

King's and Lord Treasurer's Remembrancer

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the King's and Lord Treasurer's Remembrancer and the Auditor General for Scotland
September 2024

Contents

Key messages	3
Introduction	4
Part 1. Audit of 2023/24 annual report and accounts	5
Part 2. Wider Scope	10
Appendix. Action plan 2023/24	13

Key messages

Audit of 2023/24 annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified:
 - the financial statements properly present, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers, the receipts and payments of the body for the year ended 31 March 2024, and the balances held at that date
 - receipts and payments are regular and in accordance with applicable enactments and guidance
 - the audited part of the Remuneration and Staff Report was prepared in accordance with the financial reporting framework, and the Performance Report was consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.
- 2 Our audit did not identify any material misstatements. Management agreed to amend the accounts for all of our findings and as a result receipts decreased by £7,000, and funds in bank and sundry estates increased by £28,000.

Wider Scope

- 3 KLTR had adequate financial planning and monitoring arrangements in place during 2023/24.
- 4 Governance arrangements were enhanced during 2023/24 through the establishment of a separate Advisory Board to support the KLTR and advise on the effectiveness of corporate governance arrangements.
- 5 The Governance Statement has been prepared in accordance with the relevant statutory guidance.
- 6 Work is ongoing to review and reform KLTR's key functions in order to strengthen delivery across all areas of its work.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of the King's and Lord Treasurer's Remembrancer (KLTR) and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
2. The scope of the audit was set out in our Annual Audit Plan which was presented to the February 2024 meeting of the KLTR Advisory Board. This Annual Audit Report includes significant matters arising from our audit of KLTR's annual report and accounts, and conclusions on the financial sustainability and the appropriateness of the disclosures in the governance statement.
3. We would like to thank all Board members, management, and staff, particularly those in finance, for their cooperation and assistance during the audit.

Responsibilities and reporting

4. KLTR has primary responsibility for ensuring the proper financial stewardship of its resources. This includes preparing an annual report and accounts in accordance with the accounts direction from Scottish Ministers. KLTR is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.
5. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.
6. This report contains an agreed action plan at the [Appendix](#) setting out specific recommendations, responsible officers, and dates for implementation. The weaknesses or risks identified in this report 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

7. We confirm that we comply with the Financial Reporting Council's Ethical Standard, that we have not undertaken any non-audit related services and that the 2023/24 audit fee of £4,520, as set out in our 2023/24 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
8. The annual audit adds value to KLTR by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice identified.

Part 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare an annual report and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

Our audit did not identify any material misstatements. Management agreed to amend the accounts for all of our findings and as a result of these, receipts decreased by £7,000, and funds in bank and sundry estates increased by £28,000.

Audit opinions on the annual report and are unmodified

9. The Audit Committee approved the annual report and accounts for KLTR for the year ended 31 March 2024 on 12 September 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements properly present the receipts and payments of KLTR and were properly prepared in accordance with the financial reporting framework
- receipts and payments are regular and in accordance with applicable enactments and guidance
- the audited parts of the Remuneration and Staff Report have been prepared in accordance with the relevant legislation and directions made by Scottish Ministers
- the Performance Report and Governance Statement are consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The 2023/24 annual report and accounts were certified on 13 September 2024, later than planned due to the need for additional audit procedures and unplanned absences within the audit team

10. We received the unaudited annual report and accounts on 27 May 2024 in line with the agreed audit timetable. We identified differences between the key working paper, unaudited accounts and the year-end bank statements which required us to undertake additional audit work. This, together with unplanned absences within the audit team, meant the 2023/24 annual report and accounts were certified later than planned on 13 September 2024.

11. We have recommended (see [Appendix](#)) that the accounts preparation process be reviewed in advance of the preparation of the 2024/25 annual report and accounts. Our Annual Audit Plan notes that a supplemental fee may be levied if we do not receive an accurate set of accounts. We considered the need to levy an additional audit fee to reflect the additional work required to support our audit opinion on the accounts but decided not to do so this year. Given the changes to KLTR's governance arrangements we plan to review our audit fee as part of our planning for the 2024/25 audit.

Our audit approach and testing was informed by the overall materiality level of £150,000

12. The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and impact the opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature, and it is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the audited 2022/23 annual report and accounts. These materiality values were reported in our Annual Audit Plan.

