

Finance and Resources Committee

10.00am, Thursday, 27 September 2018

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2017/18 Audit

Item number 7.2

Report number

Executive/routine

Wards

Council Commitments

Executive Summary

The report updates the Committee with the External Auditor's view on matters arising from the Charitable Trusts audit in compliance with International Standard on Auditing 260.

An unqualified audit opinion has been issued on the Trustee's Annual Report and Accounts for 2017/18.

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2017/18 Audit

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 Approve the Audited Trustee's Annual Report and Accounts for 2017/18 and note that these will be submitted to the External Auditor by 30 September 2018 and to OSCR by 31 December 2018;
 - 1.1.2 Note the commentary on the management of the Charitable Trusts included in the Audit Management Report in Appendix 1; and
 - 1.1.3 Note that the intention is for Boyd Anderson Trust to be formally wound up during the 2018-19 financial year, as approved by the Finance and Resources Committee on 23 January 2018.

2. Background

- 2.1 The purpose of this report is to update the Committee with the External Auditor's view on matters arising from the annual audit in compliance with International Standard on Auditing 260 (ISA 260).
- 2.2 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.
- 2.3 The External Auditor is required to comply with International Standard on Auditing 260. As part of the standard, the Auditor is required to highlight relationships that bear on independence, unadjusted misstatements and material weaknesses in internal control.
- 2.4 The Finance and Resources Committee, as the trustee, has overall responsibility for ensuring that:
 - i. there are appropriate systems of control;
 - ii. proper accounting records are maintained which disclose the financial position of the charities;
 - iii. suitable accounting policies are selected and applied consistently;
 - iv. judgements and estimates are reasonable and prudent;

- v. assets of the charities are safeguarded against unauthorised use or disposition;
- vi. reasonable steps for the prevention and detection of fraud are taken; and
- vii. reasonable assurances are provided that the charities are operating efficiently and effectively.

3. Main report

Key Points from the Audit Management Report for 2017/18

- 3.1 The independent auditor's report to the trustee of The City of Edinburgh Council Charitable Trust Funds, included as Appendix 1, is unqualified.
- 3.2 The Audited Trustee's Annual Report and Accounts for 2017/18 are included in Appendix 2 of this report. The key points the External Auditor has drawn to members' attention are:
 - i. The external revaluation of Lauriston Castle Trust collection commenced in 2016 but has yet to be completed. The financial statements therefore reflect the valuation as at the previous reporting date, 31 March 2017.

This revaluation has been outstanding for a considerable length of time but the Council will ensure that the valuation is completed for inclusion in the Trustee's Annual Report and Accounts for 2018/19.

- ii. During audit testing the External Auditor was unable to verify one item of artwork from the Jean F. Watson collection. This item was identified as unaccounted for in 2015, following a full review of the collection. This item of artwork however remains on the valuation records which are used in the preparation of the financial statements. The value of this item is £2,500.

The Council will conduct a formal review of the Jean F. Watson collection ensuring that records are up to date and complete.

- iii. During audit testing the External Auditor identified two items of artwork (from the Jean F. Watson collection) that did not have labels (either title or ID number).

As part of the formal review of the Jean F. Watson collection undertaken for action point ii. above, the Council will ensure that all artwork has appropriate labels (either title or ID number).

- iv. During the review of councillor declarations of interests for the City of Edinburgh Council the External Auditor noted that not all councillors have recorded their interests as trustees.

As part of the equivalent action for the Council referenced in the 2017/18 annual report on the audit, councillors will continue to be reminded regularly of their duties under the Act.

Plans for the Future Period

- 3.3 The intention is for Boyd Anderson Trust to be formally wound up during the 2018-19 financial year as approved by the Finance and Resources Committee on 23 January 2018. This is subject to the construction of a purpose-built outdoor learning resource at the Lagganlia Outdoor Centre being carried out in advance of the year end and the Trust contributing towards the cost of that work. Further details of the proposed works and funding of the work was considered by the Finance and Resources Committee on 16 August 2018.

4. Measures of success

- 4.1 The Charitable Trusts receive an unqualified audit certificate from the External Auditor by 30 September 2018.

5. Financial impact

- 5.1 There is no direct financial impact arising from the content of this report.

6. Risk, policy, compliance and governance impact

- 6.1 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.

7. Equalities impact

- 7.1 There is no direct equalities- or rights- related impact arising from the report's contents.

8. Sustainability impact

- 8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

9. Consultation and engagement

- 9.1 The Annual Report and Accounts were made available for public inspection from 2 July 2018 for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received no requests for further information under these Regulations.

10. Background reading/external references

- 10.1 '[Charitable Trusts Reserves Policy](#)', Finance and Resources Committee, 17 March 2016
- 10.2 '[Report to those charged with Governance on the 2016/17 Audit](#)', Finance and Resources Committee, 28 September 2017
- 10.3 '[Winding Up of Boyd Anderson Charitable Trust](#)', Finance and Resources Committee, 23 January 2018
- 10.4 '[Spend to Save funding application – Lagganlia Outdoor Centre](#)', Finance and Resources Committee, 16 August 2018
- 10.5 '[Guidance and good practice for Charity Trustees](#)', OSCR Website

Stephen S. Moir

Executive Director of Resources

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11. Appendices

- 11.1 The City of Edinburgh Council Charitable Trusts Audit Management Report for the year ended 31 March 2018
- 11.2 Audited Trustee's Annual Report and Accounts 2017/18



Scott-Moncrieff
business advisers and accountants

The City of Edinburgh Council Charitable Trusts

Audit management report for the year ended
31 March 2018

September 2018

Contents

Introduction.....	1
Financial statements	3
Appendix 1: Respective responsibilities of the trustees and the Auditor	12
Appendix 2: Audit differences.....	13
Appendix 3: List of entities' key financials	14
Appendix 4: Accounting systems and internal control.....	18
Appendix 5: Management representation letter.....	22



Introduction

Introduction

1. International Standards on Auditing (UK) 260, “Communication with those charged with governance” and 265 “Communicating deficiencies in internal control to those charged with governance” require Scott-Moncrieff to report the significant findings from our audit to those charged with governance.
2. This report aims to provide the trustees with constructive observations arising from the audit process. We set out in this report details of:
 - any expected modifications to our audit reports;
 - any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
 - any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
 - any other relevant matters.
3. Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist. Communication in this report of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. We take this opportunity to remind you that:
 - This report has been prepared for the sole use of the trustees of The City of Edinburgh Council Charitable Trusts;
 - A copy of this report will be submitted to Audit Scotland; and
 - No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.
5. The report has been discussed and agreed with City of Edinburgh Council management.
6. We would like to thank council management and staff for their kind co-operation and assistance during our audit.



Financial statements

Financial statements

Audit conclusion

7. In our opinion the financial statements of those charities listed below (collectively referred to as 'The City of Edinburgh Council Charitable Trusts') give a true and fair view and comply with the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities and Trustee Investment (Scotland) Act 2005, and all relevant accounting standards.

The City of Edinburgh Council Charitable Trusts

- Jean F. Watson (SC018971)
 - Edinburgh Education Trust (SC042754)
 - Nelson Halls Trust (SC018946)
 - City of Edinburgh Council Charitable Funds (Boyd Anderson) (SC025067)
 - Usher Hall Conservation Trust (SC030180)
 - Lauriston Castle Trust (SC020737)
 - The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)
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8. We are pleased to report that our independent auditor's report to the trustees of The City of Edinburgh Council Charitable Trusts is unqualified. We have, however, drawn attention in our independent auditor's report to the fact that the Usher Hall Conservation Trust and the City of Edinburgh Council Charitable Trusts (Boyd Anderson) have been prepared using a break-up basis of accounting as the trustees consider that they are not going concerns. Our opinion is not modified in respect of this matter.
9. Our audit opinion is based on approval of the financial statements and signing of the letter of representation, a draft of which has been included as an appendix to this report. Within the letter of representation, the trustees have confirmed that there are no subsequent events that require amendment to the financial statements.

