

# North Lanarkshire Council Report

## Audit & Scrutiny Panel

approval  noting

**Ref** EK/FC

**Date** 29/10/20

## Annual Accounts 2019/20 External Auditor's report to those charged with Governance on the 2019/20 Audit

**From** Elaine Kemp, Head of Financial Solutions

**Email** CarneyF@northlan.gov.uk

**Telephone** Fiona Carney, 01698 302402

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### Executive Summary

This report is presented to members to allow them to consider the external auditor's comments on specific matters arising from their audit of the financial statements for both the Council and the Charitable Trusts and Educational Endowments administered by the Council.

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### Recommendations

It is recommended that the panel invite the external auditor to speak to their report and consider, as appropriate, the issues highlighted.

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### The Plan for North Lanarkshire

Priority All priorities

Ambition statement (25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning

## **1. Background**

- 1.1. The Audit Commission appoint external auditors to local authorities in order to carry out the audit of financial statements in accordance with International Standards on Auditing.
  - 1.2. Recognising the importance of effective two-way communication in an audit of financial statements, the International Standards on Auditing (*ISA260 Communication with those charged with governance*) requires external auditors to communicate relevant matters relating to their audit of financial statements to those charged with governance. Such communications are required to be on a sufficiently prompt basis to enable those charged with governance to take appropriate action.
  - 1.3. The objectives of the auditors are to:
    - Communicate clearly with those charged with governance the responsibilities of the auditor in relation to the financial statement audit and the scope and timing of the audit;
    - Obtain from those charged with governance, information relevant to the audit; and
    - Provide those charged with governance with timely observations arising from the audit that are relevant to their responsibility to oversee the financial reporting process. This may include:
      - a) Significant difficulties, if any, encountered during the audit;
      - b) Material weaknesses, if any, in the design, implementation or operating effectiveness of financial systems relating to the accounts;
      - c) Any unadjusted misstatements;
      - d) Their views on the qualitative aspects of the Council's accounting and financial reporting practices;
      - e) Any unexpected modifications to the auditor's report on the accounts; and
      - f) Any other relevant matters relating to the audit.
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## **2. Report**

- 2.1. The review of the 2019/20 accounts by Audit Scotland is now complete with the final version of the accounts forming part of this meeting's agenda.
  - 2.2. Following completion of their audit, Audit Scotland have produced reports to those charged with governance on the 2019/20 Audit for both North Lanarkshire Council, and North Lanarkshire Council Charitable Trust and Educational Endowments, copies of which are attached to this report.
  - 2.3. A full Annual Report has been prepared by Audit Scotland and forms part of this meeting's agenda.
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## **3. Equality and Diversity**

### **3.1. Fairer Scotland**

There is no specific impact in relation to Fairer Scotland.

### **3.2. Equality Impact Assessment**

There is no specific Equality Impact Assessment required.

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#### **4. Implications**

##### **4.1. Financial Impact**

There is no financial impact resulting from the contents of this report.

##### **4.2. HR/Policy/Legislative Impact**

There is no HR, Policy or Legislative impact resulting from the contents of this report.

##### **4.3. Environmental Impact**

There is no environmental impact resulting from the contents of this report.

##### **4.4. Risk Impact**

There is no risk impact resulting from the contents of this report.

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#### **5. Measures of Success**

N/A

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#### **6. Supporting Documents**

**Appendix 1** Audit Scotland Report to Those Charged With Governance on the 2019/20 Audit – North Lanarkshire Council

**Appendix 2** Audit Scotland Report to Those Charged With Governance on the 2019/20 Audit – North Lanarkshire Council Charitable Trust and Educational Endowments



**Elaine Kemp**

**Head of Financial Solutions**

## Audit and Scrutiny Panel

29 October 2020

### North Lanarkshire Council Audit of 2019/20 annual accounts

#### Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now complete. Subject to the receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 29 October 2020 (the proposed report is attached at [Appendix A](#)). The independent auditor's report does however contain an 'Emphasis of Matter' paragraph to draw attention to the additional uncertainty in property valuations caused by the Covid-19 pandemic.