14. On receipt of the unaudited annual report and accounts we reconsidered our materiality levels based on the financial results for the year ended 31 March 2024, and decided to amend our planned amounts to reflect the decrease in receipts. Our revised materiality amounts are set out in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality: this is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of KLTR's operations. For the year	£150,000

Materiality level	Amount
ended 31 March 2024, we have set our materiality at 2% of Gross Receipts based on the unaudited financial statements for 2023/24.	
Performance materiality: this acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75% of overall materiality.	£113,000
Reporting threshold: we are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£7,500

Our audit identified and addressed the risk of material misstatement to the financial statements

15. [Exhibit 2](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 2

Identified significant risk of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, 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>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals during the year and at year-end and focus on significant risk areas.</p> <p>Evaluate significant transactions outwith the normal course of business.</p> <p>Assess the adequacy of the arrangements in place for identifying and disclosing related party relationships and transactions in the financial statements.</p>	<p>Our review of the controls and processes surrounding journal entries identified no issues.</p> <p>Our testing of journals included transactions from throughout the financial year and focused on high value transactions. No issues were identified from our testing.</p> <p>We did not identify any transactions outwith the normal course of business.</p> <p>No issues were identified from our review of the arrangements for identifying and disclosing related party relationships and transactions.</p> <p>Based on the above work, we did not identify any evidence</p>

Audit risk	Assurance procedure	Results and conclusions
		of management override of control.

We have three significant findings to report from our audit of the annual report and accounts

16. Under ISA (UK) 260, we are required to communicate significant findings from the audit, including our view about the qualitative aspects of the body's accounting practices to those charged with governance prior to the audited annual report and accounts being approved and certified.

17. The Code of Audit Practice also requires us to highlight key audit matters which are defined in ISA (UK) 701 as those judged to be of most significance.

18. The significant findings and key audit matters are summarised in [Exhibit 3](#).

Exhibit 3

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
<p>1. Bank balance</p> <p>The bank balance in the unaudited accounts did not agree to the closing bank statements. As a result, the bank and sundry estates balances were understated by £28,000 in the unaudited accounts.</p>	<p>Management have amended the accounts to correct this misstatement.</p> <p>Recommendation 1</p>
<p>2. Receipts</p> <p>KLTR only accounts for transactions once they are processed through the main bank account. Amounts received in the second bank account near the year end have historically been accounted for in the following year. Last year the difference between the opening and closing amounts was lost in rounding. This year the difference was £7,515 which is above our reporting threshold. As a result, receipts were overstated in the unaudited accounts.</p>	<p>Management have amended the accounts to correct this misstatement.</p> <p>Recommendation 1</p>
<p>3. Fair Pay Disclosures</p> <p>The Financial Reporting Manual (FreM) requires KLTR to include a number of disclosures in relation to fair pay within its annual report and accounts. These should be based on the mid-point of the highest paid director as set out in the remuneration table at paragraph 74 of the annual report and accounts. Audit testing found that the fair pay</p>	<p>Management have amended the accounts to ensure they are internally consistent.</p> <p>Recommendation 1</p>

Issue	Resolution
disclosures were not consistent with the disclosures in the remuneration table.	

19. Our audit did not identify any material misstatements, and the total of misstatements (£35,000) did not exceed our performance materiality level. We reviewed the nature and cause of the misstatements set out in [Exhibit 3](#) and undertook additional testing to ensure that these represented the whole of the error in the population.

There are no unadjusted misstatements to report to those charged with governance

20. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

21. Management agreed to amend the financial statements to reflect all our significant audit findings and there are no unadjusted misstatements to report to those charged with governance. The amendments reduced receipts by £7,000 and increased funds in bank and sundry estate balances by £28,000.

There were no prior year recommendations to follow up

22. We did not make any recommendations in the 2022/23 Annual Audit Report and so there were none that required follow up in 2023/24.

Part 2. Wider Scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term

Main judgements

KLTR had adequate financial planning and monitoring arrangements in place during 2023/24.

Governance arrangements were enhanced during 2023/24 through the establishment of a separate Advisory Board to support the KLTR and advise on the effectiveness of corporate governance arrangements.