Basis of preparation

10. The financial statements have been prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). This would be the case where charities have common trustees. The City of Edinburgh Council's Finance and Resources Committee acts as sole Trustee for these charitable trusts.

Our assessment of risks of material misstatement


11. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described in Exhibit 1 below.

Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

1. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements.

Noted in 2017/18 City of Edinburgh Council External Audit Plan


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12. We have not identified any indications of management override in the year. We have reviewed the charitable trusts' accounting records and obtained evidence to ensure that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years
 13. During our prior year audit, we noted that there was a lack of segregation of duties in respect of the posting of journals. While journals continue to be prepared and posted without any secondary review or authorisation, we noted, during our current year audit, that an additional control has been designed and implemented whereby the draft financial statements are reviewed by senior members of the council's finance team. As part of this review process those individuals have access to the ledger system to review all journals posted. We were able to confirm during our audit that this review process had been carried out.

Conclusion: Satisfactory assurance has been gained in respect of the mitigation of this risk.

2. Revenue recognition

Under ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the charitable trusts could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

Noted in 2017/18 City of Edinburgh Council External Audit Plan

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14. While we did not suspect incidences of material fraud and error we have evaluated each type of income transaction and documented our conclusions. We have gained reasonable assurance over the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements. To inform our conclusion we considered the revenue recognition policy and carried out testing to ensure this is appropriate and has been applied consistently throughout the year.

Conclusion: We have gained satisfactory assurance in respect of the completeness and occurrence of revenue transactions in the year.


Exhibit 1: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

3. Lauriston Castle Trust external valuation

An external revaluation of the collection commenced in 2016 but has yet to be completed. The financial statements in 2016/17 reflected the valuation as at the previous reporting date (31 March 2016).

There is a risk that the result of this valuation is incorrectly accounted for in the 2017/18 financial statements.

Noted in 2017/18 City of Edinburgh Council External Audit Plan

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15. The external revaluation of the collection has yet to be completed. The financial statements therefore reflect the valuation as at the previous reporting date (31 March 2017). The charitable trusts' accounting policy on heritable property states that such properties are included in the financial statements at a revalued amount where this is available. The notes to the financial statements detail that the previous valuation of Lauriston Castle was carried out in 1997.
 16. While we concluded that the financial statements have been prepared in accordance with the Charities SORP (FRS 102) in respect of this matter, we recommend that the external valuation of the collection should be concluded as soon as practicable to ensure incorporation in the 2018/19 financial statements.

Action plan point 1

Conclusion: Satisfactory assurance has been gained in respect of the mitigation of this risk.


4. Winding up of Trusts

In February 2017, the Council's Finance and Resources Committee approved the transfer of all funds held by the Usher Hall Conservation Trust to the Usher Hall to contribute to the purchase cost of its new grand piano. Consent to wind up this charitable trust was received from the Office of the Scottish Charity Regulator (OSCR) in December 2016.

In January 2018, a paper was presented to the Council's Finance and Resources Committee seeking approval for the formal winding up of the Boyd Anderson Charitable Trust and the transfer of the remaining assets to the Lagganlia Outdoor Learning Centre. Consent to wind up this charitable trust was received from the OSCR in December 2017.

There is a risk that these decisions are not accounted for and disclosed correctly in the financial statements.

Noted in 2017/18 City of Edinburgh Council External Audit Plan

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17. We have confirmed that the Usher Hall Conservation Trust was removed from the Charity Register on 23 March 2018.
 18. In respect of the City of Edinburgh Council Charitable Trust (Boyd Anderson), construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred. OSCR has granted consent to wind up this Trust and this will be progressed once construction works have been completed.
 19. In respect of these two Trusts, note 1 in the financial statements explains a break-up basis of accounting has been applied as the trustees consider that they are not going concerns. We have disclosed this matter in our independent auditor's report. Our opinion is not modified in respect of this matter.

Conclusion: We have gained satisfactory assurance the appropriate disclosures have been made in the financial statements.

Our application of materiality

20. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the financial statements.
21. Our initial assessment of materiality for each charitable trust is set out in the following table. We revised our initial assessment, following receipt of the unaudited financial statements and they remained at these levels throughout our audit.
22. Our assessment of materiality is set with reference to gross assets. We consider this to be the principal consideration for the users of the financial statements when assessing the financial performance of each charitable trust.

	Initial materiality	Final materiality
Jean F. Watson	125,560	126,360
Edinburgh Education Trust	18,420	19,040
Nelson Halls	4,680	4,740
Boyd Anderson	2,360	2,320
Usher Hall Conservation	1,360	- ¹
Lauriston Castle	140,840	140,860
The Royal Scots Memorial	660	660

23. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceeds materiality

¹ We have tested 100% of transactions in respect of the Usher Hall Conservation Trust. This Trust was wound up and removed from the Charity Register on 23 March 2018.

for the financial statements as a whole.

24. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the table below:

	Weighting
High	50%
Medium	60%
Low	75%

25. We noted within our External Audit Plan that we would report to trustees all audit differences in excess of 2% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report on disclosure matters that we identify when assessing the overall presentation of the financial statements.

Audit differences

26. We did not identify any audit adjustments during our audit other than amendments to the disclosure notes which are reflected in the final set of financial statements.
27. Appendix 2 also details one audit difference we identified during the audit process which has not been adjusted for. We have agreed with council management that this amount is not material and therefore has not been incorporated into the financial statements.

An overview of the scope of our audit

28. The scope of our audit was detailed in our City of Edinburgh Council External Audit Plan, which was presented to the council's Governance, Risk and Best Value Committee in March 2018. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the charitable trusts. This ensures that

our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.

29. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
30. Our standard audit approach is based on performing substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit management team. In performing our work we have applied the concept of materiality, which is explained earlier in this report.

Accounting systems and internal controls

31. During the course of our audit of the financial statements, we examined the principal internal controls which the trustees have established to enable them to ensure, as far as possible, the accuracy and reliability of each of the charitable trusts' accounting records and to safeguard the charitable trusts' assets.
32. It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.
33. Our work identified four areas for improvement during our final audit (one of which is referred to at paragraph 16). We outline the issues identified and our recommendations at Appendix 4.

Action plan points 2 to 4

34. In addition we have followed up on progress in implementing actions raised in the prior year. Full details of our findings are included in Appendix 4.

Fraud and irregularity

35. Responsibility for preventing and detecting fraud and other irregularities lies with the trustees of the charitable trusts'. We are not required to search specifically for such matters and our audit should not be relied upon to

disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

36. We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

37. We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.
38. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.
39. Under Section 46 of the Charities and Trustee Investment (Scotland) Act 2005, auditors have a responsibility to report items of material significance to the Office of the Scottish Charity Regulator (OSCR).
40. We did not identify any areas of material significance during our audit that required reporting to OSCR.

Going concern and subsequent events

41. We are required under International Standard on Auditing (UK) 570, "Going Concern" to consider the appropriateness of the trustees' use of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about each charitable trust's ability to continue as a going concern which needs to be disclosed in the financial statements.
42. The term "subsequent events" is used to refer to events occurring between the year-end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK) 560, "Subsequent events" requires us to assess all such matters before signing our audit report.

43. In order to gain assurance on these matters our work has included (where applicable):
 - reviewing bank facilities;

- enquiring of senior management and the charitable trusts' solicitors concerning litigation, claims and assessments; and
 - performing sample testing of post balance sheet transactions.
44. We confirm that there are no issues affecting five² of the seven charitable trusts' ability to continue as a going concern.
45. In respect of the Usher Hall Conservation Trust and City of Edinburgh Council Charitable Funds (Boyd Anderson), we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for these two trusts using a break-up basis of accounting as they consider that they are not going concerns. Our opinion is not modified in respect of this matter.
46. No subsequent events were identified requiring amendment to or disclosure in the financial statements.

