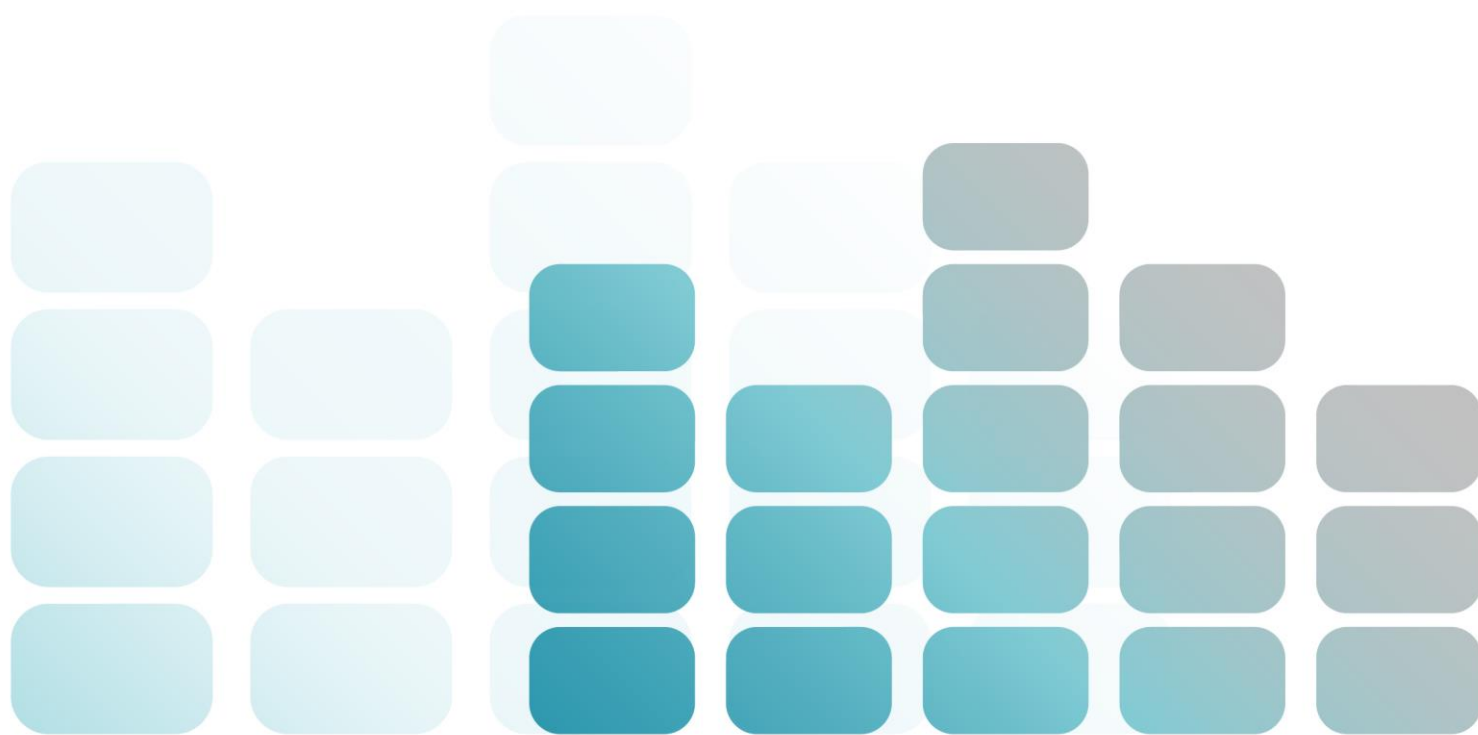


# Nithsdale Connected Trust Funds

Annual Audit Plan 2023/24



Prepared for Nithsdale Connected Trust Funds  
March 2025

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# Introduction

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## Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2023/24 audit of the Nithsdale Connected Trust Funds annual report and accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

## Appointed auditor and independence

2. Peter Lindsay, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of Nithsdale Connected Trust Funds for the period from 2022/23 until 2026/27.

3. Peter Lindsay and the audit team are independent of Nithsdale Connected Trust Funds in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the Nithsdale Connected Trust Funds to communicate.

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# Audit scope and responsibilities

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## Scope of the audit

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

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual report and accounts.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts.

