

Finance and Resources Committee

3.00pm, Thursday, 5 November 2020

The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2019/20 Audit

Item number	
Report number	
Executive/routine	Executive
Wards	
Council Commitments	

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
- 1.1.1 Approve the Trustee's Annual Report and Accounts for 2019/20 and note that these will be submitted to the External Auditor no later than 30 November 2020 and to the Office of the Scottish Charity Regulator (OSCR) by 31 December 2020; and,
 - 1.1.2 Note the commentary on the management of the Charitable Trusts included in the Audit Management Report in Appendix 1.

Stephen S. Moir

Executive Director of Resources

Contact: John Aghodeaka, Accountant,

Finance Division, Resources Directorate

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The City of Edinburgh Council Charitable Trusts – Report to those charged with Governance on the 2019/20 Audit

2. Executive Summary

- 2.1 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.
- 2.2 An unqualified audit opinion has been issued on the Trustee's Annual Report and Accounts for 2019/20.

3. Background

- 3.1 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).
- 3.2 The Committee's remit includes the review of all matters relating to external audit of the Charitable Trusts.
- 3.3 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.
- 3.4 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.

4. Main report

Key Points from the Audit Management Report for 2019/20

- 4.1 The independent auditor's report to the trustee of The City of Edinburgh Council Charitable Trust Funds, included as Appendix 1, is unqualified.
- 4.2 The Trustee's Annual Report and Accounts for 2019/20 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.**

The Council contracted a valuer who has carried out a substantial amount of the valuation work. Given the continuing delays in the completion of the valuation, however, contingency arrangements have been put in place should the outstanding elements not be received from the contracted valuer within a recently revised agreed timescale. A verbal update on the progress of the valuation work will be provided at the committee meeting.

- 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 item in question was a painting entitled 'Women on Wheels' by Andrew Walker. It was hung in the mid-1990s, on loan, in a former Council property at the foot of Cockburn Street. The painting is believed to have been moved when the property was vacated during disposal. Extensive efforts to locate the painting have been unsuccessful, and the likelihood of ever tracing it is considered remote since the building is no longer in the Council's ownership. The artwork will therefore be removed from the valuation records in the 2020/21 financial year.

- iii. **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.**

The two specific issues identified have been progressed and reminders will be issued going forward upon any change of Finance and Resources Committee membership to ensure registers of interest remain current in this respect.

- iv. **Transfer of the Royal Scots Monument to the Royal Scots Trust.**

Following a review of the Common Good asset register, the Royal Scots Monument has been transferred from the Common Good Fund to the Royal Scots Trust. The valuation of the monument has been based on historic cost at £1,000.

- v. **The impact of Covid-19 on the City of Edinburgh Council Charitable Trusts.**

The impact of Covid-19 was considered in the preparation of the Charitable Trusts accounts, and it has been assessed to be immaterial. However, it is expected that the continuing uncertainties due to the pandemic will cause delay to some of the Charitable Trusts activities such as the Edinburgh Education Trust applications received from schools and the on-going construction work at Lagganlia Snowsports Base which impacts on the timing of the winding up of Boyd Anderson Trust.

Basis of accounts and future plans

- 4.3 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.
- 4.4 The strategy to restructure radically the trusts by a combination of: transfers to suitable external charities; consolidation; and expenditure of capital is almost complete. The remaining funds of the Boyd Anderson Trust are yet to be fully disbursed. The Lagganlia Snowsports Base project, for which the funds have been allocated, is still on-going and the funds will be disbursed on its completion. Work on the project has been delayed due to the impact of Covid-19, and it is unlikely that the project will be completed within the 2020/21 financial year given the continued uncertainties due to the pandemic. The centre is currently closed, and the plans on the timing of reopening will be reviewed by January 2021.

5. Next Steps

- 5.1 Subject to the Committee's approval, the audited Trustee's Annual Report and Accounts for 2019/20 will be submitted to the External Auditor no later than 30 November 2020.

6. Financial impact

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

7. Stakeholder/Community Impact

- 7.1 The Annual Report and Accounts were made available for public inspection from 30 June 2020 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. Due to the on-going pandemic, however, this year's inspection process was undertaken largely by electronic means. The Council received two requests for further information in respect of the Charitable Trusts under these Regulations. Responses to these requests have been provided.

8. Background reading/external references

- 8.1 '[Guidance and good practice for Charity Trustees](#)', OSCR Website
- 8.2 '[Charitable Trusts Reserves Policy](#)', Finance and Resources Committee, 17 March 2016
- 8.3 '[Winding Up of Boyd Anderson Charitable Trust](#)', Finance and Resources Committee, 23 January 2018
- 8.4 '[Spend to Save funding application – Lagganlia Outdoor Centre](#)', Finance and Resources Committee, 16 August 2018
- 8.5 '[The City of Edinburgh Council Charitable Trusts - Report to those charged with Governance on the 2018/19 Audit](#)', Finance and Resources Committee, 26 September 2019

