

Crofting Commission

2024/25 Annual Audit Report



Prepared for the Crofting Commission and the Auditor General for Scotland
October 2025

Contents

Key messages	3
Introduction	4
Audit scope and responsibilities	5
Audit of the 2024/25 annual report and accounts	7
Financial Sustainability and Best Value audit	13
Appendix 1: Action plan 2024/25	15
Appendix 2: National and performance audit reports	18

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key messages

Audit of the annual report and accounts

- 1** Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2** There were no significant findings or key audit matters to report. All minor audit adjustments required to correct the financial statements were processed by management.
- 3** The unaudited annual accounts were provided within the agreed timescale and were of a good standard.

Financial Sustainability and Best Value audit

- 4** Medium-term financial planning remains challenging due to ongoing uncertainties around future funding settlements and cost pressures. The Crofting Commission continues to update its financial plans to reflect the latest available information and has extended financial planning through to 2030.
 - 5** The Crofting Commission has well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.
-

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 Crofting Commission's 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 Crofting Commission and the Auditor General for Scotland and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Patricia Fraser, of Audit Scotland, has been appointed as external auditor of the Crofting Commission for the period from 2024/25 until 2026/27. As reported in the Annual Audit Plan, Patricia Fraser and the audit team are independent of the Crofting Commission in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the Crofting Commission, including no provision of non-audit services.

Acknowledgements

4. We would like to thank board members, audit committee members, executive directors, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the remainder of audit appointment.

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, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Concluding on the financial sustainability of the Crofting Commission and a review of the Governance Statement.
- Reporting on the Crofting Commission's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the Crofting Commission and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000.

8. 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 the Crofting Commission from its responsibilities outlined below.

9. 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.

The Crofting Commission's responsibilities

10. The Crofting Commission has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National and performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the Crofting Commission and the Audit and Finance Committee. The reports are listed in [Appendix 2](#).

Audit of the 2024/25 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 minor audit adjustments required to correct the financial statements were processed by management.

The unaudited annual accounts were provided within the agreed timescale and were of a good standard.

Audit opinions on the annual report and accounts

12. The Crofting Commission's annual report and accounts were approved by the Board and signed by the appointed auditor on 29 October 2025. The Independent Auditor's Report is included in the Crofting Commission's annual report and accounts, and this reports that, in the appointed auditor's opinion were free from material misstatement.

Audit timetable

13. The unaudited annual report and accounts and all working papers were received on 16 June 2025 in accordance with the agreed audit timetable and were of a good standard.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £24,190 (2023/24: £23,730). 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

15. 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.

16. Materiality is used 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. Materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the Crofting Commission were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan. These were reassessed on receipt of the unaudited annual report and accounts and are below in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the Crofting Commission

Materiality	Amount
Materiality – based on an assessment of the needs of users of the financial statements and the nature of the Crofting Commission's operations, the benchmark used to determine materiality is gross expenditure based on the 2024/25 budget. Materiality has been set at 2% of the benchmark.	£91,000
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality.	£68,000
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£4,000

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for the Crofting Commission is the Audit and Finance Committee.

19. 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.

20. 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.

21. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

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

Accounting policies

23. The appropriateness of accounting policies adopted by the Crofting Commission was assessed as part of the audit. These were considered to be appropriate to the circumstances of the Crofting Commission, and there were no significant departures from the accounting policies set out in the Financial Reporting Manual (the FReM).

Accounting estimates

24. Accounting estimates are used in number of areas in the Crofting Commission's financial statements, including the valuation of intangible assets and potential appeals to the Scottish Land Court. Audit work considered the process management of the Crofting Commission has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. 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.

Disclosures in the financial statements

25. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was generally adequate. However, we found that the performance report included information which was duplicated or was superfluous to the needs of the reader in understanding the financial statements. Only information that is material to the users of the accounts should be included. We accept it is management's judgement as to what should be included in their annual report and accounts, however, we would encourage the Crofting

Commission to assess the relative importance of matters in relation to its performance position and future prospects.

Other matters to report

26. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. The matters identified or encountered on the audit of the Crofting Commission are outlined in [Exhibit 2](#).

Exhibit 2

Other matters to report

Auditing standard requirement	Matter to report	Outcome
Significant deficiencies in internal control ISA (UK) 265 requires auditors to report any significant deficiencies in internal control identified during the audit.	Payroll – establishment checks During the audit and through discussions with the Head of Finance, we found that no establishment checks had been performed during 2024/25 (refer Appendix 1).	As a result we performed additional audit testing on starters, leavers and the existence of staff. We are satisfied that staff costs are not materially mis-stated.
	Journals Due to the size of the organisation, finance staff can raise and authorise their own journals. A monthly check on journals is performed by the Head of Finance and the Finance Manager.	We reviewed the journals across the year to identify those of higher risk. We performed focussed testing on higher risk journals and did not find any issues.

Source: Audit Scotland

Significant matters discussed with management

27. All significant matters identified during the audit and discussed with the Crofting Commission's management have been reported in the Annual Audit Report.

Significant risks of material misstatement identified in the Annual Audit Plan

28. 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 4](#).