The Governance Statement has been prepared in accordance with the relevant statutory guidance.

Work is ongoing to review and reform KLTR's key functions in order to strengthen delivery across all areas of its work.

KLTR has adequate financial planning and monitoring arrangements in place

23. 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.

24. The KLTR is self-funded and does not set a budget as it relies on cases being reported to it. A reserve balance is retained against potential liabilities. Historically, any surplus funds above this reserve balance were surrendered to the Scottish Consolidated Fund on a quarterly basis.

25. With effect from 1 April 2023, KLTR has agreed with the Scottish Government that KLTR will make a single annual contribution to the Scottish Consolidated Fund (SCF) in March each year. The Scottish Government has also agreed that, in the event of exceptional demand on KLTR balances, they will reimburse SCF payments previously remitted by KLTR. This will provide additional flexibility to enable KLTR to fund future potential liabilities.

26. From our review of the annual accounts, ongoing discussions with management and observations at committee and board meetings, we have concluded that the financial arrangements in place are adequate.

Governance arrangements were enhanced during 2023/24 through the establishment of a separate Advisory Board

27. Following a review of KLTR's governance arrangements, a separate Advisory Board was established during 2023/24 to support KLTR's strategic direction, and to provide the KLTR with advice and guidance. The first meeting of the Advisory Board took place in February 2024. Prior to that, KLTR shared an Audit and Risk Committee with the Crown Office and Procurator Fiscal Service until August 2023.

28. The Advisory Board has responsibility for advising on the effectiveness of KLTR's corporate governance arrangements, including the systems of internal control and assurance, risk management and financial reporting.

29. The Advisory Board is chaired by the KLTR and comprises the KLTR, the KLTR Chief Executive, three Non-Executive Directors, the KLTR Head of Legal Services, the KLTR Head of Policy, Communications & Stakeholder Relations and the Crown Office and Procurator Fiscal Service's Director of Finance and Procurement.

30. KLTR has also established a separate 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.

31. During 2023/24 we attended the joint Audit and Risk Committee meetings and the first meeting of the Advisory Board. These meetings were well attended with members providing effective scrutiny and challenge.

32. We have concluded that KLTR's governance arrangements were enhanced during 2023/24.

The Governance Statement has been prepared in accordance with the relevant statutory guidance

33. The Governance Statement has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Financial systems of internal control operated effectively

34. KLTR does not have its own financial systems and instead relies on the financial systems of the Crown Office and Procurator Fiscal Service. As part of our audit approach, we obtained assurances from the external auditor of the Crown Office and Procurator Fiscal Service (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control that would impact on KLTR.

KLTR formally launched the Ownerless Property Transfer Scheme in March 2024

35. KLTR formally launched the Ownerless Property Transfer Scheme in March 2024, following a number of pilot projects, to provide 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. Staffing levels have been increased to cope with the anticipated policy and caseload demands resulting from this scheme.

Work is ongoing to review and reform KLTR's key functions in order to strengthen delivery across all areas of its work

36. KLTR is currently reviewing its key functions with a view to reforming its processes and strengthening delivery across all areas of its work:

- a comprehensive review of the Scottish Treasure Trove system commenced in September 2023. This review seeks to reform and modernise the Treasure Trove system for the first time in 20 years. The report from the review is due to be published in September 2024
- KLTR has been working with the Crown Office and Procurator Fiscal Service to clarify roles and responsibilities in connection with heirless estates. The aim is to have these clarified and in place during 2024/25. Once agreed, there will be a period of transition to establish these new arrangements
- KLTR published its first Strategic Plan at the end of March 2024. This sets out its overall vision, values, and strategic objectives for the next three financial years.

37. We will continue to monitor KLTR's progress with its reform programme, including the implementation of the Strategic Plan, throughout the remainder of our audit appointment.

Appendix. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. 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>Due to changes in staffing before and during the year end process, the level of due diligence, reconciliation and cross checking did not take place which resulted in these discrepancies. KLTR have now employed a qualified accountant, and a full review of year end processes and procedures will be carried out to mitigate these discrepancies happening in the future.</p> <p>Responsible officer Chief Finance Officer</p> <p>Agreed date 31 March 2025</p>

King's and Lord Treasurer's Remembrancer

2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk