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AUDIT SCOTLAND

The Trustees of the Highland Council (Section 106) Charitable Trust Funds

11 November 2026

Highland Council Charitable Trust Funds
Audit of the 2025/26 annual accounts

Independent Auditor's Report

1. My audit work on the 2025/26 annual accounts is now substantially complete. I anticipate being able to issue unmodified audit opinions in the Independent Auditor's Report on 11 November 2026 following The Highland Council Audit Committee. The proposed Independent Auditor's Report is attached at Appendix A.

Annual Audit Report

2. Under International Standards on Auditing in the UK (ISA (UK)), I am required to report specific matters identified from the audit of the annual accounts to those charged with governance of Highland Council Charitable Trust Funds in sufficient time to enable appropriate action. For Highland Council Charitable Trust Funds, those charged with governance are the trustees who are also elected members of The Highland Council. I present for consideration my draft Annual Audit Report on the 2025/26 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts, including those that I am required to report to you.

3. The Annual Audit Report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. The Annual Audit Report will be issued in final form after the audit of the annual accounts has been completed.

Uncorrected misstatements

5. I also report to those charged with governance all uncorrected misstatements in the annual accounts which I have identified during the course of my audit, other than those of a trivial nature, and request that these misstatements be corrected.

6. There are no uncorrected misstatements to report.

Other ISA (UK) matters

7. In presenting this letter and the Annual Audit Report to the trustees, I seek confirmation from those charged with governance on:

- whether they are aware of any instances of actual, suspected, or alleged fraud,
- whether they are aware of any subsequent events that have occurred since the date of the financial statements,
- whether they are content that the methods, assumptions, and data used in making accounting estimates in the annual accounts are appropriate,
- whether all related party relationships and transactions they are aware of are reflected in the annual accounts, and
- whether they are aware of any non-compliance with laws and regulations.

8. Any issues that I have identified from my audit in relation to other ISA (UK) matters that I am required to report to those charged with governance have been reported in the section headed “Other matters to report” in the Annual Audit Report.

Representations from the Section 95 Officer

9. As part of the completion of the audit, I am seeking written representations from the Treasurer, who is the Section 95 Officer, on aspects of the annual accounts.

10. A draft letter of representations is attached at Appendix B. This alongside the annual accounts will be signed using DocuSign following The Highland Council Audit Committee meeting on 11 November 2026. This takes place prior to the Independent Auditor’s Report being signed.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of Highland Council Charitable Trust Funds and the Accounts Commission

Reporting 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 Highland Council Charitable Trust Funds for the year ended 31 March 2026 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 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 Highland Council Charitable Trust Funds for the year ended 31 March 2026 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 Highland Council Charitable Trust Funds 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 Statement of Trustees' Responsibilities, the trustees are responsible for the preparation and proper presentation of financial statements in accordance with the financial reporting framework, and for such internal control as the trustees determines 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.

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

- using my 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 Highland Council Charitable Trust Funds;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Highland Council Charitable Trust Funds;
- inquiring of the Trustees concerning the Highland Council Charitable Trust Funds' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my 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 my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Highland Council Charitable Trust Funds 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 my auditor's report.

Reporting on other requirements

Other information

The trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

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 Charity 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 108 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.

Esther Scoburgh CPFA
Senior Audit Manager

Audit Scotland
102 West Port
Edinburgh
EH3 9DN

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

Appendix B: Letter of Representations (ISA (UK) 580) [to be reproduced on the audited body's letterhead]

Esther Scoburgh, CPFA
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Highland Council Charitable Trust Funds
Annual accounts 2025/26

Dear Esther,

This representation letter is provided in connection with your audit of the annual accounts of Highland Council Charitable Trust Funds, for the year ended 31 March 2026 for the purpose of expressing an opinion as to whether the financial statements properly present the receipts and payments and have been properly prepared.

I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of Highland Council Charitable Trust Funds annual accounts for the year ended 31 March 2026.

General

I have fulfilled my responsibilities for the preparation of the 2025/26 annual accounts as set out in your 2025/26 Annual Audit Plan. All accounting records, documentation and other matters of which I am aware that 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 Highland Council Charitable Trust Funds have been recorded in the accounting records and are properly reflected in the financial statements.

I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. As you have reported, there are no uncorrected misstatements.

Financial Reporting Framework

The annual accounts have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and The Charities Accounts (Scotland) Regulations 2006 and properly present the receipts and payments for the year and balances held at 31 March 2026.

I have ensured that the financial statements properly present the receipts and payments and the balances held by Highland Council Charitable Trust Funds at 31 March 2026.

Going Concern Basis of Accounting

I have assessed Highland Council Charitable Trust Funds' ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Highland Council Charitable Trust Funds' ability to continue to adopt the going concern basis of accounting.

Funds

The investments and cash shown in the statement of balances at 31 March 2026 were owned by the Highland Council Charitable Trust Funds. Owned assets are free from any lien, encumbrance, or charge, except as disclosed in the financial statements. There are no plans or intentions that would require disclosure in the financial statements in relation to the investments and balances held by the Trust Funds.

Fraud

I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud,
- any allegations of fraud or suspected fraud affecting the financial statements, and
- 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

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

All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements. I have made available to you the identity of all of Highland Council Charitable Trust Funds related parties and all the related party transactions of which I am aware.

Trustee’s Annual Report

I confirm that the Trustee’s Annual Report has been prepared in accordance with statutory guidance and the information is consistent with the financial statements.

Corporate Governance

I confirm that there are no issues or deficiencies in internal control that require to be disclosed. There have been no changes in the corporate governance arrangements, or issues identified, since 31 March 2026 which require to be disclosed.

Events Subsequent to the Date of the Balance Sheet

All events occurring after 31 March 2026 that require adjustment to, or disclosure in, the financial statements have been appropriately adjusted or disclosed.

Yours sincerely

Brian Porter CPFA

Treasurer