

Coats Observatory Trust Fund

2023/24 Annual Audit Report to the Audit, Risk and Scrutiny Board and the Accounts Commission

September 2024



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Key messages

Financial statements audit

Audit opinion	The annual accounts are due to be considered by the Audit, Risk and Scrutiny Board on 22 October 2024 and approved upon completion of the audit. We anticipate our independent auditor's report to be unqualified.
Key audit findings	The Trust had appropriate administrative processes in place to prepare the annual accounts and the supporting working papers. We have obtained adequate evidence in relation to the key audit risks identified in our audit plan. The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately. This is subject to the completion of the final audit senior management review.
Audit adjustments	The financial statements have been updated for all the potential audit adjustments identified during the audit process. We also identified some disclosure and presentational adjustments during our audit. As part of our completion procedures, we will confirm these have been reflected in the final set of financial statements.
Accounting systems and internal controls	We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess The Trust's processes and internal controls relating to the financial reporting process. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. We consider the control environment within The Trust to be satisfactory.

Introduction

The annual audit comprises the audit of the financial statements.

We outlined the scope of our audit in our External Audit Plan for Renfrewshire Council (“the Council”), which we presented to the Board at the outset of our audit. We have not made any subsequent changes to the risks outlined in that plan.

Responsibilities

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment.

The Trust is Renfrewshire Council’s charitable trust and is covered by the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit. Each registered charitable trust has required a full audit since 2013/14.

Coats Observatory Trust Fund is a registered charity preparing its accounts on an accruals basis.

The Trustees are responsible for preparing its annual accounts, including financial statements which properly present the receipts and payments, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council’s (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	We conduct our audit in accordance with applicable law and International Standards on Auditing. Our findings / conclusions to inform our opinion are set out in this section of our annual report.	We expect to issue an unqualified audit opinion on the annual accounts. We identified material adjustment during our audit of the financial statements, as set out in Appendix 2. Management agreed to amend the draft financial statements for this change and related presentational points we identified. We received the draft annual accounts and supporting papers in line with our audit timetable and those draft accounts were of good quality. Further information and revisions were provided promptly where required. Our thanks go to the Finance team for their assistance with our work.
Opinions prescribed by the by the Accounts Commission on the Trustees' Annual Report	We plan and perform audit procedures to gain assurance that the information given in the Trustees' Annual Report is consistent with the financial statements and that report has been prepared in accordance with The Charity Accounts (Scotland) Regulations 2006.	We have no matters to report.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion: - adequate accounting records have not been kept; or - the financial statements are not in agreement with the accounting records; or - we have not received all the information and explanations we require for our audit.	We have no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan for the Renfrewshire Council, which was presented to the Audit, Risk and Scrutiny Board in March 2024. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to The Trust. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

At the planning stage, we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures are designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our anticipated opinion on the annual accounts is not modified with respect to any of the risks described below.

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
Significant risk description	Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits. This was considered to be a significant risk and Key Audit Matter for the audit. Inherent risk of material misstatement: Very High
How the scope of our audit responded to the significant risk	Key judgement There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions. Audit procedures • Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined criteria for selecting high risk and / or unusual journals. • Tested high risk and / or unusual journals posted during the year and after the unaudited financial statements stage back to supporting documentation for appropriateness, corroboration and ensured approval has been undertaken in line with the Board's journals policy. • Gained an understanding of the accounting estimates and critical judgements made by management. We

Risk area	Management override of controls
	challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Key observations	We did not identify any indication of management override of controls in the year.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Valuation of the Trust land and buildings
Significant risk description	The valuation of Coats Observatory land and buildings is based on fair value, determined as the market value that would be paid for the asset in its current use. Valuation is provided by the Council Valuer and updated as a minimum every five years. The latest valuation of the office was 31 March 2022 and Coats Observatory building was 31 March 2021. Inherent risk of material misstatement: Assets (valuation): High
How the scope of our audit responded to the significant risk	Key judgements There is a significant degree of subjectivity in the measurement and valuation of land and buildings. This subjectivity and the material nature of the Trust's asset base represents an increased risk of misstatement in the annual accounts. Audit procedures Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating the competence, capabilities and objectivity of the valuation expert. • Considering the basis on which the valuation is carried out and the challenge in the key assumptions applied. • Testing the information used by the valuer to ensure it is complete and consistent with our understanding. If there have been any specific changes to the assets in the year, we will ensure these have been communicated to the valuer
Key observations	The assets have been completely refurbished and became unusable since the construction has commenced. According to the Local Authority Capital Accounting Manual, the Trust might consider transferring the value previously held under operational property, plant and

Key risk area	Valuation of the Trust land and buildings
	equipment to assets under construction. The Trust has decided to use this option. As the assets are classified as assets under construction, they will be measured at historical cost. Prior year and current year figures have been adjusted to show the latest valuation amount, including construction spend. We are satisfied that we have obtained reasonable assurance over the classification in the financial statements relating to the asset.

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of PHS and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to PHS and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the financial statements was £20,300. On receipt of the 2023/24 unaudited financial statements, we reassessed materiality and kept it at the same level as our initial assessment. We consider that our updated assessment has remained appropriate throughout our audit.

	£
Overall materiality for the financial statements	20,300
Performance materiality (75% of materiality)	15,200
Trivial threshold	1,000

Materiality

Our assessment is made with reference to The Trust's gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance of The Trust.

Our assessment of materiality equates to approximately 3% of gross assets as disclosed in the 2023/24 unaudited annual accounts.

We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our materiality levels set. We perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out.

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceeds overall materiality.