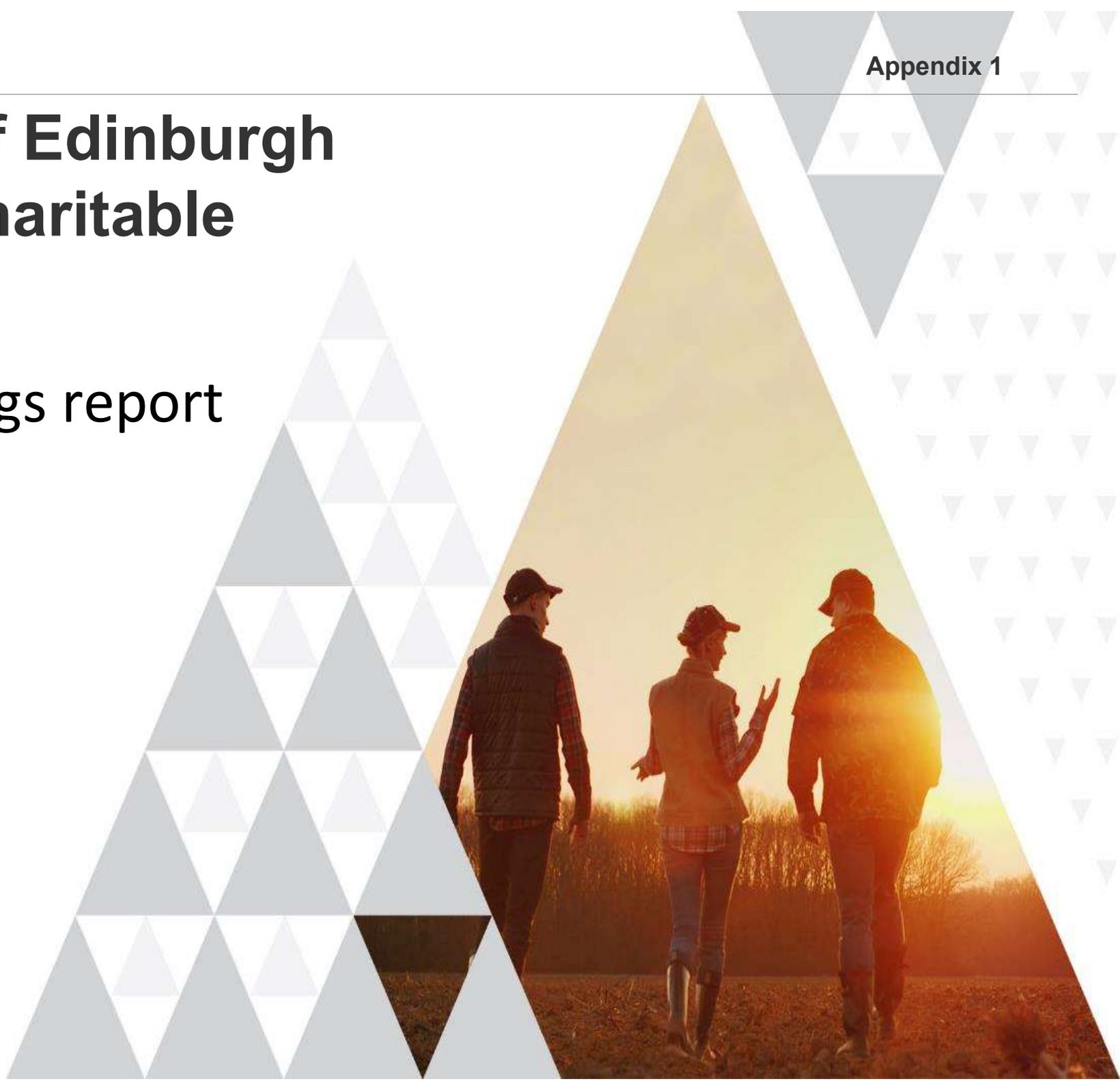
9. Appendices

- 9.1 The City of Edinburgh Council Charitable Trusts Audit Management Report for the year ended 31 March 2020.
- 9.2 Audited Trustee's Annual Report and Accounts, 2019/20.

The City of Edinburgh Council Charitable Trusts

Audit findings report

Year ended 31 March 2020



Our ref: NBB/CITYEC01/2020

The Trustees of the City of Edinburgh Council Charitable Trusts
City Chambers
High Street
Edinburgh
EH1 1YJ

5 November 2020

Dear Sirs

The City of Edinburgh Council Charitable Trusts
Audit findings for the year ended 31 March 2020

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by City of Edinburgh Council management with the oversight of those charged with governance. The audit of the Charitable Trusts' financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements. The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Nick Bennett or Karen Jones.

Yours sincerely

Nick Bennett
Azets Audit Services

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Executive summary

Audit overview

This table summarises the key findings from the external audit of The City of Edinburgh Council Charitable Trusts for the year ended 31 March 2020 for those charged with governance.

Audit opinion

- 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.
 - ❖ Jean F. Watson (SC018971)
 - ❖ Edinburgh Education Trust (SC042754)
 - ❖ Nelson Halls Trust (SC018946)
 - ❖ City of Edinburgh Council Charitable Funds (Boyd Anderson) (SC025067)
 - ❖ Lauriston Castle Trust (SC020737)
 - ❖ The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)
- 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 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 City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared using a break-up basis of accounting as the trustees consider that it is not a going concern. Our opinion is not modified in respect of this matter.
- We have no matters to report regarding the adoption of the going concern basis in respect of the five other charitable trusts or inadequate disclosures relating to material uncertainties.

Executive summary continued

Key findings on audit risks and other matters	<ul style="list-style-type: none">• We have reported our audit findings on pages 7-9.• We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.
Audit adjustments	<ul style="list-style-type: none">• We are required to communicate all potential adjustments, other than those considered to be clearly trivial, to management and to request that management corrects them. Details of the audit adjustments are included on page 15. There were no potential audit adjustments.
Accounting systems and internal controls	<ul style="list-style-type: none">• We have applied our risk based methodology to your audit. This approach requires us to document, evaluate and assess your business processes and internal controls relating to the financial reporting process.• Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have reported these to you. We are pleased to report we did not identify any new control weaknesses during our 2019/20 audit. We have followed up on progress in implementing actions raised in prior years as set out on pages 17-20.

Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

Our initial assessment of materiality for the year ended 31 March 2020 was set out in our External Audit Annual Plan and is detailed in the table below ("Planning materiality"). On receipt of the draft financial statements, we reassessed materiality and set it at the levels outlined below. We consider that our updated assessment has remained appropriate throughout our audit.

	Planning materiality (£)	Overall materiality for the financial statements (£)	Performance materiality (£)	Trivial threshold (£)	Explanation
Lauriston Castle	140,900	140,900	105,675	7,045	Overall materiality: our assessment is based on approximately 2% of gross assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of each charitable trust.
Jean F. Watson	128,640	129,180	96,885	6,459	
Edinburgh Education Trust	20,500	20,380	15,285	1,019	
Nelson Halls	4,980	4,980	3,735	249	Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.
City of Edinburgh Council Charitable Funds (Boyd Anderson)	2,180	2,120	1,590	106	
Royal Scots Monument Trust	700	720	540	36	Trivial threshold: 5% of overall materiality for the financial statements.

Significant findings

Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Audit approach	Audit findings and conclusion
Fraud in revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Trusts' could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.	We evaluated each type of revenue transaction and reviewed the controls in place over revenue accounting. We considered the Trusts' key revenue transactions and streams and carried out testing to confirm that the Trusts' revenue recognition policy is appropriate and has been applied consistently throughout the year and accounted for correctly.	While we did not suspect incidences of material fraud and error we evaluated each type of income transaction and documented our conclusions. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements. To inform our conclusion we carried out testing to confirm that the accounting policy for income recognition is appropriate and has been applied consistently throughout the year.
Management override of controls Under ISA (UK) 240 there is a presumed risk that management have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.	In response to this risk we reviewed the Trusts' accounting records and obtained evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We also reviewed the key accounting estimates, judgements and decisions made by management.	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.