Other matters identified during our audit

The Local Authority Accounts (Scotland) Regulations 2014

47. As part of our audit, we reviewed the charitable trusts' compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulation 9³ as it relates to the financial statements. Overall, we concluded that appropriate arrangements were in place to comply with these Regulations (as they apply to charities).

Qualitative aspects of accounting practices and financial reporting

48. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

² The five charitable trusts referred to are: Jean F. Watson, Edinburgh Education Trust, Nelson Halls Trust, Lauriston Castle Trust and The Royal Scots (The Royal Regiment) Monument Trust Fund

³ Regulation 9 relates to the notice of public right to inspect and object to the accounts.

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and consider these to be appropriate to the charitable trusts.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing or the period in which transactions were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates and judgements used in the preparation of the financial statements. We did however note (paragraph 15) that the external revaluation of the Lauriston Castle Trust collection has yet to be completed and the financial statements therefore reflect the valuation as at the previous reporting date.
The appropriateness of the going concern assumption.	Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that five of the seven charitable trusts will continue to operate for at least 12 months from the signing date. In respect of the Usher Hall Conservation Trust and City of Edinburgh Council Charitable Funds (Boyd Anderson) we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for these two trusts using a break-up basis of accounting as they consider that they are not going concerns. Our opinion is not modified in respect of this matter.
The potential effect on the financial statements of any uncertainties, including significant risks and disclosures such as pending litigation that are required to be disclosed in the financial statements.	There are no uncertainties, including any significant risk or required disclosures, which should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the annual report or material inconsistencies with the financial statements.	There are no misstatements or material inconsistencies between the annual report and the financial statements.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation.

Qualitative aspect considered	Audit conclusion
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no difficulties encountered in the audit.



Appendices

Appendix 1: Respective responsibilities of the trustees and the Auditor

Responsibility of the trustees

Under legislation relating to charities in Scotland, the trustees are required to prepare financial statements for each financial year which give a true and fair view of the state of the charity's affairs and of its incoming resources and application of resources, including its surplus or deficit for that year, and which have been properly prepared from and are in agreement with the accounting records of the charitable trusts and comply with relevant disclosure requirements.

In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue its activities.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the charitable trusts' financial position and enable them to ensure that the financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The trustees also have general responsibility for taking such steps as are reasonably open to them to safeguard the charitable trusts' assets and to prevent and detect fraud and other irregularities.

Responsibilities of the auditor

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment. The charitable trusts covered by this report fall within the scope of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process.

The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Independence

International Standard on Auditing (UK) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that we have complied with the Financial Reporting Council's Ethical Standards for Auditors. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

Appendix 2: Audit differences

Unadjusted audit difference

We identified the following adjustment during the audit. We have discussed this adjustment with council management and agreed that it would not be incorporated into the financial statements.

	Balance Sheet		Statement of Financial Activities		Recognised gains and losses per SOFA	
	Dr	Cr	Dr	Cr	Dr	Cr
	£	£	£	£	£	£
1 Investment income						
• Jean F Watson				711		
• Edinburgh Education Trust				599		
• Royal Scots Monument				24		
• Nelson Halls				159		
• Lauriston Castle				32		
Investments		1,525				

Being understatement of investment income in 2017/18.

Appendix 3: List of entities' key financials

The list of entities on which we have reported, and which are covered by this report are included in the table below. All financial statements were prepared on an accruals basis.

	2017/18 £'000	2016/17 £'000	Commentary
Jean F. Watson (SC018971)			
Income	39	47	Only investment income in the current year. In the prior year funding was received to assist in the purchase of 'Moon' (£14,500).
Expenditure	(5)	(6)	
Net gains/(losses) on investments	3	56	
Net income/(expenditure)	37	97	
Unrestricted funds	1,017	983	
Endowment funds	917	914	
Revaluation reserve	4,377	4,377	
Total funds	6,311	6,274	
Edinburgh Education Trust (SC042754)			
Income	38	30	
Expenditure	(14)	(13)	The Trust funded £8,427 of activities for looked after children and £2,154 of school prizes. In comparison, in 2016/17 the Trust funded £7,569 of activities for looked after children and £1,316 of school prizes.
Net gains/(losses) on investments	5	50	
Net income/(expenditure)	29	67	
Unrestricted funds	68	43	
Endowment funds	880	876	
Total funds	948	919	

	2017/18 £'000	2016/17 £'000	Commentary
Nelson Halls Trust (SC018946)			
Income	9	7	
Expenditure	(9)	(7)	
Net gains/(losses) on investments	1	13	
Net income/(expenditure)	1	13	
Unrestricted funds	3	3	
Endowment funds	225	224	
Total funds	228	227	
City of Edinburgh Council Charitable Funds (Boyd Anderson) (SC025067)			
Income	-	1	
Expenditure	(4)	(6)	
Net gains/(losses) on investments	-	-	
Net income/(expenditure)	(4)	(5)	
Unrestricted funds	109	113	
Total funds	109	113	At the January 2016 Finance and Resources Committee, it was agreed that £64,000 would be used to build a modular log cabin type classroom and storage space at Lagganlia. Construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred. A proposal to use the remaining funds for the same purpose was approved by Committee on 23 January 2018. OSCR have granted consent to wind up the Trust and this will be progressed once the log cabin and storage space have been completed.

	2017/18 £'000	2016/17 £'000	Commentary
Usher Hall Conservation Trust (SC030180)			
Income	-	-	
Expenditure	(65)	(3)	In February 2017, the Finance and Resources Committee agreed that the Trust would be wound up after all of its funds are transferred to the Usher Hall to contribute to the purchase of a new Steinway grand piano.
Net gains/(losses) on investments	-	-	
Net income/(expenditure)	(65)	(3)	
Unrestricted funds	-	65	
Total funds	-	65	Confirmation of removal from the Charity Register of Usher Hall Conservation Trust was received on 23 March 2018 from OSCR after the funds had been transferred in January 2018.
Lauriston Castle Trust (SC020737)			
Income	2	1	
Expenditure	(2)	(1)	
Net gains/(losses) on investments	-	2	
Net income/(expenditure)	-	2	
Unrestricted funds	(1)	-	
Endowment funds	41	40	
Revaluation reserve	7,001	7,001	
Total funds	7,041	7,041	

	2017/18 £'000	2016/17 £'000	Commentary
The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)			
Income	1	1	
Expenditure	(1)	(1)	
Net gains/(losses) on investments	-	2	
Net income/(expenditure)	-	2	
Unrestricted funds	1	1	
Endowment funds	31	31	
Total funds	32	32	

Appendix 4: Accounting systems and internal control

During the course of our audit of the financial statements, we examined the principal internal controls which the council has established to enable them to ensure, as far as possible, the accuracy and reliability of the charitable trusts' accounting records and to safeguard its assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Action plan – audit recommendations

The weaknesses noted from our work are detailed in the action plan below.