Trivial misstatements

Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Audit differences

We identified a significant change to the draft financial statements during our audit, relating to the disclosure of capital spend on the Trust assets. This affected the prior year as well as 2023/24, and is set out in more detail in Appendix 2. Management agreed to amend the financial statements for this adjustment. The overall impact of the adjustments made on the financial statements of the Trust was:

- £839,198 increase to reserve
- £839,198 increase to net assets

We also identified disclosure and presentational adjustments during our audit which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Audit, Risk and Scrutiny Board. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

We did not identify any significant control weaknesses during our audit.

Other communications

Accounting policies, presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by The Trust.

The accounting policies, which are disclosed in the financial statements are considered appropriate. The accounting policies used in preparing the financial statements are unchanged from the previous year.

There are no significant financial statements disclosures that we consider should be brought to the attention of The Trust. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately. Overall, we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Audit, Risk and Scrutiny Board. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting The Trust. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations

We requested written representations from management, and these have been shared with the Audit, Risk and Scrutiny Board alongside this report, and are due to be approved and signed alongside the financial statements upon completion.

Related parties

We are not aware of any related party transactions which have not been disclosed.

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Appendix 1: Responsibilities of The Trust and the Auditor

The Trust's responsibilities

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Director of Finance and Resources has been designated as that officer in Renfrewshire Council. They manage the affairs of the Council to secure the economic, efficient and effective use of resources and safeguard its assets and those of any charitable trust it controls.

Area	The Trust's responsibilities
Corporate governance	The Director of Finance and Resources has responsibility for ensuring that an effective system of internal financial control is maintained and operated. This system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are recorded and properly authorised, and that material errors or irregularities are either prevented, or detected within a timely period. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures and a system of delegation and accountability. The Director of Finance and Resources is responsible for keeping proper accounting records that are up to date and ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice (SoRP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities published on 16 July 2014. Decisions regarding the operation, assets, processes or policies of the Trust Fund are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB).
Internal Control	The Trustees have overall responsibility for the Trust Funds' system of internal control. This system is designed by senior management to ensure effective and efficient operation, including financial reporting and compliance with laws and regulations. The Trustees acknowledge that such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Area	The Trust's responsibilities
Standards of conduct for prevention and detection of fraud and error	The Trust is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and to ensure that its affairs are managed in accordance with proper standards of conduct.

Auditor responsibilities

Our 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 our 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, Charities and Trustee Investment (Scotland) Act 2005 and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charity;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charity/charities;
- inquiring of the Trustees concerning the charity's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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. This description forms part of our auditor's report.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2023/24](#)

Independence

The Ethical Standards and ISA (UK) 260 require us to give The Trust and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we have no matters to bring to the Audit, Risk and Scrutiny Board's attention.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Our period of total uninterrupted appointment as at the end of 31 March 2024 was two years.

Audit fees

The total fees charged to the entity for the provision of services in 2023/24 were as follows. Prior year charges are also shown for comparative purposes:

Fee element	2023/24	2022/23
Auditor remuneration	£6,300	£6,000
Total fees	£6,300	£6,000

The FRC's Ethical Standard stipulates that where an auditor undertakes non-audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We have not provided any non-audit services to The Trust.

Appendix 2: Audit differences identified during the audit

We are required to inform the Board of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit.

Adjusted misstatements

Details of the item corrected following discussions with management is as below.

No	Detail	Assets Dr / (Cr) £	Liabilities Dr / (Cr) £	Reserves Dr / (Cr) £	Statement of Financial Activities Dr / (Cr) £
1.	Prior year restatement				
	Classification of buildings to asset under construction and adjustment to the asset value base on the latest valuation date.				
	DR Asset under construction	628,013			
	CR Restricted Funds				
	CR Building	(604,943)		(23,070)	
2.	Prior year restatement				
	Correction of total receipted and payments which represents an estimate of in-year spend on the Paisley Museum Reimagined project that relates directly to the refurbishment of the Coats Observatory and associated buildings.				
	The spend was directly incurred by Renfrewshire				

No	Detail	Assets Dr / (Cr) £	Liabilities Dr / (Cr) £	Reserves Dr / (Cr) £	Statement of Financial Activities Dr / (Cr) £
	Council, but the property is owned by the Trust, so corresponding income has been disclosed as though donated to the Trust to fund the related spend.				
	DR Asset under construction	337,791			
	CR Restricted Funds			(337,791)	
3.	Correction of total receipted and payments which represents an estimate of in-year spend on the Paisley Museum Reimagined project that relates directly to the refurbishment of the Coats Observatory and associated buildings for 23/24.				
	DR Asset under construction	455,269			
	CR Donation from Renfrewshire Council re refurbishment of Trust assets				(455,269)
	DR Expenditure relating directly to charitable activities				455,269
	CR Restricted Funds			(455,269)	

No	Detail	Assets Dr / (Cr) £	Liabilities Dr / (Cr) £	Reserves Dr / (Cr) £	Statement of Financial Activities Dr / (Cr) £
4.	Depreciation to be reversed in 2023/24 due to Asset Under Construction classification				
	DR Building	23,068			
	CR Depreciation expense				(23,068)

Net impact on reserve	(839,198)
Net impact on net assets	839,198

Disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Trust.

Details of disclosure changes amended by management following discussions are as below.

No	Detail
1.	Accounting policies – asset disclosure
2.	Accounting basis – The accounts have been prepared using the accruals basis whereby total income and expenditure have been recorded when they were earned or incurred. This was changed from the previous year audited

account which have been prepared using the cash basis as the Trust has a gross annual income over £250,000 threshold in the current year.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

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