



ORKNEY
ISLANDS COUNCIL

Orkney Educational Trust

Charity Number: SC019752

**Trustees' Report and Financial Statements for the
Year Ended: 31 march 2015.**

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Trustees' Annual Report

1. Introduction

Orkney Islands Council acts as the sole trustee for the Orkney Educational Trust SC019752 which has charitable status and is registered with the Office of the Scottish Charity Regulator (OSCR).

The principal address for the Orkney Educational Trust (OET) is:

Orkney Islands Council, School Place, Kirkwall, Orkney, KW15 1NY.

Orkney Islands Council administers the OET and separately accounts for it. They do not form part of the Council's single entity balance sheet, although under s222 of the Local Government (Scotland) Act 1973, the property of the OET 'vest(s) in' the relevant local authority. However they are included in the annual accounts of the Council as a Note to the main financial statements. The appointed external auditors are:

Audit Scotland, 4th Floor South Suite, The Athenaeum Building, 8 Nelson Mandela Place, Glasgow, G2 1BT.

Trustees

In terms of the 'Trustees' of OET, the guidance provided by OSCR is that those who have 'general control and management' of the charity are the charity trustees. Decisions regarding the general control and management of the OET are made under delegated powers granted to the Education, Leisure and Housing Service (ELH) on their appointment by Orkney Islands Council.

The following individuals are the Trustees of the OET in their capacity as elected Councillors of Orkney Islands Council:

Trustee Names

- Mr Alan Clouston.
- Mr Alistair Gordon.
- Mr Andrew Drever.
- Mr Bill Stout.
- Mr David Tullock.
- Mr Graham Sinclair.
- Ms Gwenda Shearer.
- Mr Harvey Johnston.
- Mr James Stockan.
- Ms Janice Annal.
- Mr Jim Foubister.
- Mr Jimmy Moar.
- Mr John Richards.
- Mr Maurice Davidson.
- Mr Owen Tierney.
- Mr Rob Crichton.

- Mr Russ Madge.
- Dr Stephen Clackson.
- Mr Stephen Hagan.
- Dr Steve Heddle.
- Mr Jack Moodie (resigned 8 September 2014).
- Mr W Leslie Manson (appointed 28 November 2014).

2. Structure, Governance and Management

Structure

The Council is a Local Authority incorporated under the Local Government (Scotland) Act 1973, which has assumed responsibility for the management of the charity for the common good of the people of Orkney which includes the following broad categories:

- Relief of those disadvantaged by poverty, health or disability.
- Advancement of education, religion, arts recreation and sport.
- Promotion of equality and diversity ; and
- Any other purpose that may be regarded as analogous to any of the preceding purposes.

The Orkney Educational Trust Scheme was prepared by the Secretary of State for Scotland on 21.12.1961, under the Education (Scotland) Acts 1939 to 1956. The restrictions on disbursement of funds is founded in this act.

The funds within the OET were originally constituted in the form of bequests by individuals or families who entrusted the predecessors of the Local Authority with the task of managing the funds to promote general educational projects and support students through bursaries and educational travel.

Governance and Management

The trustees are responsible for preparing the Trustees report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Charity law requires the trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charity and the incoming resources and application of resources, including the income and expenditure, of the charity for that period. In preparing these financial statements, the trustees are required to:

- Identify suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which ensure that the financial statements comply with the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) regulations 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees have delegated responsibility for the proper administration of the funds financial affairs to the Head of Finance of Orkney Islands Council. The Head of Finance, through the delegated powers granted to the trustees, manages the affairs of the Trust to secure the economic, efficient and effective use of resources and safeguard the assets of OET.

The Head of Finance has designated responsibility for ensuring an effective system of internal financial control is maintained and operated. The system of internal financial control can only provide reasonable and not an absolute assurance that assets are safeguarded, transactions are recorded and properly authorised, and that material errors or irregularities are either prevented or would be 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 Head of Finance has designated responsibility for keeping proper accounting records which are up to date and which ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

The Trustees have delegated the day to day review of applications and decision of grant making to the Education, Housing and Leisure committee.

