

### **Independent auditor's report to the trustees of the 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 the Highland Council Charitable Trust Funds for the year ended 31 March 2025 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 2025 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 Charitable 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 are properly presented 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 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 Charitable 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 Charitable 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.

Esther Scoburgh CPFA  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

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

## Appendix B: Letter of Representations (ISA (UK) 580)

Esther Scoburgh CPFA  
Senior Audit Manager  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

Dear Esther

### Highland Council Charitable Trust Funds (HCCTF) Trustees' annual report and financial statements 2024/25

1. This representation letter is provided in connection with your audit of the annual report and financial statements of Highland Council Charitable Trust Funds. for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements properly present the receipts and payments and have been properly prepared.
2. I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of Highland Council Charitable Trust Funds annual accounts for the year ended 31 March 2025.

#### General

3. I have fulfilled my responsibilities for the preparation of the 2024/25 annual accounts as set out in your 2024/25 Annual Audit Plan. 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 Trust Funds 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. As you have reported, there are no uncorrected misstatements.

#### Financial Reporting Framework

5. The annual accounts 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.
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 2025.

#### Accounting Policies and Estimates

7. All material accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2024/25 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 2025 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 2025.

### **Fraud**

**12.** I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

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

- my assessment of the risk that the financial statements may be materially misstated as a result 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**

**14.** 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**

**15.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24, as adopted by the 2024/25 accounting code. I have made available to you the identity of all of Highland Council Charitable Trust Funds' related parties and all the related party transactions of which I am aware.

### **Trustee's Annual Report**

**16.** 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**

**17.** 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 2025 which require to be reflected.

## **Events Subsequent to the Date of the Balance Sheet**

**18.** All events subsequent to 31 March 2025 for which the 2024/25 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Brian Porter CPFA  
Treasurer

# Highland Council (Section 106) Charitable Trust Funds

2024/25 Annual Audit Report



Prepared for the Trustees of the Highland Council (Section 106) Charitable Trust Funds and  
the Controller of Audit  
November 2025

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## Accessibility

You can find out more and read this report using assistive technology on our website [www.audit.scot/accessibility](http://www.audit.scot/accessibility).

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# Key messages

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## **Audit of the annual report and financial statements**

- 1** All audit opinions stated that the Highland Council (Section 106) Charitable Trust Fund's annual report and financial statements were free from material misstatement.
  - 2** All audit adjustments required to correct the financial statements were processed by the Trust.
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# Introduction

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## Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the Highland Council (Section 106) Charitable Trust Funds annual report and financial statements.
2. The Annual Audit Report is addressed to the trustees of the Highland Council (Section 106) Charitable Trust Funds, hereafter referred to as 'the Trust'. The Trust includes the Highland Council Charitable Trusts (HCCT) and the Highland Charities Trust (HCT). The report is also addressed to the Controller of Audit, and will be published on Audit Scotland's website in due course.

## Appointed auditor and independence

3. Esther Scoburgh of Audit Scotland, has been appointed as external auditor of the Trust for the period from 2024/25 until 2026/27. As reported in the Annual Audit Plan, the audit team are independent of the Trust in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the Trust, including no provision of non-audit services.

## Acknowledgements

4. We would like to thank the staff, particularly those involved in preparation of the annual report and financial statements, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the audit appointment.

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# Audit scope and responsibilities

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## Scope of the audit

**5.** The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they properly present the receipts and payments and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the Trust's annual report and financial statements.
- Provision of this Annual Audit Report.

## Responsibilities and reporting

**6.** The Code of Audit Practice sets out the respective responsibilities of the Trust and the auditor. A summary of the key responsibilities is outlined below.

### Auditor's responsibilities

**7.** The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts.

**8.** The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the Trust from its responsibilities outlined below.

### The Trust's responsibilities

**9.** The Trust has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.

- Preparation of a Trustees' annual report and annual accounts, comprising financial statements that properly present the receipts and payments and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.

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# Audit of the annual accounts

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## Main judgements

All audit opinions stated that the Highland Council (Section 106) Charitable Trust Fund's annual report and financial statements were free from material misstatement.

All audit adjustments required to correct the financial statements were processed by the Trust.

## Audit opinions on the annual report and financial statements

**10.** The Trust's annual report and financial statements were approved by The Highland Council Audit Committee on 12 November 2025 and certified by the appointed auditor on 12 November 2025. The Independent Auditor's Report is included in the Trust's annual report and financial statements, and this reports that, in the appointed auditor's opinion, these properly present the receipts and payments of the Highland Council Charitable Trust Funds.

### 2024/25 activity

**11.** During 2024/25 there has been significant structural reform and changes to streamline and modernise the trust portfolio including Trust activity. In December 2024 a new sub-committee, the Educational Trust Fund Sub-Committee (approved by the Highland Council Education Committee) was formed to oversee the Trust and ensure robust governance. We welcome this approach to the governance of the Trust.

**12.** The new Educational Trust Fund Sub-Committee has led to a positive increase in activity in the Trust during 2024/25 including awarding of grants of approximately £125,000 (HCCT: £123,000, HCT: £2,000). This is a significant increase from 2023/24 where only £35,000 was awarded from HCCT.

