

# Queen's and Lord Treasurer's Remembrancer

2018/19 Annual Audit Report



 AUDIT SCOTLAND

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

3 July 2019

## 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

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## 2018/19 annual report and accounts

- 1** In our opinion the Queen's and Lord Treasurer's Remembrancer's (QLTR) financial statements properly present the receipts and payments for the year ended 31 March 2019 and the balances held at that date, and receipts and payments were incurred or applied in accordance with applicable enactments and guidance.
- 2** The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements.

## Financial sustainability

- 3** QLTR has appropriate financial planning and monitoring arrangements in place.
- 4** We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

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# Introduction

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1. This report summarises the findings from our 2018/19 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 7 February 2019 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the QLTR annual report and accounts
- consideration of the financial sustainability and appropriateness of the governance statement.

## Adding value through the audit

3. We add value to QLTR through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

4. In so doing, we aim to help QLTR promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

5. QLTR has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. QLTR is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it 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](#) and supplementary guidance and International Standards on Auditing in the UK.

7. As public-sector auditors we give independent opinions on the annual report and accounts and conclude on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.

8. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and

the financial sustainability of the body and its services. As highlighted in our 2018/19 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2018/19 audit.

**9.** The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**10.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

**11.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £3,990 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**12.** This report is addressed to the QLTR and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**13.** We would like to thank the management and staff for their cooperation and assistance during the audit.

# Part 1

## Audit of 2018/19 annual report and accounts



### Main judgements

**In our opinion QLTR's financial statements properly present the receipts and payments for the year ended 31 March 2019 and the balances held at that date; receipts and payments were in accordance with applicable enactments and guidance.**

**The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements.**

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

### Audit opinions on the annual report and accounts

**14.** The annual report and accounts for the year ended 31 March 2019 were approved by the Audit and Risk Committee on 3 July 2019. We reported, within the independent auditor's report that:

- the financial statements are properly presented
- expenditure and income are regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement are all consistent with the financial statements
- We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

### Submission of annual report and accounts for audit

**15.** We received the unaudited annual report and accounts on 13 May 2019 in line with our agreed audit timetable.

**16.** The unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Risks of material misstatement

**17.** [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual report and accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

**18.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

## Materiality

**19.** Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

**20.** We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the annual report and accounts we reviewed our materiality calculations and amended them based on the figures contained within the unaudited accounts. These are summarised in [Exhibit 1](#).

## Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£82,000
Performance materiality	£62,000
Reporting threshold	£4,000

Source: QLTR Unaudited Annual Report and Accounts

## Significant findings from the audit (ISA 260)

**21.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures as well as the impact of any uncertainties, misstatements in the annual report and account and the effect of any unusual transactions on the financial statements.

**22.** We have no significant findings to report around the qualitative aspects of the annual report and accounts.

**23.** There were no material adjustments to the unaudited annual report and accounts arising from our audit.

## Follow up of prior year recommendations

**24.** In our 2017/18 Annual Audit Report we reported that QLTR's office and administration costs, which are borne by the Crown Office and Procurator Fiscal Service (COPFS), are recharged to QLTR annually in arrears. Consequently, the QLTR annual accounts were not showing financial performance in a timely fashion. We recommended that in the interests of good financial management COPFS and QLTR should consider options to ensure recharges are made in the year in which the costs are incurred.

**25.** Following an in-year review by management, QLTR will be recharged quarterly in arrears by COPFS. Consequently in 2018/19, a year of transition, the costs recharged are for the whole of 2017/18 and three quarters of 2018/19. The remaining quarter four balance will be recharged in early 2019/20. As no accruals



are found in a receipts and payments account, we have found this approach to be satisfactory ([refer Appendix 1, action plan](#)).

# Part 2

## Financial sustainability



### Main judgements

**QLTR has appropriate financial planning and monitoring arrangements in place.**

**We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.**

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Financial performance in 2018/19

**26.** 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.

**27.** QLTR has reported net receipts of £5.489 million with payments of £3.978 million being made to the Scottish Consolidated Fund resulting in total net receipts for 2018/19 of £1.511 million.

### Financial planning

**28.** QLTR does not receive any funding from the Scottish Government, it is self-funded from the fees it charges for administering cases.

**29.** QLTR does not set a budget as the nature of its business and work 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 £2.5 million (2017/18: £2 million) is retained against bona vacantia claims to ensure that adequate funds are available to meet any claims which come forward at a future date.

**30.** 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 the financial position.

**31.** Given the nature of QLTR's business we concluded that QLTR has appropriate financial planning and monitoring arrangements in place.

### Governance statement

**32.** Our review of the governance statement assessed the assurances which are provided to the Accountable Officer regarding the adequacy and effectiveness of QLTR's system of internal control which operated in the financial year.

**33.** We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

# Appendix 1

## Action plan 2018/19



No.

Issue/risk

Recommendation

Agreed management  
action/timing

### Follow up of prior year recommendations

b/f

#### Office and Administration Costs Recharge

QLTR's office and administration costs are paid by COPFS and recharged to QLTR annually in arrears. Consequently, the QLTR annual accounts are not showing financial performance in a timely fashion.

In the interests of good financial management COPFS and QLTR should consider options to ensure recharges are made in the year in which the costs are incurred.

Following an in-year review by management, QLTR will be recharged quarterly in arrears by COPFS. Consequently in 2018/19, a year of transition, the costs recharged are for the whole of 2017/18 and three quarters of 2018/19. The remaining quarter four balance will be recharged in early 2019/20.

As no accruals are found in a receipts and payments account, we have found this approach to be satisfactory.

# 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
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></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 journal entries, no issues were identified.</p> <p>Accounts are prepared on a receipts and payments basis and 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, there was no evidence of management override of controls.</p>
<p><b>2 Risk of fraud over income</b></p> <p>QLTR 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 ISA 240, there is an inherent risk of fraud.</p>	<p>Review of meetings, minutes of meetings.</p> <p>Review of income streams.</p>	<p>Detailed substantive testing undertaken of income transactions.</p> <p>From work carried out, there was no evidence of fraud over income.</p>
<p><b>3 Risk of fraud over expenditure</b></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.</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>From work carried out, there was no evidence of fraud over expenditure.</p>

# Appendix 3

## Summary of national performance reports 2018/19



Local government in Scotland: Challenges and performance 2018		<b>Apr</b>	
Councils' use of arm's-length organisations		<b>May</b>	Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		<b>Jun</b>	
		<b>Jul</b>	The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		<b>Aug</b>	Major project and procurement lessons
Children and young people's mental health		<b>Sept</b>	Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		<b>Oct</b>	
Health and social care integration: update on progress		<b>Nov</b>	Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		<b>Mar</b>	Local government in Scotland: Challenges and performance 2019

# Queen's and Lord Treasurer's Remembrancer

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