

Queen's and Lord Treasurer's Remembrancer

2016/17 Annual Audit Report



 AUDIT SCOTLAND

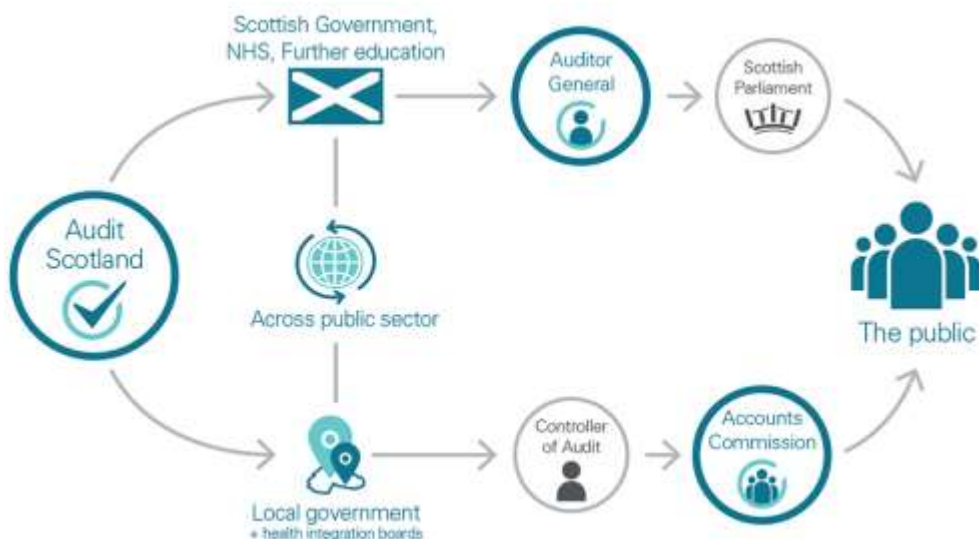
Prepared for the Queen's and Lord Treasurer's Remembrancer and the Auditor General for Scotland

7 July 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

Audit of the 2016/17 financial statements

- 1** The financial statements of the Queen's and Lord Treasurer's Remembrancer (QLTR) properly present the receipts and payments for the year ended 31 March 2017 and the balances held at that date.
- 2** The receipts and payments in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.
- 3** The other information in the annual report and accounts was consistent with the financial statements and prepared in accordance with legal requirements.

Financial management

- 4** QLTR has effective arrangements in place for financial management.

Governance and transparency

- 5** QLTR has effective governance arrangements in place.
- 6** QLTR should consider opportunities to enhance openness and transparency.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of the Queen's and Lord Treasurer's Remembrancer (QLTR).

2. The scope of our audit was set out in our Annual Audit Plan presented to the February 2017 meeting of the Audit and Risk Committee. In accordance with paragraph 53 of the [Code of Audit Practice 2016](#), QLTR was audited under the small body provisions which, in our judgement, is appropriate given the size and nature of this audit.

3. This report comprises:

- an audit of the annual report and accounts
- consideration of the wider dimensions set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

4. The main element of our audit work in 2016/17 has been an audit of QLTR's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.

5. QLTR is responsible for preparing financial statements that properly present its receipts and payments, for the accuracy of the other information in the annual report and accounts, and for establishing effective arrangements for governance, propriety and regularity that enable the QLTR to successfully deliver its objectives.

- 6.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), supplementary guidance and guided by the auditing profession's ethical guidance.
- 7.** These responsibilities include giving independent opinions on the financial statements, regularity, the remuneration and staff report, the performance report and the governance statement. In doing this, we aim to support improvement and accountability.
- 8.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
- 9.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 13\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 10.** Communication in this report of matters arising from the audit of the annual report and accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- 11.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 12.** This report is addressed to both the Audit and Risk Committee and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 13.** We would like to thank all management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2016/17 financial statements



Main judgements

The financial statements of QLTR for 2016/17 properly present the receipts and payments for the year ended 31 March 2017 and the balances held at that date.

The receipts and payments in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.

The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

Unqualified audit opinions

14. The annual report and accounts for the year ended 31 March 2017 were approved by the Audit and Risk Committee on 7 July 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements;
- an unqualified opinion on regularity of the receipts and payments; and
- an unqualified audit opinion on the remuneration and staff report, performance report and governance statement.

15. Additionally, we are satisfied that there are no matters which we are required by the Auditor General to report by exception.