Grant Making Policy

The Trust focuses on applications that promote the common good of the people of Orkney and can usually be categorised into one of the above main broad categories. Applications for general educational projects and those which support students through bursaries and educational travel will be particularly encouraged. Subject to the former elements of the Trust's grant-making policy, no restrictions are imposed on the purpose for which a grant may be made; thus applications support towards capital projects, other projects or core costs are considered. If any grants were to be made in excess of £10,000 the trustees would require follow up documentation proving that monies are spent in accordance with the approved purpose.

Risk

Orkney Islands Council have overall responsibility for the OET's system of internal control that is designed by senior management to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations. The Council 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.

3. Objectives and Activities

Incoming resources to the OET fund is from debtor interest, legacies and donations. No donations to the fund are solicited. Local schools make applications for donations to support talented and high achieving individuals and for students to attend mainland events. The trustees made an application to the Office of the Scottish Charity Regulator (OSCR) for approval of a re-organisation scheme to transfer the assets of the Charity to the Orkney Islands General Charitable Trust, a registered Scottish charity (SC044607). The aim of the re-organisation is intended to obtain greater administration efficiencies and reduced costs as a result of synergy obtained from the reorganisation. Approval of the reorganisation was granted by OSCR on 16 June 2015.

4. Achievements and Performance

The fund made charitable payments of £3,600 in the year, being 6.5% of the fund value at the beginning of the year. Details of the Charitable Funds available were publicly advertised inviting applications, which were subsequently considered.

5. Financial Review

The OET reserves policy is to hold all assets in the form of cash balances within the Council Loans Fund to enable ease of disbursement of funds. During the year reserves decreased from £55,426 to £52,547 being a decrease of £2,879.

6. Reserves Policy

It is intended that the reserves held by the charity will be transferred to the Orkney Islands General Charitable Trust, a registered Scottish charity (SC044607).

7. Future Plans

Approval has been granted by the Office of Scottish Charity Regulator for the assets of The Orkney Educational Trust to be transferred into the Orkney Islands General Charitable Trust, a registered Scottish charity (SC044607).

The trustees anticipate the reorganisation to take place during the 2015/16 financial year. As a result of its likely reorganisation the Charity will be closed down.

The Trustees wish to thank the Orkney Islands Council officers involved in the production of the Report and Financial Statements.

Signed:

Alistair Buchan
Chief Executive
Orkney Islands Council
23 September 2015



Signed:

Gareth Waterson
Head of Finance
Orkney Islands Council
23 September 2015



On behalf of the Trustees

Signed:

Dr Steven Heddle
Convener
Orkney Islands Council
23 September 2015



Statement of the Trustees' Responsibilities in Respect of the Accounts

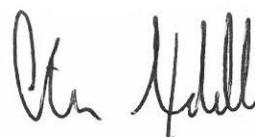
The Trustees are responsible for preparing the Trustees' report and accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Law applicable to charities in Scotland required the Trustees to prepare financial statements for each financial year which gives a true and fair view of the Trust's financial activities during the year and of its financial position at the end of the year. In preparing financial statements, giving a true and fair view, the Trustees are required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the ongoing basis unless it is inappropriate to presume that the Trust will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and which enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) regulations 2006 and the provision of the Trust Deed. The Trustees are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention or detection of fraud and other irregularities.

On behalf of the Trustees



Signed:

Dr Steven Heddle

Convener

Orkney Islands Council

23 September 2015

Trust Accounts Financial Statements Overview

1. Introduction

The following pages detail the Statement of Financial Activities, the Balance Sheet and relevant Notes to the financial statements, as required by the Charities Accounts (Scotland) Regulations 2006. A Cash Flow Statement is not required as the fund is classified as a small charity as defined in the Charities SORP and therefore exempt from producing a Cash Flow Statement.

2. Statement of Financial Activities

The Statement of Financial Activities provides an analysis of the incoming and expended resources to the fund.

If applicable the Statement would also show any cash movements in relation to fixed assets. In the case of the OET, there has been no purchase or sale of fixed assets.

3. Balance Sheet

The Balance Sheet records the closing balances of the Assets and Liabilities of the fund at the end of the period, together with prior year comparisons.

4. Notes to the Financial Statements

Notes to the accounts expand on or explain the information contained in the Statement of Financial Activities and the Balance Sheet.