		Number of audit observations	
Grade	Definition	Current year	Prior year
Critical	A finding that could have a: <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. 	-	-
High	A finding that could have a: <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation. 	-	-
Medium	A finding that could have a: <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation. 	4	2
Low	A finding that could have a: <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance ; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation. 	-	-
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.	-	-

Current year (2017/18) recommendations

1.	Issue & Recommendation	Management Comments
Valuation of Lauriston Castle collection	Issue The external valuation of Lauriston Castle collection commenced in 2016 but has yet to be completed. The financial statements therefore reflect the valuation as at the previous reporting date.	The Council will ensure that the valuation is completed for inclusion within the 2018/19 accounts.
Rating		Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place
Medium	The previous valuation of the collection was carried out in 1997. Recommendation The external valuation of the collection should be concluded as soon as practicable to ensure incorporation in the 2018/19 financial statements.	Completion date: March 2019

2.	Issue & Recommendation	Management Comments
Missing artwork	Issue During our audit testing we were unable to verify one item of artwork from the Jean F Watson collection. We understand that this item was identified as unaccounted for in 2015, following a full review of the collection. This item of artwork however remains on the valuation records which are used in the preparation of the financial statements. The value of this item is £2,500.	The Council will conduct a formal review of the Jean F. Watson collection ensuring that records are up to date and complete.
Rating		Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place
Medium	Recommendation A full review of the Jean F Watson artwork should be carried out to ensure records are up to date and complete.	Completion date: March 2019

3.	Issue & Recommendation	Management Comments
Artwork – asset tagging	<p>Issue</p> <p>We identified, through our sample testing, two items of artwork (from the Jean F Watson collection) that did not have labels (either title or ID number).</p> <p>Recommendation</p> <p>A review of all artworks should be carried out to ensure they are appropriately tagged.</p>	<p>As part of the formal review of the Jean F. Watson collection undertaken for Action Point 2, the Council will ensure that all artwork has appropriate labels (either title or ID number).</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place</p> <p>Completion date: March 2019</p>
Rating		
Medium		

4.	Issue & Recommendation	Management Comments
Declarations of interest	<p>Issue</p> <p>As part of our review of councillor declarations of interests for the City of Edinburgh Council we noted that not all councillors have recorded their interests as trustees.</p> <p>Recommendation</p> <p>We recommend all councillors acting as Trustees to the City of Edinburgh Council charitable trusts review and update their registers of interest, if required, to reflect their role as Trustee on these Trusts.</p>	<p>As part of the equivalent action for the Council referenced in the 2017/18 annual report on the audit, we will continue to remind regularly councillors of their duties under the Act.</p> <p>Responsible officer: Governance and Democratic Services Manager</p> <p>Councillors</p> <p>Completion date: Ongoing</p>
Rating		
Medium		

Prior year recommendations

1.	Issue & Recommendation	Management Comments	2018 Update
Authorisation of journals	<p>Our review of the journals environment found that there was a lack of segregation of duties over the posting of journals. Journals are prepared and posted without any secondary review or authorisation. Journals can be used to override controls and create fraudulent errors therefore, it is essential appropriate controls are in place</p> <p>While our audit review in respect of the 2016/17 financial year did not identify any indications of management override we recommend that a review process is put in place for the preparation and posting of journals to the ledger.</p>	<p>While a range of compensating controls mitigating any risk of monetary gain is already in place, arrangements to introduce proportionate additional independent review will be examined with a view to implementation as part of the 2017/18 accounts closure process.</p> <p>Action owner: Charitable Trust Accountant, Finance</p> <p>Due Date: March 2018</p>	<p>Action complete</p> <p>We noted, during our current year audit, that an additional control has been designed and implemented whereby the draft financial statements are reviewed by senior members of the council's finance team. As part of this review process those individuals have access to the ledger system to review all journals posted. We were able to confirm during our audit that this review process had been carried out.</p>
Rating			
Medium			

2.	Issue & Recommendation	Management Comments	2018 Update
Accounting for dividend income	<p>During our audit testing we noted that dividend income has been accounted for on a cash basis instead of an accruals basis.</p> <p>Dividend income should be accounted for on an accruals basis.</p>	<p>The council will ensure that during preparation of the 2017/18 accounts, dividend income is accounted for on an accruals basis and will contact the Trusts' investment managers early in 2018 to ensure this information is available in a timely manner.</p> <p>Action owner: Charitable Trust Accountant, Finance</p> <p>Due date: March 2018</p>	<p>Action complete</p> <p>Dividend income has been accounted for on an accruals basis in the 2017/18 financial statements.</p>
Rating			
Medium			

Appendix 5: Management representation letter

LETTER OF REPRESENTATION: THE CITY OF EDINBURGH COUNCIL CHARITABLE TRUSTS

Dear Sirs

The City of Edinburgh Council Charitable Trusts

This representation letter is provided in connection with your audit of the financial statements of The City of Edinburgh Council Charitable Trusts 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 in accordance with UK Generally Accepted Accounting Practice.

On behalf of the trustee of the charities, I am directed to confirm to you, in respect of the financial statements of the charitable trusts for the year ended 31 March 2018, the following:-

Financial statements and accounting records

1. We have fulfilled our responsibilities under the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and for making accurate representations to you.
2. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the charitable trusts;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
5. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
6. All income has been recorded, all restricted endowment funds have been properly applied and all constructive obligations have been recognised.
7. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements of five of the seven charitable trusts to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements are to be approved.

8. The Usher Hall Conservation Trust and the City of Edinburgh Council Charitable Trusts (Boyd Anderson) have been prepared using a break-up basis of accounting as we consider that they are not going concerns.
9. We have considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in the financial statements in order to give a true and fair view.
10. We confirm the financial statements are free of material misstatements, including omissions. We believe that the uncorrected audit difference identified during the audit is immaterial to the financial statements. This item is attached to this letter of representation, together with our reasons for not correcting for it.

Fraud

11. We acknowledge as trustees our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
12. In our opinion, the risks that the financial statements may be materially misstated as a result of fraud are low for the following reason:
 - The Trust Accountant runs a general ledger transactions query report on an at-least monthly basis, promptly reviewing any unexpected items and instigating corrective action as appropriate. Given the relatively low level of transactions, these can be investigated on an individual basis.
13. We have disclosed to you all information in relation to fraud or suspected fraud of which we are aware and that affects the entity and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
14. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, regulators or other third parties.

Compliance with laws and regulation, and contractual agreements

15. We 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 the financial statements.
16. The charitable trusts have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Accounting estimates

17. In our opinion the significant assumptions used by us in making accounting estimates are reasonable.

Related parties

18. We have disclosed to you the identity of the charity's related parties and all related party relationships and transactions of which we are aware.
19. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice.
20. In particular, no trustee, shadow trustee, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the Trust at any time during the year.

Assets and liabilities

21. The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
 - agreements and options to buy back assets previously sold;
 - assets pledged as collateral.
22. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice.
23. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
24. The Trust has satisfactory title to all assets and there are no liens or encumbrances on the charity's assets, other than as disclosed in the financial statements.
25. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

Subsequent events

26. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

.....

Signed on behalf of the trustees of the charities

On..... (date)

The above individual is signing this letter on behalf of the trustees of the charities confirming that:

- a) so far as each member of the Finance and Resources Committee is aware, there is no relevant audit information of which the charitable trusts is unaware; and
- b) each member of the Finance and Resources Committee has taken all the steps that ought to have been taken, including making appropriate enquiries of fellow members and of the charitable trusts for that purpose, in order to be aware of any information needed by the charitable trusts' auditor in connection with preparing their report and to establish that the charitable trusts' auditor is aware of that information.



Scott-Moncrieff
business advisers and accountants

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**The City of Edinburgh Council Charitable Trusts
Audited Trustee's Annual Report and Accounts
for the year ended 31 March 2018**

Legal and Administrative Information

Trustee

The City of Edinburgh Council acts as sole trustee for the charities in this report. The delegated responsibility for charitable trusts was transferred from the Pensions and Trusts Committee to the Finance and Budget Committee as part of the review of governance arrangements under the Committee Terms of Reference and Delegated Functions approved by Council on 20 September 2012 (Section 6.6). The Finance and Budget Committee has since been renamed the Finance and Resources Committee and now has delegated responsibility from Council to act in the role of trustee of its charities. The individual members of the Committee are listed on page 6 of the Trustee Report.