Submission of annual report and accounts for audit

16. We received the unaudited financial statements on 9 May 2017, in line with our agreed audit timetable.

17. The working papers provided with the unaudited financial statements were of a good standard and finance staff provided support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risk of material misstatement

18. [Appendix 2 \(page 15\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance in the use of those resources.

Materiality

19. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

20. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

21. On receipt of the annual report and accounts we reviewed our original materiality calculations and amended them based on the figures contained within the annual report and accounts.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£87,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of overall materiality.	£61,000
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality.	£1,000

Source: Audit Scotland

Evaluation of misstatements

22. There were no material adjustments to the unaudited financial statements arising from our audit. There are no unadjusted errors.

Significant findings from the audit

23. International Standard on Auditing (UK and Ireland) 260 requires us to communicate significant findings from the audit to you. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1 \(page 13\)](#) has been included.

Exhibit 3**Significant findings from the audit of financial statements**

Issue	Resolution
<p>1. Accountable Officer's Pension Disclosures</p> <p>Public bodies disclose the salary and pension entitlements of ministers and directors in line with the Government Financial Reporting Manual (FReM). The QLTR accounts disclose the Accountable Officer's salary but not his pension entitlements.</p> <p>QLTR is required in its Accounts Direction to comply with the Scottish Public Finance Manual (SPFM). The SPFM does not make specific reference to remuneration and staff disclosures so the disclosure complies with, and goes beyond, the SPFM. QLTR prepares its annual report and accounts in line with the best practice set out in the FReM in all other aspects. To ensure that QLTR is consistent in its application of FReM best practice QLTR should disclose the pension entitlements for the Accountable Officer in the format set out in the FReM.</p>	<p>The information has not been disclosed in 2016/17.</p> <p>QLTR have agreed to request the pension entitlement information for the Accountable Officer from MyCSP in time for a disclosure to made in the 2017/18 Remuneration and Staff Report.</p> <p>Action Plan (Appendix 1, issue 1)</p>

Source: Audit Scotland

Other findings

24. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

Part 2

Financial management



Main judgement

QLTR has effective arrangements in place for financial management.

Financial performance in 2016/17

25. The main objective for QLTR is to support effective administration of the QLTR's functions so that public enquiries and transactions are promptly and satisfactorily dealt with and appropriate ultimus haeres estates (where a person dies intestate and there is no apparent heir), bona vacantia assets (ownerless goods) and treasure trove (portable antiquity) are claimed for the Crown in Scotland.

26. QLTR has reported net receipts of £6.169 million with payments of £6.289 million being made to the Scottish Consolidated Fund to result in total net payments of £0.120 million.

Financial monitoring arrangements

27. QLTR prepares quarterly financial reports to monitor financial performance. Monthly meetings are held between the QLTR, Accountable Officer and other staff to review cases and QLTR's financial position.

28. QLTR does not set a budget as the nature of its business means it relies on cases being reported to it. Funds received from ultimus haeres cases are held for five years before being released to the Scottish Consolidated Fund and a balance of £2 million is retained against bona vacantia claims to ensure that adequate funds are available.

29. We concluded that QLTR has appropriate financial monitoring arrangements in place.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

30. We have reviewed the arrangements in place to maintain standards of conduct including the Staff Handbook and Civil Service and Members' Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

31. Based on our review of the evidence we concluded that QLTR has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Part 3

Governance and transparency



Main judgements

QLTR has effective governance arrangements in place.

QLTR should consider opportunities to enhance openness and transparency.

Governance arrangements

32. QLTR shares an Audit and Risk Committee with the Crown Office and Procurator Fiscal Service (COPFS). The committee met five times in the year.

33. From attendance and review of the Audit and Risk Committee papers we noted that QLTR is not a standing agenda item and is not considered at every meeting.

Recommendation 1 (refer Action Plan, Appendix 1, issue 2)

QLTR should be a standing item on Audit and Risk Committee agendas to ensure it receives appropriate attention on an on-going basis.

34. Overall, there are appropriate and adequate governance arrangements in place to support good governance and accountability.

The annual governance statement

35. Under the Treasury's Financial Reporting Manual (FReM), QLTR must prepare an annual governance statement within the Annual Report and Accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the statement and provides assurances around the achievement of the QLTR's strategic objectives.

36. The SPFM does not prescribe a format for the annual governance statement, but sets out minimum requirements for central government bodies.

37. We concluded that the 2016/17 annual governance statement complies with the guidance issued by the Scottish Ministers and based on our knowledge and work performed presents an adequate picture of governance arrangements and matters.

