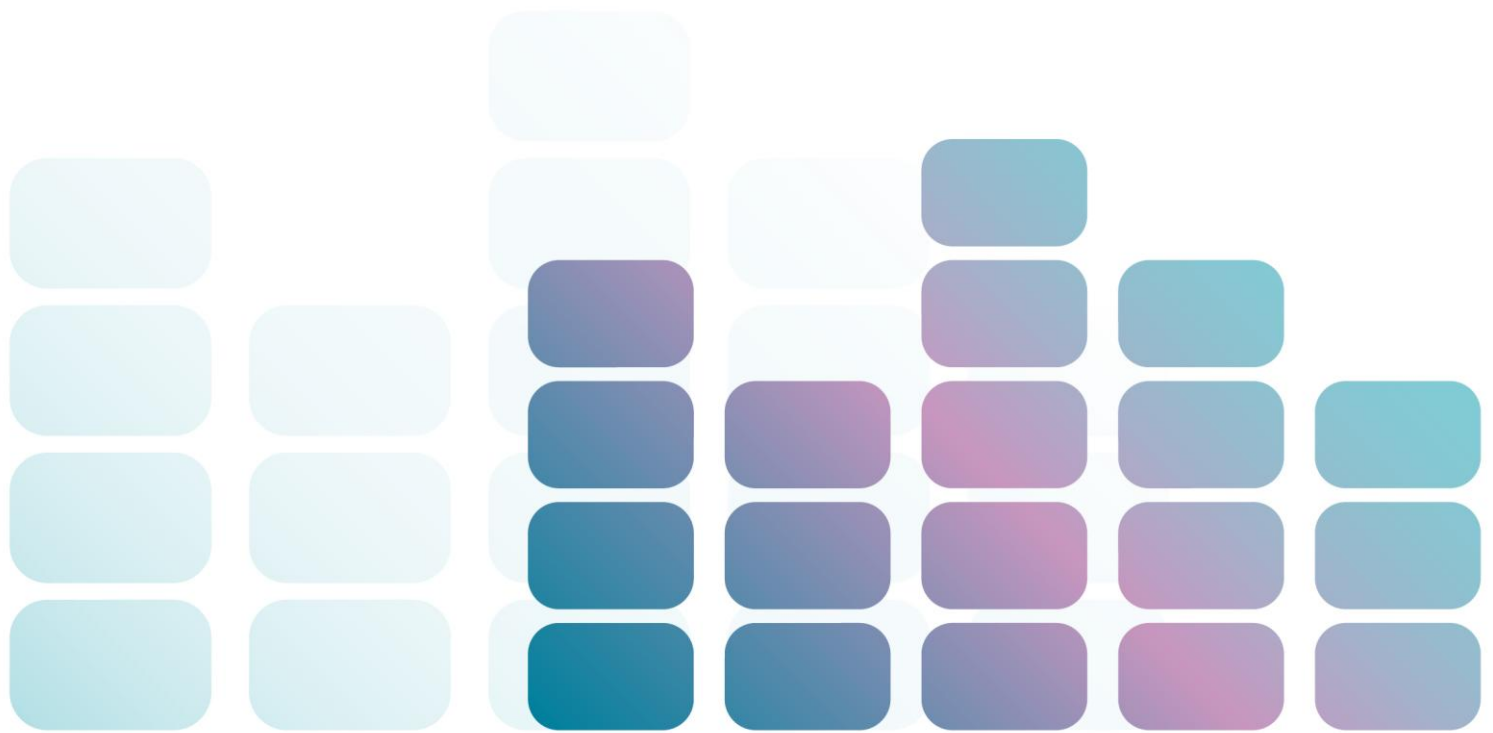


The City of Edinburgh Council Charitable Trusts

2024/25 Annual Audit Report



Prepared for the Trustee of the City of Edinburgh Council Charitable Trusts and the
Controller of Audit
November 2025

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Key messages

Audit of the annual report and accounts

- 1** All audit opinions stated that the annual report and accounts were free from material misstatement.

Financial Sustainability and Best Value audit

- 2** The total value of awards made from the Edinburgh Education Trust is low. The trustee should take steps to encourage applications and reduce any administrative barriers to making awards.
- 3** The trustee should receive regular financial and non-financial reporting. This will help ensure that income is applied in accordance with the charitable objectives, and that the trusts are being managed effectively to deliver intended benefits.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the City of Edinburgh Council Charitable Trusts annual report and accounts, and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to the City of Edinburgh Council Charitable Trusts, collectively referred to as 'the Trusts' and the Controller of Audit. It will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Christopher Gardner, of Audit Scotland, has been appointed as external auditor of the trusts for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, the appointed auditor and the audit team are independent of the body in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard.