In addition to the above a separate Committee exists to manage the Jean F. Watson Bequest Art Collection. The Committee on the Jean F. Watson Bequest has the following delegated authority: "With monies from the Jean F. Watson Bequest, to purchase and commission for the City's collection, works of artists and craftspeople born, practising in, or otherwise associated with Scotland, and in particular Edinburgh; all decisions to be guided by the Collection and Disposal Policy for the City Museums and Galleries."

Reference and Administrative Details

At the year end the Council acted as sole trustee for a total of six trusts which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). A list of all the charities can be found on page 3 of this report and in the accounts.

The Council administers these charities but their assets are not available to the Council and have not been included in the Council's balance sheet, or its wider Group balance sheet.

Registered Office

The City of Edinburgh Council
City Chambers
High Street
Edinburgh
EH1 1YJ

Auditor

Scott-Moncrieff
Exchange Place 3
Sempie Street
Edinburgh
EH3 8BL

Bankers

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

Investment Managers

CCLA Investment Management Ltd
Senator House
85 Queen Victoria Street
London
EC4V 4ET

M&G Charities
PO Box 9038
Chelmsford
CM99 2XF

Trustee's Audited Annual Report 2017/18

The trustee presents the Audited Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2018. The Annual Accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice effective 01/01/2015 (FRS 102), commonly referred to as the SORP.

Structure, Governance and Management

The charities that the Council administers are constituted in a variety of different ways. Details of how each charity was originally established are available from the Council.

The Trustee section on the previous page describes the Committees of the Council which are involved with administration. All committee members are elected Councillors. Members of the Finance and Resources Committee have been provided with copies of the OSCR guidance which explains the role and responsibilities of charity trustees. Risk management is covered as part of the Council's general risk management procedures.

All major decisions relating to the strategic operation of the Trusts are undertaken by the Finance and Resources Committee. There is also a dedicated Jean F. Watson Committee which meets to discuss the finances and make decisions on art acquisitions. The Children's Panel meets to approve funding for the Edinburgh Education Trust. The Children's Panel consists of council officers Andy Gray, Andy Jeffries, Robin Yellowlees and Linda Lees.

Responsibilities of the Trustee

Charity law requires charity trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

The Council, as the trustee, has overall responsibility for the following:

1. Ensuring that there are appropriate systems of controls, financial and otherwise.
2. Keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charities and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 and the SORP.
3. Selecting suitable accounting policies and applying them consistently.
4. Making judgements and estimates that are reasonable and prudent.
5. Safeguarding the assets of the charities.
6. Taking reasonable steps for the prevention and detection of fraud and other irregularities.
7. Providing reasonable assurance that:
 - i) the charities are operating efficiently and effectively;
 - ii) the charitable assets are safeguarded against unauthorised use or disposition;
 - iii) proper records are maintained and financial information used by the charities is reliable;
 - iv) the charities comply with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

1. A strategic plan approved by the charity trustee;
2. Regular consideration by the charity trustee of financial results and non-financial performance indicators;
3. Delegation of authority and segregation of duties; and
4. Identification and management of risks.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included in the council's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Exemptions From Disclosure and Funds held as Custodian Trustee on Behalf of Others

None.

Trustee's Audited Annual Report 2017/18
Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2018 are as follows:

Official Name <i>(Name Used in Accounts)</i>	Scottish Charity Registration Number	Purpose	Market Value at 31/3/18 £'000
Jean Fletcher Watson <i>(Jean F. Watson)</i>	SC018971	The purchase of works of art by artists who have connections with the city	6,311
Edinburgh Education Trust <i>(Edinburgh Education Trust)</i>	SC042754	To fund activities to support Looked after Children and school prizes	948
Nelson Halls Trust <i>(Nelson Halls)</i>	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	228
City of Edinburgh Council Charitable Funds <i>(Boyd Anderson)</i>	SC025067	Provision of outdoor education and skiing opportunities	109
Usher Hall Conservation Trust <i>(Usher Hall)</i>	SC030180	Raise funds for the renovation of the Usher Hall	-
Lauriston Castle Trust <i>(Lauriston Castle)</i>	SC020737	To make the artefacts and buildings available to be viewed by the public	7,041
The Royal Scots (The Royal Regiment) Monument Trust Fund <i>(The Royal Scots Trust)</i>	SC018945	Maintenance of the Royal Scots Monument	32
Total			14,669

In addition to the funds outlined above, the Council administered the Catherine Cowper Trust which is not included in the accounts as it is not a registered charity and the funds were disbursed in 2017/18 to assist with the redevelopment of the Museum of Childhood.

The main activities undertaken in relation to the Trusts' purposes are outlined below;

At the February 2017 Finance and Resources Committee, it was agreed that the Usher Hall Conservation Trust would be wound-up after all of its funds were transferred to the Usher Hall to contribute to the purchase of a new Steinway grand piano. Confirmation of removal from the Charity Register of Usher Hall Conservation Trust was received on 23 March 2018 from OSCR after the funds had been transferred in January 2018.

Jean F. Watson purchased 'Princes Street Station, Edinburgh' by William Wilson for £550 during the financial year. Additional purchases were approved at the Committee meeting on 15 December 2017 and will be progressed and finalised throughout the next financial year.

The Edinburgh Education Trust funded £8,427 of activities for looked after children (£7,569 2016/17) and £2,154 of school prizes (£1,316 2016/17). An improved process has been introduced to ensure that this funding is allocated to the recipients in a more timely and direct manner than had been the case previously. Unused funds from the current year will be rolled forward into the new year.

At the January 2016 Finance and Resources Committee, it was agreed that £64,000 of the Boyd Anderson funds would be used to build a modular log cabin type classroom and storage space at Lagganlia. Construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred. A proposal to use the remaining funds for the same purpose was approved by Committee on 23 January 2018. OSCR have granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

The Nelson Halls are open to the public as part of the libraries and community centres they are attached to.

The Lauriston Castle is open to the public with the interest received in 2017/18 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2017/18 was used to cover some of the running costs.

Trustee's Audited Annual Report 2017/18

Achievements and Performance

Financial Investments Performance

The Trusts' investments are held in the COIF Charities Investment Fund managed by CCLA Investment Management Ltd and the Charibond Charities Fixed Interest Common Investment Fund managed by M&G Charities.

Charibond Charities Fixed Interest Common Investment Fund

Performance information for 12 months to 31 October 2017 by Charibond Charities Fixed Interest Common Investment Fund was a total return (capital performance with gross income reinvested) of 1.2% compared to the FTSE British Government All Stocks Index - a broad index of UK government bonds which does not include corporate bonds - which returned 1.1% over the same period. The fund's distribution yield at 1 November 2017 was 3.7%.

The single year performance for the last five years ending October is outlined in the table below;

	2017	2016	2015	2014	2013
Charibond	1.2%	9.6%	3.0%	4.5%	1.1%

A letter dated March 2018 was received stating that the fund's distribution would be reducing with effect from its next quarterly payment in May 2018. As a result, the fund's distribution yield will reduce to approximately 2.0%. This highlights the implications for bond markets of strengthening inflation and a rising interest rate environment.

COIF Charities Investment Fund

The longer term total return performance (gross) for the COIF Charities Investment Fund for the 12 months to end March is outlined in the table below;

	2018	2017	2016	2015	2014	2013
Fund	6.0%	+20%	+0.4%	+14.7%	+7.2%	+18.5%
Comparator	2.2%	+20.4%	-1.5%	+11.1%	+8.1%	+13.7%

The return was supported by a strong contribution from stock selection. Areas of strength included IT and parts of the financial sector; the low weighting to energy was also helpful to returns. Asset allocation was unhelpful, particularly the absence of any significant weighting to fixed income investments, a sector which enjoyed broadly stable values.

The COIF Charities Investment Fund is split 55.0% in overseas equities, 18.3% in UK equities, 21.0% in Property/Other Assets, 0.5% in Fixed Interest and 5.2% in Cash as at 31 March 2018. The overseas equities are split as follows: - North America 33.6%, Europe 12.2%, Pacific Ex. Japan 4.5%, Japan 4.1%, Other Americas 0.6%.