Significant findings continued

Risk	Audit approach	Audit findings and conclusion
<p>Lauriston Castle Trust external valuation An external revaluation of the collection commenced in 2016 but has yet to be completed. The 2018/19 financial statements reflected the valuation as at the previous reporting date (31 March 2018). The charitable trusts' accounting policy on heritage assets 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 the contents of Lauriston Castle was carried out in 1997.</p> <p>There is a risk that the result of this valuation is incorrectly accounted for in the 2019/20 financial statements.</p>	<p>In response to this risk we sought to review the outcome of the valuation exercise and ensure the results have been correctly accounted for in the 2019/20 financial statements.</p>	<p>The external valuation of the collection has yet to be completed. The financial statements therefore reflect the value as at the previous reporting date (31 March 2019).</p> <p>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 into the financial statements (this recommendation was also raised in the prior year).</p>

Significant findings continued

Risk	Audit approach	Audit findings and conclusion
<p>Winding up of trusts</p> <p>In January 2018, a paper was presented to the Council's Finance and Resources Committee seeking approval for the formal winding up of the City of Edinburgh Council Charitable Funds (Boyd Anderson) 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.</p> <p>In the 2018/19 financial statements, the Trustees prepared the financial statements for the City of Edinburgh Council Charitable Funds (Boyd Anderson) adopting a break-up basis of accounting as they considered that it was not a going concern. Our opinion was not modified in respect of this matter.</p> <p>There is a risk that this Fund is not accounted for and disclosed correctly in the financial statements.</p>	<p>We reviewed the disclosures and accounting transactions in the financial statements to ensure compliance with the Charities SORP (FRS 102) and applicable accounting standards.</p>	<p>Due to the temporary closure of the centre as a result of the COVID-19 pandemic, construction works have not yet been completed and 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.</p> <p>In respect of this Trust, note 1 in the financial statements explains a break-up basis of accounting has been applied as the trustees consider that it is not a going concern.</p> <p>We have disclosed this matter in our independent auditor's report. Our opinion is not modified in respect of this matter.</p>

Other findings

Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise. We have specifically updated our risk assessment and audit plan in light of COVID-19. We recognised this as a significant risk.

Risk	Audit approach	Audit findings and conclusion
COVID-19 COVID-19 is having a significant impact on the whole economy and the ability of organisations to continue in both the short and long term. The implications of these risks and uncertainties will currently be under consideration by Trustees. The impact on year end balances and the going concern of charitable trusts should be considered. The Financial Reporting Council and OSCR has also issued guidance on the reporting organisations should provide within their financial statements. Required disclosures will likely change over time as more information about the pandemic emerges. As a result, organisations need to monitor developments and ensure that they are providing up-to-date and meaningful disclosure when preparing their annual report and financial statements.	We reviewed the charitable trusts' consideration of the impact of COVID-19. In particular we reviewed whether year end balances and disclosures reflect the position at 31 March and any post balance sheet events. We also considered the Trustees consideration of the charitable trusts' ability to continue as a going concern.	From our review, and understanding of the charitable trusts' operations, we are satisfied that the impact of COVID-19 does not present a material uncertainty to the going concern basis of preparation. We have reviewed the disclosures within the financial statements as they relate to COVID-19 and consider these to be appropriate and in accordance with current guidance.

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the charitable trusts’ ability to continue as a going concern” (ISA (UK) 570).

Management’s assessment of going concern	Audit work performed	Audit findings and conclusion
<p>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.</p> <p>This assessment of going concern includes the expected impact of COVID-19 to the charitable trusts’ in the 12 months following the signing of these financial statements.</p>	<p>In order to gain assurance on these matters our work has included (where applicable):</p> <ul style="list-style-type: none">• reviewing bank facilities;• enquiring of Council senior management and the charitable trusts’ solicitors concerning litigation, claims and assessments;• performing sample testing of post balance sheet transactions; and• consideration of the impact COVID-19 has had on the charitable trusts’.	<p>Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that five of the six charitable trusts will continue to operate for at least 12 months from the signing date.</p> <p>In respect of the 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 this trust using a break-up basis of accounting as they consider that it is not a going concern. Our opinion is not modified in respect of this matter.</p>

Accounting policies, key judgements and estimates and disclosures

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Key judgements and estimates

In preparing the financial statements, trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgments are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

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.

Disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charitable trusts.

We are satisfied with the appropriateness of accounting estimates and judgements used in the preparation of the financial statements. We did however note 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.

Conclusion

We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the charitable trusts.

Other communication requirements

Fraud or suspected fraud

We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

The Trustees are responsible for preparing the financial statements in accordance with the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities and Trustee Investment (Scotland) Act 2005, and relevant accounting standards.

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.

We are not aware of any significant incidences of non-compliance.

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).

We did not identify any areas of material significance during our audit that required reporting to OSCR.

The Local Authority Accounts (Scotland) Regulations 2014

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 9¹ as it relates to the financial statements.

Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone submitting the unaudited accounts to auditors and publishing the audited accounts until it is reasonably practicable. The Scottish Government has provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts.

Audit Scotland has revised the deadline for auditors to submit the audited annual accounts from 30 September to 30 November 2020. However, it is for local auditors to agree a timetable with each local government body with a view to completing the process as early possible while still delivering a high quality audit.

The financial statements are due to be considered by the Finance and Resources Committee on 5 November 2020; thereby meeting the revised timetable as set out above.

We have been working closely with the Council throughout the audit to ensure that this timetable is adhered to.

Overall, we concluded that appropriate arrangements were in place to comply with these Regulations (as they apply to charities).

Other communication requirements

Written representations

We enclose the final draft letter of representation at Appendix I which we will request the Trustees to sign at the same time as the financial statements are approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested confirmations have been received.

Misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. Details of items corrected following discussions with City of Edinburgh Council management are as below.

Adjusted misstatements

No	Detail	SOFA		Balance Sheet		Effect on net income / expenditure
		Dr £	Cr £	Dr £	Cr £	
	Net income/(expenditure) as presented for audit					6,000
1	<i>Being transfer of Royal Scots Monument from the Common Good Fund to the Royal Scots Trust (following the Common Good asset register review)</i>		1,000	1,000		1,000
	Net income/(expenditure) per audited accounts					7,000

Disclosure amendments

No	Detail
1	Update on disclosure in respect of the winding up of the Boyd Anderson Trust
2	Update on disclosure in respect of going concern and the impact of COVID-19
3	Update on disclosures in respect of the audit adjustment noted above

Internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have report these to you.

We are pleased to report we did not identify any new control weaknesses during our 2019/20 audit. We have followed up on progress in implementing actions raised in prior years as set out in the following table.