**6.** The Charities Accounts (Scotland) Regulations 2006 require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

**7.** Dumfries and Galloway Council administers six such registered charities, disclosed in a single set of annual accounts (Nithsdale Connected Trust Funds). This is in accordance with the connected charities rules. The preparation and audit of annual accounts of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The charities are:

- David Williamson Bequest: charity number - SC019381
- James Brown Bequest: charity number - SC019369
- Nivison Trust: charity number - SC019380
- Nivison Library Trust: charity number - SC019371
- Nivison Recreation Fund: charity number - SC019384
- W D Lorimer Trust: charity number - SC019383

**8.** In our 2023/24 Annual Audit Report, we highlighted that the trustees agreed to release the funds/investments to the Sanquhar Enterprise Company (a registered charity) with the transfer being legally executed in January 2024. The council contacted Office of the Scottish Charity Regulator (OSCR), who confirmed that accounts for the year 2023/24 were not required subject to the completion of a winding up application and evidence of the transfer being provided by 31 December 2024. However, officers have advised that the winding up application was not completed by the deadline set by OSCR due to delays in the transfer of two sets of shares. As a result, the council is required to produce a set of accounts for the trusts for 2023/24 which we are required to audit alongside our 2024/25 audit work on the council. Officers anticipate that the winding up application will be submitted to OSCR in the coming months and therefore accounts for 2024/25 will not be required.

## Responsibilities

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

### Auditor's responsibilities

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

### Nithsdale Connected Trust Funds Responsibilities

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

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.

# Audit of the annual report and accounts

## Introduction

**12.** The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

## Materiality

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

**14.** Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

**15.** The materiality levels determined for the audit of Nithsdale Connected Trust Funds are outlined in [Exhibit 1](#).

## Exhibit 1

### 2023/24 Materiality levels for Nithsdale Connected Trust Funds

Charitable trust	Planning Materiality	Performance Materiality	Reporting Threshold
David Williamson Bequest (SC019381)	£15 (Based on 2 per cent of audited 2022/23 net asset value)	£11 (Based on 75 per cent of planning materiality)	£2
James Brown Bequest (SC019369)	£9	£7	£2

	(Based on 2 per cent of audited 2022/23 net asset value)	(Based on 75 per cent of planning materiality)	
Nivison Trust (SC019380)	£3,533	£2,650	£176
	(Based on 2 per cent of audited 2022/23 net asset value)	(Based on 75 per cent of planning materiality)	
Nivison Library Trust (SC019371)	£17	£13	£2
	(Based on 2 per cent of audited 2022/23 net asset value)	(Based on 75 per cent of planning materiality)	
Nivison Recreation Fund (SC019384)	£56	£42	£2
	(Based on 2 per cent of audited 2022/23 net asset value)	(Based on 75 per cent of planning materiality)	
W D Lorimer Trust (SC019383)	£72	£54	£3
	(Based on 2 per cent of audited 2022/23 net asset value)	(Based on 75 per cent of planning materiality)	

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**16.** The risk assessment process draws on the audit team's cumulative knowledge of Nithsdale Connected Trust Funds including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

**17.** Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2, page 8](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in [Exhibit 2](#).

**18.** The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and [Exhibit 2](#) may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to Nithsdale Connected Trust Funds and those charged with governance, where relevant.

## Exhibit 2

### Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
<b>Fraud caused by management override of controls</b>  Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: <ul style="list-style-type: none"> <li>• Test journals entries.</li> <li>• Review accounting estimates for management bias.</li> <li>• Consider, and where required test, any significant transactions outside the normal course of business.</li> </ul>

Source: Audit Scotland

## Key audit matters

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

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

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

**21.** The matters determined to be key audit matters will be communicated in the Annual Audit Report. [Exhibit 2](#) outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

**22.** The Code of Audit Practice includes provisions relating to the audit of smaller audits. In light of the volume and lack of complexity of the financial transactions, we plan to apply the less complex body provision of the Code to the audit of the 2023/24 accounts.

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# Reporting arrangements, timetable and audit fee

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## Audit outputs

**23.** The outputs from the 2023/24 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to Nithsdale Connected Trust Funds and the Accounts Commission setting out opinions on the annual report and accounts.
- An Annual Audit Report to Nithsdale Connected Trust Funds and the Accounts Commission setting out significant matters identified from the audit of the annual report and accounts, and recommendations, where required.

**24.** The matters to be reported in the outputs will be discussed with Nithsdale Connected Trust Funds for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

**25.** Given the nature of the circumstances set out in Paragraph 8, we will aim to audit the 2023/24 annual report and accounts as soon as practicable to allow the approval of the 2023/24 annual report and accounts thereafter.

## Audit fee

**26.** Nithsdale Connected Trust Funds audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2023/24 audit is £1,100 (£1,100 in 2022/23).

**27.** In setting the audit fee, it is assumed that Nithsdale Connected Trust Funds has effective governance arrangements in place and the complete annual report and accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

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# Other matters

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## Audit quality

**28.** Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

**29.** The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

**30.** To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

**31.** Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

**32.** Audit Scotland may periodically seek the views of Nithsdale Connected Trust Funds on the quality of audit services provided. The audit team would also welcome feedback at any time.

# Nithsdale Connected Trust Funds

Annual Audit Plan 2023/24



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