

Perth and Kinross Council Charitable Funds

2024/25 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Perth and Kinross Council Charitable Funds and the Controller of Audit
December 2025

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Key messages

Audit of the annual accounts

- 1** All audit opinions stated that the annual accounts were free from material misstatement.
 - 2** All required changes were made to the Annual Report and Accounts.
 - 3** The Charitable Funds should ensure robust record-keeping processes are in place for key contracts agreed with providers of expertise and services which impact on the annual accounts.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Perth and Kinross Council Charitable Funds annual report and accounts.
2. The Annual Audit Report is addressed to Perth and Kinross Council Charitable Funds, hereafter referred to as 'the Charitable Funds' and the Controller of Audit, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Gillian McCreadie, of Audit Scotland, has been appointed as external auditor of the Charitable Funds for 2024/25. Gillian McCreadie as engagement lead and the audit team are independent of the Charitable Funds in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the body, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Perth and Kinross council staff responsible for the preparation of the annual report and accounts of the Charitable Funds, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (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, namely the Trustees' Annual Report.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the Charitable Funds and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. 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.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the Trustees of the Charitable Funds from their responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The Charitable Funds' responsibilities

10. The Trustees of the Charitable Funds have 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 them to successfully deliver their objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of their affairs.

- Preparation of the 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 their financial position is soundly based.

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

All required changes were made to the Annual Report and Accounts.

The Charitable Funds should ensure robust record-keeping processes are in place for key contracts agreed with providers of expertise and services which impact on the annual accounts.

Audit opinions on the annual accounts

11. The Charitable Funds annual accounts were approved by the trustees on 4 December 2025 and certified by the appointed auditor 5 December 2025. The Independent Auditor's Report is included in the Charitable Trust's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

12. The unaudited annual accounts and all working papers were received on 25 June 2025 in accordance with the agreed audit timetable.

Audit Fee

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £6,550. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

14. 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 accounts.

15. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. 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.

16. Materiality levels for the audit of the Charitable Funds were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for the Charitable Funds

Materiality	Amount
Materiality – set at 2% of gross assets	£52,000
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£39,000
Reporting threshold – set at 5% of materiality.	£2,600

Source: Audit Scotland

Significant findings and key audit matters

17. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the Charitable Funds is the trustees.

18. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the 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.

19. 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.

20. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>Lack of records available for key contracts</p> <p>During 2024/25, the Charitable Funds received legal advice from two law firms in relation to the transfer of funds from inactive public trusts administered by Perth and Kinross Council.</p> <p>The Charitable Funds were unable to provide an up to date contract for one of the two legal firms.</p> <p>We identified the Charitable Funds’ investment fund manager as a service organisation. During the review, the contract between the Charitable Funds and their appointed investment fund manager was not initially available and had to be obtained directly from the investment fund manager.</p>	<p>There is a risk of lack of awareness in relation to contractual obligations, contract duration and responsibilities of each party.</p> <p>The Charitable Funds should ensure robust record-keeping processes are in place for key contracts agreed with providers of expertise and services which impact on the annual accounts.</p> <p>Recommendation 1</p>

Source: Audit Scotland

Qualitative aspects of accounting practices

21. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the Charitable Funds accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

22. The appropriateness of accounting policies adopted by the Charitable Funds was assessed as part of the audit. These were considered to be appropriate to the circumstances of the Charitable Funds, and there were no significant departures from the accounting policies set out in the Charities Statement of Recommended Practice (SORP) FRS 102.

23. The unaudited accounts did not include accounting policies in relation to going concern, donations and legacies and accounting estimates/judgements. An accounting policy defining the difference classes of funds held by the Trusts was also missing. We raised this with management and they agreed to add these policies in the revised accounts.

Accounting estimates

24. Accounting estimates are used in the valuation of the Charitable Funds’ investment property which is subject to an annual valuation performed by Perth and Kinross Council’s internal professional valuers. We received assurance from the auditor of Peth and Kinross Council which enabled us to use the work of the valuer’s work as audit evidence. Audit work considered the process management of the Charitable Funds has in place around making accounting estimates, including the

assumptions and data used in making the estimates, and the use of any management experts.

25. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, although some omissions were noted.

27. The Trustees' Annual Report stated that most income was generated through investments; however, in 2024/25, the majority of income was derived from donations and bequests. In particular, the report did not reference a significant bequest relating to the Fothergill Bequest fund, nor the amalgamation of funds involving a substantial transfer from inactive public trusts to the Charitable Fund's Welfare Trust.

28. These omissions were discussed with management and subsequently corrected in the audited financial statements.

Significant matters discussed with management

29. All significant matters identified during the audit and discussed with the Charitable Funds management have been reported in the Annual Audit Report.

Audit adjustments

30. No audit adjustments were required to the financial statements greater than the reporting threshold of £2,600.

Significant risks of material misstatement identified in the Annual Audit Plan

31. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

Exhibit 3

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none">• Evaluate the design and implementation of controls over journal entry processing.• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.• Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end.• Evaluate significant transactions outside the normal course of business.• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	<p>Audit work performed found:</p> <ul style="list-style-type: none">• The design and implementation of controls over journal processing were appropriate.• No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.• No significant issues were identified from testing of journal entries.• No significant issues were identified from transactions outside the normal course of business.• The controls in place for identifying and disclosing related party relationships and transactions were adequate.• No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>

Source: Audit Scotland

Prior year recommendations

32. No audit recommendations were made in the prior year.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Record keeping</p> <p>The Charitable Funds were unable to locate the contract between themselves and their investment fund manager. The contract was obtained directly from the investment fund manager.</p> <p>Risk: lack of awareness in relation to contractual obligations, contract duration and responsibilities of each party.</p>	<p>The Charitable Funds should ensure robust record-keeping processes are in place for key contracts agreed with providers of expertise and services which impact on the annual accounts.</p> <p>Exhibit 2</p>	<p>Partially Accepted – no contract with Brooks MacDonald could be found, hence requesting a copy from the provider. It transpired the contract was in the name of Cornelian, and had been transferred to Brooks MacDonald following take over.</p> <p>Details of agreed action – all records will be maintained and kept up to date, and saved in an appropriate manner.</p> <p>Responsible officer – Senior Accountant – Corporate Services</p> <p>Agreed date – 31 March 2026</p>

Perth and Kinross Council Charitable Funds

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