

Queen's and Lord Treasurer's Remembrancer

2017/18 Annual Audit Report



 AUDIT SCOTLAND

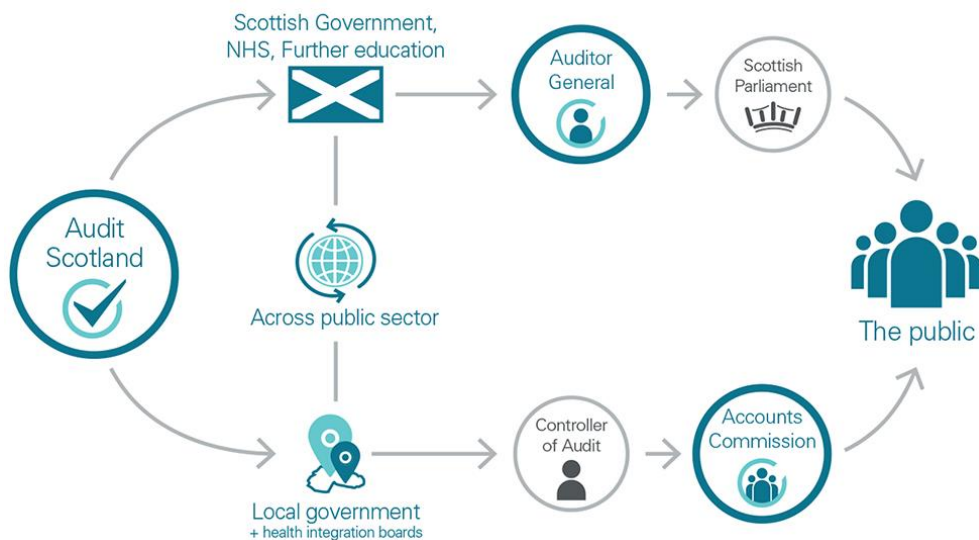
Prepared for the Queen's and Lord Treasurer's Remembrancer and the Auditor General for Scotland

5 July 2018

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.

Contents

| | |
|--|----|
| Key messages | 4 |
| Introduction | 5 |
| Part 1 | 7 |
| Audit of 2017/18 annual report and accounts | |
| Part 2 | 9 |
| Financial sustainability and governance statement | |
| Appendix 1 | 11 |
| Action plan 2017/18 | |
| Appendix 2 | 13 |
| Significant audit risks identified during planning | |
| Appendix 3 | 14 |
| Summary of national performance reports 2017/18 | |

Key messages

2017/18 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 2018 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 and governance statement

- 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.

Introduction

1. This report summarises the findings from our 2017/18 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 26 February 2018 meeting of the Audit and Risk Committee. This report comprises the findings from:
 - an audit of the QLTR annual report and accounts
 - consideration of the financial sustainability and appropriateness of governance statement.
3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:
 - financial sustainability,
 - financial management,
 - governance and transparency, and
 - value for money.
4. 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.
5. As highlighted in our 2017/18 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 2017/18 audit of the QLTR.
6. QLTR has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing 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.
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 guided by the auditing profession's ethical guidance.
8. As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.
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 2017/18 audit fee of £3,870 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to QLTR by providing insight and foresight on financial sustainability and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help QLTR promote improved standards of financial planning, better management and decision making.

13. This report is addressed to the Audit and Risk Committee and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 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 2018 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.

Audit opinions on the annual report and accounts

15. The annual report and accounts for the year ended 31 March 2018 were approved by the Audit and Risk Committee on 5 July 2018. We reported within our independent auditor's report:

- an unqualified opinion on the financial statements
- an unqualified opinion on regularity of the receipts and payments
- 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 accounts direction
- we have nothing to report in respect of those matters which we are required by the Auditor General to report by exception.

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

Submission of annual report and accounts for audit

16. We received the unaudited annual report and accounts on 10 May 2018 in line with our agreed audit timetable.

17. 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

18. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

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 planning materiality and amended them based on the figures contained within the financial statements and these are summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

| Materiality level | Amount |
|-------------------------|---------|
| Overall materiality | £90,000 |
| Performance materiality | £68,000 |
| Reporting threshold | £1,000 |

Source: Annual Audit Plan 2017/18

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings from the audit (ISA 260)

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance.