#### Annual audit report

2. Under International Standards on Auditing in the UK we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Scrutiny Panel's consideration our draft 2019/20 annual audit report. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. We have one unadjusted misstatement of £0.3 million, slightly above our clearly trivial threshold, that relates to a late revaluation adjustment for an asset.

#### Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Audit and Scrutiny Panel we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.
8. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

# APPENDIX A: Proposed Independent Auditor's Report

## Independent auditor's report to the members of North Lanarkshire Council and the Accounts Commission

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of North Lanarkshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council-only and group Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, and Cash-Flow Statements, the council-only Housing Revenue Account, Council Tax Income Account, Non-domestic Rates Income Statement, Sundry Account and notes to the accounts, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matter: Additional uncertainty on property valuations

I draw attention to Note 4 in the financial statements, which describes the effects of material uncertainties that exist in property valuations due to the impact of the Covid-19 pandemic. My opinion is not modified in respect of this matter.

#### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Financial Solutions has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### **Responsibilities of the Head of Financial Solutions and the Audit and Scrutiny Panel for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Financial Solutions is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Financial Solutions determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Financial Solutions is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and applying the going concern basis of accounting unless deemed inappropriate.

The Audit and Scrutiny Panel is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual accounts**

The Head of Financial Solutions is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements, my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Report on other requirements

### Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth ACMA CGMA  
Audit Director  
Audit Scotland  
4<sup>th</sup> Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT

## APPENDIX B: Letter of Representation (ISA 580)

Brian Howarth  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

29 October 2020

Dear Brian

### **North Lanarkshire Council Annual Accounts 2019/20**

1. This representation letter is provided for your audit of the annual accounts of North Lanarkshire Council and its group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of North Lanarkshire Council's annual accounts for the year ended 31 March 2020.

### **General**

3. North Lanarkshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by North Lanarkshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the North Lanarkshire Council and its group at 31 March 2020 and the transactions for 2019/20.

## **Accounting Policies and Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to North Lanarkshire Council's circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information, however I recognise the additional uncertainty created by the Covid-19 pandemic. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

9. I have assessed North Lanarkshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I acknowledge that the auditors of Mears Scotland LLP have included an Emphasis of Matter paragraph relating to the going concern position of this body, however this is not material to the group financial statements. I am not aware of any material uncertainties that may cast significant doubt on North Lanarkshire Council's ability to continue as a going concern.

## **Assets**

10. As a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date, however I recognise the additional uncertainty caused by the Covid-19 pandemic. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified. I have provided you with all information of which I am aware regarding the valuation exercises carried out.

11. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements. I am satisfied that all relevant items have been appropriately classified and that the fixed asset register is complete in line with our accounting policies.

12. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

13. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts. There are no plans or intentions that are likely to affect the carrying value or classification of liabilities recognised in the financial statement.

14. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2020. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

15. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2020 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

16. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.

17. The pension assumptions made by the actuary in the IAS 19 report for North Lanarkshire Council have been considered and I confirm that they are consistent with management's own view.

### **Contingent liabilities**

18. There are no significant contingent liabilities, other than those disclosed in Note 22 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2019/20 accounting code and IAS 37.

### **Fraud**

19. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

20. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

21. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all North Lanarkshire Council's related parties and all the related party relationships and transactions of which I am aware.

## **Remuneration Report**

22. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

## **Management commentary**

23. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

24. I confirm that North Lanarkshire Council has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

25. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. In response to the Covid-19 pandemic we have moved to homeworking for staff and virtual Council and Committee meetings from 13 August 2020. Prior to that decision making powers were delegated to the Chief Executive as approved by the Council on 19 March 2020. I am satisfied that governance arrangements have been adequately maintained.

## **Group Accounts**

26. I have identified all the other entities in which North Lanarkshire Council has a material interest and have classified and accounted for them in accordance with the 2019/20 accounting code. Any significant issues with the financial statements of group entities, including any modified audit opinions, have been advised to you.

