



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Queen's and Lord Treasurer's Remembrancer

Annual audit report to the Queen's and Lord Treasurer's Remembrancer
and the Auditor General for Scotland

Year ended 31 March 2009

DRAFT 11 June 2009

AUDIT

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of only the Queen's and Lord Treasurer's Remembrancer and is made available to Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Financial statements

On [date] we issued an audit report expressing an unqualified opinion on the receipts and payments account and summary note of balances held of the Queen's and Lord Treasurer's Remembrancer for the year ended 31 March 2009.

Corporate governance

We considered corporate governance arrangements as they relate to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct and arrangements for the prevention and detection of corruption, and its financial position.

The statement of internal control outlines the ongoing processes established by the accountable officer to maintain a sound system of internal controls which supports the achievements of the Queen's and Lord Treasurer's Remembrancer. The statement reports losses during the year totalling £60,000 due to suspected frauds. The statement notes that steps have been taken to strengthen the controls around payments. No other significant weaknesses in the Queen's and Lord Treasurer's Remembrancer systems of internal control are disclosed. The content of the statement of internal control is consistent with our understanding.

In response to the suspected frauds, management commissioned a review of processes and controls by KPMG Forensics. A number of recommendations were made as a result of this review which have been acted upon by management.

Internal audit did not perform any work on the systems and controls of the Queen's and Lord Treasurer's Remembrancer during 2008-09.

Performance management

No specific performance audit work was required to be undertaken during the year.

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice*. This specifies a number of objectives for our audit.

Audit framework

This year was the third of our five-year appointment by the Auditor General for Scotland as external auditors of the Queen's and Lord Treasurer's Remembrancer. This report to the Queen's and Lord Treasurer's Remembrancer and Auditor General provides our opinion and conclusions and highlights significant issues arising from our work.

The purpose of this report is to report our findings as they relate to:

- the **accounts** and our audit opinions on the receipts and payments account and summary note of balances held;
- arrangements around **governance and accountability**, including risk management, the prevention and detection of fraud and irregularity and our consideration of the work of internal audit; and
- **performance management**.

Responsibilities of the Queen's and Lord Treasurer's Remembrancer and its auditors

External auditors do not act as a substitute for the responsibilities of Queen's and Lord Treasurer's Remembrancer for putting in place proper arrangements to account for the stewardship of resources made available to it and its financial performance in the use of those resources, to ensure the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the effectiveness of those arrangements and, through the accountable officer, to make arrangements to secure Best Value.

Acknowledgement

We wish to record our appreciation of the continued co-operation and assistance extended to us by your staff.

Accounts, audit opinions and key issues

We have issued an unqualified opinion on the receipts and payment account and summary note of balances held.

Reporting arrangements and timetable

The draft receipts and payment account and summary note of balances held were made available for audit for the week commencing 5 May 2009 as agreed with management. This has allowed for the completion of the audit and the approval of the Queen's and Lord Treasurer's Remembrancer accounts by the accountable officer on a significantly advanced timetable compared to previous years.

Audit opinion

Following approval by the accountable officer, we issued an audit report expressing an unqualified opinion on the Queen's and Lord Treasurer's Remembrancer receipts and payments account and summary note of balances held for the year ended 31 March 2009.

Key issues arising during our audit of the accounts

There were no issues of significance arising from our audit.

Corporate governance arrangements

The statement of internal control outlines the ongoing processes established by the accountable officer to maintain a sound system of internal controls which supports the achievements of the Queen's and Lord Treasurer's Remembrancer. The statement reports losses during the year totalling £60,000 due to suspected frauds. The statement notes that steps have been taken to strengthen the controls around payments. No other significant weaknesses in the systems of internal control are disclosed. The content of the statement of internal control is consistent with our understanding.

In response to the suspected frauds, management commissioned a review of processes and controls at the by KPMG Forensics. A number of recommendations were made as a result of this review which have been acted upon by management.

Internal audit did not perform any work on the systems and controls of the Queen's and Lord Treasurer's Remembrancer during 2008-09.

The key financial controls are designed appropriately and operating as intended.

Introduction

The office of Queen's and Lord Treasurer's Remembrancer is held by the Crown Agent, with the deputy chief executive of the Crown Office and Procurator Fiscal Service designated as the accountable officer for the Queen's and Lord Treasurer's Remembrancer with effect from 15 January 2008.

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all bodies.

Through its accountable officer, the Queen's and Lord Treasurer's Remembrancer is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. The *Code* requires auditors to review and report on the Queen's and Lord Treasurer's Remembrancer's corporate governance arrangements as they relate to:

- reviews of its systems of internal control, including its reporting arrangements;
- prevention and detection of fraud and irregularity;
- standards of conduct and arrangements for the prevention and detection of corruption; and
- its financial position.

Statement on internal control ("SIC")

The SIC for 2008-09 provides details of the processes and controls and management highlights that the organisation is committed to a process of continuous development and improvement and to developing systems in response to any relevant reviews and developments in best practice. The statement on internal control notes that the losses of £60,000 disclosed in the accounts were the result of suspected frauds. These are discussed further below. We are satisfied that the statement complies with the Scottish Government guidance, that the processes put in place by the accountable officer to obtain assurances on the system of internal control are adequate, and that the contents of the statement are consistent with the information emerging from our normal audit work.

Prevention and detection of fraud and irregularity; internal audit, risk management

Fraud and irregularity

Guidance on fraud and public interest disclosure reporting is provided to Queen's and Lord Treasurer's Remembrancer staff through the Crown Office and Procurator Fiscal Service intranet site. This is considered appropriate as all staff are on secondment from that Service.

Losses of £60,000 during the year were as a result of suspected fraud. Management commissioned a review of its processes and procedures by KPMG Forensics which resulted in a number of recommendations. These, and findings from managements' own internal reviews, have been implemented to strengthen the checks carried out on the identities of persons claiming estates and also to improve checks to ensure that documentation presented in support of claims is genuine.

Internal audit

The Scottish Government internal audit division provides internal audit services to Queen's and Lord Treasurer's Remembrancer, although during 2008-09, no work was undertaken.

Risk management

The statement of internal control discloses that the Queen's and Lord Treasurer's Remembrancer operates risk management strategies in accordance with the Scottish Public Finance Manual. A review of the risk management guidance operated within Queen's and Lord Treasurer's Remembrancer is scheduled for later in 2009.

There was no requirement on us from Audit Scotland to complete any performance management work during the year.

Performance management

There was no requirement on us from Audit Scotland to complete any performance management work during the year. The accounts note that the organisation it is committed to to a process of continuous development and improvement. This includes the continual updating of the case management system to increase operational efficiency.