23. The findings include our views about significant qualitative aspects of the board's accounting practices including: significant financial statements disclosures, the impact of any uncertainties, misstatements in the annual report and accounts, accounting estimates and judgements and the effect of any unusual transactions on the financial statements.

24. There have not been any significant findings from our 2017/18 audit.

Follow up of prior year recommendations

25. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

26. In total, 3 agreed actions were raised in 2016/17 and all 3 have been fully implemented.

Part 2

Financial sustainability and governance statement



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 performance in 2017/18

27. 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.

28. QLTR has reported net receipts of £4.24 million with payments of £6.75 million being made to the Scottish Consolidated Fund to result in total net payments of £2.51 million.

Office and administration costs recharge

29. QLTR's office and administration costs are paid by the Crown Office and Procurator Fiscal Service (COPFS) and recharged to QLTR annually in arrears. Consequently, the QLTR annual accounts are not showing financial performance in a timely fashion.

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.



Recommendation 1

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. ([refer appendix 1, action plan](#))

Financial planning

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

31. QLTR does not set a budget as the nature of its business 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 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.

32. 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.

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

Governance statement

34. 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.

35. 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 2017/18

2017/18 recommendations for improvement



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|---|---|---|
| 1 | <p>Office and Administration Costs Recharge</p> <p>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.</p> <p>(Ref. SMA 18685)</p> | <p>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.</p> <p>Refer Paragraph 29</p> | <p>QLTR will work with COPFS to ensure quarterly recharging takes place. Head of Management Accounting and Planning</p> <p>31/07/2018</p> |

Follow up of prior year recommendations

| | | | |
|-----|--|---|---|
| b/f | <p>Accountable Officer's Pension Disclosures</p> <p>Public bodies disclose the salary and pension entitlements of ministers and directors in line with the Government Financial Reporting Manual (FReM). The QLTR accounts disclose the Accountable Officer's salary but not his pension entitlements.</p> <p>QLTR is required in its Accounts Direction to comply with the Scottish Public Finance Manual (SPFM). The SPFM does not make specific reference to remuneration and staff disclosures so the disclosure complies with, and goes beyond, the SPFM. QLTR prepares its annual report and accounts in line with the best practice set out in the FReM in all other aspects. To ensure that QLTR is consistent in its application of FReM best practice QLTR should disclose the pension entitlements for</p> | <p>Request information from MyCSP to enable correct disclosure to be made in 2017/18.</p> | <p>Action complete – Accountable Officer's pension entitlements have been correctly disclosed in 2017/18.</p> |
|-----|--|---|---|



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|---|---|---|
| | the Accountable Officer in the format set out in the FReM. | | |
| b/f | <p>Audit and Risk Committee Agenda</p> <p>From review of the Audit and Risk Committee papers QLTR is not a standing item and is not considered at every meeting.</p> | <p>QLTR should be a standing item on Audit and Risk Committee agendas to ensure it receives appropriate attention on an on-going basis.</p> | <p>Action complete – QLTR has been included as a standing agenda item since August 2017.</p> |
| b/f | <p>Audit and Risk Committee Minutes</p> <p>Audit and Risk Committee meetings are held in private. Minutes of these meetings are published on the COPFS website but not the QLTR website.</p> | <p>QLTR should consider publishing Audit and Risk Committee minutes on its website or provide a link to the relevant page on the COPFS website.</p> | <p>Action complete – a link to the minutes page on the COPFS website has been included on the QLTR website main menu.</p> |

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 |
|--|--|--|
| Risks of material misstatement in the financial statements | | |
| <p>1 Risk of management override of controls</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>As accounts are prepared on a receipts and payments basis 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>2 Risk of fraud over income</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>3 Risk of fraud over expenditure</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 2017/18



| | | | |
|--|---|------|--|
| | | Apr | |
| | | May | |
| Common Agricultural Policy Futures programme: further update |  | Jun |  Scotland's colleges 2017 |
| | | Jul |  NHS workforce planning |
| Self-directed support: 2017 progress report |  | Aug | |
| Equal pay in Scottish councils |  | Sept | |
| Transport Scotland's ferry services |  | Oct |  NHS in Scotland 2017 |
| Local government in Scotland: Financial overview 2016/17 |  | Nov | |
| | | Dec | |
| | | Jan | |
| Early learning and childcare |  | Feb | |
| Managing the implementation of the Scotland Acts |  | Mar | |

Queen's and Lord Treasurer's Remembrancer

2017/18 Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



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