The forecast annual income from the COIF Charities Investment Fund is £59,000, which represents an income yield of around 3.54% based on the current market value of investments.

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2018. This section describes briefly the key points of each statement. Financial statements and notes have been rounded to the nearest thousand. All of the unrestricted funds of the charities are general and not designated.

The Statement of Financial Activities shows the total income to be £89,000 in 2017/18. (2016/17 £87,000). This marginal increase in income compared to the previous year is due to the change in accounting treatment for the CCLA investments interest. In 2017/18 £16,000 of income was accrued whereas this was not included in 2016/17. The remaining difference between the two years is the £14,500 of grant income received for purchasing art in 2016/17, with no corresponding grant income for purchases received in 2017/18.

The expenditure in the year is higher than last year at £100,000 compared to £37,000. This movement is primarily a result of £65,000 of funds from the Usher Hall Trust being transferred to the City of Edinburgh Council to assist in the purchase of a Grand Piano at the Usher Hall. An analysis of expenditure is detailed in Notes 3, 4 and 5 with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being allocated to the maintenance of the assets.

Trustee's Audited Annual Report 2017/18

Financial Review - continued

The Balance Sheet Statement shows the fixed asset investments have increased from £2.066m to £2.075m. Movements on the valuation of the investments are further analysed in note 8, 17 and 18.

Fixed asset properties and collections have been included in the accounts at their most recent valuations. The £20,000 decrease in cash is further analysed in the Cash Flow Statement (£87,000 decrease in 2016/17). The detail of the breakdown of the £30,000 owed by the Trusts as at 31 March 2018 is included within Note 18 of the Accounts with the year on year comparative included in Note 11 and additional detail on who is owed monies provided in Note 13.

Reserves Policy

The Charitable Trusts should follow the prevailing general principle that the "Capital" of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. If the Trustee requires to use "Capital" balances, Finance and Resources Committee approval would be required on a case by case basis. This policy was approved at the 17 March 2016 Finance and Resources Committee.

The annual income for Jean F. Watson averages around £40,000. This income can be used to purchase additional artwork, preserve existing artwork or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £6,311,000, consisting of £917,000 in Investments, £5,275,000 in Fixed Assets, £119,000 in Cash, £7,000 of debtors less Creditors of £7,000.

The annual income for the Edinburgh Education Trust averages around £35,000. This income is used for the advancement of education, academic and physical, formal and informal, to include the giving of bursaries and prizes as well as assistance for residents who find themselves in a state of financial hardship within the City of Edinburgh District or to pay for any expenses of administering the Trust. Any unused income in the year remains within the Trusts bank account. The Trust has total funds of £948,000, consisting of £880,000 in Investments, £65,000 in Cash, £7,000 of debtors less Creditors of £4,000.

The annual income for Nelson Halls averages around £8,000. This income should be used in full towards costs incurred by the City of Edinburgh Council for the maintenance of the Halls. The Trust has total funds of £228,000, consisting of £206,000 in Investments, £19,000 in Heritable Assets, £10,000 in Cash, £2,000 of debtors less Creditors of £9,000.

No reserves policy has been created for Boyd Anderson as the existing funds have been agreed to be disbursed as per the report to Finance and Resources Committee on 14 January 2016.

The annual income for the Lauriston Castle averages around £1,500. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Castle. The Trust has total funds of £7,041,000, consisting of £7,001,000 in Heritable Assets, £41,000 in Investments, £1,000 in Cash less Creditors of £2,000.

The annual income for The Royal Scots Trust averages around £1,200. This income is used in full to cover costs incurred by the City of Edinburgh Council for the maintenance of the Monument. The Trust has total funds of £32,000, consisting of £31,000 in Investments and £2,000 In Cash less Creditors of £1,000.

The Heritable Assets and the Investments stated above are endowment funds and are therefore not available for general purposes. An analysis of Heritable Assets is included within Note 7 to the Accounts.

Going Concern Policy

The financial statements for the remaining five trusts, after the closure of Boyd Anderson, are prepared on the going concern basis. The trustees are of the opinion those trusts are a going concern from reviewing activities undertaken, based on expected expenditure commitments in the coming year.

Trustee's Audited Annual Report 2017/18

Financial Review - continued

Plans for Future Period

The strategy to radically restructure the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. Future plans include the full disbursement of the remaining funds of the Boyd Anderson Trust which has been approved by Committee, leaving five Trusts remaining.

Since the end of the 2015/16 financial year the Trusts have improved processes regarding the transfer of funds and this should be continued in 2018/19 to ensure individuals are aware of the money available to them and that this is transferred promptly. Forecasting will be carried out by finance staff in 2018/19 to ensure that they are also aware of the likely money available in 2019/20 to enable longer-term planning.

Signed on behalf of the trustee of the charities:

Councillor Alasdair Rankin

Convener of the Finance and Resources Committee

Date:

The other members of the Finance and Resources Committee as at 27 September 2018 are outlined below;

Councillor Marion Donaldson (*Vice Convener*)
Councillor Kate Campbell (*from 15.03.18*)
Councillor Gavin Corbett
Councillor George Gordon (*from 23.08.18*)
Councillor Graham Hutchison
Councillor Andrew Johnston
Councillor Claire Miller
Councillor Neil Ross
Councillor Mandy Watt
Councillor Iain Whyte

The following were also members during the reporting period;

Councillor Derek Howie (*to 15.03.18*)
Councillor Claire Bridgman (*to 23.08.18*)

Members of the Jean F. Watson Committee as at 27 September 2018 are outlined below;

Councillor Fullerton (Convener)
Councillor Aldridge
Councillor Donaldson
Councillor Doran
Councillor McNeese-Mechan
Councillor Mitchell
Councillor Mowat
Councillor Rae

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2018

		2017/18			2016/17		
	Note	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
		£'000	£'000	£'000	£'000	£'000	£'000
Income and Endowments from:							
<i>Charitable activities</i>	2	-	-	-	14	-	14
<i>Investments</i>	2	89	-	89	73	-	73
Total		<u>89</u>	<u>-</u>	<u>89</u>	<u>87</u>	<u>-</u>	<u>87</u>
Expenditure on:							
<i>Raising Funds</i>	3	-	-	-	(4)	-	(4)
<i>Charitable activities</i>	4, 5	(100)	-	(100)	(33)	-	(33)
Total		<u>(100)</u>	<u>-</u>	<u>(100)</u>	<u>(37)</u>	<u>-</u>	<u>(37)</u>
<i>Net gains / (losses) on investments</i>	17	-	9	9	-	123	123
Total		<u>-</u>	<u>9</u>	<u>9</u>	<u>-</u>	<u>123</u>	<u>123</u>
Net income / (expenditure)		<u>(11)</u>	<u>9</u>	<u>(2)</u>	<u>50</u>	<u>123</u>	<u>173</u>
Transfers between funds				-	(100)	100	-
Net movement in funds		<u>(11)</u>	<u>9</u>	<u>(2)</u>	<u>(50)</u>	<u>223</u>	<u>173</u>
Reconciliation of funds							
<i>Total funds brought forward</i>		<u>5,585</u>	<u>9,086</u>	<u>14,671</u>	<u>5,635</u>	<u>8,863</u>	<u>14,498</u>
Total funds carried forward	18	<u>5,574</u>	<u>9,095</u>	<u>14,669</u>	<u>5,585</u>	<u>9,086</u>	<u>14,671</u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2018

