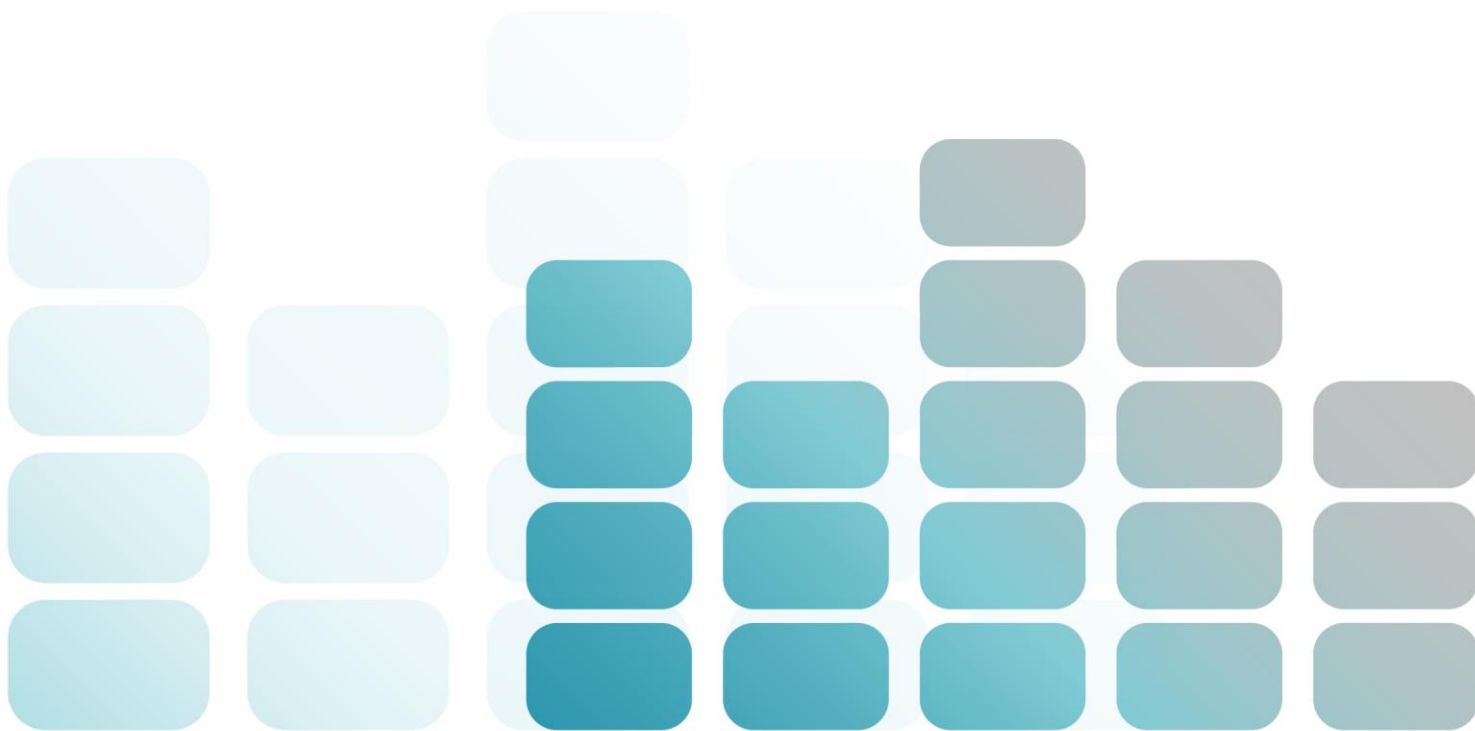


# Dundee City Council Section 106 Charities

Annual Audit Plan 2025/26



 AUDIT SCOTLAND

Prepared for Dundee City Council  
April 2026

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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 2025/26 audit of Dundee City Council Section 106 Charities (hereafter referred to as 'the Charities'). 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. Fiona Owens, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of the Charities for the period from 2024/25 until 2026/27. The 2025/26 financial year is the second year of Fiona's appointment and the fourth of Audit Scotland's five-year audit appointment.

3. Fiona Owens and the audit team are independent of the Charities 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 Charities to communicate.

# Audit scope and responsibilities

## Scope of the audit

5. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The 2006 Regulations 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 and/or officers 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 a council are sole trustees, irrespective of the size of the charity.

6. Members of Dundee City Council are the sole trustees for 6 trusts registered as Scottish charities, with total funds of just under £16 million as set out in [Exhibit 1](#). The first four trusts listed below have adopted the "connected charities" provision whereby the accounts are collated into a single document and are known collectively as the Dundee City Council Charitable Trusts.

