

Queen's and Lord Treasurer's Remembrancer

2020/21 Annual Audit Report



 AUDIT SCOTLAND

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

July 2021

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Key messages

2020/21 annual report and accounts

The Queen's and Lord Treasurer's Remembrancer's 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 2021 and the balances held at that date; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

There was no adverse effect from the impact of Covid-19 on the accounting and auditing timetable for the 2020/21 financial statements.

Financial sustainability

QLTR has adequate financial planning and monitoring arrangements in place and these are subject to scrutiny by the Audit and Risk Committee

QLTR's response to Covid-19 and changes to its delivery model for the medium to longer term are underway.

Introduction

1. This report summarises the findings from our 2020/21 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 May 2021 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. The global coronavirus pandemic has had a limited impact on QLTR during 2020/21 and as such, we have not identified any risks emerging from the pandemic which relate to the audit of the 2020/21 financial statements. We have therefore not had to adapt our audit approach or timescale.

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. 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 2020/21 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 2020/21 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 2020/21 audit fee of £4,160 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 in due course.

Part 1. Audit of 2020/21 annual report and accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

The Queen's and Lord Treasurer's Remembrancer's 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 2021 and the balances held at that date; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

There was no adverse effect from the impact of Covid-19 on the accounting and auditing timetable for the 2020/21 financial statements.

Our audit opinions on the annual report and accounts are unmodified

13. The annual report and accounts for the year ended 31 March 2021 were approved by the board on 25 August 2021. As reported in the independent auditor's report:

- the financial statements properly present the receipts and payments of the QLTR and were properly prepared in accordance with the financial reporting framework,
- receipts and payments are regular and in accordance with applicable enactments and guidance, and
- 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.

The Covid-19 pandemic had a limited impact on audit evidence

14. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were unaffected by the Covid-19 pandemic.

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

15. The unaudited annual report and accounts were received in line with our agreed audit timetable on 24/05/2021. The accounts were complete and of a good standard. Despite continued working from home arrangements in place, finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly. There was no adverse effect from the impact of COVID-19 on the accounting and auditing timetable for the 2020/21 financial statements.

Overall materiality is £79,000

16. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£79,000
Performance materiality	£59,000
Reporting threshold	£4,000

Source: 2020/21 Unaudited QLTR Annual Report and Accounts

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

17. [Appendix 1](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and inform where the efforts of the team are directed. [Appendix 1](#) also identifies the work we undertook to address these risks and our conclusions from this work.

We have no significant findings to report on the accounts

18. 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. We have no issues to report from the audit.

19. There were no prior year audit recommendations for QLTR to address.

Part 2. Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

QLTR has adequate financial planning and monitoring arrangements in place and these are subject to scrutiny by the Audit and Risk Committee.

QLTR's response to Covid-19 and changes to its delivery model for the medium to longer term are underway.

20. We reviewed the QLTR's financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

21. The QLTR is self-funded and does not set a budget as it relies on cases being reported to it. Funds (receipts) received by the QLTR are held for five years and a balance is retained against any potential liabilities. In February 2021 it was agreed to increase the balance held by £0.5 million to £3 million (19/20: £2.5 million). Any surplus above this amount is surrendered to the Scottish Consolidated Fund on a quarterly basis. The reason for increasing the balance held was in part due to Covid-19 and the rise in cases being reported to the QLTR.

22. The QLTR Accountable Officer provides regular updates to the Audit and Risk Committee, including presentation and discussion of the risk register. The risk register was updated during 2020/21 to account for the impact of Covid-19.

23. QLTR's response to Covid-19 and changes to its delivery model for the medium to longer term are underway. The QLTR are planning for an increase in operational activity, including a longer term project for bona vacantia land in response to the Land Reform Bill. This includes the QLTR working closely with wider public sector stakeholders to deliver its objectives.

24. Given the nature of its business and our work undertaken during 2020/21, we conclude that QLTR has adequate financial planning and monitoring arrangements in place and these are subject to scrutiny by the relevant committee.

National performance audit reports

25. 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 2020/21.

Good practice

26. Highlight good practice here. The [Code of Audit Practice 2016](#) encourages auditors to identify good practice which in their opinion is worth sharing more widely.

Appendix 1. Significant audit risks

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.

Risks 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 the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls</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>Results: From the audit testing carried out, there was no evidence of management override of controls.</p>
<p>2. Risk of material misstatement caused by fraud in revenue recognition</p> <p>As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements.</p> <p>Paragraph A30 of ISA 240 states that the risk of fraud over income can be rebutted where there is a single type of simple revenue transaction. Although there are only two categories of</p>	<p>Review of minutes of meetings.</p> <p>Detailed testing of income transactions.</p>	<p>Results: Satisfactory assurance obtained from our substantive testing of income (receipts). There were no fraud risks identified in relation to income.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>income received by QLTR, ultimus haeres and bona vacantia, the risk of fraud cannot be rebutted as the income comes from multiple sources (i.e. companies, solicitors, HMRC) in varying amounts.</p>		
<p>3. Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>	<p>Detailed testing of expenditure transactions.</p>	<p>Results: Satisfactory assurance from our substantive testing of expenditure (payments).</p> <p>There were no fraud risks identified in relation to payments made by the QLTR.</p>

Appendix 2. Summary of 2020/21 national performance reports

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

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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



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