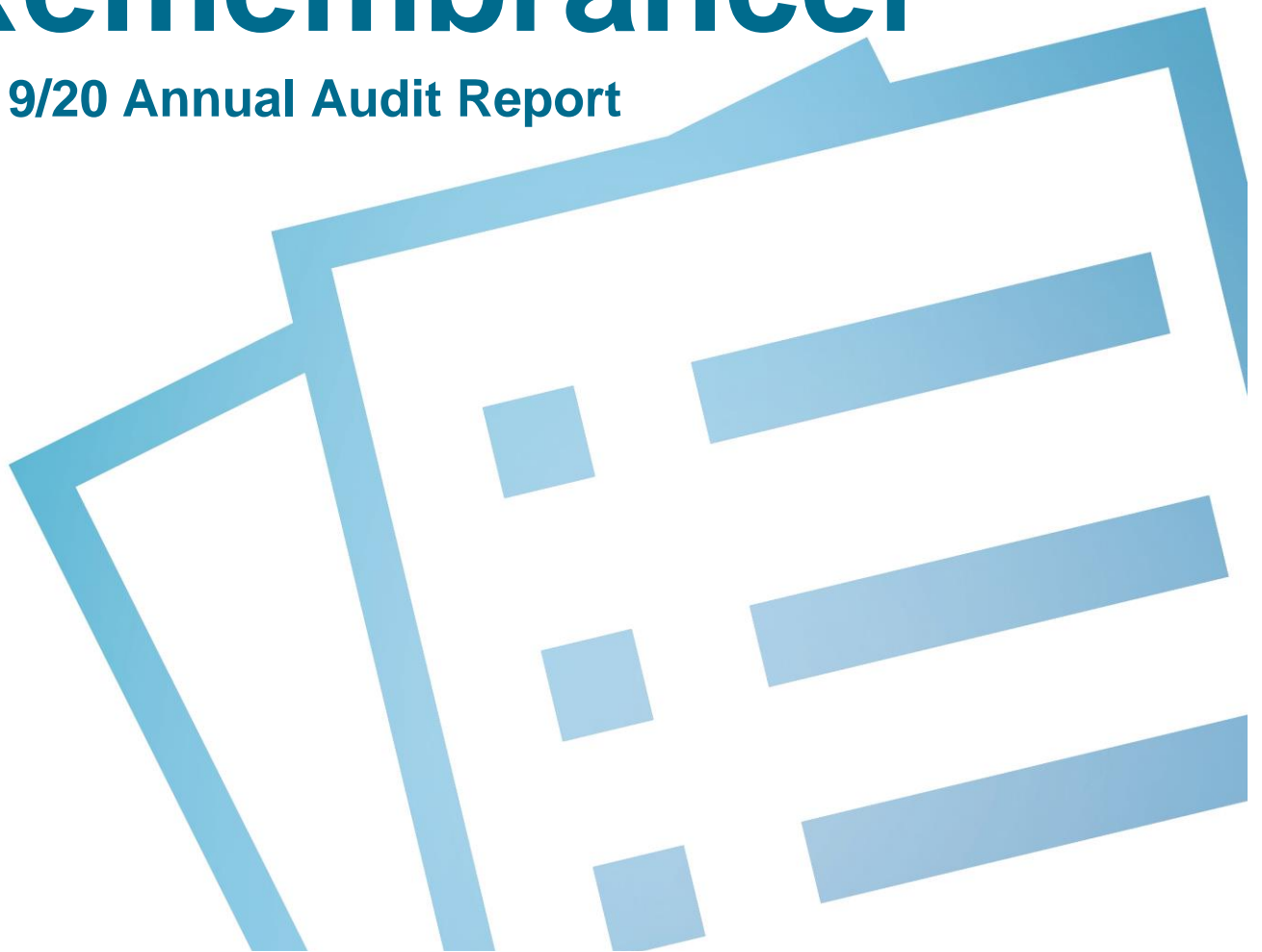


# Queen's and Lord Treasurer's Remembrancer

2019/20 Annual Audit Report



 AUDIT SCOTLAND

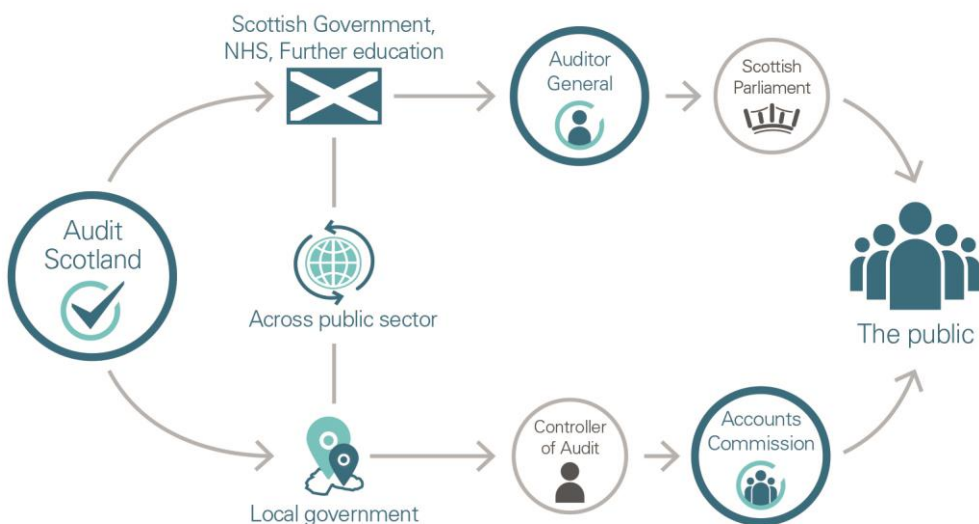
Prepared for the Queen's and Lord Treasurer's Remembrancer and the Auditor General for Scotland

3 July 2020

## 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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## 2019/20 annual report and accounts

- 1** The Queen's and Lord Treasurer's Remembrancer's (QLTR) financial statements properly present the receipts and payments for the year ended 31 March 2020 and the balances held at that date; receipts and payments were incurred 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 and complies with the guidance issued by the Scottish Ministers.
- 3** There was no adverse effect from the impact of COVID-19 on the accounting and auditing timetable for the 2019/20 financial statements.

## Financial sustainability

- 4** The Queen's and Lord Treasurer's Remembrancer has sufficient financial arrangements in place which ensure its ability to meet costs as incurred.
- 5** From March 2020 until the time of this report, the impact of COVID-19 to the Queen's and Lord Treasurer's Remembrancer has been minimal. Looking forward, as lockdown restrictions ease, a surge in activity in relation to corporate and property matters and heirless estates is anticipated and will increase the challenges and work in this area. This is being actively monitored and reported on.

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# Introduction

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1. This report summarises the findings from our 2019/20 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 2020 meeting of the Audit and Risk Committee. This report comprises the findings from:
  - an audit of the QLTR's annual report and accounts,
  - our consideration of financial sustainability.
3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, QLTR has had to respond to the COVID-19 pandemic. This will continue to have impact into the financial year 2020/21. However, for the 2019/20 financial year, we have not had to adapt our planned audit work as a result of the impact of COVID-19. No new risks emerged which related to the audit of the 2019/20 financial statements.

## Adding value through the audit

4. We add value to the QLTR through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations,
  - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides,
  - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
5. 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

6. 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. The 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.
7. 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.
8. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of

corporate governance arrangements, the financial position and arrangements for securing financial sustainability. 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 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 2019/20 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 2019/20 QLTR audit.

**10.** This report raises matters from our audit. 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.

## **Auditor Independence**

**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 2019/20 audit fee of £4,060 as set out in our Annual Audit Plan, remains unchanged.

**12.** We are not aware of any relationships that could compromise our objectivity and independence.

**13.** 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.

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

# Part 1

## Audit of 2019/20 annual report and accounts



### Main judgements

QLTR's financial statements properly present the receipts and payments for the year ended 31 March 2020 and the balances held at that date; receipts and payments were in accordance with applicable enactments and guidance.

There was no adverse effect from the impact of COVID-19 on the accounting and auditing timetable for the 2019/20 financial statements.

### Our audit opinions on the annual report and accounts are unmodified

15. The annual report and accounts are the principal means of accounting for the stewardship of the QLTR's resources and its performance in the use of those resources.

16. The annual report and accounts for the year ended 31 March 2020 were approved by the Audit and Risk Committee on 3 July 2020.

17. As reported in the independent auditor's report:

- The financial statements properly present the receipts and payments for the year and were in accordance with the financial reporting framework.
- The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.
- 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.

### The unaudited annual report and accounts were submitted to audit as planned

18. The unaudited annual report and accounts provided for audit were delivered on time, complete and of a good standard. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly especially as everyone adapted to a 'working from home' environment.