## Exhibit 1

### Charities administered by Dundee City Council

Charitable Trust Fund	Scottish Charity Number	Total funds at 31 March 2025 - £
Belmont Trust Estate	SC018900	2,461,704
Camperdown Estate	SC018899	3,081,268
William Dawson Estate Trust	SC018920	196,215
Hospital Fund	SC018896	1,236,066
<b>Total funds of Dundee City Council Charitable Trusts</b>		<b>6,975,253</b>
Lord Provost of Dundee Charity Fund	SC027022	51,131
Fleming Trust	SC052182	8,929,429

Source: Trustees report and accounts for the year ended 31 March 2025

## Responsibilities

**7.** Our duties as auditors of each of the registered charities administered by Dundee City Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation.
- read the Trustees' Annual Report and express an opinion as to whether it is consistent with the financial statements.
- report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

**8.** The trustees 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 enable the Charities to successfully deliver their objectives.

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# Audit of the annual accounts

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## Introduction

**9.** The audit of the annual 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

**10.** 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.

**11.** 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.

**12.** Materiality levels for the Charities are set out in [Exhibit 2](#). During the audits we will also apply our risk based professional judgement to the extent of testing required of non-material account areas to reflect the needs of users of the accounts.

**Exhibit 2****2025/26 Materiality levels for charitable trusts**

Materiality	Dundee City Council Charitable Trusts	Lord Provost Charity Fund	Fleming Trust
<b>Planning materiality:</b> 2 per cent of net assets based on audited 2024/25 financial statements	£140,000	£1,020	£179,000
<b>Performance materiality:</b> 75 per cent of planning materiality	£105,000	£765	£134,000
<b>Reporting threshold:</b> 5 per cent of planning materiality	£7,000	£50	£9,000

Source: Audit Scotland

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

**13.** The risk assessment process draws on the audit team's cumulative knowledge of the body, 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.

**14.** Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 3](#). 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 3](#).

**15.** The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and [Exhibit 3](#) may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the body and those charged with governance, where relevant.

## Exhibit 3

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

Risk of material misstatement	Planned audit response
<p><b>Fraud caused by management override of controls</b></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"> <li>• Evaluate the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.</li> <li>• Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> <li>• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.</li> </ul>

Source: Audit Scotland

## Key audit matters

**16.** 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.

**17.** 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.

**18.** The matters determined to be key audit matters will be communicated in the Annual Audit Report.

**19.** The Code of Audit Practice includes provisions relating to the audit of small 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 2025/26 audit of the Charities.

**20.** No significant risks in the wider scope areas or Best Value were identified from the risk assessment process for the Charities.

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# Audit outputs, timetable, audit fee and quality

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## Audit outputs

**21.** The outputs from the 2025/26 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to the Trustees and Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to the Trustees setting out significant matters identified from the audit of the annual accounts.

**22.** The matters to be reported in the outputs will be discussed with the Charities 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 accounts.

**23.** Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the statutory date for approving the annual accounts, which is 30 September 2026 for local government bodies.

**24.** The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 30 September 2026.

## Audit timetable

**25.** Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 4](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with the body and reported to those charged with governance, where required.

## Exhibit 4

### 2025/26 audit timetable

Audit activity	The body target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan	N/A	31 March 2026	22 April 2026
<b>Annual accounts:</b>			
• Consideration of unaudited annual accounts by those charged with governance	24 June 2026	N/A	24 June 2026
• Submission of unaudited annual accounts and all working papers to audit team	By 30 June 2026	N/A	N/A
• Latest date for audit clearance meeting	31 August 2026	31 August 2026	N/A
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report	N/A	9 September 2026	23 September 2026
• Agreement of audited and unsigned annual accounts	9 September 2026	9 September 2026	N/A
• Approval by those charged with governance and signing of audited annual accounts	23 September 2026	N/A	23 September 2026
• Signing of Independent Auditor's Report and issue of Annual Audit Report	N/A	23 September 2026	N/A

Source: Audit Scotland

## Audit fee

**26.** Dundee City Council Section 106 Charities audit fee is determined in line with Audit Scotland's fee setting arrangements. The proposed audit fee for the 2025/26 audit is £8,450 (£8,100 in 2024/25).

**27.** In setting the audit fee, it is assumed that the Charities have effective governance arrangements in place and the complete annual 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.

## 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 2025/26 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 the body on the quality of audit services provided. The audit team would also welcome feedback at any time.

# Dundee City Council Section 106 Charities

Annual Audit Plan 2025/26



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