

West Dunbartonshire Council Registered Charitable Trusts

Report to those charged
with governance on the
2013/14 audit



Prepared for the Trustees of the Dr A K Glen & West Dunbartonshire Charitable Trust Funds
September 2014

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Introduction

1. An audit is required for the first time, for the 2013/14 financial statements of all registered charities where the local authority is a 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.
2. The Assistant Auditor General wrote to Local Government Directors of Finance in June 2013 advising them of these new arrangements and the Account Commission's decision to appoint the auditor of each council as the auditor of its relevant charities. The auditor of West Dunbartonshire Council, Audit Scotland, has been appointed as the auditor of the relevant trusts for the year ended 31 March 2014.
3. 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.
4. The trustees of each charity will be provided a copy of the ISA 260 report on 24 September 2014 for their consideration and will be given the opportunity to discuss the points raised within the ISA 260 report directly with External Audit.
5. This report sets out for the trustees' consideration the matters arising from the audit of the financial statements for 2013/14 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 West Dunbartonshire Council, as the trustees of the registered charitable trusts listed at Appendix B, and no responsibility to any third party is accepted.

Status of the Audit

6. Our work on the financial statements is now substantially complete. The issues arising from the audit were discussed with officers at regular intervals during the course of the audit. The more significant issues arising were discussed with Finance Officers on behalf of the Head of Finance and Resources at a meeting on 1 September 2014.
7. We received the unaudited financial statements on 2 May 2014, in accordance with the agreed timetable. The working papers in support of the financial statements were of a good standard. Finance staff provided good support to the audit team and we completed our on-site fieldwork on 30 August 2014.

Matters to be reported to those charged with governance

Conduct and scope of the audit

8. In 2013/14 we are required to audit the financial statements of the trusts, where the trustee is West Dunbartonshire Council, these trusts are set out in Appendix B. Included in this list are seven trust funds registered under one single charity number. For one of the aforementioned trusts, West Dunbartonshire Council acts as a trustee with three other local authorities.
9. This is the first year of our audit appointment and our audit work relates only to transactions occurring from 1 April 2013. The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited. However, we have obtained sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements.
10. 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 West Dunbartonshire Council presented to the Audit Committee on 12 March 2014, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
11. 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 2013/14 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any additional work outwith our planned audit activity this fee remains unchanged.

Fraud

12. 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.

Audit opinion & representations

13. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue unqualified auditors reports on 24 September 2014 (the proposed reports for each of the registered charitable trusts are attached at Appendix A). There are no anticipated modifications to the audit report.
14. 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 which we regard as errors less than £10. There were none identified as part of our audit work.
15. 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.

16. The Council has decided not to recharge any administration or audit costs to the trusts in 2013/14. This policy is disclosed in the Notes to the Accounts for all trusts. As a result, the costs incurred in administering the trusts are not known to the trustees.
17. As part of the completion of our audit we seek written assurances from the Accountable 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 Head of Finance and Resources with the signed financial statements prior to the independent auditor's opinions being certified.

Accounting and internal control systems

18. 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

19. 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.
20. **Missing Governance Documents:** The trust deeds in respect of the following trusts were not available -
 - McAuley Prize for Mathematics
 - Alex Cameron Bequest
 - War Memorial Dumbarton
 - Halkett Memorial Trust
 - Vale of Leven Fund
 - Dr A K Glen Fund

Resolution: The respective annual report and notes to the accounts highlight that the Council could not locate the trust deeds for the charities listed. This has been an historic issue since local government reorganisation, however, we are not aware of any matters which would materially impact the financial statements.

21. **Dormant Charities:** A review was performed of the charities' activities over the last 5 years and an assessment was made that no tangible benefits have been derived from 7 or the 8 trusts. The objectives of the charitable trusts need to be considered and monitored going forward. The lack of activity may suggest that the charities are dormant.

Resolution: Officers will consider the purpose of the charities and the approach to running them in the future and will consider appropriate approaches to the governance and operation of them.

- 22. Missing Title Documents for Investments:** No supporting documentation has been provided to detail the title for the investments held by the Dunbartonshire Educational Trust Scheme 1962. As a result of this, it is not possible to ascertain whether the charity has title for the investments and it is not possible to place an accurate value on the market price of the investments.