Acknowledgements

4. We would like to thank the City of Edinburgh Council and its staff, particularly those involved in preparation of the trusts' annual report and accounts, for their cooperation and assistance during the audit.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Trustees' Report.
- Concluding on the financial sustainability of the trusts.
- Reporting on the trusts' arrangements for securing Best Value.

Responsibilities and reporting

6. The Charities Accounts (Scotland) Regulations 2006 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 of a council are the sole trustees. The City of Edinburgh Council is the sole trustee for six trusts registered as Scottish charities. The preparation and audit of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

7. The Trustee has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Trustee is also responsible for compliance with legislation putting arrangements in place for governance and propriety.

8. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on management's arrangements in place for financial sustainability and Best Value.

9. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all

that exist. Communicating these does not absolve management from its responsibility to address any issues raised and to maintain adequate systems of control.

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

Audit of the annual report and accounts

Main judgements

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

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by management.

Audit opinions on the annual report and accounts

11. The Trusts' annual report and accounts for the year ended 31 March 2025 were approved by the Finance and Resources Committee on 18 November 2025.

12. The City of Edinburgh Council is sole Trustee for the charitable trusts. The Finance and Resources Committee has delegated authority from the council to act in the role of Trustee of its charities. The individual trusts are:

- Miss Jean F. Watson Bequest (SC018971)
- Edinburgh Education Trust (SC042754)
- Nelson Halls Trust (SC018946)
- Lauriston Castle Trust (SC020737)
- The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)
- City of Edinburgh Council Charitable Funds (Boyd Anderson) SC025067

13. Our independent auditor's report to the trustee of The City of Edinburgh Council Charitable Trusts is unmodified.

Audit timetable

14. The unaudited annual report and accounts and all working papers were received on 27 June 2025 in accordance with the agreed audit timetable.



Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £9,720. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

16. 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 report and accounts.

17. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

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

Exhibit 1

2024/25 Materiality levels for the Trusts

Materiality	Amount
Materiality – set at 1% of net assets	£257,000
Performance materiality – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£167,000
Reporting threshold – set at 5% of materiality.	£13,000

Source: Audit Scotland

Significant findings and key audit matters

19. ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for the trusts is the City of Edinburgh Council's Finance and Resources Committee.

20. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

21. 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.

22. We have only one key audit matter, which relates to the presentation of two individual trusts as going concerns.

- **The City of Edinburgh Council Charitable Fund (Boyd Anderson)**
- In 2023/24, the financial statements for this trust were prepared using a break-up basis of accounting, as it was considered that it is not a going concern. This is because the Office of the Scottish Charities Regulator (OSCR) has granted consent to wind up the trust, and the process is expected to be finalised after construction has been completed. As there is no indication that this project will be completed in the near future, it has been disclosed as a going concern. As a consequence, this charitable fund was able to be reported within the single set of consolidated charitable trust accounts.
- **Lauriston Castle Trust** – The City of Edinburgh Council has applied to the Court of Session to use the nobile officium to approve the winding up of the Lauriston Castle Trust and the transfer of assets to the council. This process is not yet complete. As the trust continues to have financial backing to utilise its assets and meet liabilities as they fall due, and particularly as the intention is to transfer ownership to the council, we have concluded that the going concern basis is appropriate.

Qualitative aspects of accounting practices

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

Accounting policies

24. The appropriateness of accounting policies adopted by the body was assessed as part of the audit. These were considered to be appropriate to the circumstances of the body, and there were no significant departures from the accounting policies set out in the Charities SORP (FRS 102)(2019).

Accounting estimates

25. Accounting estimates are used in the valuation of heritage assets, the reported operating costs for Lauriston Castle and expenditure for the Royal

Scots Monument. Audit work considered the process management has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts.

26. Audit work concluded:

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

27. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 22](#).

Significant matters discussed with management

28. All significant matters identified during the audit and discussed with the Trusts' management have been reported in this Annual Audit Report. In addition, our audit identified several less significant several presentational and disclosure findings which were adjusted in the financial statements.

Significant risks of material misstatement identified in the Annual Audit Plan

29. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 2](#).

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls (CECCT and CECCTF)</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"> • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries.

Risk of material misstatement	Planned audit response	Outcome of audit work
	<p>revenue and expenditure recognition around the year-end.</p> <ul style="list-style-type: none"> • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<ul style="list-style-type: none"> • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>
<p>Valuation of heritage assets (CECCT)</p> <p>CECCT held £21.7 million of heritage assets which are included in the accounts at valuation at 31 March 2024. Heritage assets at valuation comprised operational heritage assets (Nelson Halls buildings) valued £9.1 million and heritage asset land and buildings (Lauriston Castle buildings and grounds) valued at £12.6 million.</p> <p>There is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and these changes in the assumptions can result in material changes to valuations.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over the valuation process were appropriate. • The valuer had sufficient competence, capability, and objectivity to perform their work. • Management are involved in the valuation process and have an appropriate level of oversight. • The data and assumptions used in the 2024/25 valuation process were appropriate. <p>Conclusion: the valuation of heritage assets is not materially misstated.</p>

Risk of material misstatement	Planned audit response	Outcome of audit work
	<p>challenge these where required.</p> <ul style="list-style-type: none"> • Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required. 	