**13.** Total funds of £3.6 million were reported at year end 2024/25 compared to £2.6 million in 2023/24. The increase is mainly due to the transfer in of Trusts and bequests of £988,000 which were previously held as Educational Trusts to Highland Council Charitable Trust Funds. The largest of these transfers was Inverness Royal Academy Endowments Trust.

## Audit timetable

**14.** The unaudited annual report and financial statements were received on 27 June 2025 in accordance with the agreed audit timetable. The working papers provided by officers were satisfactory however there was a delay in obtaining some audit evidence.

**15.** There was a delay in obtaining some audit evidence due to the increased activity in the Trust in 2024/25 which impacted our signing date from September to November. Officers did provide all audit evidence requested allowing us to conclude the audit.

**16.** Officers have agreed to have an improved audit trail including tracking of investment income and shareholdings available for the 2025/26 audit and ensure that the classification of funds between unrestricted and restricted categories reflects the current Trust Schemes.

## Audit Fee

**17.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £2,000. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

## Materiality

**18.** Materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and financial statements.

**19.** Materiality is used to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Materiality is ultimately a matter of the auditor's professional judgement.

**20.** We assessed materiality based on the total values for Highland Council Charitable Trust Funds (HCCTF) at the risk assessment phase of the audit and reported it in the Annual Audit Plan. Following receipt of the unaudited annual report and financial statements materiality was reassessed and updated as shown in [Exhibit 1](#).

## Exhibit 1

### 2024/25 Final materiality levels for Highland Council (Section 106) Charitable Trust Funds

Materiality	Amount
<b>Materiality:</b> Set at 2% of total investments HCT and HCCTF (funds).	£72,300
<b>Performance materiality:</b> Set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£54,200
<b>Reporting threshold:</b> Set at 5% of materiality.	£3,600

Source: Audit Scotland

## Significant findings and key audit matters

**21.** ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for the Trust is the trustees.

**22.** The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

**23.** In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

**24.** There was one significant finding which breached our materiality and required an audit adjustment as noted in [Exhibit 2](#) below:

## Exhibit 2

### Significant findings and key audit matters

Significant findings and key audit matters	Outcome
During our review of the HCCT Trust, we identified that the classification between unrestricted and restricted funds was	Officers have reviewed and corrected the HCCT accounts to accurately reflect the

Significant findings and key audit matters	Outcome
<p>misstated for the Caithness Educational Trust, Inverness Royal Academy Endowments Trust and Gairloch &amp; Plockton High Schools Educational Trust.</p> <p>These misstatements arise from the introduction of new restrictions on revenue surpluses and a cap on the amount that may be retained as unrestricted funds in these Trust Schemes which were revised in 2024/25.</p> <p>Under the revised Trust Schemes, the Trusts are permitted to hold a maximum of £10,000 as unrestricted funds, representing a significant change from prior years' arrangements.</p>	<p>requirements of the three revised Trust Schemes as follows:</p> <ul style="list-style-type: none"> <li>• A decrease to the HCCT unrestricted fund of £127,415.</li> <li>• An increase to the HCCT permanent endowment (capital) funds of £127,415.</li> </ul> <p>The total funds balance for the Trust remains unchanged.</p>

## Audit adjustments

**25.** An audit adjustment was required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £3,600 are outlined above in [Exhibit 2](#).

**26.** Management of the body processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatements to report.

## Qualitative aspects of accounting practices

**27.** ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies and disclosures in the financial statements.

## Accounting policies

**28.** The appropriateness of accounting policies adopted by the Trust was assessed as part of the audit. These were considered to be appropriate to the circumstances of the Trust, and there were no significant departures from the accounting policies set out in the applicable accounting framework.

## Disclosures in the financial statements

**29.** The adequacy of disclosures in the financial statements was assessed as part of the audit. Officers updated disclosures based on audit findings and have processed all updates and adjustments.

## Significant risks of material misstatement identified in the Annual Audit Plan

30. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan with the outcome summarised in [Exhibit 3](#).

### Exhibit 3

Significant risk of material misstatement to the financial statements

#### Risk of material misstatement

##### Fraud caused by management override of controls:

Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.

##### Audit response - The audit team:

- Evaluated the design and implementation of controls over journal entry processing including a review of the move from Integra to the new Tech One system.
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.
- Tested journals entries, focusing on those that are assessed as higher risk, such as those affecting receipts and payments around the year-end.
- Evaluated if there were significant transactions outside the normal course of business.
- Assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.
- Assessed if the methods and underlying assumptions used to prepare accounting estimates for evidence of management bias.
- Substantively tested a sample of receipts and payments, endowments and investments.

##### Audit work found:

- The design and implementation of controls over journal processing were appropriate.
- No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.
- No significant issues were identified from testing of journal entries.
- There were no transactions outside the normal course of business.
- No issues were found regarding related parties.
- There were no estimates used or underlying assumptions in preparing the accounts.
- Substantive testing of receipts and payments, endowments and investments was satisfactory overall.

## Outcome / conclusion

We found no evidence of fraud caused by management override of controls.

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## Prior year recommendations

**31.** There were no prior year recommendations or actions raised which require to be followed up.

# Highland Council (Section 106) Charitable Trust Funds

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