

# Year end report 2021/22

## **Aberdeen City Council – Charitable Trusts**

Audit Risk and Scrutiny Committee 2 February  
2023

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# Introduction

## To the Audit, Risk and Scrutiny Committee of Aberdeen City Council

We are pleased to have the opportunity to meet with you on 2 February 2023 to discuss the results of our audit of the financial statements of Aberdeen City Council – Charitable Trusts (“the Charity”), as at and for the year ended 31 March 2022

This report should be read in conjunction with our audit plan and strategy report, presented on 22 February 2022. We will be pleased to elaborate on the matters covered in this report when we meet.

Our audit is substantively complete. There have been no significant changes to our audit plan and strategy.

We issued an unmodified Auditor’s Report for the Charity.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report;
- Limitations on work performed;
- Status of the audit; and
- Restrictions on distribution of this report.

KPMG LLP  
January 2023

## How we have delivered audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define ‘audit quality’ as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Some of the ways in which we drive audit quality are demonstrated throughout our report and include:

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**Understanding the entity**



**Quality reviews**



**Robust challenge**

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This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

This Report has been prepared for the Council's Audit Committee, in order to communicate matters of interest as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

## Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Aberdeen City Council – Charitable Funds (“the Charity”), prepared in accordance with applicable law and UK Generally Accepted Accounting Practice, including Financial Reporting Standard 102, Part VII of the Local Government (Scotland) Act 1973, and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, as at and for the year ended 31 March 2022.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

## Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Charity’s financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

## Status of our audit

Our audits are substantially complete however the matters communicated in this Report may change subject to resolving outstanding matters. The outstanding areas are:

- Receipt of signed management representation letter following approval by the Board.
- Completion steps in the Audit File.

## Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit, Risk and Scrutiny Committee and Trustees of the Charity; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

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## The Charity

### Summary of findings

- We have used total revenue as the benchmark for setting our materiality threshold for the audit of the 2021/22 accounts. Materiality was set at £6,500 and we report all individual errors in excess of £325.
- The audit was planned in January 2022 following a discussion with management. International Standards on Auditing require us to consider, as part of our work, the following significant risks:

- Fraud risk from management override of controls.

We have carried out specific testing over journals, judgements & estimates, and any significant or unusual transactions. We have not identified any issues from the audit work performed.

- Fraud risk from revenue recognition

We have reviewed the terms of legacies and donations and corresponding treatment to ensure the completeness and restriction of revenue where appropriate. We consider the restricted or unrestricted nature of funding as well as the period of recognition in line with recognition criteria in line with the SORP and FRS 102.

- Revaluation of Investment Properties

We have used our valuation specialist to review the key assumptions used by the Council valuer's that derive the asset values, such as construction costs, forecast yields, and comparable evidence of asset sales in the region. For each management assumption we have challenged the evidence provided and we have not identified any issues from the audit work performed.

- We have identified 0 control weaknesses during the audit the details are included in Appendix 1.
- We have identified 4 audit misstatements during the audit, the details are included in Appendix 2. No unadjusted audit misstatements were identified.
- The financial statements adopted appropriate accounting policies and are in accordance with disclosure requirements of relevant charities legislation, UK GAAP (FRS 102) and the Statement of Recommended Practice.
- We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards; and any other audit matters of governance interest. We have not identified any other matters to specifically report on that have not been documented elsewhere in this Report.

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# Appendices

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## Appendix One

# Control Weakness recommendations raised



No recommendations were raised as a result of our work in the current year.

# Recommendations followed up

There were no recommendations from prior years to follow up.

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## Appendix Two

# Audit Differences



Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee, details of all adjustments greater than £325 are shown below:

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee with a summary of adjusted audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

### Corrected audit misstatements

Corrected audit misstatements (£)					
No.	Detail	SOCI Dr/(cr)	SOFP Dr/(cr)	Cashflow Statement	Comments
1.	Charitable Activities	£430			
	Prepayments and Accrued Income		(£215)		
	Provisions, Accruals and Deferred income		(£215)		
2.	Sale Proceeds (cashflow)			£9,000	
	Gains and losses on Disposal	(£5,000)			
	Investment in Loans Fund Debtors		(£3,000)		
			(£1,000)		
3	Debtors		(£15,000)		
	Gains and loss on Investments	£15,000			
4	Creditors		£3,039		
	Income	(£3,039)			
Total		£7,391	(£16,391)	£9,000	

**Uncorrected misstatements** There are no uncorrected misstatements to report

# Required communications with the Audit Committee



Under UK auditing standards (ISA (UK) 260) we are required to set out certain communications to the Audit Committee. We have summarised below the required communications and the status of these.