Transparency

38. Transparency means that the public, in particular, have access to understandable, relevant and timely information about how QLTR is taking decisions and how it is using resources.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

39. Audit and Risk Committee meetings are held in private however minutes of these meetings are now being published on the COPFS website but not the QLTR website.

Recommendation 2 (refer Action plan, Appendix 1, issue 3)

QLTR should consider publishing Audit and Risk Committee minutes on its website or provide a link to the relevant page on the COPFS website.

40. Given the increasing public expectations on openness and transparency, QLTR should consider opportunities to enhance openness and transparency. This is an area to keep under review.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement



Page
no.

Issue/risk

Recommendation

Agreed management
action/timing

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1. Accountable Officer's Pension Disclosures

Public bodies disclose the salary and pension entitlements of ministers and directors in line with the Government Financial Reporting Manual (FReM). The QLTR accounts disclose the Accountable Officer's salary but not his pension entitlements.

QLTR is required in its Accounts Direction to comply with the Scottish Public Finance Manual (SPFM). The SPFM does not make specific reference to remuneration and staff disclosures so the disclosure complies with, and goes beyond, the SPFM. QLTR prepares its annual report and accounts in line with the best practice set out in the FReM in all other aspects. To ensure that QLTR is consistent in its application of FReM best practice QLTR should disclose the pension entitlements for the Accountable Officer in the format set out in the FReM.

Request information from MyCSP to enable correct disclosure to be made in 2017/18.

Agreed to include disclosure from 2017/18.

Head of Management
Accounting & Planning

31 March 2018

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2. Audit and Risk Committee Agenda

From review of the Audit and Risk Committee papers QLTR is not a standing agenda item and is not considered at every meeting.

QLTR should be a standing item on Audit and Risk Committee agendas to ensure it receives appropriate attention on an on-going basis.

Agreed to include QLTR as a standing item on Audit and Risk Committee agenda.

Accountable Officer

31 August 2017



**Page
no.**

Issue/risk

Recommendation

**Agreed management
action/timing**

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**3. Audit and Risk Committee
Minutes**

Audit and Risk Committee meetings are held in private. Minutes of these meetings are published on the COPFS website but not the QLTR website.

QLTR should consider publishing Audit and Risk Committee minutes on its website or provide a link to the relevant page on the COPFS website.

Agreed to provide a link to COPFS website.

Accountable Officer

31 August 2017

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Sample tested journals entries, no issues were identified.</p> <p>As accounts are prepared on a receipts and payments basis no accounting estimates were used by QLTR.</p> <p>There was no evidence of transactions outside the course of normal business.</p> <p>From work carried out in year, there was no evidence of management override of controls.</p>
<p>2 Risk of fraud over income</p> <p>The Queen's and Lord Treasurer's Remembrancer does not receive any funding from the Scottish Government. All income comes from receipts from bona vacantia, ultimus haeres and treasure trove cases. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>Detailed substantive testing undertaken of income transactions.</p> <p>There was no fraud risks identified in relation to income.</p>
<p>3 Risk of fraud over expenditure</p> <p>The Financial Reporting Council's Practice Note 10 (revised) requires auditors of public bodies to give consideration of the risk of fraud over expenditure. The level of expenditure in QLTR means that there is an inherent risk of fraud.</p>	<p>Analytical procedures on expenditure transactions.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>Detailed substantive testing undertaken of expenditure transactions.</p> <p>There was no fraud risks identified in relation to expenditure.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>4 Accountable Officer's Pension Disclosures</p> <p>QLTR is required in its Accounts Direction to comply with the Scottish Public Finance Manual (SPFM). The SPFM does not make specific reference to remuneration and staff disclosures so the disclosure provided in previous years complies with, and goes beyond, the SPFM. However, QLTR prepares its annual report and accounts in line with the best practice set out in the FReM in all other aspects. To ensure that QLTR is consistent in its application of FReM best practice it should disclose pension benefits for the Accountable Officer in the format set out in the FReM.</p>	<p>Review completeness of pension disclosures for the Accountable Officer and other senior staff in the 2016/17 remuneration and staff report in line with guidance from the Scottish Government.</p>	<p>Accountable Officer's pension benefits were not disclosed in line with the guidance.</p> <p>As documented at action plan point 1, agreement to obtain information from MyCSP in order to allow the correct disclosure to be made in the 2017/18 remuneration and staff report.</p>

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