27. I have considered the accounting policies of all subsidiaries and ensured that any differences with those of North Lanarkshire council have been corrected through consolidation adjustments.

## **Events Subsequent to the Date of the Balance Sheet**

28. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

## **Common Good**

29. I am not aware of any common good assets held by North Lanarkshire Council. Work is undertaken as part of the disposal process to confirm that the asset is not a common good asset.

Yours sincerely

Section 95 Officer

## Audit and Scrutiny Panel

29 October 2020

### JC McNaught Poor Children's Holiday Fund and North Lanarkshire Educational Endowments Audit of 2019/20 statement of accounts

#### Independent auditor's report

1. Our work on the statement of accounts is now complete. Subject to receipt of a revised set of statement of accounts for final review, we anticipate being able to issue unmodified audit opinions in the independent auditor's report (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the statement of accounts to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Scrutiny Panel's consideration our draft 2019/20 annual audit report for North Lanarkshire Council which includes the findings from our audit of the charitable trust and educational endowment. We did not identify any issues from the audit that we would like to draw to your attention. The annual audit report will be issued in final form after the financial statements have been certified.

#### Fraud, subsequent events and compliance with laws and regulations

3. In presenting this report to the Audit and Scrutiny Panel, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

#### Representations from Section 95 Officer

4. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

5. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed statement of accounts prior to the independent auditor's report being certified.

# APPENDIX A: Proposed Independent Auditor's Report

## Independent auditor's report to the trustees of JC McNaught Poor Children's Holiday Fund and the Accounts Commission

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the JC McNaught Poor Children's Holiday Fund for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the trustees for the financial statements

As explained more fully in the Trustee Responsibilities, the trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on matter prescribed by the Accounts Commission**

In my opinion based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Carole Grant  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite, The Athenaeum Building, 8 Nelson Mandela Place, Glasgow G2 1BT

Carole Grant is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

# Independent auditor's report to the trustees of the North Lanarkshire Educational Endowment and the Accounts Commission

## Report on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the North Lanarkshire Educational Endowment for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Responsibilities of the trustees for the financial statements

As explained more fully in the Trustee Responsibilities, the trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on other requirements**

### **Opinion on matter prescribed by the Accounts Commission**

In my opinion based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

### **Matters on which I am required to report by exception**

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Carole Grant  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite, The Athenaeum Building, 8 Nelson Mandela Place, Glasgow G2 1BT

Carole Grant is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

## APPENDIX B: Letter of Representation (ISA 580)

Carole Grant  
Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

29 October 2020

Dear Carole

### **JC McNaught Poor Children's Holiday Fund and North Lanarkshire Educational Endowments Annual Accounts 2019/20**

1. This representation letter is provided in connection with your audit of the financial statements of North Lanarkshire Council's registered charities where the sole trustees are officers of North Lanarkshire Council, in an ex-officio capacity, for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements properly present the receipts and payments and statement of balances of each registered charitable trust for the year ended 31 March 2020.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audits for the year ended 31 March 2020.

#### **General**

3. I acknowledge my responsibility and that of North Lanarkshire Council (as the administering authority) for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered charities have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Trustee's Annual Report to the financial statements presents a balanced picture of each registered trust and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements.

#### **Financial Reporting Framework**

6. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 9(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.
7. Disclosure has been made in the financial statements of all matters necessary for them to properly present the receipts and payments and statement of balances of each registered charitable trust for the year ended 31 March 2020.

## **Accounting Policies & Estimates**

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements.

## **Going Concern Basis of Accounting**

9. I have assessed each registered trust's ability to carry on as a going concern and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

## **Related Party Transactions**

10. I am not aware of any material transactions with related parties.

## **Events Subsequent to the Date of the Statement of Balances**

11. There have been no material events since the date of the Statement of Balances which should be brought to your notice.

## **Corporate Governance**

12. I confirm that there are no issues or deficiencies in internal control that require to be disclosed.

## **Fraud**

13. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements.

Yours sincerely

Section 95 Officer