Resolution: This is an issue since local government reorganisation. Officers will consider all avenues to obtain the relevant title documents in order to provide assurance in future. It should be noted that though the title documentation is not held the income from the investments continues to be received. Should this prove to be not possible, the council is providing additional assurance in the Letter of Representation that the council will make that good any lost investment value if it is found to be truly missing.

Acknowledgements

- 23.** We would like to express our thanks to the staff of West Dunbartonshire 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.

Appendix A: Proposed Independent Auditor's Report

Local authority registered charities

Independent auditor's report to the trustees of Dr A K Glen & West Dunbartonshire Charitable Trusts (SC018701 and SC025070) and the Accounts Commission for Scotland

I have audited the financial statements of the Dr A K Glen & West Dunbartonshire Trust Funds for the year ended 31 March 2014 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 receipts and payments account, statement of balances, and the related notes. The financial reporting framework that has been applied in their preparation is a receipts and payments basis.

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

Respective responsibilities of the trustees and auditor

The trustees are responsible for the preparation of the financial statements which properly present the receipts and payments of the charity. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or 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 charity's circumstances 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. In addition, I read all the financial and non-financial information in the annual report 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.

Opinion on financial statements

In my opinion the financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2014 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.

Other matter - unaudited comparative amounts

The financial statements for the year ended 31 March 2013 were not audited. The comparative amounts in the financial statements for the year ended 31 March 2014 are therefore unaudited.

Opinion on other prescribed matter

In my opinion 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.

Matters on which I am required to report by exception

I am required by The Charities 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.

David McConnell
Assistant Director, Audit Services
Audit Scotland
4th Floor, The Athenaeum Building
8 Nelson Mandela Place, Glasgow, G2 1BT

25 September 2014

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

Appendix B: Registered Trusts where West Dunbartonshire Council is a trustee

- Dr A K Glen Trust (Registered Charity SC018701)
- West Dunbartonshire Trust Funds (Registered Charity SC025070)
 - McAuley Prize for Mathematics
 - Alexander Cameron Bequest
 - War Memorial Dumbarton
 - Halkett Memorial Trust
 - Vale of Leven Fund
 - UIE Award
 - Dunbartonshire Education Trust Scheme 1962¹

¹ West Dunbartonshire Council acts as a trustee for The Dunbartonshire Educational Trust Scheme 1962 alongside East Dunbartonshire, Argyll & Bute and North Lanarkshire Councils. The Trust is managed by West Dunbartonshire Council.

Appendix C: ISA 580 - Letter of Representation

24 September 2014

David McConnell
Assistant Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
Nelson Mandela Place
Glasgow
G2 1BT

Dear David

- Dr A K Glen Trust (Registered Charity SC018701)
- West Dunbartonshire Trust Funds (Registered Charity SC025070)

Annual Accounts 2013/2014

This representation letter is provided in connection with your audit of the financial statements of the registered charitable trusts listed above where West Dunbartonshire Council is a trustee for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of each of these registered charitable trusts as at 31 March 2014 and its income and expenditure for the year then ended.

I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts where West Dunbartonshire Council is a trustee, the following representations given to you in connection with your audit for the year ended 31 March 2014.

General

I acknowledge my responsibility and that of West Dunbartonshire Council (as the administering authority) 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 registered trusts listed above 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.

The information given in the Trustees Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.

I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

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.

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 state of affairs of each registered charitable trust for the year ended 31 March 2014.

Accounting Policies & Estimates

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

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

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 Balance Sheet Date

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.

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

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

Fraud

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

The cash fund and investments shown in the statement of balances at 31 March 2014 were owned by the registered charitable trust. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. The Council currently does not hold the title documentation for the investments held by the Dunbartonshire Education Investment Trust Scheme 1962. The Trust continues to receive the income from these investments and officers will endeavour to obtain satisfactory title documentation for these investments. However, in the event that such cannot be identified and the investment income ceases to be paid, the Council will cover any financial impact of this to the Trust.

Yours sincerely

Stephen West
Head of Finance and Resources