

# Scottish Natural Heritage

Interim Audit Report 2016/17



 AUDIT SCOTLAND

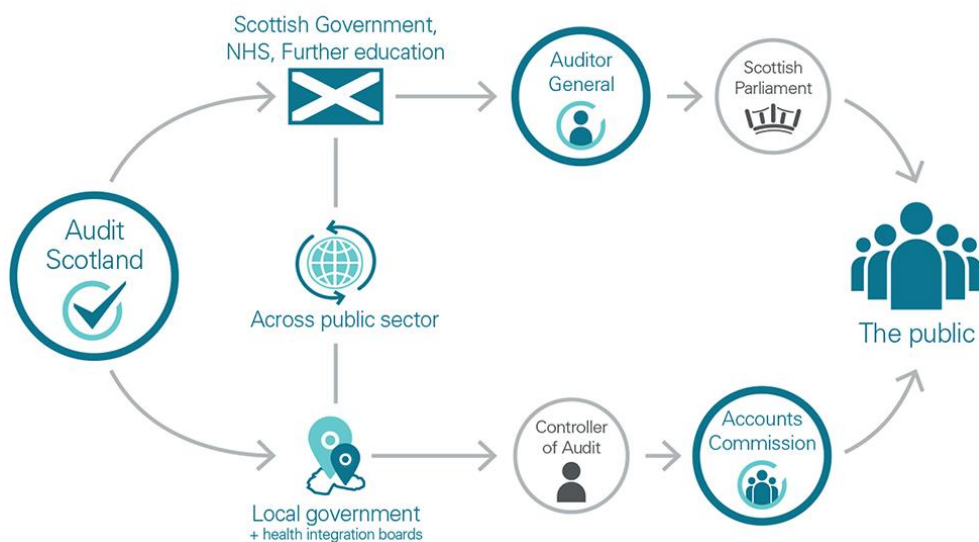
Prepared for Scottish Natural Heritage

April 2017

## 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.

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# Audit findings

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## Introduction

1. This report summarises the key issues identified during our interim audit work at Scottish Natural Heritage (SNH).
2. Our responsibilities under the Code of Audit Practice require us to assess the system of internal control put in place by management. We seek to gain assurance that SNH:
  - has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
  - has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
  - complies with established policies, procedures, laws and regulations.
3. In addition, we carried out early substantive testing on material accounts areas including income, expenditure and staff costs.
4. Under the Code of Audit Practice (2016), we are also required to carry out wider dimension audit work. This focussed on financial management and governance and transparency.

## Conclusion

5. The key controls within SNH's main financial systems are operating satisfactorily, and as a result we can take our planned assurances for our audit of the 2016/17 financial statements.
6. Appropriate arrangements are in place for financial management and governance and transparency, with one area identified for improvement as set out at paragraph 16 and Exhibit 1 below.

## Work summary

7. During our interim visit we carried out the following audit work:
  - walkthrough and testing of the key controls identified for each of SNH's main financial systems (general ledger, payroll, grants, accounts payable and accounts receivable)
  - initial substantive testing of income, expenditure and some elements of staff costs
  - review of the adequacy of the processes in place for financial budgeting, including budget monitoring reports prepared for the Board
  - follow-up of Audit Scotland's 2010 'Role of Boards' report.

8. It is the responsibility of management to decide on the extent of the internal control system appropriate to SNH. Any weaknesses identified in this report are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses that may exist.
9. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

## Findings

### Controls

10. The key controls in operation within SNH's main financial systems (general ledger, payroll, grants, accounts payable and accounts receivable) were tested as part of our interim work and found to be working as expected. As a result, we are able to take our planned assurances for the audit of the 2016/17 financial statements.

### Initial substantive work

11. Substantive testing was carried out on transactions for the first ten accounting periods of the 2016/17 financial year. Testing focused on income, expenditure, and some elements of staff costs. There are no issues to report resulting from this work.

### Financial management

12. We reviewed the process for preparing budget information and the budget monitoring reports presented to the Board. We concluded that the arrangements in place were sufficiently robust to provide effective financial information for management decision-making.

### 'Role of the Boards' follow up

13. As part of the wider review of governance arrangements across the public sector, we completed a follow-up of the 'Role of Boards' national report, published in September 2010. This involved review of documentation and discussions with key officers.
14. 2016/17 saw a significant change to the membership of the Board with 5 (50%) out of 10 members being newly appointed in April 2016. In addition, recruitment is currently underway for a new chair of the Board with effect from May 2017. A number of training events were held in 2016/17 to help members settle into their new roles and responsibilities.
15. The Senior Management Unit is well established in its role of supporting and developing the Board and related committees, and are pro-active in encouraging the adoption of good governance principles and practices. This, combined with the commitment of the Board members to personal development, promotes effective scrutiny and challenge in relation to policy decisions and performance.
16. All meetings of the Board, the Scientific Advisory Committee and the Protected Areas Committee are held in public with agendas, papers and minutes published on SNH's website. We noted that Audit & Risk Management Committee meetings are not held in public and that agendas, papers and minutes from these meetings are not published on the website. The Director of Corporate Services has agreed to review the rationale for not holding these meetings in public.

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## Exhibit 1

### Key findings and action plan 2016/17

Issue identified	Management response	Responsible officer and target date
<b>Audit findings - wider dimension audit</b>		
<b>'Role of Boards' follow up</b> Audit & Risk Management Committee meetings are not open to the public and their agendas, papers and minutes are not available to the public.	This is not a decision that can be taken without the involvement of the Audit & Risk Management Committee (ARMC) and so this will be included on the agenda for the next meeting of the ARMC.	Director of Corporate Services 10 May 2017

17. All our outputs and any matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# Scottish Natural Heritage

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