Follow up of prior year/s recommendations

Area	Observation	Implication	Recommendation	Management response
Valuation of Lauriston Castle collection	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 previous valuation of the collection was carried out in 1997.	The valuation of the collection in the financial statements is materially misstated.	The external valuation of the collection should be concluded as soon as practicable to ensure incorporation in the financial statements.	<p>2018/19 management response</p> <p>The Council contracted a valuer who has carried out a substantial amount of the valuation work. Due to unforeseen and unavoidable delays, the valuation work is yet to be completed. Our intention is to give the contracted valuer a final deadline of 31 December 2019 after which time we will seek an alternative solution to those parts of the review which remain incomplete. Our forbearance with the current valuer is mainly due to the considerable additional funding that would be required were we to complete the project by an alternative means.</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place Completion date: March 2020</p>
Current status	Update			
Outstanding	<p>While the majority of required details have been received, given continuing delays in the completion of the valuation, contingency arrangements have been put in place should the outstanding elements not be received from the contracted valuer within the recently-agreed timescale.</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place Completion date: May 2021</p>			

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Follow up of prior year/s recommendations

Area	Observation	Implication	Recommendation	Management response
Missing artwork	<p>During our audit testing in 2017/18 we were 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.</p> <p>A review of the Jean F Watson collection was carried out in response to our finding. The item we were unable to locate in the however still remained unaccounted for in 2018/19.</p>	Stewardship – there is a risk over the completeness of the Jean F Watson collection	Action should be taken to identify the unaccounted for item of artwork from the Jean F Watson collection.	<p>2018/19 management response</p> <p>The item in question was on loan in 2015 to another Council property. Whilst the review did not locate the item in question, efforts will continue to try and trace the artwork elsewhere within the Council’s property estate.</p> <p>Responsible officer: Service Manager, Cultural Venues (Museums & Galleries), Place</p> <p>Completion date: March 2020</p>
Current status	Update			
Closed	<p>Extensive efforts to locate the painting have been unsuccessful and the likelihood of ever tracing it is considered remote since the building where it was displayed is no longer in the Council’s ownership. The artwork will be removed from the valuation records in the 2020/21 financial year.</p> <p>Responsible officer: n/a Completion date: n/a</p>			

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

Follow up of prior year/s recommendations

Area	Observation	Implication	Recommendation	Management response
Declaration of interests	<p>We noted the following during our 2018/19 audit:</p> <ul style="list-style-type: none"> The Council’s website details those councillors who are members of the Finance and Resources Committee and the Jean F. Watson Committee. The website does not explicitly note that where councillors are members of the Finance and Resources Committee they are trustees of the City of Edinburgh Council Charitable Trusts. Individual councillor registers of interests do not make reference to the City of Edinburgh Council Charitable Trusts. 	<p>Openness and transparency – there is a risk over the openness of disclosures made by the Trustees of the City of Edinburgh Council charitable trusts. These records inform related party disclosures and potential conflicts of interests when considering the business of both the Council and the Trusts.</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>2018/19 management response</p> <p>The two specific issues highlighted will be addressed as soon as practicable. The Council is currently implementing a new committee management software system that will simplify the process for elected members updating their register. Training is provided to all elected members on the requirements of the Code of Conduct and it remains the responsibility of individual elected members to update their register accurately and timeously.</p> <p>Responsible officer: Governance and Democratic Services Manager Completion date: On-going</p>
Current status	Update			
In progress	<p>Both issues identified have been progressed and reminders will be issued going forward upon any change of Finance and Resources Committee membership to ensure registers of interest remain current in this respect.</p> <p>Responsible officer: Principal Accountant (Corporate Accounts), Finance Completion date: November 2020</p>			

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

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.

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

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan confirming audit planning arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

Appendix I: Management representation letter

Dear Sirs

The City of Edinburgh Council Charitable Trusts

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the charitable trusts' financial statements for the period ended 31 March 2020. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

GENERAL

1. We have fulfilled our responsibilities as trustees under the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 , for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), for being satisfied that they give a true and fair view and for making accurate representations to you.
2. We confirm all the transactions undertaken by the charitable trusts have been properly reflected and recorded in the accounting records.
3. We confirm all the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the City of Edinburgh Council (the "Council"), and with all other records and related information requested, including minutes of all committee meetings.
4. We confirm the financial statements are free of material misstatements, including omissions.
5. We believe that the system of internal controls in place are adequate to enable the preparation of accurate financial statements in accordance with United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) ("UK GAAP"), including the requirements of Financial Reporting Standards ("FRS") FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we deem necessary to address the likely effects of the COVID-19 pandemic on our system of internal controls.

INTERNAL CONTROL AND FRAUD

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

Appendix I: Management representation letter

7. We confirm that all accounting records have been made available to you for the purposes of your audit, in accordance with your terms of engagement, and that all transactions undertaken by the charitable trusts have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all committee meetings, have been made available to you. We have given you unrestricted access to persons within the Council in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.
8. We have disclosed to you all instances of known or suspected fraud affecting the charitable trusts involving Council management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
9. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the charitable trusts' financial statements communicated by current or former Council employees, analysts, regulators or others. including non-compliance matters:
 - Involving financial improprieties;
 - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Company's financial statements;
 - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Company's business, its ability to continue in business, or to avoid material penalties; and/or
 - Involving management, or employees who have significant roles in internal control, or others.

ASSETS AND LIABILITIES

10. The charitable trusts' have satisfactory title to all assets and there are no liens or encumbrances on the charitable trusts' assets except for those that are disclosed in the notes to the financial statements.
11. There were no changes in fixed assets during the period ended 31 March 2020 other than those disclosed in the accounts.
12. We have reviewed the residual values attached to fixed assets and confirm they are still appropriate and reasonable reflections of these assets condition and usage.
13. We confirm all actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
14. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.
15. We confirm that all bank accounts have been disclosed to you and are included within the financial statements.
16. We confirm that the charitable trusts have not contracted for any capital expenditure other than as disclosed in the financial statements.

Appendix I: Management representation letter

ACCOUNTING ESTIMATES

17. We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

LOANS AND ARRANGEMENTS

18. We confirm the charitable trusts have not granted any advances or credits to, or made guarantees on behalf of, trustees other than those disclosed in the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

19. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the charitable trusts conduct their business and which are central to the charitable trusts' ability to conduct their business and could affect the financial statements. 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.

LEGAL CLAIMS

20. We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the requirements of accounting standards.

CONTINGENT LIABILITIES

21. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

22. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, other than those already disclosed.

LAWS AND REGULATIONS

23. 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.

Appendix I: Management representation letter

RELATED PARTIES

24. We confirm the completeness of related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with the requirements of applicable law or accounting standards.

SUBSEQUENT EVENTS

25. We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.
26. We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the financial statements, other than those already disclosed or included in the financial statements.

GOING CONCERN

27. The implications of the Covid-19 pandemic are still unclear and it is therefore difficult to evaluate the likely effect on the charitable trusts' activities and the wider economy. The trustees' assessment at the date of approval of these accounts is that the virus does not create a material uncertainty as to going concern.
28. The financial statements disclose all the matters of which we are aware that are relevant to the charitable trusts' ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.
29. The City of Edinburgh Council Charitable Funds (Boyd Anderson) have been prepared using a break-up basis of accounting as we consider that it is not a going concern.

SPECIFIC REPRESENTATIONS

30. We confirm the following specific representations made to you during the course of your audit relating to:
- 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.
 - All income has been recorded, all restricted funds have been properly applied and all constructive obligations have been recognised.

Appendix I: Management representation letter

- 31. We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.
- 32. Each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

.....

Signed on behalf of the trustees of the charitable trusts by:

Name:

Date:

**The City of Edinburgh Council Charitable Trusts
Audited Trustee's Annual Report and Accounts
for the year ended 31 March 2020**

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.