Statement of Financial Activities for the period ended 31 March 2015

| | Notes | Unrestricted 2015 £'s | Unrestricted 2014 £'s |
|---|-------|--------------------------|--------------------------|
| <u>Incoming Resources</u> | | | |
| Incoming resources from generated funds | | | |
| Voluntary income - legacies | 5 | 740 | 1,317 |
| Investment income from Debtors | 6 | 361 | 632 |
| Orkney Islands Council Donation | 10 | 1,000 | 0 |
| <u>Total Incoming Resources</u> | | 2,101 | 1,949 |
| <u>Resources Expended</u> | | | |
| Charitable activities | 7 | 3,600 | 7,330 |
| Governance costs | 7 | 380 | 1,324 |
| Administration and facilities | 10 | 1,000 | 0 |
| <u>Total Resources Expended</u> | | 4,980 | 8,654 |
| Net Income / (outgoing) resources before transfers | 8 | (2,879) | (6,705) |
| Net movement in funds | 8 | (2,879) | (6,705) |
| Total Funds brought Forward | 8 | 55,426 | 62,131 |
| Total Funds carried forward | 8 | 52,547 | 55,426 |

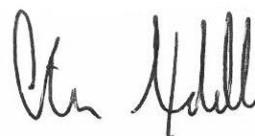
Balance Sheet for the period ended 31 March 2015

| | Notes | 2015 £'s | 2014 £'s |
|------------------------------|-------|---------------|---------------|
| Current Assets | | | |
| Debtor - Short term deposits | 9 | 52,547 | 55,426 |
| Net Current Assets | | <u>52,547</u> | <u>55,426</u> |
| Net Assets | | <u>52,547</u> | <u>55,426</u> |
| Unrestricted Funds | | | |
| General Funds | | 52,547 | 55,426 |
| Total Funds | | <u>52,547</u> | <u>55,426</u> |

The unaudited accounts were issued on 25 June 2015 and the audited accounts were authorised for issue on 23 September 2015.

On behalf of the Trustees

Signed:



Dr Steven Heddle
Convener
Orkney Islands Council
23 September 2015

Notes forming part of the Financial Statements

1. Accounting Policies

Introduction

The Financial Statements for the period ended 31 March 2015 and preceding year have been compiled in accordance with the Charities Statement of Recommended Practice (the SORP), UK Generally Accepted Accounting Principles (UK GAAP) and the Charities Accounts (Scotland) Regulations 2006. They are designed to give a true and fair view of the financial performance and position of OET. There are no significant departures from accounting standards. The accounts are prepared on an accruals basis.

The accounting concepts of 'materiality' and 'going concern' have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion.

The charity has adopted the requirements of the Statement of Recommended Practice: Accounting and Reporting by Charities (issued February 2005) for the first time. There are no material differences between the accounts of the charity previously prepared on a receipts basis and so no restatement to them has been necessary.

The accounts have been prepared under historic cost convention. The following accounting policies used in its preparation have been reviewed following the introduction of Financial Reporting Standard 18 'Accounting Policies' (FRS18).

Incoming Resources

Recognition of incoming resources

These are analysed between Unrestricted, Restricted and Endowment Funds and are included in the Statement of Financial Activity when:

- The charity becomes entitled to the resources;
- The trustees are reasonably certain they will receive the resources; and
- The monetary value can be measured with sufficient reliability.

Grants and Donations

Grants and donations are only included in the Statement of Financial Activity when the charity has unconditional entitlement to the resources.

Gifts in Kind

Gifts in kind are not reflected in the Statement of Financial Activity, but are referred to when necessary in the Trustees Annual Report.

Investment Income

This is included in the accounts on an accruals basis.

Investment Gains and Losses

This would include any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to market value at the end of the period.

Resources Expended

Liability Recognition

Liabilities are recognised on an accruals basis as the liability is incurred.

Charitable Activities

Decisions regarding the way the OET's resources are expended are taken by ELH under delegated powers granted to them by Orkney Islands Council.

Costs of Generating Funds

The cost of administering the OET is borne entirely by Orkney Islands Council.

Governance Costs

Governance costs, where applicable, include the:

- Costs of the preparation and examination of the annual report and financial statements;
- Cost of any legal advice to trustees on governance or constitutional matters; and
- Cost of administering grants

Grants Payable without Performance Conditions

These are recognised in the accounts when the grant is approved.

