

Stephen Woodhouse  
Finance Director  
Crown Office and Procurator Fiscal Service  
25 Chambers Street  
Edinburgh  
EH1 1LA

16 May 2018

Dear Stephen

**Crown Office and Procurator Fiscal Service  
Review of internal controls in key financial systems - 2017/18**

1. Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that the Crown Office and Procurator Fiscal Service (COPFS):
  - has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
  - has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
  - complies with established policies, procedures, laws and regulation.

**Overall conclusion**

2. On the basis of audit work undertaken, we concluded that appropriate and effective internal controls were in place for those key financial systems reviewed by us.

**System coverage**

3. The following table summarises the key systems that we have tested in our interim audit for financial year 2017/18:

Key System	Audit coverage
Payroll	√ (including internal audit reliance)
General Ledger	√
Trade Payables	√
Cash and Banking	√

**Key findings**

4. Our audit testing identified one significant control weakness related to changes to supplier's bank details as follows:

- When receiving details from a supplier regarding change of bank details, a key control is to contact the supplier directly using the contact details already held to confirm the change.
- In 2016/17 we found that COPFS accept notification of supplier changes via letter however of the 8 samples we tested there was one instance where the changes were not verified with the supplier by phone call. COPFS agreed in our 2016/17 Interim Report to add a box to the supplier change form for telephone follow up to ensure this action is carried out.
- In our sample testing for 2017/18 we found that 3 of the 8 changes tested were not followed up with a phone call. In each of the 3 cases the change came via a letter from the supplier rather than on an invoice from the supplier.

**Management Resolution:** COPFS have restated the requirement to carry out the agreed checks and reminded the staff concerned. We will also include reviewing compliance in the regular management checks carried out going forward.

5. We have also reviewed the ongoing work by COPFS staff in relation to findings regarding the revaluation reserve detailed in our 2016/17 Annual Audit Report. Significant progress has been made throughout the year and the remainder of this work will be reviewed as part of our financial statements audit. We will report our findings in the 2017/18 Annual Audit Report.
6. We have placed reliance on the work of internal audit in 2016/17 and we have, as part of the 2017/18 audit, undertaken sufficient work, through observation and inspection, to ensure that there have been no changes to the controls. We have recorded this in a walk through test. We found internal audit work to be well documented and supported by appropriate evidence. Therefore, we placed reliance on their findings and thereby avoided unnecessary duplication of effort.

### **Risk identification**

7. The issues identified in preparing this management letter are only those which have come to our attention during our normal work and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system appropriate to COPFS. We would stress however, that an effective system of internal control is an essential part of the efficient management of any organisation.

### **Acknowledgement**

8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during our interim audit from staff at COPFS is gratefully acknowledged.

Yours sincerely



Gillian Woolman

Cc (email):  
 Marlene Anderson, Head of Financial Accounting  
 Evelyn Aitken, Head of Management Accounting and Planning  
 June Campbell, PA to Deputy CE