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

Azets Audit Services
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

Legal Advisors

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

M&G Securities Ltd
10 Fenchurch Avenue
London
EC3M 5AG

Trustee's Annual Report 2019/20

The trustee presents the Annual Report and Accounts of the City of Edinburgh Council Charitable Trusts for the year ending 31 March 2020. 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 Charities SORP (FRS 102). One set of accounts for connected charities has been prepared under the provisions of these regulations.

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 Committee of the Council which is 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 **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."

The Children's Panel meets to approve funding for the Edinburgh Education Trust. The Children's Panel consists of four senior Council officers.

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 Charities SORP (FRS 102).
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 Annual Report 2019/20

Objectives and Activities

Details of the charitable purposes of the charities as at 31 March 2020 are as follows:

Official Name (<i>Name Used in Accounts</i>)	Scottish Charity Registration Number	Purpose	Market Value at 31/3/20 £'000
Jean Fletcher Watson (<i>Jean F. Watson</i>)	SC018971	The purchase of works of art by artists who have connections with the city	6,451
Edinburgh Education Trust (<i>Edinburgh Education Trust</i>)	SC042754	To fund activities to support Looked after Children and school prizes	1,011
Nelson Halls Trust (<i>Nelson Halls</i>)	SC018946	Maintenance of the four "Nelson Halls" in Edinburgh to provide reading rooms for the poor	235
City of Edinburgh Council Charitable Funds (<i>Boyd Anderson</i>)	SC025067	Provision of outdoor education and skiing opportunities	101
Lauriston Castle Trust (<i>Lauriston Castle</i>)	SC020737	To make the artefacts and buildings available to be viewed by the public	7,042
The Royal Scots (The Royal Regiment) Monument Trust Fund (<i>The Royal Scots Trust</i>)	SC018945	Maintenance of the Royal Scots Monument	35
Total			14,875

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

Jean F. Watson purchased artwork totalling £56,579 during the financial year, with funding of £26,530 provided to contribute towards these purchases, as set out in Note 5.

Additional purchases were approved at the **Committee on the Jean F Watson Bequest** meeting on 7 February 2020 and will be progressed and finalised throughout the next financial year.

The Edinburgh Education Trust funded £8,408 of activities for looked after children (£9,663 2018/19) and £2,347 of school prizes (£2,178 2018/19). 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 **14 January 2016 Finance and Resources Committee**, it was agreed that £66,000 of the Boyd Anderson funds would be used to build a modular log cabin type classroom and storage space at Lagganlia.

Further to that, a proposal to use the remaining Boyd Anderson funds for the same purpose was approved by **Committee on 23 January 2018**. A preferred contractor has been appointed following a tender process. However the work has been delayed due to the impact of Covid-19. The funds will be transferred when the construction work at Lagganlia is completed. 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 2019/20 used to cover some of the running costs.

For The Royal Scots Trust, the interest received in 2019/20 was used to cover some of the running costs. Investment of £7,000 was realised in 2019/20, under delegated authority, to cover the planned cleaning work to be carried out at the Royal Scots Monument in 2020/21.

Trustee's Annual Report 2019/20

Achievements and Performance

Financial Investments Performance

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

Charibond Charities Fixed Interest Common Investment Fund

The investment held in Charibond is 20% of the total Trusts' investments.

Charibond recorded a total return of 3.8% over the 12 months to 15 November 2019. The FTSE British Government All Stocks Index - a broad index of UK government bonds - returned 8.8% over the same period.

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

	2019	2018	2017	2016	2015
Charibond	3.8%	0.0%	1.2%	9.6%	3.0%

This outcome reflects the several global themes that continue to influence financial markets during the period. These included signs that economic growth was slowing. However the UK government bonds found support in this environment, helped by their perceived safe-haven status in times of uncertainty. The preference, in the fund's overall positioning, remains to hold a bias in the government bond market towards shorter dated securities.

M&G Securities reported in November 2019 that the Charibond Charities Fixed Interest Common Investment Fund will be merged into a new fund; M&G Charibond Charities Fixed Interest Fund. For this reason, the annual fund standard reporting period has been extended by two weeks to 15 November. The way the fund is managed will remain unchanged.

As at 15 November 2019, the distribution yield of the fund was 2.8%. For comparison, on 1 November 2018, the fund's distribution yield was 2.3%.

COIF Charities Investment Fund

Investment held in COIF Charities Investment Fund is 80% of the total Trusts' investments.

The single year total return performance (net of expenses) for the COIF Charities Investment Fund for the 12 months to end March is outlined in the table below;

	2020	2019	2018	2017	2016	2015
Fund	-0.1%	12.2%	6.0%	20.0%	0.4%	14.7%
Comparator	-6.4%	8.5%	2.2%	20.4%	-1.5%	11.1%

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

	1 year	3 years p.a.	5 years p.a.
Peer group	-7.9%	-0.4%	2.4%
Market Comparator	-6.4%	1.2%	4.2%

The Peer Group measure represents the total returns reported for the ARC Charities Steady Growth Index.

Market comparator: For the Investment Fund's total return objective (CPI+5% p.a. on average) it is only possible to assess progress over a long time horizon such as the course of a business cycle, which may be ten years or more. The market comparator, which is not a target or a constraining benchmark, is intended to help investors understand the effects of the Fund's active management in different market circumstances, and to see how the Fund's returns vary in the shorter term from those that might be experienced by a more passive investor. The current market comparator, in summary, is 45% overseas equities, 30% UK equities, 15% UK government bonds (gilts), 5% UK commercial property & 5% LIBID.

As at 31 March 2020 the actual holdings in the COIF Charities Investment Fund were; 60.2% in overseas equities, 12.6% in UK equities, 20.5% in Property/Other Assets, 0.5% in Fixed Interest and 6.2% in Cash. The overseas equities are split as follows: - North America 38.69%, Europe 13.65%, Pacific Ex. Japan 6.23%, Japan 1.64%.

In the closing weeks of the period under review, investment markets fell sharply in response to the unfolding Covid-19 outbreak. Investor confidence will take time to recover, and volatility must be expected to remain elevated. The recovery will take place against a changed economic backcloth, of increased government debt, there will be companies and whole sectors which have been materially weakened. This argues for a continued focus on quality, concentrating portfolios in areas with secure cash flows and with growth prospects which are not dependent on economic trends. Although recent market conditions have been difficult, they have resulted in some excellent opportunities for those able to take a medium to long term view.

The forecast annual income from the COIF Charities Investment Fund is £61,365, which represents an income yield of around 3.52% based on the current market value of investments.

Trustee's Annual Report 2019/20

Financial Review

The financial statements present the financial position of the trusts for the year ended 31 March 2020. 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 £98,000 in 2019/20 (2018/19 £105,000). This decrease in income compared to the previous year is primarily due to the decrease in the distribution yield of the investment funds. An analysis of income is available in Note 2.

The expenditure in the year is slightly lower than last year at £34,000 compared to £38,000. An analysis of expenditure is detailed in Notes 3 and 4 with the values against Nelson Halls, Lauriston Castle and The Royal Scots Trusts being allocated to the maintenance of the assets.

The Balance Sheet Statement shows the fixed asset investments have decreased to £2.143m from £2.207m. This decrease is as a result of the fall in the market value of the investments at the end of the first quarter of 2020 due to the pandemic crisis, and the sale of part of the investment held for The Royal Scots Trust. Movements on the valuation of the investments are further analysed in note 7, 16 and 17.

Fixed asset properties and collections have been included in the accounts at their most recent valuations. The £30,000 increase in cash is further analysed in the Cash Flow Statement (£18,000 increase in 2018/19). The detail of the breakdown of the £41,000 owed by the Trusts as at 31 March 2020 is included within Note 17 of the Accounts with the year on year comparative included in Note 10.

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 has averaged around £60,000 in the last two years. 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 £6,451,000, consisting of £950,000 in Investments, £5,374,000 in Fixed Assets, £128,000 in Cash, £7,000 of debtors less Creditors of £8,000.

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 £1,011,000, consisting of £912,000 in Investments, £100,000 in Cash, £7,000 of debtors less Creditors of £8,000.

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 £235,000, consisting of £213,000 in Investments, £19,000 in Heritage Assets, £15,000 in Cash, £2,000 of debtors less Creditors of £14,000.

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 £7,042,000, consisting of £7,001,000 in Heritage Assets, £42,000 in Investments, £2,000 in Cash less Creditors of £3,000. Cash will be available to fund liabilities as they fall due.

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 £35,000, consisting of £26,000 in Investments, £1000 in Heritage Assets and £10,000 in Cash less Creditors of £2,000. Heritage Assets are the Royal Scots Monument, which were transferred from the Common Good Fund following the Common Good asset register review.

Trustee's Annual Report 2019/20

Financial Review - continued

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 Heritage Assets and the Investments stated above are endowment funds and are therefore not available for general purposes. An analysis of Heritage Assets is included within Notes 5 and 6 to the Accounts.

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 2020/21 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 2020/21 to ensure that they are also aware of the likely money available in 2021/22 to enable longer-term planning.

Signed on behalf of the trustee of the charities:

Councillor Rob Munn

Convener (Interim) of the Finance and Resources Committee

Date:

The other members of the Finance and Resources Committee as at 31 March 2020 are outlined below:

Councillor Alasdair Rankin (*Convener*)
Councillor Joan Griffiths (*Vice-Convener*)
Councillor Chas Booth
Councillor Graeme Bruce
Councillor Gavin Corbett
Councillor George Gordon
Councillor Graham Hutchison
Councillor Andrew Johnston
Councillor Neil Ross
Councillor Mandy Watt

Members of the Committee on Jean F. Watson Bequest as at 31 March 2020:

Councillor Catherine Fullerton (*Convener*)
Councillor Robert Aldridge
Councillor Karen Doran
Councillor Amy McNeese-Mechan
Councillor Max Mitchell
Councillor Joanna Mowat
Councillor Gordon Munro
Councillor Susan Rae
Councillor Cameron Rose

The following were also members during the reporting period:

Councillor Kate Campbell (*to 02.05.19*)
Councillor Maureen Child (*from 07.02.19 to 22.08.19*)
Councillor Lezley Marion Cameron (*from 02.05.19 to 21.10.19*)
Councillor Claire Miller (*to 27.06.19*)
Councillor Iain Whyte (*to 27.06.19*)

The City of Edinburgh Council Charitable Trusts
Statement of Financial Activities
For the year ended 31 March 2020

	Note	2019/20			2018/19		
		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	27	1	28	26	-	26
<i>Investments</i>	2	71	-	71	79	-	79
Total		<u>98</u>	<u>1</u>	<u>99</u>	<u>105</u>	<u>-</u>	<u>105</u>
Expenditure on:							
<i>Charitable activities</i>	3, 4	(34)	-	(34)	(38)	-	(38)
Total		<u>(34)</u>	<u>-</u>	<u>(34)</u>	<u>(38)</u>	<u>-</u>	<u>(38)</u>
<i>Net gains / (losses) on investments</i>	16	-	(58)	(58)	-	132	132
Total		<u>-</u>	<u>(58)</u>	<u>(58)</u>	<u>-</u>	<u>132</u>	<u>132</u>
Net income / (expenditure)		<u>64</u>	<u>(57)</u>	<u>7</u>	<u>67</u>	<u>132</u>	<u>199</u>
Transfers between funds		<u>6</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net movement in funds		<u>70</u>	<u>(63)</u>	<u>7</u>	<u>67</u>	<u>132</u>	<u>199</u>
Reconciliation of funds							
<i>Total funds brought forward</i>		<u>5,641</u>	<u>9,227</u>	<u>14,868</u>	<u>5,574</u>	<u>9,095</u>	<u>14,669</u>
Total funds carried forward	17	<u><u>5,711</u></u>	<u><u>9,164</u></u>	<u><u>14,875</u></u>	<u><u>5,641</u></u>	<u><u>9,227</u></u>	<u><u>14,868</u></u>

The City of Edinburgh Council Charitable Trusts
Balance Sheet
As at 31 March 2020

		2019/20			2018/19		
	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>	5	5,374	-	5,374	5,317	-	5,317
<i>Other Heritage Assets</i>	6	-	7,021	7,021	-	7,020	7,020
<i>Investments</i>	7	-	2,143	2,143	-	2,207	2,207
Total fixed assets		5,374	9,164	14,538	5,317	9,227	14,544
Current Assets:							
<i>Cash at Bank</i>	8	361	-	361	331	-	331
<i>Debtors</i>	9	16	-	16	20	-	20
Total current assets		377	-	377	351	-	351
Liabilities:							
<i>Creditors due within one year</i>	10	(40)	-	(40)	(27)	-	(27)
Total Liabilities		(40)	-	(40)	(27)	-	(27)
Net Current Assets		337	-	337	324	-	324
Total Net Assets		5,711	9,164	14,875	5,641	9,227	14,868
The funds of the charity:							
<i>Unrestricted Funds</i>	17	1,334	-	1,334	1,264	-	1,264
<i>Endowment Funds</i>	17	-	2,163	2,163	-	2,226	2,226
<i>Revaluation Reserve</i>	17	4,377	7,001	11,378	4,377	7,001	11,378
Total Charity Funds		5,711	9,164	14,875	5,641	9,227	14,868

The unaudited accounts were issued on 30 June 2020. The audited accounts were issued on 5 November 2020.

Signed on behalf of the charity trustee:

Councillor Rob Munn
Convener (Interim) of the Finance and Resources Committee

Date:

The City of Edinburgh Council Charitable Trusts
Cash Flow Statement
As at 31 March 2020

	31 March 2020		31 March 2019	
	£'000	£'000	£'000	
Operating Activities				
<i>Dividend Income and Interest received (Note 2)</i>	(55)		(62)	
<i>Receipt of Prior Year Accrued Interest (Note 2)</i>	(17)		(16)	
<i>Grant Income for Purchase of Art (Note 2)</i>	(27)		(25)	
Cash inflows generated from operating activities		(99)	(103)	
<i>Cash paid to Schools and Pupils (Note 3)</i>	11		12	
<i>Cash paid for Purchase of Art (Note 5)</i>	57		42	
<i>Cash paid to the Council</i>	8		31	
Cash outflows generated from operating activities		76	85	
Net cash (inflows) / outflows from operating activities		(23)	(18)	
Investing Activities				
<i>Proceeds from Realised Investment</i>	(7)		-	
Net cash flows from investing activities		(7)	-	
Net cash flows from financing activities		-	-	
Net (increase) / decrease in cash and cash equivalents		(30)	(18)	
	April 2019		April 2018	
<i>Cash and cash equivalents (Note 8)</i>	331		313	
	March 2020		March 2019	
<i>Cash and cash equivalents (Note 8)</i>	361		331	
Net (increase) / decrease in cash and cash equivalents		(30)	(18)	
Analysis of changes in Net Debt				
	1 April 2019	Net Cash Flows	Non-Cash Changes	31 March 2020
	£	£	£	£
Cash at Bank	331	30	-	361
Total Funds	331	30	-	361

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2020

1 Accounting policies

a) Basis of preparation

The 2019/20 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 Charities SORP (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 January 2016 Finance and Resources Committee, it was agreed that £66,000 of the Boyd Anderson funds would be used to build a modular log cabin type classroom and storage space at Lagganlia. Further to that, a proposal to use the remaining Boyd Anderson funds for the same purpose was approved by Committee on 23 January 2018. A preferred contractor has been appointed following a tender process. However the work has been delayed due to the impact of Covid-19. The funds will be transferred when the construction is completed. 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 Boyd Anderson have been prepared using a break-up basis of accounting as it is considered that it is not a going concern.

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. The critical judgements and estimates for the Trusts are included in note (I).

b) 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. This assessment of going concern includes the expected impact of COVID-19 to the trusts in the 12 months following the signing of these financial statements.

c) 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 Heritage Assets. 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.

d) 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.

e) 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, it is probable that the income will be received and the amount can be measured reliably. 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 2020

1 Accounting policies - continued

f) Expenditure

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

g) Heritage 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. This 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.

Heritage Assets 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 and the Royal Scot Monument

h) Investments

Investments are included at market value at the balance sheet date in accordance with the principles of the Charities SORP (FRS 102). 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 Charities SORP (FRS 102). 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 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 Charities SORP (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 2020

2 Analysis of Income	2019/20	2018/19
	£'000	£'000
<i>Dividend income - received</i>	55	62
<i>Dividend income - accrued</i>	15	17
<i>Realised Investments Gain</i>	1	-
<i>Jean F. Watson grant received for purchase of art</i>	27	26
<i>Royal Scots- Capital Donations</i>	1	-
Total Income	<u>99</u>	<u>105</u>

3 Analysis of Expenditure on Charitable Activities	2019/20	2018/19
	£'000	£'000
<i>Edinburgh Education Trust - Grants to Individuals</i>	(9)	(10)
<i>Edinburgh Education Trust - Grants to Schools</i>	(2)	(2)
<i>Lauriston Castle - Maintenance of Assets</i>	(1)	(2)
<i>Nelson Halls - Maintenance of Assets</i>	(6)	(7)
<i>The Royal Scots Trusts - Maintenance of Assets</i>	(1)	(1)
	<u>(19)</u>	<u>(22)</u>
<i>Allocation of Governance & support costs</i>	(15)	(16)
Total Expenditure on Charitable Activities	<u>(34)</u>	<u>(38)</u>

There was no expenditure incurred on raising funds in 2019/20. (£nil 2018/19)

4 Analysis of Support Costs	Support	Governance	Total
	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	(2)	(2)	(4)
<i>Boyd Anderson</i>	(2)	(2)	(4)
<i>Jean F. Watson</i>	(2)	(3)	(5)
<i>Others</i>	(1)	(1)	(2)
Total Support Costs	<u>(7)</u>	<u>(8)</u>	<u>(15)</u>

The basis of allocation for the support and governance 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 2020. 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 2020

5 Jean F. Watson Collection	2019/20	2018/19
	£'000	£'000
<i>Balance brought forward at 1 April</i>	5,317	5,275
<i>Purchases during the year</i>	57	42
Balance carried forward at 31 March	<u><u>5,374</u></u>	<u><u>5,317</u></u>

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 various purchases per the list below and no disposals.

In 2018/19, 14 Original Prints from D'Arcy Thompson, Kiyembe Lane by Bronwen Sleight, 7 February 2017 by Charles Poulsen, a griffin silver sculpture by Bryony Knox, Understanding versus Sympathy by Roderick Buchanan, Three Bridge Evening by Kate Downie, a suite of photographs by Robin Gillanders, three photograph artworks by Flannery O'Kafka and a silver coffee urn were purchased.

In 2019/20, Suite of photographs by David Eustace, 3 photograph artworks by Kevin McCollum, The Schism-Final Diagnosis by Edwin Lucas, Glass Vase by Choi Keeryong, Hammer raised silver beaker by William Kirk, Silver beaker with gilt interior and Cast silver bowl- both by Malcolm Appleby, Ceramic teapot by Tricia Thom, 3 bowls and A vase by Higginson, Hunter and G. Burnett were purchased.

These are classified as heritage assets.

6 Analysis of Other Heritage Assets	2019/20	2018/19
	£'000	£'000
<i>Nelson Halls</i>	19	19
<i>Lauriston Castle</i>	7,001	7,001
<i>The Royal Scots Trust</i>	1	-
Total Other Heritage Assets	<u><u>7,021</u></u>	<u><u>7,020</u></u>

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 2019/20 Trustee's Annual Report and Accounts. The previous valuation of the Lauriston Castle collection 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.

The Royal Scots Monument has been transferred from Common Good Fund to the Royal Scots Trust following the Common Good asset register review. The valuation of the monument has been based on historic cost.

Additional information on heritage assets can be found in the Trustee's Annual Report but there have been no acquisitions or disposals, except for those mentioned for Jean F. Watson in Note 5 above.