### Overall materiality is £91,000

19. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

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

## Exhibit 1

### Revised materiality values

Materiality level	Amount
Overall materiality	£91,000
Performance materiality	£68,000
Reporting threshold	£4,500

Source: 2019/20 Unaudited COPFS Annual Report and Accounts

### Appendix 1 identifies the main risks of material misstatement and our audit work to address these

**21.** [Appendix 1](#) provides our assessment of risks of material misstatement in the annual report and accounts. It also summarises the work we have done to gain assurance over the outcome of these risks. There were no additional risks identified for 2019/20 resulting from the impact of COVID-19.

**22.** We have no issues to report from our work on the risks of material misstatement.

### We have no significant findings to report on the accounts

**23.** International Standard on Auditing (UK) 260 (ISA 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 statement disclosures.

**24.** We have no significant findings to report around the qualitative aspects.

**25.** There were no misstatements above our reporting thresholds identified from our audit.

### Prior year audit recommendation has been implemented

**26.** QLTR has made substantial progress and implemented our prior year audit recommendation relating to the recharge of office and administration costs (refer [2018/19 QLTR Annual Audit Report](#)).

**27.** There were no other prior year audit recommendations to be addressed.



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# Part 2

## Financial sustainability

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### Main judgements

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

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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.

**28.** We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

**29.** The QLTR is self-funded and does not set a budget as it relies on cases being reported to it. Funds received are held for five years and a balance of £2.5 million is retained against any potential liabilities, with any surplus being surrendered to the Scottish Consolidated Fund on a quarterly basis. This process remained in place for 2019/20.

**30.** QLTR continue to prepare quarterly financial reports to monitor financial performance. Going forward and as a result of COVID-19, we noted that QLTR are planning for an increase in activity relating to corporate and property matters, and heirless estates. This will increase the challenges and associated in this area and is being monitored and reported to the Audit and Risk Committee. Revised financial reports and a revised risk register taking into account these new challenges, and QLTR's response for the longer term, is underway.

**31.** Given the nature of its business, we conclude that QLTR has adequate financial planning and monitoring arrangements in place.

### National performance audit reports

**32.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 2](#) highlights a number of the reports published in 2019/20.

# Appendix 1

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit as set out in our Annual Audit Plan and how we addressed each risk in arriving at our conclusion.

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of material misstatement caused by management override of controls</b></p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Evaluation of significant transactions that are outside the normal course of the business.</p>	<p><b>Results:</b> From the audit testing carried out, there was no evidence of management override of controls.</p>
<p><b>2 Risk of material misstatement caused by fraud over income</b></p> <p>QLTR does not receive any funding from the Scottish Government. All income comes from receipts from bona vacantia, ultimis haeres and treasure trove cases.</p> <p>As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. The extent and complexity of income means that, in accordance with ISA 240, there is a risk that income may be misstated resulting in a material misstatement in the financial statements.</p>	<p>Review of minutes of meetings.</p> <p>Detailed testing of income (receipts).</p>	<p><b>Results:</b> Satisfactory assurance obtained from our substantive testing of income (receipts).</p> <p>There were no fraud risks identified in relation to income.</p>
<p><b>3 Risk of material misstatement caused by fraud over expenditure</b></p> <p>The Financial Reporting Council's Practice Note 10 (revised) requires auditors of public bodies to give</p>	<p>Detailed testing of expenditure transactions.</p>	<p><b>Results:</b> Satisfactory assurance from our substantive testing of expenditure (payments).</p> <p>There were no fraud risks identified in relation to expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
consideration of the risk of fraud over expenditure. Given the extent and value of transactions there is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.		

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# Appendix 2

## Summary of national performance reports 2019/20

		 <b>2019/20 Reports</b>	
			Apr
Social security: Implementing the devolved powers			<b>May</b>
Scotland's colleges 2019			<b>Jun</b> Enabling digital government
			Jul
NHS workforce planning - part 2			<b>Aug</b>
Finances of Scottish universities			<b>Sept</b>
NHS in Scotland 2019			<b>Oct</b>
			Nov
Local government in Scotland: Financial overview 2018/19			<b>Dec</b>
Scotland's City Region and Growth Deals			<b>Jan</b> Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
			Feb
			<b>Mar</b> Early learning and childcare: follow-up

### Central Government relevant reports

[Enabling digital government](#)– June 2019

# Queen's and Lord Treasurer's Remembrancer

## 2019/20 Annual Audit Report

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