Source: Audit Scotland

Prior year recommendations

30. The body has made limited progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the body and are outlined in [Appendix 1](#).

Wider scope audit

Conclusions

The total value of awards made from the Edinburgh Education Trust is low. The trustee should take steps to encourage applications and reduce any administrative barriers to making awards.

The trustee should receive regular financial and non-financial reporting. This will help ensure that income is applied in accordance with the charitable objectives, and that the trusts are being managed effectively to deliver intended benefits.

The £1.3 million Edinburgh Education Trust has spent an average of 0.2% of its total funds on charitable activities over the past four years. The trustee must ensure the Trust complies with its charitable purpose

31. The Edinburgh Education Trust has cash and investments totalling £1.368 million, and annual income is around £32,000. In 2024/25, the trust funded £2,900 for prizes and awards to school pupils. The charity rolls forward any unused funds from the current year into the following year.

32. The total value of awards in year is very low when compared to the total value of the trust, including its investments. The awards of £2,900 in 2024/25 represents only around 0.2% of total funds.

Exhibit 3

Edinburgh Education Trust – summary of balances 2021/22 to 2024/25

Year	Expenditure made on charitable activities (000s)	Balance of total funds remaining * (£000s)	Percentage of total funds spent on charitable activities
2021/22	3	1,282	0.2%
2022/23	3	1,257	0.2%
2023/24	3	1,367	0.2%
2024/25	3	1,343	0.2%

Source: The City of Edinburgh Council Charitable Trusts Annual Report and Accounts

* Note that the total funds includes endowment funds.

33. Over the past two years, efforts relating to the Education Trust have been intermittent and primarily concentrated on administrative and strategic matters —such as establishing working groups and engaging in ongoing deliberations about governance. These activities, while important, have not resulted in any expenditure on charitable activities. While robust due diligence and governance are essential, prolonged focus on process design appears to have contributed to the lack of grant-making activity.

34. We continue to recommend, as we did in 2022/23 and in 2023/24, that the trustee takes steps to make the charity's existence more widely known and encourage awards to be made. As the appointed auditors of the Section 106 charities administered by the council, we are required to consider whether the funds held within the trusts are being used for the purposes intended. This includes reporting any inappropriate use of funds or prolonged lack of activity - the 'public benefit' test.

35. Since September 2025 there have been positive developments. A report was considered by the Children, Education and Families Committee that month which noted steps had been taken to improve governance and update the guidelines and application process. Reporting to the council has been inconsistent, however, in its description of the trust's official purpose, the level of past awards, and the identification of trustees.

36. We recommend that a streamlined governance, application and awarding process is developed, with proportionate controls to support timely and effective disbursement of funds. For example, an application form or assessment criteria has not yet been finalised, or a decision to make applications publicly accessible.

Recommendation 1

The council, as trustee of the Edinburgh Education Trust, should take steps to encourage applications and reduce any administrative barriers to making awards. A streamlined governance, application and awarding process should be developed, with proportionate controls to support timely and effective disbursement of funds.

(Recommendation carried forward from 2022/23 and 2023/24)

The trustee should decide the best course of action for newly-liquidated funds

37. In June 2025, the trusts liquidated approximately £346,000 of assets previously held in a Charibond investment, following the fund's announcement of its closure. This is now held in the cash fund, managed by the council's treasury function. The trustee should consider how best to utilise these proceeds – which could include reinvesting in a similar fund or retaining as cash for charitable activities.

Financial and non-financial information should be provided more frequently to trustees to support effective oversight and governance of the trusts

38. The sole trustee of all the council's charitable trusts is the Finance and Resources Committee, as delegated by the council. However, the committee does not receive regular financial information on income generated or expenditure incurred on the trusts, except for the annual accounts once per year. There is a separate Jean F Watson committee which approves funds to be used to purchase artworks.

39. In 2020/21, the previous external auditor of the trusts reported there is a risk that income is not spent in accordance with the charitable objectives, and recommended that regular financial information should be presented to the committee. We are not aware of regular updates being provided since this recommendation.

40. As the committee with delegated responsibility as trustee, it should receive regular financial and non-financial information to ensure that income generated is applied in accordance with the charitable objectives of all the trusts and that they are being managed properly to benefit those intended.