7 Analysis of Investments	At 31/3/19	Realised Investments	Purchases at cost	Net Gain (Loss) on revaluation	At 31/3/20
	£'000	£'000	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	937	-	-	(25)	912
<i>Jean F. Watson</i>	975	-	-	(25)	950
<i>Lauriston Castle</i>	43	-	-	(1)	42
<i>Nelson Halls</i>	219	-	-	(6)	213
<i>The Royal Scots Trust</i>	33	(6)	-	(1)	26
Total Investments	<u><u>2,207</u></u>	<u><u>(6)</u></u>	<u><u>-</u></u>	<u><u>(58)</u></u>	<u><u>2,143</u></u>

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2020

8 Analysis of Cash and Cash Equivalents	2019/20	2018/19
	£'000	£'000
<i>Edinburgh Education Trust</i>	100	81
<i>Boyd Anderson</i>	106	109
<i>Jean F. Watson</i>	128	129
<i>Lauriston Castle</i>	2	1
<i>Nelson Halls</i>	15	9
<i>The Royal Scots Trust</i>	10	2
Total Cash and Cash Equivalents	<u>361</u>	<u>331</u>

9 Analysis of Debtors	2019/20	2018/19
	£'000	£'000
<i>Edinburgh Education Trust</i>	7	7
<i>Jean F. Watson</i>	7	11
<i>Nelson Halls</i>	2	2
Total Debtors	<u>16</u>	<u>20</u>

The figures above predominately relate to the accrued interest for the CCLA and M&G investments.

10 Analysis of Creditors Due Within One Year	Unrestricted	Endowment	2019/20	2018/19
	funds	funds	Total	Total
	£'000	£'000	£'000	£'000
<i>Amounts due</i>	(40)	-	(40)	(27)
Total Liabilities	<u>(40)</u>	<u>-</u>	<u>(40)</u>	<u>(27)</u>

Detail of the amounts due per Trust is available in Note 17.

11 Analysis of Financial Assets and Liabilities	2019/20	2018/19
	£'000	£'000
<i>Financial assets measured at amortised cost</i>	377	351
<i>Financial liabilities measured at amortised cost</i>	(40)	(27)
<i>Financial assets measured at market value</i>	2,143	2,207
Total Financial Assets and Liabilities	<u>2,480</u>	<u>2,531</u>

12 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 £23,520 was owed to the Council by the Trusts (2018-19 £16,378). Detail of the total amounts due per Trust is available in Note 17.

13 Prior Year Adjustment

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

14 Post Balance Sheet Event

There have been no events since 31 March 2020, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

15 Audit Fee

The fee payable to Azets Audit Services in respect of the audit services for the Council's Charitable Trusts is £8,000 for 2019/20. The figure for 2018/19 was £7,800. 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 2020

16 (i) Trusts at Market Value - Year Ended 31 March 2020

Charity Name	SC Number	Funds brought forward	Income in year	Expenditure in year	Gains on investments	Funds carried forward
		£'000	£'000	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	SC042754	1,021	30	(15)	(25)	1,011
<i>Boyd Anderson</i>	SC025067	105	1	(5)	-	101
<i>Jean F. Watson</i>	SC018971	6,424	57	(5)	(25)	6,451
<i>Lauriston Castle</i>	SC020737	7,043	1	(1)	(1)	7,042
<i>Nelson Halls</i>	SC018946	241	7	(7)	(6)	235
<i>The Royal Scots Trust</i>	SC018945	34	3	(1)	(1)	35
Total Funds		14,868	99	(34)	(58)	14,875

16 (ii) Trusts at Market Value - Year Ended 31 March 2019

Charity Name	SC Number	Funds brought forward	Income in year	Expenditure in year	Gains on investments	Funds carried forward
		£'000	£'000	£'000	£'000	£'000
<i>Edinburgh Education Trust</i>	SC042754	948	32	(16)	57	1,021
<i>Boyd Anderson</i>	SC025067	109	1	(5)	-	105
<i>Jean F. Watson</i>	SC018971	6,311	61	(6)	58	6,424
<i>Lauriston Castle</i>	SC020737	7,041	2	(2)	2	7,043
<i>Nelson Halls</i>	SC018946	228	8	(8)	13	241
<i>The Royal Scots Trust</i>	SC018945	32	1	(1)	2	34
Total Funds		14,669	105	(38)	132	14,868

The City of Edinburgh Council Charitable Trusts
Notes to the Accounts
For the year ended 31 March 2020

17 (i) Trusts at Market Value - Year Ended 31 March 2020

Charity Name	SC Number	Revaluation Reserve										2019/20 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Other Heritage Assets	Investments	Investments Market Value Adjustment	2019/20 Market Value	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<i>Edinburgh Education Trust</i>	SC042754	100	7	(8)	-	-	-	-	844	68	1,011	
<i>Boyd Anderson</i>	SC025067	106	-	(5)	-	-	-	-	-	-	101	
<i>Jean F. Watson</i>	SC018971	128	7	(8)	997	4,377	-	-	881	69	6,451	
<i>Lauriston Castle</i>	SC020737	2	-	(3)	-	-	7,001	-	39	3	7,042	
<i>Nelson Halls</i>	SC018946	15	2	(14)	-	-	-	19	198	15	235	
<i>The Royal Scots Trust</i>	SC018945	10	-	(2)	-	-	-	1	24	2	35	
Total Funds		361	16	(40)	997	4,377	7,001	20	1,986	157	14,875	

17 (ii) Trusts at Market Value - Year Ended 31 March 2019

Charity Name	SC Number	Revaluation Reserve										2018/19 Market Value
		Unrestricted Funds					Endowment Funds					
		Cash at Bank	Debtors	Amounts owed	Jean F. Watson Collection	Jean F. Watson Collection	Heritage Assets incl. Lauriston Castle	Other Heritage Assets	Investments	Investments Market Value Adjustment	2018/19 Market Value	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
<i>Edinburgh Education Trust</i>	SC042754	81	7	(4)	-	-	-	-	844	93	1,021	
<i>Boyd Anderson</i>	SC025067	109	-	(4)	-	-	-	-	-	-	105	
<i>Jean F. Watson</i>	SC018971	129	11	(8)	940	4,377	-	-	881	94	6,424	
<i>Lauriston Castle</i>	SC020737	1	-	(2)	-	-	7,001	-	39	4	7,043	
<i>Nelson Halls</i>	SC018946	9	2	(8)	-	-	-	19	198	21	241	
<i>The Royal Scots Trust</i>	SC018945	2	-	(1)	-	-	-	-	30	3	34	
Total Funds		331	20	(27)	940	4,377	7,001	19	1,992	215	14,868	

Independent auditor's report to the trustees of The City of Edinburgh Council Charitable Trusts and the Accounts Commission

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 Trusts for the year ended 31 March 2020 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, Cash Flow Statement and notes to the financial statements, 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 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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, we draw attention to note 1 in the financial statements, which describes the basis of preparation. The trustees have prepared the financial statements for this trust using a break-up basis of accounting as they consider that it is not a going concern. 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 obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 matter prescribed by the Accounts Commission

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.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nick Bennett, for and on behalf of Azets Audit Services
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.....

Azets Audit Services is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006