Type	Status	Response
<b>Our draft management representation letter</b>		Our draft representation letter is included for the Committee's review. We have included one specific representation where we are asking Trustees to confirm the ongoing commitment of £150,000 to the renovation of Glover House.
<b>Adjusted and unadjusted audit differences</b>		We have provided a summary of audit differences in Appendix Two.
<b>Control deficiencies</b>		We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit. Details of our recommendations are provided in Appendix One.
<b>Related parties</b>		There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by the Audit Committee</b>		There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Actual or suspected fraud, non-compliance with laws or regulations or illegal acts</b>		No actual or suspected fraud involving group or component management, employees with significant roles in group-wide internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.
<b>Significant difficulties</b>		No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>		None.
<b>Disagreements with management or scope limitations</b>		The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>		No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports.
<b>Breaches of independence</b>		No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>		Over the course of our audit, we have evaluated the appropriateness of the Charity's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
<b>Significant matters discussed</b>		The were no significant matters arising from the audit.



# Audit independence



We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

### To the Audit Committee members

#### Assessment of our objectivity and independence as auditor of Aberdeen City Council Charitable Trusts

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Breaches of applicable ethical standards;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

#### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

#### Independence and objectivity considerations relating to the provision of non-audit services

##### Summary of fees

No non-audit services have been provided during the year

#### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

#### Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Companies and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

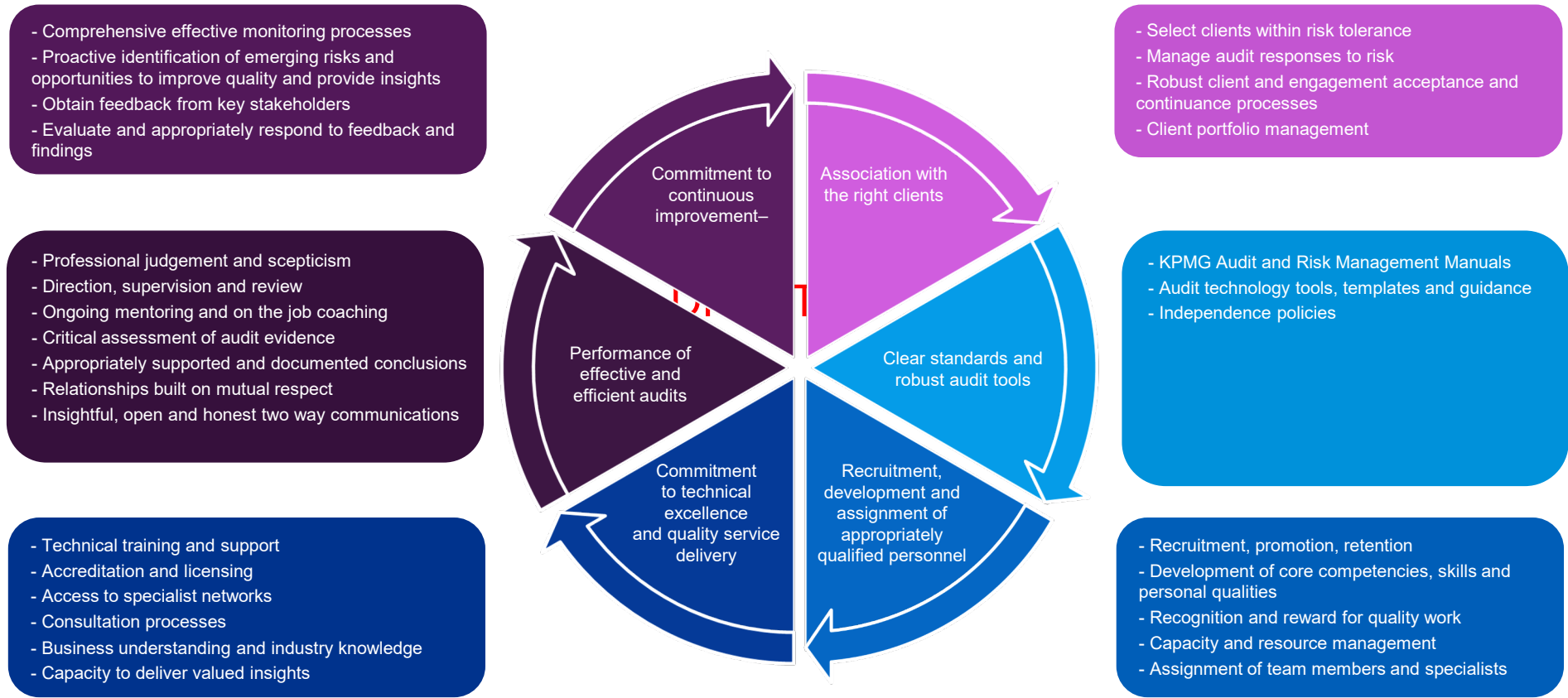
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# KPMG's audit quality framework



Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





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