

## The Highland Council

Audit and Scrutiny Committee – 26 September 2013

Agenda Item	14
Report No	AS/30/13

### Audit of Local Authority Charities

#### Report by Director of Finance

##### Summary

The purpose of this report is to advise Members of the implications of changes to the audit requirements of local authority charities and, to consider the actions being taken by officers to mitigate the financial implications.

#### 1. Background

- 1.1 The Highland Council administers eighty charities that are registered with the Office of the Scottish Charity Regulator (OSCR) which are for the benefit of various specific causes.
- 1.2 At 31 March 2013 the total value of these funds was £193,439. In reality many of these are of low value. An extract from the Council's accounts is attached as **Appendix 1** to this report.
- 1.3 The accounting for these charities is undertaken as part of the normal financial accounting for the Council. The Council does however submit summary accounts to OSCR annually. These comprise:-
  - Statement of Receipts and Payments
  - Statement of Balances
  - Trustees' Report
- 1.4 OSCR have required local authorities to move towards full compliance with the Charities Accounting Statement of Recommended Practice. This now requires a full audit of the financial statements.
- 1.5 At present, because the Charity Accounts form part of The Highland Council's Accounts, the Charities' audits have been incorporated within the audit work and audit fee undertaken for the Council.
- 1.6 Under the latest proposal, a separate audit will be required for each of the eighty charities. This will entail a full testing of transactions of each of these charities, and an audit opinion provided for each. The audit resources required for this additional work are significant.
- 1.7 Compliance with the Charities Accounts (Scotland) Regulations 2006 requires

full compliance with the accounting and auditing parts of the Regulations from 2013/14. Due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Regulations a full audit is required from 2013/14 of all registered charities where the local authority is the sole trustee irrespective of the size of the charity.

1.8 The appointed auditor for The Highland Council is Audit Scotland.

## **2. Discussion**

2.1 The audit time, and therefore cost, is not yet quantified, but will be significant.

2.2 Officers are currently looking at options for mitigating the implications. These include:-

- (1) options for winding up charities for which there are no, or minimal balances
- (2) merging charities which share a common trust purpose

It is hoped that by undertaking these mitigating actions that the financial cost of audit will be reduced significantly. Where charities are merged the application/distribution of funds would be on a geographical basis.

## **3. Implications**

3.1 Financial implications are highlighted in the above report.

3.2 There are no legal, equalities, climate change/Carbon Clever or risk implications to highlight in this report.

### **Recommendation**

Members are asked to note the implications of changes and to consider actions being taken to mitigate the financial implications.

Designation: Director of Finance

Date: 16 September 2013

Author: Derek Yule

Background Papers: None

TRUST FUNDS UNAUDITED STATEMENT OF ACCOUNTS 2012/13

**CHARITABLE TRUSTS**

Highland Council administers eighty registered Scottish Charities which are for the benefit of various specific causes. At 31 March 2013 the balances and investments held are as follows:

31 March 2012		31 March 2013	
Fund Balance £	Investments at cost £	Scottish Charity Number	Fund Balance £
-	-	1768	-
917	-	3192	923
-	-	4447	-
517	500	4881	526
878	155	5071	882
7,906	-	7158	7,652
117	101	8916	113
77	-	8950	78
737	-	9516	742
-	-	10505	-
662	39	10813	668
-	-	11444	-
-	-	12300	-
4,521	944	12410	4,588
2,255	-	12475	2,268
594	-	12682	598
2,405	717	13277	2,442
2,795	-	16232	2,811
-	-	16326	-
-	-	16486	-
17,259	-	17126	17,360
-	-	18287	-
-	-	18296	-
616	589	18297	644

TRUST FUNDS UNAUDITED STATEMENT OF ACCOUNTS 2012/13

31 March 2012		31 March 2013	
Fund Balance	Investments at cost	Fund Balance	Investments at cost
£	£	£	£
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
525	505	525	505
-	-	-	-
-	-	-	-
980	1,009	987	1,009
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
871	-	876	-
2,813	1,492	2,857	1,493
1,135	800	1,165	800
14,892	283	14,987	283
740	442	618	442
419	359	376	359
1,070	1,050	1,105	1,050
224	105	225	105
9,288	2,833	9,363	2,834
13,527	2,350	13,592	2,350
1,553	503	1,577	503
813	-	818	-

Scottish Charity Number

18298  
18299  
18300  
18301  
18302  
18303  
18305  
18306  
18307  
18308  
18309  
18310  
18311  
18312  
18313  
18723  
18724  
18725  
18726  
18727  
18728  
18729  
18730  
18731  
18732  
18733  
18734

Charity

Robert Fraser Mortification  
Thomas Fraser Mortification  
Evan Bailie Mortification  
John Burnett Mortification  
Mrs Isabella Gollan Mortification  
Mrs Martha Gibson Mortification  
Robert Smith Mortification  
Mrs Jane Masson Bequest  
Dr John Mackintosh Bequest  
William Macgregor Bequest  
F W Grant Bequest  
William Galloway Macdonald Bequest  
George Melvin Bequest  
Louis Ormond Fyvie Bequest  
George Wilson Barron Bequest  
William Davidson Bequest  
Miss Adeleine Florence Henderson Bequests  
William Murray Bequest for Poor of Wick  
William Murray Bequest for Wick Library  
Murray (Oling) Bequest  
Oswald (Dunnet) Bequest  
Davidson - Cumming Bequest  
Oswald (Bower) Mortification  
Alexander Wares Bequest for Poor  
George Swanson Trust  
James Cormack Bequest  
John Sutherland Poor Coopers Fund

TRUST FUNDS UNAUDITED STATEMENT OF ACCOUNTS 2012/13

31 March 2012		31 March 2013		
Fund Balance £	Investments at cost £	Scottish Charity Number	Fund Balance £	Investments at cost £
335	137	18735	336	137
160	-	18736	161	-
53	-	18737	53	-
209	-	18738	210	-
1,997	-	18739	2,009	-
-	-	18740	-	-
785	300	18995	803	300
805	800	18997	841	800
12,614	5,000	18999	12,721	5,000
2,551	-	19557	2,566	-
390	95	19558	529	95
660	90	19559	667	90
310	300	19561	316	300
192	-	19562	192	-
131	12	19563	133	12
364	-	19564	366	-
364	-	19565	366	-
227	-	19566	228	-
110	46	19567	108	46
-	-	19568	-	-
184	-	19569	185	-
298	19	19570	301	19
1,822	500	19694	1,881	500
487	200	19695	497	200
26,432	1,171	19696	26,513	1,171
-	-	19697	-	-
-	-	25079	-	-
39,485	-	28254	39,705	-
10,326	-	28500	10,386	-
<u>192,397</u>	<u>23,446</u>		<u>193,439</u>	<u>23,448</u>