

# Scottish Natural Heritage

Management Report 2017/18



 AUDIT SCOTLAND

Prepared for Scottish Natural Heritage

April 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

---

Audit findings	4
Introduction	4
Conclusion	4
Work summary	4
Risks identified	5

---

# Audit findings

---

## Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at Scottish Natural Heritage. This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We will use the results of this testing to determine our approach during the 2017/18 financial statements audit.
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 the audited body:
  - 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 account areas including income, expenditure and staff costs.
4. Under the [Code of Audit Practice](#), we carried out work on the wider dimension audit focussing on financial management.
5. 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.

## Conclusion

6. Our interim audit work identified one control weakness relating to delays in the completion of account reconciliations (refer to the [Exhibit](#) for details). Our initial substantive testing did not identify any issues.
7. In terms of our wider dimension audit work we concluded that appropriate budget setting and monitoring arrangements are in place; and that Scottish Natural Heritage had responded well to the 2016/17 National Fraud Initiative with all recommended matches investigated and closed.

## Work summary

8. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and, where appropriate, prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified.

9. During our 2017/18 interim audit we undertook the following audit work:

- walkthrough of the key controls identified for each of Scottish Natural Heritage's main financial systems (general ledger, payroll, cash & bank, accounts payable and accounts receivable)
- testing of the key controls in operation within these systems including reconciliations, controls over IT access and changes to standing data, and the controls in place to prevent and detect fraud in respect of grant payments
- initial substantive testing of income, expenditure and some elements of staff costs covering the first ten accounting periods of the 2017/18 financial year. Additional substantive testing will be undertaken as part of our audit of the 2017/18 financial statements
- review of the adequacy of the processes in place for financial budgeting including budget monitoring reports prepared for the Board
- review of progress made in investigating the matches recommended for follow up as part of the 2016/17 National Fraud Initiative.

## Risks identified

10. The key control and wider dimension risks identified during the interim audit are detailed in the [Exhibit](#). The weaknesses identified are those that have come to our attention during the course of normal audit work and are, therefore, not necessarily all of the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to Scottish Natural Heritage.

## Exhibit

### Key findings and action plan 2017/18

Issue identified	Management response	Responsible officer and target date
<p><b>Account reconciliations</b></p> <p>Account reconciliations are taking place but final review of these has been delayed, on occasion, due to vacancy issues within the Finance team.</p> <p><b>There is a risk that fraudulent or erroneous transactions are not promptly detected and investigated / corrected.</b></p> <p><i>As part of our financial statements audit, we will review the year end reconciliations to ensure that they have been completed timeously.</i></p>	<p>As a result of staff vacancies during the year we have had to make decisions on the timing and periodicity of when some of the account reconciliations have been reviewed. The final reviews will be undertaken as part of the year end process.</p>	<p>Head of Finance 31 May 2018</p>

Source: Audit Scotland

11. 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

## Management Report 2017/18

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](mailto: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](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)