

Crofting Commission

2022/23 Annual Accounts Audit



 AUDIT SCOTLAND

Prepared for the Crofting Commission and the Auditor General for Scotland

November 2023

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Key messages

2022/23 annual report and accounts

- 1** Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2** Key risks arising from the audit of the Crofting Commission accounts in our Annual Audit Plan were presented to the Audit Committee in April 2023. There are no significant matters from that work to draw to the attention of the Board.
- 3** The unaudited annual accounts were provided within the agreed timescale and were of a good standard.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of the Crofting Commission. The scope of the audit was set out in an annual audit plan presented to the 26 April 2023 meeting of the Audit and Finance Committee. Our Annual Audit Report covering all aspects of the 2022/23 audit will be published in the autumn.

2. This report is addressed to the board of the Crofting Commission and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, Brian Battison, have been appointed by the Auditor General as auditor of the Crofting Commission for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank board members, audit committee members, executive directors, and other staff for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The Crofting Commission 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 account's direction from the Scottish Ministers. The Crofting Commission is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. 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 of the Crofting Commission from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor Independence

8. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £22,380 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

9. We add value to the Crofting Commission by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual report and accounts

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

Main judgements

Audit opinions on the annual report and accounts are unmodified.

The unaudited annual accounts were provided within the agreed timescale and were of a good standard.

Audit opinions on the annual report and accounts are unmodified

10. The Audit and Finance Committee considered the annual report and accounts for the Crofting Commission for the year ended 31 March 2023 on 1 November 2023 and recommended these statements to the Board for approval on the 6 December 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income 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 and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Overall materiality was assessed as £76,000

11. Broadly, 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 financial statements, and hence impact their 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. It is ultimately a matter of the auditor's professional judgement.

12. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised 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 the council's operations. For the year ended 31 March 2023, we have set our materiality at 2% of gross expenditure.	£76,000
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 should be considered. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.	£57,000
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£4,000

Source: Audit Scotland, Annual Audit Plan 2022/23

13. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

14. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a history of a low number of errors or significant issues.

15. 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.

Significant findings and key audit matters

16. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the Audit and Finance Committee, including our view about the qualitative aspects of the body's accounting practices.

17. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

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

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

We have obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>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>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> • We have assessed the design of key controls over journal processing and confirmed controls operated as expected. • Enquiries made of relevant individuals about inappropriate or unusual activity relating to processing of journal entries and other adjustments. No issues were identified. • A sample of journal entries processed were reviewed and no issues were identified. The journals testing covered entries through the year, at year end and post-closing, with focus on risk areas. • We reviewed management's estimates and accounting policies, no issues were identified. • We tested a sample of accruals and prepayments, and no issues were identified. • We tested a sample of expenditure transactions around the year end and assurance was gained that these were being accounted for in the correct financial year.

Audit risk	Assurance procedure	Results and conclusions
		<ul style="list-style-type: none"> • There were no significant transactions identified which were outside the normal course of business during our audit testing.

Audit Scotland Annual Audit Plan 2022/23

There were no identified misstatements

19. Our audit identified no misstatements above our reporting threshold.

The unaudited annual report and accounts were received in line with the agreed audit timetable

20. The unaudited annual report and accounts were received in line with our agreed audit timetable on 19 June 2023, including a supporting working papers package. The audit commenced in June 2023 but required to be placed on hold due to tight audit timescales. The audit recommenced in late September 2023 and concluded in October 2023.

Crofting Commission

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www.audit-scotland.gov.uk/accessibility



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