

# Queen's and Lord Treasurer's Remembrancer

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Queen's and Lord Treasurer's Remembrancer and the Auditor General for Scotland  
August 2022

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# Key messages

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## 2021/22 annual report and accounts

- 1 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 2022; 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.
- 2 There was no adverse effect from the impact of Covid-19 on the accounting and auditing timetable for the 2021/22 financial statements.

## Financial sustainability

- 3 The QLTR has adequate financial planning and monitoring arrangements in place and these are subject to scrutiny by the Audit and Risk Committee.
- 4 The QLTR have made arrangements to support the increased scope and complexity of its operational functions.

## Governance

- 5 The Annual Governance Statement has been prepared in accordance with the relevant statutory guidance.
- 6 The QLTR's governance and transparency arrangements are adequate with scope for improvement in the transparency of reporting.
- 7 The Audit and Risk Committee continued to meet virtually throughout 2021/22 due to the ongoing Covid-19 pandemic.

# Introduction

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1. This report summarises the findings from our 2021/22 audit of The Queen's and Lord Treasurer's Remembrancer (QLTR).
2. The scope of our audit was set out in our 2021/22 Annual Audit Plan presented to the March 2022 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.

## Adding value through the audit

3. 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.
4. We aim to help the QLTR promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

5. The QLTR has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that is in accordance with the accounts direction from Scottish Ministers.
6. 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 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2021/22 audit of the QLTR.

**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.

**11.** 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.

## Auditor Independence

**12.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**13.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £4,250 as set out in our 2021/22 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**14.** 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.

## Audit appointment from 2022/23

The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private

firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year meaning 2021/22 is the last year of the current appointment round.

**15.** The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Audit Scotland will continue to be the appointed auditor for the QLTR.

**16.** A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

**17.** We would like to thank Audit and Risk Committee members, Executive Directors and other staff, particularly those in finance for their co-operation and assistance over the last six years.

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# Part 1: Audit of 2021/22 annual report and accounts

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

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## 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 2022 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 2021/22 financial statements.

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

**18.** The annual report and accounts for the year ended 31 March 2022 were approved by the Audit and Risk Committee on 24 August 2022. 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 annual report and accounts were signed off in line with the deadline date

**19.** For 2021/22, the submission deadline for the audited annual report and accounts has been set at 31 October 2022.

**20.** The unaudited annual report and accounts were received in line with our agreed audit timetable on 8 June 2022. The accounts were complete and of a good standard. Despite continued working from home arrangements in place, the completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the Covid-19 pandemic. Finance staff provided good support to the audit team which helped to ensure the final accounts audit process ran smoothly.

## Overall materiality was revised on receipt of the unaudited annual report and accounts to £235,000

**21.** 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](#). The revision of materiality did not require a change in our approach as it did not change the assessment of material account areas.

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£235,000
Performance materiality	£176,000
Reporting threshold	£12,000

Source: 2021/22 Unaudited QLTR Annual Report and Accounts

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**22.** In determining performance materiality, we considered the level of risk that the QLTR is exposed to, pressures on management to meet targets, whether there exists a history of prior year errors and any issues identified in our audit planning work.

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

**23.** 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.

**24.** We have no issues to report from the audit.

**25.** We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 2

### Significant risks from the audit of the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Management override of controls</b></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>Made 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>Evaluated significant transactions that are outside the normal course of business.</p> <p>Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Substantively tested income and expenditure transactions to confirm they are accounted for in the correct financial year.</p>	<p>No issues noted.</p> <p>From the audit testing carried out, there was no evidence of management override of controls.</p>

### Identified misstatements of £258,000 were adjusted in the accounts

**26.** Total misstatements identified were £258,000. The adjustments made in the audited accounts decreased total receipts in the Receipts and Payments Account by £258k and decreased net assets in the Summary of Balances held by £258k.

**27.** We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. We reviewed our audit

approach to consider if additional testing was required and concluded that we did not need to revise our audit approach.

**28.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

**29.** Management have adjusted all identified misstatements above our reporting threshold. There are no unadjusted errors to report.

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## 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

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### Main judgements

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

The QLTR have made arrangements to support the increased scope and complexity of its operational functions.

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**30.** 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.

**31.** The QLTR is self-funded and does not set a budget as it relies on cases being reported to it. Receipts received by the QLTR are held for five years and a balance of £3 million is retained against any potential liabilities. Any surplus above this amount is surrendered to the Scottish Consolidated Fund on a quarterly basis. This process has been agreed with the Scottish Government.

**32.** From our review of the annual accounts, ongoing discussions with management, observations at the Audit and Risk Committee and our accumulated knowledge of the QLTR over the six year audit appointment, we have concluded that the financial arrangements in place are adequate but have made a recommendation further below with regards to presenting papers to those charged with governance.

### Reshaping the QLTR

**33.** During 2021/22 there have been a number of improvements made to the QLTR and how the organisation runs its business.

**34.** The National Ultimus Haeres Unit who deal with administering the property of individuals who die heirless has increased capacity by three full-time equivalent staff. This is in direct response to the pandemic and to deal with the resulting increased caseload.

**35.** There is also a significant project underway for ownerless, vacant and derelict land (bona vacantia), known as the Property Transfer Scheme (PTS). The QLTR are leading this process with a number of key public sector stakeholders actively engaged.

36. The impact from these increases in the various operational activities will become more prevalent in future years.

## Property Transfer Scheme (PTS)

37. In 2021/22, the QLTR increased their operational activity and carried out significant work on a newly established Property Transfer Scheme (PTS). The PTS is aimed at providing opportunities for Scottish public bodies, local authorities and community groups to bring ownerless properties brought to the attention of the QLTR (also known as bona vacantia) back into use where it is in the public interest to do so.

38. The QLTR are working with Scottish Land Commission and other key public sector stakeholders to help achieve this longer term goal. The ultimate aim is to help unlock obstacles to tackling ownerless land. The QLTR's role, objectives and working model in relation to bona vacantia land is rapidly evolving and may involve consideration of the QLTR's functions.

39. The QLTR have increased their capacity in order to support the expanding workload arising from the PTS. As part of this project, QLTR proactively engaged with external audit and shared these plans. There is an updated risk register now in place with the key considerations and implications of the project going forward. Due to the increase in capacity and the vision for the future of the service overall, the QLTR should establish a longer term workforce plan (refer [Recommendation 1](#)).

40. The QLTR's Accountable Officer provides thorough, routine, verbal updates to the Audit and Risk Committee (ARC) on a quarterly basis. It is recommended that these updates are accompanied by a brief written summary for the ARC and attendees, including an updated risk register (refer [Recommendation 2](#)).

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## Recommendation 1

Due to the increase in capacity, workload and future expansion plans, the QLTR should prepare a workforce plan to support their future work programme.

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## Recommendation 2

Due to the expanding scope of QLTR work, it is recommended that a summary update paper along with supporting schedules (e.g. risk register) is presented at ARC meetings to enable effective scrutiny and challenge and also demonstrate openness and transparency in reporting.

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## National performance audit reports

**41.** 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 2021/22.

## Good practice

**42.** The QLTR have consulted and shared information with the auditors throughout the process of developing their Property Transfer Scheme and wider reform and modernisation work.

**43.** During 2021/22, the QLTR modernised the content of their existing website and intend on launching a new website in the latter half of 2022. The QLTR are also in the process of developing a new case management system, due to be introduced in 2022/23.

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# Part 3: Governance and Transparency

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

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## Main judgements

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

The QLTR's governance and transparency arrangements are adequate with scope for improvement in the transparency of reporting.

The Audit and Risk Committee continued to meet on a remote basis throughout 2021/22 due to the ongoing Covid-19 pandemic.

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## Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance

44. 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.

## The QLTR's governance and transparency arrangements are appropriate

45. The QLTR shares an Audit and Risk Committee (ARC) with the Crown Office and Procurator Fiscal Service (COPFS). ARC members are Non-Executive Directors and support the QLTR in their responsibilities for issues of risk, control and governance.

46. During 2021/22, Audit and Risk Committee meetings were held quarterly using Microsoft Teams.

47. We have attended the ARC meetings and reviewed the minutes and papers throughout the year. The QLTR's Accountable Officer has provided verbal updates throughout the year and although these are thorough and comprehensive, the updates would be improved and have more impact if they were supported by a summary paper and risk register. Due to the

expanding scope of QLTR's work, it is recommended that a summary paper is presented at ARC meetings in order to provide greater transparency and enable stakeholder scrutiny (refer [Recommendation 2](#) above).

**48.** From our attendance at ARC meetings during 2021/22, we observed and concluded that members are engaged during meetings and provide effective scrutiny and challenge and these arrangements are operating satisfactorily.

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Workforce Planning</b></p> <p>QLTR have increased their capacity in order to support the expanding workload and future business plans.</p> <p>Risk – There is a risk that as the business grows there is insufficient forward planning to adequately meet demand and achieve QLTR's objectives.</p>	<p>Due to the increase in capacity, workload and future expansion plans, the QLTR should prepare a workforce plan to support their future work programme (refer <a href="#">paragraph 39</a>).</p>	<p>QLTR agree with the recommendation. QLTR have been considering the potential demands of the scheme separately in the current 22/23 financial year, and the office's staffing and workforce profile is already factored into the office's business planning. A specific workforce plan is a sensible suggestion, and QLTR will prepare that during the third quarter of this 22/23 financial year, in preparation for launch of the property transfer scheme in 23/24. That plan will be kept under regular review.</p> <p>Accountable Officer</p>
<p><b>2. ARC papers</b></p> <p>Throughout 2021/22, QLTR updates at ARC meetings have been in the form of verbal updates. The QLTR have increased their level of activity however this isn't always well documented in committee minutes.</p> <p>Risk – There is a risk that members may not be able to</p>	<p>Due to the expanding scope of QLTR work, it is recommended that a summary update paper along with supporting schedules (e.g. risk register) is presented at ARC meetings to enable effective scrutiny and challenge and also demonstrate openness and</p>	<p>QLTR agree with the recommendation and will put this into practice beginning with the November 2022 ARC meeting.</p> <p>Accountable Officer</p>

Issue/risk	Recommendation	Agreed management action/timing
effectively carry out their scrutiny role. A written update will allow members time to consider the content in detail or to seek further advice and guidance from colleagues as appropriate.	transparency (refer paragraphs <a href="#">40</a> and <a href="#">47</a> ).	

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# Appendix 2: 2021/22 National performance reports

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## May

[Local government in Scotland Overview 2021](#)

## June

[Covid 19: Personal protective equipment](#)

## July

[Community justice: Sustainable alternatives to custody](#)

## September

[Covid 19: Vaccination programme](#)

## January

[Planning for skills](#)

[Social care briefing](#)

## February

[NHS in Scotland 2021](#)

## March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

# Queen's and Lord Treasurer's Remembrancer

## 2021/22 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](http://www.audit-scotland.gov.uk/accessibility)



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