Exhibit 4

Significant risks of material misstatement to the financial statements

Significant risks of material misstatement to the financial statements	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</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"> • Evaluate the design and implementation of controls over journal entry processing. • 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 revenue and expenditure recognition around the year-end. • 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 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design of controls over journal processing were appropriate for the Crofting Commission and these were implemented as intended. • 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. • 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

Significant risks of material misstatement to the financial statements	Planned audit response	Outcome of audit work
	<p>these for evidence of management bias.</p> <ul style="list-style-type: none"> • Perform substantive testing of income and expenditure transactions around the year end to confirm they are accounted for in the correct financial year. • Perform focussed testing of accounting accruals and prepayments. 	<p>no evidence of management bias.</p> <ul style="list-style-type: none"> • No significant issues were identified from substantive testing of income and expenditure transactions around the year end. • No significant issues were identified from our focussed testing of accounting accruals and prepayments. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>

Source: Audit Scotland

Prior year recommendations

29. We are pleased to report that the Crofting Commission has implemented the one recommendation reported in our 2023/24 Annual Audit Report regarding incorporating an annual Best Value Self-Assessment in its governance procedures. The update is in [Appendix 1](#).

Financial Sustainability and Best Value audit

Conclusion

Medium-term financial planning remains challenging due to ongoing uncertainties around future funding settlements and cost pressures. The Crofting Commission continues to update its financial plans to reflect the latest available information and has extended financial planning through to 2030.

The Crofting Commission has well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.

Audit approach to wider scope and Best Value

Wider scope

30. The Annual Audit Plan reported the Crofting Commission was considered to be a less complex body for the wider scope audit. Therefore, the audit on wider scope is instead limited to concluding on the financial sustainability of the Crofting Commission.

Conclusions on Financial Sustainability

31. The audit work performed on the arrangements the Crofting Commission has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the Crofting Commission undertaking an annual review of their medium-term financial plan, which is presented to both the Audit and Finance Committee and the Commission Board. The plan presented to the February 2025 Audit and Finance Committee confirmed a significant proportion (approximately 83%) of the Crofting Commission budget each year is related to salaries. The plan identifies that as the Scottish Government Grant-in-Aid is the only source of income, any reduction in Grant-in-Aid, or an award that does not keep pace with salary inflation would have a significant impact on the financial sustainability of the Crofting Commission and consequently on the achievement of outcomes.

32. Medium-term financial planning remains challenging due to ongoing uncertainties around future funding settlements and cost pressures. The Crofting Commission continues to update its financial plans to reflect the

latest available information and has extended financial planning through to 2030. We have reviewed the latest medium-term financial plan and concluded that the framework complies with good practice.

Duty of Best Value

33. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

34. Consideration of the arrangements the Crofting Commission has in place to secure Best Value have been carried out alongside the wider scope audit.

Conclusion on Best Value

35. The audit work performed on the arrangements the Crofting Commission has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by the Crofting Commission having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.

36. In 2025, the Crofting Commission conducted a Best Value Self-Assessment and found it had made good progress in delivering Best Value, while identifying areas for ongoing improvement. Key commitments include regularly updating risk registers, tracking performance on regulatory efficiency and customer satisfaction, engaging with crofting communities, pursuing partnerships, aligning statutory duties with its corporate plan, reviewing its risk appetite, and considering sustainability in light of public sector reforms.

37. The arrangements the Crofting Commission has in place to secure financial sustainability which help ensure the effective use of available resources.

Appendix 1: Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Establishment checks</p> <p>During the audit and through discussions with the Head of Finance, we found that no establishment checks had been performed during 2024/25.</p> <p>There is a risk of fraud/error in the payroll.</p>	<p>An establishment check for the organisation should be carried out to verify the existence of staff on the Crofting Commission's payroll. This is a routine check that should be performed by relevant managers at least once per year to ensure the validity and existence of staff.</p>	<p>Accepted</p> <p>The Commission Finance Team is content there are currently robust checks in place, which include:</p> <ul style="list-style-type: none"> • A 100% check and reconciliation of the payroll each period • Regular staff briefings by the Executive Team • The Commission Finance Team or any other Commission staff cannot add/delete staff from the payroll report – this would have to be undertaken via SG payroll, so there is a clear separation of duties • No staff within the Commission can raise a vacancy on the SG HR system without electronic approval of Accountable Officer • The Commission Finance Team updates the organisational chart monthly • The risk of fraud relating to payments within the Commission would be viewed as low, given the established controls in place, which includes a requirement for at least two

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		<p>authorities to sign off on a payment. Bankline payments also require two independent authorities</p> <p>Agreed action</p> <p>The Commission Finance Team reaches out to all staff on an annual basis when seeking flexi time balance information, and follow up, if necessary, with line management in the event of a non-return</p> <p>As this recommendation provides additional assurance, the Commission Finance Team will adapt the annual end year return to staff to include, cascading down to Team Leader level, a survey which will independently verify the existence and validity of staff on the Crofting Commission's payroll</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date:</p> <p>17 April 2026</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>2. Best Value Self-Assessment</p> <p>Ministerial guidance for Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value.</p> <p>The Commission's arrangements for securing Best Value have been assessed as part of the 2023/24 audit and judged to be appropriate. An annual self-assessment will further strengthen these arrangements and be a point of good practice.</p>	<p>Arrangements for securing Best Value could be further strengthened by incorporating an annual self-assessment in the Commission's governance procedures as a point of good practice.</p>	<p>Implemented.</p>

Appendix 2: National and performance audit reports

Report name	Date published
Additional support for learning	27 February 2025
Sustainable transport	30 January 2025
Auditing climate change	7 January 2025
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Tackling Digital Exclusion	22 August 2024
The National Fraud Initiative in Scotland 2024	15 August 2024

Source: Audit Scotland website

Crofting Commission

2024/25 Annual Audit Report



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot