

King's and Lord Treasurer's Remembrancer

2024/25 Annual Audit Report



Prepared for King's and Lord Treasurer's Remembrancer and the Auditor General for
Scotland

13 November 2025

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Key messages

Audit of the annual report and accounts

- 1 All audit opinions stated that the annual report and accounts were free from material misstatement.
- 2 Our audit identified one material misstatement within the financial statements due to the omission of contingent liabilities from the Summary Note of Balances Held. This has been updated in the audited annual report and accounts.
- 3 The audited annual report and accounts reflect all the findings from our audit. There are no uncorrected misstatements to report to those charged with governance.

Financial Sustainability and Best Value audit

- 4 KLTR has effective and appropriate arrangements in place for securing financial sustainability.
 - 5 KLTR has effective and appropriate arrangements in place for securing Best Value.
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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 King's and Lord Treasurer's Remembrancer'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 King's and Lord Treasurer's Remembrancer, hereafter referred to as 'KLTR', and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Maggie Bruce, of Audit Scotland, has been appointed as external auditor of KLTR for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Maggie Bruce and the audit team are independent of KLTR 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 KLTR, including no provision of non-audit services.

Acknowledgements

4. We would like to thank KLTR and its staff, particularly those involved in the preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year 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 properly present KLTR's receipts and payments for the year ended 31 March 2025 and the balances held at that date, and are free from material misstatement, including the regularity of receipts and payments.
- 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 KLTR and a review of the Governance Statement.
- Reporting on KLTR'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 KLTR 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. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts and concluding on KLTR's arrangements in place for the wider scope areas and Best Value.

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 KLTR 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.

KLTR's responsibilities

10. KLTR 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 give 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 appropriate arrangements for internal audit.

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 KLTR and the Audit committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual report and accounts

Main judgements

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

Our audit identified one material misstatement within the financial statements due to the omission of contingent liabilities from the Summary Note of Balances Held.

The audited annual report and accounts reflect all the findings from our audit. There are no uncorrected misstatements to report to those charged with governance.

Audit opinions on the annual report and accounts

12. Following the Audit Committee meeting on 11 November 2025, KLTR's annual report and accounts were signed by the Accountable Officer and the appointed auditor on 12 November 2025. The Independent Auditor's Report is included in KLTR's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual report and accounts and working papers were received on 26 May 2025 in accordance with the agreed audit timetable. A number of disclosures within the Remuneration and Staff Report were not provided until 22 July 2025 due to delays in the provision of the required pensions disclosures from MyCSP but this did not impact on the audit process. Although working papers provided were of a good standard, we have requested that additional working papers be provided to support the liabilities and contingent liabilities figures in the financial statements in future years.

14. The audit took longer than expected due to resourcing challenges within Audit Scotland and additional work required in response to quality review findings from the audit of the previous year's (2023/24) annual

report and accounts. Consequently, the original deadline of 11 September 2025 for signing the independent auditor's report was not met.

Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £5,520. No additional fee was charged for the extra audit work undertaken in response to quality findings, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

16. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

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

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

Exhibit 1

2024/25 Materiality levels for the King's and Lord Treasurer's Remembrancer

Materiality	Amount
Materiality – set at 2% of gross receipts	£192,700
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£144,500
Reporting threshold – set at 5% of materiality.	£9,600

Source: Audit Scotland

Significant findings and key audit matters

19. ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for KLTR is the Audit Committee.

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

21. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

22. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
1. Misclassification of receipts The draft accounts included £83,000 of receipts which were classified as Unclaimed Funds within the Receipts and Payments account. These should have been classified as Dissolved Company Funds.	Management amended the classification error in the audited accounts. There is no impact on total receipts.

Significant findings and key audit matters	Outcome
<p>2. Presentation of the Summary Note of Balances Held</p> <p>It is recommended practice for the Summary Note of Balances Held to include a reconciliation between the bank balance at the beginning and end of the year together with the surplus or deficit shown in the statement of receipts and payments.</p> <p>The draft accounts included details of the funds in bank at 31 March 2025 but did not reconcile this to the opening position.</p> <p>Contingent liabilities totalling £838,000 had been omitted from the Summary Note of Balances Held in the unaudited accounts.</p>	<p>Management amended the Summary Note of Balances Held in the audited accounts to include the recommended reconciliation and contingent liabilities.</p>

Source: Audit Scotland

Qualitative aspects of accounting practices

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

Accounting policies

24. The appropriateness of accounting policies adopted by KLTR was assessed as part of the audit. We requested some additional disclosures to improve the transparency of KLTR's approach to estimating contingent liabilities and cash reserves, and its liabilities at the year-end. The accounting policies included in the audited annual report and accounts are considered to be appropriate to the circumstances of KLTR, and there are no significant departures from the accounting policies set out in the applicable accounting framework.

Accounting estimates

25. Accounting estimates are used to determine the level of cash reserve to be retained by KLTR, in line with the Memorandum of Understanding agreed with the Scottish Government, and the amount of contingent liabilities to be included in the Summary Note of Balances Held. Audit work considered the process KLTR has in place around making accounting estimates, including the assumptions and data used in making the estimates. 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

26. We reviewed the quality of the disclosures within the financial statements and concluded that these were adequate. We also reviewed the Performance Report, the Governance Statement, and the audited section of the Remuneration and Staff Report and found these to be consistent with the financial statements.

Significant matters discussed with management

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

Audit adjustments

28. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £9,600 are outlined in [Appendix 2](#). There was no impact on the net receipts for the year.

29. Our audit identified one material misstatement ([Exhibit 2, no. 2](#)). We reviewed the nature and cause of the misstatement and concluded that it represented the whole of the error in the population and that additional testing was not, therefore, required.

30. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management agreed to amend the financial statements to reflect all our audit findings, and so there are no uncorrected misstatements to report to those charged with governance.

Significant risks of material misstatement identified in the Annual Audit Plan

31. 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](#).

Exhibit 3**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</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"> • Obtain assurances from the auditors of COPFS over 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 a sample of journal entries, focusing on those that are assessed as higher risk. • 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. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • COPFS controls over journal processing do not apply to KLTR. We reviewed the process for raising and posting journals by KLTR staff and noted that formal approval is not required before journals are posted to the ledger. <p>Recommendation 1</p> <p>Audit testing did not identify any unusual or inappropriate journal entries as a result of approval controls not being in place.</p> <ul style="list-style-type: none"> • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No issues were identified from testing of journal entries. • Audit testing did not identify any transactions outside the normal course of business. • Appropriate controls were in place for identifying and disclosing related party relationships and transactions. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>

Prior year recommendations

32. KLTR has implemented all agreed prior year audit recommendations.

Financial Sustainability and Best Value audit

Conclusion

KLTR has effective and appropriate arrangements in place for securing financial sustainability.

KLTR has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

33. The Annual Audit Plan reported KLTR was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of KLTR.

34. We did not identify any significant risks in the Wider Scope areas or Best Value in our Annual Audit Plan, and our audit approach was tailored accordingly.

Duty of Best Value

35. 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.

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

Conclusions on Financial Sustainability

37. The audit work performed on the arrangements KLTR has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by KLTR:

- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and

understanding medium and longer-term demand pressures that could impact on available resources

- having a Memorandum of Understanding (MoU) in place with the Scottish Government (the SG) which establishes a framework in relation to KLTR's reserves, its payment of any annual surplus to the Scottish Consolidated Fund (SCF), and the funding by the SG of any unfunded pressures falling on the KLTR
- making appropriate estimations of potential future claims when determining the level of cash reserves to be held.

38. KLTR is self-funding, principally through receipt of dissolved company funds. The level of receipts in any given year is unpredictable, and the amount and magnitude of any future claims for repayment of these funds is uncertain. Each year, KLTR estimates, in line with the MoU, the level of cash reserves it needs to retain to fund its future running costs and any future claims in order to identify how much can be paid to the Scottish Consolidated Fund.

39. In February 2025, the Chief Finance Officer prepared a paper for the Advisory Board and Scottish Government setting out the amount to be paid to the SCF in 2024/25. Based on the methodology set out in the MoU, the Chief Finance Officer estimated that KLTR needed to retain £9.8 million of cash reserves but only held £6 million as at 31 December 2024, resulting in a potential shortfall of available resources of up to £3.8 million.

40. The MoU allows for joint working between the SG and the KLTR to support the management of any reasonable unfunded pressure that arises in the course of the KLTR's function. KLTR is required to notify the SG in a timely manner of any pressures on funds, to allow mitigating action to be taken and funds to be released from the SCF as appropriate. Consequently, we have concluded that KLTR has effective and appropriate arrangements in place for securing financial sustainability. We note, however, that the MoU has not yet been signed, although it is operating in practice with no challenge received to the amounts payable to the SCF for 2023/24 or 2024/25.

41. KLTR has acknowledged the need to upgrade its current case management system to enable it to provide more accurate information on contingent liabilities resulting from potential future claims which currently require time-consuming manual processes. In addition, fees charged by KLTR will also be reviewed to ensure they cover the range of work undertaken by KLTR staff. Once completed, these planned actions will further enhance KLTR's arrangements for financial sustainability.

Conclusion on duty of Best Value

42. The audit work performed on the arrangements KLTR has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- KLTR having appropriate and effective governance arrangements in place. These were enhanced during the year with the establishment of an Audit Committee as a sub-committee of the Advisory Board comprised of all three Non-Executive Directors. The first meeting of this new committee took place on 12 September 2024. KLTR has also developed a tailored Counter Fraud Strategy, Policy and Response Plans for consideration by the Audit Committee at the November meeting. Once approved, these will further enhance KLTR's governance arrangements. To date, KLTR has relied on COPFS's counter fraud policies.
- the arrangements KLTR has in place to secure financial sustainability which help ensure the effective use of available resources.
- the introduction of the Ownerless Property Transfer Scheme which provides opportunities for Scottish public bodies, local authorities, and community groups to bring ownerless properties brought to the attention of the KLTR back into use where it is in the public interest to do so.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Approval of journals</p> <p>Journal entries are not formally approved before they are posted to the ledger.</p> <p>There is a risk that inappropriate or incorrect journal entries are posted to the ledger resulting in misstatement within the financial statements.</p>	<p>Journal entries should be reviewed and approved before they are posted to the ledger.</p>	<p>Accepted</p> <p>KLTR will review our authorisation and approval of journals process.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 31 December 2025</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>2. Accounts preparation</p> <p>We identified discrepancies between the figures in the unaudited accounts, key working paper and the year-end bank statements. In addition, fair pay disclosures were not consistent with the remuneration disclosures in the accounts.</p> <p>Risk: figures in the annual report and accounts do not accurately reflect the underlying financial transactions and bank statements.</p>	<p>The accounts preparation process should be reviewed to ensure that the accounts submitted to audit agree to the working papers and to the year-end bank statements and are internally consistent.</p> <p>Responsible officer</p> <p>Chief Finance Officer</p> <p>Agreed date</p> <p>31 March 2025</p>	<p>Implemented</p> <p>The accounts submitted for audit agreed to the working papers and to the year-end bank statements.</p>

Appendix 2

Adjusted misstatements

Details	Financial statements lines impacted	Receipts and Payments Account		Summary Note of Balances Held	
		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
1. Classification of receipts (Exhibit 2, no.1)					
	Unclaimed funds	83			
	Dissolved companies		83		
2. Omission of contingent liabilities (Exhibit 2, no.2)					
	Contingent liabilities*				838
Source: Audit Scotland					

*KLTR are required to prepare a Summary Note of Balances Held as opposed to a Balance Sheet and so there is no double entry required

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

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