Recommendation 2

The Finance and Resources Committee, as delegated trustee, should receive regular financial and non-financial reporting on the trusts. This will help ensure that income is applied in accordance with the charitable objectives, and that the trusts are being managed effectively to deliver intended benefits.

Assets of Lauriston Castle Trust are expected to be transferred to the council

41. The Finance and Resources Committee has applied to the Court of Session to use the nobile officium to approve the winding up of the Lauriston Castle Trust and the transfer of assets to the City of Edinburgh Council. We understand this process remains underway.

42. The trustee and the council should seek to make relevant information publicly available where possible, provide clarity on future plans, and engage in meaningful consultation with key stakeholders regarding the future of the castle and grounds, and its collection.

Recommendation 3

The council, as trustee of the Lauriston Castle Trust, should engage with key stakeholders and provide clarity around future plans for the castle, its grounds, and its collection.

The project to wind up the charitable fund and use the funds to build storage space at Lagganlia has been delayed for nine years

43. The purpose of the City of Edinburgh Council Charitable Fund is to provide outdoor education and skiing opportunities. The fund has a total cash balance of around £88,000 as at 31st March 2025.

44. The project to wind up the charitable fund and construct an outdoor classroom at Lagganlia was approved in 2016, but construction delays lasted several years and the project deliverable has now changed to provision of storage space. The latest estimated date for completion and winding up of the Trust is unknown. Given the funds are unlikely to be spent in 2025/26, the Funds have been included in the Charitable Trusts accounts on a going concern basis rather than a breakup basis as in previous years. The trustee should take action to ensure the project is appropriately progressed, managed and monitored.

Prior -year recommendation 1

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Edinburgh Education Trust In recent years the Edinburgh Education Trust has paid out a relatively low level of grants in comparison to funds held.	The council, as trustee of the Edinburgh Education Trust, should take steps to encourage applications and reduce any administrative barriers to making awards. A streamlined governance, application and awarding process should be developed, with proportionate controls to support timely and effective disbursement of funds. (Re-raised from 2022/23 and 2023/24)	Accepted Circulate updated guidance and new application forms to head teachers, Wider Achievement and Lifelong Learning managers and social work managers by November 2025. Awards panel agreed and to be convened, meeting quarterly with February 2026 panel to allocate first awards. Head of Wider Achievement and Lifelong Learning April 2026
2. Oversight and reporting The finance and resources committee does not receive regular financial information on income generated or expenditure incurred on the trusts, except for the annual accounts once per year.	The Finance and Resources Committee, as delegated trustee, should receive regular financial and non-financial reporting on the trusts. This will help ensure that income is applied in accordance with the charitable objectives, and that the trusts are being managed effectively to deliver intended benefits.	Accepted Given the relatively low volume and value of transactions during the year, a six-monthly update of financial and other activity will be reintroduced to the Business Bulletin. Acting Principal Accountant – Corporate Accounts From April 2026
3. Lauriston Castle Trust The legal process to wind up the Lauriston Castle Trust and transfer its assets to the City of Edinburgh Council is in progress.	The council, as trustee of the Lauriston Castle Trust, should engage with key stakeholders and provide clarity around future plans for the castle, its grounds, and its collection.	Accepted Officers to engage with interested parties on a regular basis. A further governance update will be issued once the assets of the trust have been formally transferred to the Council. This is subject to certain procedural steps, but

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		<p>is likely to be achieved by Spring 2026. Updates will be provided if this timescale is not likely to be met.</p> <p>Head of Service - Heritage, Cultural Venues, Museums & Galleries From April 2026</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update from the trustee
<p>1. Delays to winding up the Boyd Anderson charitable fund</p> <p>There have been significant construction delays to the outdoor education project. The charitable fund still holds a sizeable cash balance nine years since the decision to disburse the remaining funds.</p>	<p>Trustees should ensure this project is appropriately progressed, managed and monitored.</p> <p>Agreed action (December 2024): In light of the significant contract inflation, the project was reviewed post pandemic and a revised proposal has now been accepted by the Council's commissioning team.</p> <p>It is expected that the tender process to re-appoint a contractor will be completed by March 2025, after which the construction work at Lagganlia will commence. Updates will be included in the Business Bulletin as this work progresses.</p> <p>Responsible officer: Wider Achievement & Lifelong Learning Manager (Outdoor Learning)</p> <p>Original target date: December 2025</p>	<p>Not implemented</p> <p>Planning application has to be resubmitted. Following approval of planning permission, the tender process will commence with estimated contract award by March 2026, after which the construction work will commence, subject to resolving outstanding infrastructure issues. Updates will be included in the Business Bulletin as this work progresses.</p> <p>Principal Officer Outdoor Learning September 2026</p>

The City of Edinburgh Council Charitable Trusts

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