		2017/18			2016/17		
	Note	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
		£'000	£'000	£'000	£'000	£'000	£'000
Fixed Assets:							
<i>Jean F. Watson Collection</i>	6	5,275	-	5,275	5,275	-	5,275
<i>Heritable Property</i>	7	-	7,020	7,020	-	7,020	7,020
<i>Investments</i>	8	-	2,075	2,075	-	2,066	2,066
Total fixed assets		5,275	9,095	14,370	5,275	9,086	14,361
Current Assets:							
<i>Cash at Bank</i>	9	313	-	313	333	-	333
<i>Debtors</i>	10	16	-	16	-	-	-
Total current assets		329	-	329	333	-	333
Liabilities:							
<i>Creditors due within one year</i>	11, 13	(30)	-	(30)	(23)	-	(23)
Total Liabilities		(30)	-	(30)	(23)	-	(23)
Net Current Assets		299	-	299	310	-	310
Total Net Assets		5,574	9,095	14,669	5,585	9,086	14,671
The funds of the charity:							
<i>Unrestricted Funds</i>	18	1,197	-	1,197	1,208	-	1,208
<i>Endowment Funds</i>	18	-	2,094	2,094	-	2,085	2,085
<i>Revaluation Reserve</i>	18	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,574	9,095	14,669	5,585	9,086	14,671

The unaudited accounts were issued on 15 June 2018. The audited accounts were authorised for issue on 27 September 2017. I can confirm that the Annual Report and Accounts were approved for signature by the Finance and Resources Committee at its meeting on 27 September 2018.

Signed on behalf of the charity trustee:

Councillor Alasdair Rankin
Convener of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2018

	31 March 2018		31 March 2017
	£'000	£'000	£'000
Operating Activities			
<i>Dividend Income and Interest received (Note 2)</i>	(73)		(72)
<i>Grant Income for Purchase of Art (Note 2)</i>	-		(14)
Cash inflows generated from operating activities		(73)	(86)
<i>Cash paid for Investment Advice (Note 3)</i>	-		4
<i>Cash paid to Schools and Pupils (Note 4)</i>	11		9
<i>Cash paid for Usher Hall Grand Piano (Note 4)</i>	65		-
<i>Cash paid for Purchase of Art (Note 6)</i>	-		39
<i>Cash paid to the Council</i>	17		21
Cash outflows generated from operating activities		93	73
Net cash (inflows) / outflows from operating activities		20	(13)
Investing Activities			
<i>Additional Investment into COIF Charities Investment Fund</i>	-		100
Net cash flows from investing activities		-	100
Net cash flows from financing activities		-	-
Net (increase) / decrease in cash and cash equivalents		20	87
	April 2017		April 2016
<i>Cash and cash equivalents (Note 9)</i>	333		420
	March 2018		March 2017
<i>Cash and cash equivalents (Note 9)</i>	313		333
Net (increase) / decrease in cash and cash equivalents		20	87

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018

1 Accounting policies

a) Basis of preparation

The 2017/18 financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - Charities SORP (FRS 102) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

These financial statements have been prepared on the basis that the Trusts for which the City of Edinburgh Council acts as sole Trustee are connected charities. As such, the accounts for the individual charities have been prepared on a collective basis. These financial statements contain all the relevant information that the individual charity accounts would have contained if they had been prepared on an individual basis. These Trusts meet the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

At the February 2017 Finance and Resources Committee, it was agreed that the Usher Hall Conservation Trust would be wound-up after all of its funds were transferred to the Usher Hall to contribute to the purchase of a new Steinway grand piano. Confirmation of removal from the Charity Register of Usher Hall Conservation Trust was received on 23 March 2018 from OSCR after the funds had been transferred in January 2018.

At the January 2016 Finance and Resources Committee, it was agreed that £64,000 of the Boyd Anderson funds would be used to build a modular log cabin type classroom and storage space at Lagganlia. Construction works have not yet been completed at Lagganlia, therefore these monies have not yet been transferred. A proposal to use the remaining funds for the same purpose was approved by Committee on 23 January 2018. OSCR have granted consent to wind up the Trust and this will be progressed once the log cabin and storage space has been completed.

The financial statements for the Usher Hall and Boyd Anderson trusts have been prepared using a break-up basis of accounting as it is considered that they are not going concerns.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable trust funds' transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

b) Fund accounting

Unrestricted funds are general funds that are available for use at the trustee's discretion in the furtherance of any of the objectives of the charities.

Almost all of the charities have an endowment fund consisting of invested capital and any heritable property. Endowment funds are held on trust to be retained for the benefit of the charity as a capital fund. The income arising from the investments is available for the purposes of each charity and is added to the relevant unrestricted fund. In most cases the trustee has discretion to expend endowment funds should the need arise.

c) Investment income

Investment income is accounted for in the period in which the charity is entitled to receive it and the amount can be measured with reasonable certainty.

d) Grant income

Revenue grants, including those from government, are recognised in the Statement of Financial Activities (SoFA) in the period in which the charitable trust is entitled to receipt and the amount can be measured with reasonable certainty. Such income is deferred when the charitable trust has to fulfil conditions before becoming entitled to it.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018

1 Accounting policies - continued

e) Expenditure

Expenditure is included in the financial statements on an accruals basis.

f) Heritable property and depreciation

Heritable properties are stated in the accounts at a revalued amount where this is available. Where this is not available historic cost has been used, this is the case for the Nelson Halls. Depreciation is not currently provided for heritable property.

g) Heritable assets and depreciation

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation. The type of assets includes collections of: paintings, ceramics, textiles, silverware, clocks and books. The valuations used for these assets are based on values for insurance purposes.

h) Investments

Investments are included at market value at the balance sheet date in accordance with the principles of the SORP. Any gain or loss on revaluation is shown on the Statement of Financial Activities.

i) Reserves policy

The endowment fund is maintained for the charity as a capital fund. The amount of income generated by investments is available for expenditure on charitable purposes. The Finance and Resources Committee agreed the current Reserves Policy on 17 March 2016.

j) Creditors

Creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and are measured at fair value.

l) Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the charitable trust becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102. At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

m) Critical judgements and estimates

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the charitable trust funds' accounting policies.

The trustees do not consider there to be any accounting judgements required in preparing these accounts. The trustees are satisfied that accounting policies are appropriate and applied consistently.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018

2	Analysis of Income	2017/18	2016/17	
		£'000	£'000	
	<i>Dividend income</i>	73	72	
	<i>Accrued dividend income</i>	16	-	
	<i>Bank interest received</i>	-	1	
	<i>Jean F. Watson grant received for purchase of art</i>	-	14	
	Total Income	89	87	
3	Analysis of Expenditure on Raising Funds	2017/18	2016/17	
		£'000	£'000	
	<i>Jean F. Watson - Investment Management Costs</i>	-	(2)	
	<i>Edinburgh Education Trust - Investment Management Costs</i>	-	(2)	
	Total Expenditure on Raising Funds	-	(4)	
4	Analysis of Expenditure on Charitable Activities	2017/18	2016/17	
		£'000	£'000	
	<i>Edinburgh Education Trust - Grants to Individuals</i>	(9)	(8)	
	<i>Edinburgh Education Trust - Grants to Schools</i>	(2)	(1)	
	<i>Lauriston Castle - Maintenance of Assets</i>	(2)	(1)	
	<i>Nelson Halls - Maintenance of Assets</i>	(8)	(7)	
	<i>The Royal Scots Trusts - Maintenance of Assets</i>	(1)	(1)	
	<i>Usher Hall - Purchase of Grand Piano</i>	(65)	-	
		(87)	(18)	
	<i>Allocation of support costs</i>	(13)	(15)	
	Total Expenditure on Charitable Activities	(100)	(33)	
5	Analysis of Support Costs	Governance	Finance	Total
		£'000	£'000	£'000
	<i>Edinburgh Education Trust</i>	(1)	(2)	(3)
	<i>Boyd Anderson</i>	(2)	(3)	(5)
	<i>Jean F. Watson</i>	(2)	(3)	(5)
	Total Support Costs	(5)	(8)	(13)

The basis of allocation for the governance and the finance support costs was the cash held at bank at the time of allocation.

