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Queen's and Lord Treasurer's Remembrancer

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

Year ended 31 March 2011

4 July 2011

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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 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.

Our audit work is undertaken in accordance with Audit Scotland’s Code of Audit Practice (“the Code”). This specifies a number of objectives for our audit.

This report summarises our work for the year ended 31 March 2011.

We wish to record our appreciation of the continued co-operation and assistance extended to us by the Queen’s and Lord Treasurer’s Remembrancer’s staff during the course of our work.

Financial statements	
Following their approval by the accountable officer, we issued an audit report expressing an unqualified opinion on the receipts and payments account and summary note of balances held by the Queen’s and Lord Treasurer’s Remembrancer for the year ended 31 March 2011	-
No technical accounting matters were considered during the audit process. Overall, management provided good quality analysis and no audit adjustments were identified.	Page 3
Performance management	
There was no requirement on us from Audit Scotland to complete any performance management work during the year.	Page 4
Governance	
There have been no significant changes and the statement on internal control continues to confirm the existence of a comprehensive framework of internal control.	Page 5
Internal audit did not perform any work on the systems and controls of the Queen’s and Lord Treasurer’s Remembrancer during 2010-11.	Page 5
Arrangements to prevent and detect fraud are embedded in internal controls.	Page 5

No audit adjustments were required and matters were concluded in a timely manner.

Systems and controls

Preparation of the accounts:

- The draft receipts and payment account and summary note of balances held were made available for audit for the week commencing 6 June 2011, as agreed with management. This allowed for the completion of the audit and the approval of the Queen's and Lord Treasurer's Remembrancer accounts by the accountable officer in a timely manner.
- We have sought and obtained representations from the accountable officer as part of the audit process.

Control environment:

- Overall, management's approach to gathering data for the accounts is efficient.

Audit adjustments

- We did not identify any audit adjustments during our audit fieldwork.
- There were no issues of significance arising from our audit.

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

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

Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.

<p>Corporate governance framework</p>	<p>The office of the 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, with effect from 15 January 2008.</p> <p>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 <i>Code</i> requires auditors to review and report on the Queen’s and Lord Treasurer’s Remembrancer’s corporate governance arrangements as they relate to:</p> <ul style="list-style-type: none"> ■ 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.
<p>Statement on internal control</p>	<p>The statement on internal control for 2010-11 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. 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 routine audit work.</p>
<p>Risk management</p>	<p>The statement on internal control discloses that the Queen’s and Lord Treasurer’s Remembrancer operates risk management strategies in accordance with the Scottish Public Finance Manual.</p>
<p>Internal audit</p>	<p>The Scottish Government internal audit division provides internal audit services to the Queen’s and Lord Treasurer’s Remembrancer, but during 2010-11 no reviews were undertaken.</p>
<p>Fraud and irregularity</p>	<p>Guidance on fraud and public interest disclosure reporting is provided to the 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.</p> <p>We have obtained representations from the accountable officer that all known or suspected instances of fraud were disclosed to us during the audit. There were no material instances of fraud reported during 2010-11.</p>



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Appendices

We remain independent of the Queen's Lord Treasurer's Remembrancer and there are no non-audit fees paid or payable at the date of this report.

Framework

Auditors appointed by Audit Scotland are required to comply with its *Code of Audit Practice* when carrying out audit work. The *Code* requires that ... "Auditors should carry out their work with independence and objectivity. Their opinions, conclusions and recommendations should be, and should be seen to be, impartial. Auditors, or any associated firms, should not carry out any work for audited bodies if it would impair their independence or might lead to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code and the requirements of the Auditing Practices Board's Ethical Standard 1: *Integrity, Objectivity and Independence* ("Ethical Standards").

General procedures to safeguard independence

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners, directors and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ("the Manual"). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

All partners and staff must understand the personal and professional responsibilities they have towards complying with the policies set out in the Manual and follow them at all times. To acknowledge understanding of, and adherence to, the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Confirmation of independence

In relation to the audit of Queen's Lord Treasurer's Remembrancer for the financial year ended 31 March 2011, we confirm that there are no relationships between KPMG LLP and Queen's and Lord Treasurer's Remembrancer, its directors and senior management that we consider may reasonably be thought to bear on the objectivity and independence of Stephen Reid and audit staff and which need to be disclosed to you. The audit fee for the financial year included our work in relation to corporate governance arrangements, use of resources and the accounts audit. There were no fees payable for non-audit services during the year.

This report is intended solely for the information of the audit and risk committee and should not be used for any other purposes.

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