Assets

The OET holds no assets other than cash, therefore the requirement to disclose accounting policies in respect of fixed asset valuation, depreciation and impairment is negated.

2. Analysis of Payments

Grants totalling £3,600 were paid to 41 recipients during the year and costs totalling £ 380 were incurred in respect of audit and advertising fees. There is no significant delay between grants approved and grants paid.

3. Trustees' Remuneration and Expenses

Neither the officers involved with administering the OET nor any associated person connected with them have received any remuneration for their services. Further, no directly incurred expenses were reimbursed to the trustees during the period.

4. Related Parties

During the period, the OET balances were invested by Orkney Islands Council, who managed the administration of the Fund on behalf of the Trustees. No costs were incurred by OET for this administration. The Council also acts as the banker for OET and all transactions incoming and expended, are made via the Council's accounts.

This creates a debtor as detailed in the Fund's balance sheet, labelled as short term deposits. There are no outstanding balances due to or from Orkney Islands Council. Interest income of £361 has been received in the year from Orkney Islands Council in relation to the debtor balance held.

5. Voluntary Income Analysis

| | Unrestricted Funds 2015 £'s | Unrestricted Funds 2014 £'s |
|-------------------------|--------------------------------------|--------------------------------------|
| Voluntary income | <u> </u> | <u> </u> |
| Legacies | <u> 740</u> | <u> 1,317</u> |

6. Investment Income Analysis

| | Unrestricted Funds 2015 £'s | Unrestricted Funds 2014 £'s |
|--------------------------|--------------------------------------|--------------------------------------|
| Investment Income | <u> </u> | <u> </u> |
| Deposit interest | <u> 361</u> | <u> 632</u> |

7. Resources Expended Analysis

| | Unrestricted Funds 2015 £'s | Unrestricted Funds 2014 £'s |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Charitable Activities | | |
| Grants and Donations to individuals | 3,600 | 7,330 |
| | <u>3,600</u> | <u>7,330</u> |
| Governance Costs | | |
| Auditors Fees | 200 | 550 |
| Other Costs | 180 | 774 |
| | <u>380</u> | <u>1,324</u> |
| Total | <u><u>3,980</u></u> | <u><u>8654</u></u> |

8. Movement in Fund Analysis

| | At 1 April 2014 £'s | Incoming Resources £'s | Outgoing Resources £'s | Transfers £'s | At 31 March 2015 £'s |
|---------------------------|------------------------------|------------------------------|------------------------------|------------------|-------------------------------|
| Movements in Funds | | | | | |
| Unrestricted | | | | | |
| General Fund | 55,426 | 1,101 | 3,980 | 0 | 52,547 |
| Total All Funds | <u><u>55,426</u></u> | <u><u>1,101</u></u> | <u><u>3,980</u></u> | <u><u>0</u></u> | <u><u>52,547</u></u> |

9. Funds held by Related Parties Analysis

| | | |
|--|--------------------|--------------------|
| Orkney Educational Trust funds held by related parties | 2015 £'s | 2014 £'s |
| Orkney Islands Council - Short term loan | <u>52,547</u> | <u>55,426</u> |

10. Donated Services and Facilities

The Orkney Islands Council provides accountancy services to the trust and administration services on behalf of the trustees. The benefit to the trust during 2014/15, at market rates was £1,000.

11. Events after the Balance Sheet Date

The trustees anticipate that a reorganisation will take place during the 2015/16 financial year which will result in the assets of the Trust being transferred into Orkney Islands Council General Charitable Trust, a registered Scottish charity (SC044607). Approval for this reorganisation was granted by the Office of the Scottish Charity Regulator on 24 March 2015. As a result of this, the charity will be closed down.

Audit Report to the Trustees of Orkney Educational Trust and Accounts Commission

Independent auditor's report to the trustees of Orkney Educational Trust and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Orkney Educational Trust for the year ended 31 March 2015 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 Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the trustees and auditor

The trustees are responsible for the preparation of the financial statements which give a true and fair view. My 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) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts or disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- Give a true and fair view of the state of the charity's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on other prescribed matter

In my opinion 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.

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.



Stephen Boyle CPFA
Assistant Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

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

23 September 2015.