No trustee received any remuneration or expenses during year ending 31 March 2018. There are no employees of the City of Edinburgh Council Charitable Trusts.

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018

6 Jean F. Watson Collection	2017/18	2016/17
	£'000	£'000
<i>Balance brought forward at 1 April</i>	5,275	5,236
<i>Purchases during the year</i>	-	39
Balance carried forward at 31 March	5,275	5,275

In 1961 an agreement was signed by Miss Jean F. Watson and the Corporation of the City of Edinburgh which set up a fund to purchase works of art in memory of Miss Watson's parents. The Trust acquires works of art for public viewing in Edinburgh by artists who have connections with the city. The agreement allows for existing items in the collection to be sold and the proceeds used to purchase other works of art. There have been three purchases in the last five financial years (Moon, Craggs at Dawn and Princess Street Station) and no disposals. These are classified as heritage assets.

7 Analysis of Heritable Property	2017/18	2016/17
	£'000	£'000
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,001	7,001
Total Heritable Property	7,020	7,020

The Lauriston Castle valuation includes £5m based on full inventory evaluation of the collection. An external revaluation of the collection commenced in 2015/16 but the final figures were still unavailable for inclusion in the 2017/18 Trustee's Annual Report and Accounts. The previous valuation of the Lauriston Castle was carried out in 1997 by Sotheby's, with the last full inventory evaluation of contents dating back to 1978.

The Nelson Halls properties have not been valued for the purposes of these accounts and are stated at cost. These buildings are now often incorporated into the fabric of existing buildings and are therefore difficult to revalue.

Additional information on heritable property can be found in the Trustee's Annual Report but there have been no acquisitions or disposals in the past five financial years, except for those mentioned for Jean F. Watson in Note 6 above.

8 Analysis of Investments	At 31/3/17	Realised	Purchases	Net Gain on	At 31/3/18
	£'000	Investments	at cost	revaluation	£'000
		£'000	£'000	£'000	
<i>Edinburgh Education Trust</i>	876	-	-	4	880
<i>Jean F. Watson</i>	914	-	-	3	917
<i>Lauriston Castle</i>	40	-	-	1	41
<i>Nelson Halls</i>	205	-	-	1	206
<i>The Royal Scots Trust</i>	31	-	-	-	31
Total Investments	2,066	-	-	9	2,075

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018

9 Analysis of Cash and Cash Equivalents	2017/18 £'000	2016/17 £'000
<i>Edinburgh Education Trust</i>	65	45
<i>Boyd Anderson</i>	116	118
<i>Jean F. Watson</i>	119	89
<i>Lauriston Castle</i>	1	1
<i>Nelson Halls</i>	10	10
<i>The Royal Scots Trust</i>	2	2
<i>Usher Hall</i>	-	68
Total Cash and Cash Equivalents	313	333

10 Analysis of Debtors	2017/18 £'000	2016/17 £'000
<i>Edinburgh Education Trust</i>	7	-
<i>Jean F. Watson</i>	7	-
<i>Nelson Halls</i>	2	-
Total Debtors	16	-

This figure relates to the accrued interest for the CCLA investments.

11 Analysis of Creditors Due Within One Year	Unrestricted funds £'000	Endowment funds £'000	2017/18 Total £'000	2016/17 Total £'000
<i>Amounts due to the Council</i>	(30)	-	(30)	(23)
Total Liabilities	(30)	-	(30)	(23)

Detail of the amounts due per Trust is available in Note 18.

12 Analysis of Financial Assets and Liabilities	2017/18 £'000	2016/17 £'000
<i>Financial assets measured at amortised cost</i>	329	333
<i>Financial liabilities measured at amortised cost</i>	(30)	(23)
<i>Financial assets measured at market value</i>	2,075	2,066
Total Financial Assets and Liabilities	2,374	2,376

13 Related Party Transactions

During the year the City of Edinburgh Council made payments on behalf of the Charitable Trusts. At the end of the year £16,072 was owed to the Council by the Trusts (2016-17 £15,996). Detail of the amounts due per Trust is available in Note 18.

14 Prior Year Adjustment

There have been no prior year adjustments that require disclosure within these accounts.

15 Post Balance Sheet Event

There have been no events since 31 March 2018, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

16 Audit Fee

The fee payable to Scott-Moncrieff in respect of the audit services for the Council's Charitable Trusts is £7,500 for 2017/18. (2016/17 £7,500) This fee is included in the overall governance costs and allocated proportionately to each individual Trust.

The City of Edinburgh Council Charitable Trusts

Notes to the Accounts

For the year ended 31 March 2018

17 Trusts at Market Value - Year Ended 31 March 2018

Charity Name	SC Number	Funds brought forward £'000	Income in year £'000	Expenditure in year £'000	Gains on investments £'000	Funds carried forward £'000	2016/17 Market Value £'000
<i>Edinburgh Education Trust</i>	SC042754	919	38	(14)	5	948	919
<i>Boyd Anderson</i>	SC025067	113	-	(4)	-	109	113
<i>Jean F. Watson</i>	SC018971	6,274	39	(5)	3	6,311	6,274
<i>Lauriston Castle</i>	SC020737	7,041	2	(2)	-	7,041	7,041
<i>Nelson Halls</i>	SC018946	227	9	(9)	1	228	227
<i>The Royal Scots Trust</i>	SC018945	32	1	(1)	-	32	32
<i>Usher Hall</i>	SC030180	65	-	(65)	-	0	65
Total Funds		14,671	89	(100)	9	14,669	14,671

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2018

18 Trusts at Market Value - Year Ended 31 March 2018

Charity Name	SC Number	Revaluation Reserve										2017/18 Market Value	2016/17 Market Value
		Unrestricted Funds					Endowment Funds						
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritable Property	Heritable Property incl. Lauriston Castle	Investments	Investments Market Value Adjustment			
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Edinburgh Education Trust	SC042754	65	7	(4)	-	-	-	-	844	36	948	919	
Boyd Anderson	SC025067	116	-	(7)	-	-	-	-	-	-	109	113	
Jean F. Watson	SC018971	119	7	(7)	898	4,377	-	-	881	36	6,311	6,274	
Lauriston Castle	SC020737	1	-	(2)	-	-	7,001	-	39	2	7,041	7,041	
Nelson Halls	SC018946	10	2	(9)	-	-	-	19	198	8	228	227	
The Royal Scots Trust	SC018945	2	-	(1)	-	-	-	-	30	1	32	32	
Usher Hall	SC030180	0	-	-	-	-	-	-	-	-	0	65	
Total Funds		313	16	(30)	898	4,377	7,001	19	1,992	83	14,669	14,671	

Independent auditor's report to the trustees of The City of Edinburgh Council Charitable Trusts 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, we 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

We certify that we have audited the financial statements in the statement of accounts of The City of Edinburgh Council Charitable Trust Funds 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, the Cash Flow Statement and notes to the accounts, including a summary of significant accounting policies. 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 our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2018 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charities in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

In respect of the Miss Jean Fletcher Watson Bequest, The Edinburgh Education Trust, Nelson Halls Trust, Lauriston Castle Trust and the Royal Scots (The Royal Regiment) Monument Trust Fund, we have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us 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 charities 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.

Emphasis of matter – Basis of preparation

In respect of the City of Edinburgh Council Charitable Funds and the Usher Hall Conservation Trust, we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for these two trusts using a break-up basis of accounting as they consider that they are not going concerns. Our opinion is not modified in respect of this matter.

Responsibilities of the trustees for the financial statements

As explained more fully in the Responsibilities of the Trustee, 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 charities' 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

Our 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 our 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 our 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 our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we 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 our audit of the financial statements, our 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 our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are 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 we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinion on other prescribed matter

In our 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 we are required to report by exception

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Nick Bennett

For and on behalf of Scott-Moncrieff

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

Date