



The Lord Provost's Queen Street Fund

Audit Management Report for
the period 13 January 2015 to
23 July 2015

August 2015



Scott-Moncrieff
business advisers and accountants

The Lord Provost's Queen Street Fund

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1 Purpose of this report

Recognising the importance of effective two-way communication in an audit of financial statements, we have prepared this report to provide you with constructive observations arising from the audit process.

International Standards on Auditing (UK & Ireland) 260, “Communication with those charged with governance” and 265 “Communicating deficiencies in internal control to those charged with governance” require Scott-Moncrieff to report the significant findings from our audit to you.

This report details:

- any expected modifications to our audit report;
- any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial);
- any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
- any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the Lord Provost’s Queen Street Fund;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

The report has been discussed and agreed with Ian Bell, Corporate Finance.

We would like to thank Ian Bell and the rest of the staff for their kind co-operation and assistance during our audit.

2 Audit conclusion

In our opinion the financial statements have been properly prepared in accordance with the Fund's stated accounting policies.

It should be noted that we are not able to provide full assurance over completeness of income. This is because due to the nature of the income, a substantial proportion of which was in the form of cash donations, it is impossible for us to determine whether all donations intended to be paid to the Fund have actually been paid into the Fund. This risk in relation to income completeness relates to fundraising proceeds actually reaching Glasgow City Council (the Council) and its receipting systems. This is common within organisations where cash donations are a significant source of income. We have identified no issues in terms of the accuracy of income; where donations have been processed as Queen Street Fund donations on the cash receipting system we have been able to test these amounts from the cash receipting reports to bank statements and the financial ledger. Management has provided us with representations that it believes any misstatements with regard to completeness of income would be unlikely to be material.

Our audit opinion is based on your approval of the financial statements and signing of the letter of representation. Within the letter, you have confirmed that there are no subsequent events that require amendment to the financial statements.

3 Respective responsibilities

Responsibilities of the trustees

Under the Trust Deed, the trustees are required to prepare financial statements which are in accordance with all applicable statutory requirements.

In preparing those financial statements, the trustees are required to:-

- select suitable accounting policies and then apply them consistently; and
- make judgements and estimates that are reasonable and prudent.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the fund's financial position and enable them to ensure that the financial statements comply with the requirements of the fund's stated accounting policies. The trustees also have general responsibility for taking such steps as are reasonably open to them to safeguard the fund's assets and to prevent and detect fraud and other irregularities.

Responsibilities of the auditor

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process.

The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK and Ireland) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Independence

International Standard on Auditing (UK & Ireland) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence. In addition to the audit of the financial statements, Scott-Moncrieff provided tax advice to the fund. All tax advice was provided by an independent tax partner and staff who have no involvement in the audit of the financial statements.

We can confirm that we have complied with the APB's Ethical Standard 1 – "Integrity, Objectivity and Independence". In our professional judgement the audit process has been independent and our objectivity has not been compromised.

4 Audit risk areas identified at the planning stage

Identified audit risk areas

As noted in our audit planning letter submitted to the Trustees on 19 March 2015 the following audit risk areas were identified as significant matters and therefore considered in detail during our audit fieldwork.

Audit risk areas	Audit findings
<p>Risk 1 – Management override of controls</p> <p>In any organisation, there is a risk that management and trustees have the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area in accordance with International Standard on Auditing (UK & Ireland) 240, “The auditor’s responsibilities relating to fraud in an audit of financial statements”.</p> <p>Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.</p>	<p>We have reviewed the accounting records and did not identify any significant transactions outside the normal financial control processes. We did not identify any evidence of management override.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the mitigation of this risk.</p>
<p>Risk 2 – Revenue recognition</p> <p>Under International Standard on Auditing (UK & Ireland) 240, “The auditor’s responsibilities relating to fraud in an audit of financial statements” there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Trust could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported revenue position.</p> <p>Whilst we do not suspect any incidences of fraud or error, we will evaluate each type of revenue transaction and document our conclusions.</p>	<p>We have evaluated each material revenue stream, considered the fund’s revenue recognition policy and carried out testing to ensure this is appropriate and has been applied.</p> <p>Conclusion: Satisfactory assurance has been gained in respect of the completeness and occurrence of revenue transactions in the year, subject to the reservation expressed in section 2 of this report.</p>

Audit risk areas	Audit findings
<p>Risk 3 – Income completeness</p> <p>Due to the nature of this type of income there is an inherent risk in relation to completeness.</p> <p>This risk relates to fundraising proceeds actually reaching the Council and its receipting systems.</p> <p>It would be impossible to determine whether all donations intended to be paid to the Fund have actually been paid into the Fund. This is common within organisations where cash donations are a significant source of income.</p>	<p>Whilst we could not expect to gain full assurance over completeness of income due to be received, we have identified no issues in terms of the accuracy of income which was received.</p> <p>Where donations have been processed on the cash receipting system we have been able to test these amounts from cash receipting reports to bank statements and the financial ledger.</p> <p>Management has provided us with representations that it believes any misstatements with regard to completeness of income would be unlikely to be material.</p>

Going concern and subsequent events

We are required under International Standard on Auditing (UK & Ireland) 570, "Going Concern" to consider the appropriateness of the trustees' use of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about the entity's ability to continue as a going concern which need to be disclosed in the financial statements.

The term "subsequent events" is used to refer to events occurring between the period end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK & Ireland) 560, "Subsequent events" requires us to assess all such matters before signing our audit report.

Conclusion

The trustees have concluded that the use of the going concern assumption in preparing the financial statements is not appropriate due to the Fund being closed on 23 July 2015. Therefore, the accounts have not been prepared on the going concern basis.

No subsequent events were identified requiring amendment to the financial statements.

There is also no subsequent event that requires to be disclosed in the financial statements.

5 Significant audit and accounting matters

Significant issues identified during our audit fieldwork

During the course of our audit work no significant issues were identified.

Audit adjustments

We did not identify any audit adjustments during our audit other than amendments to the disclosure notes.

Unadjusted items

We did not identify any unadjusted items.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the Fund.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	No significant accounting estimates or judgements were required in the preparation of the financial statements.
The potential effect on the financial statements of any uncertainties, including significant risks and disclosures such as pending litigation, that are required to be disclosed in the financial statements.	There are no uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the trustees' report or material inconsistencies with the financial statements.	There has been no misstatement or material inconsistency with the financial statements included in the trustees' report.

Qualitative aspect considered	Audit conclusion
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no difficulties encountered in the audit.

Management representations

We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the trustees of the Fund. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

6 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which the trustees have established to enable them to ensure, as far as possible, the accuracy and reliability of the fund's accounting records.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Our work did not identify any system weaknesses.

Appendix 1 – Your audit team



Iain Lee
Audit Partner
iain.lee@scott-moncrieff.com



Karen Jones
Audit Director
karen.jones@scott-moncrieff.com



Michael Smith
Audit Senior
michael.smith@scott-moncrieff.com

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