

Mark Howells
Director of Finance and Procurement
Crown Office and Procurator Fiscal Service
25 Chambers Street
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19 May 2020

Dear Mark

**Crown Office and Procurator Fiscal Service
Management letter 2019/20**

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 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.

COVID-19

We were not able to complete our planned programme of audit work to assess the key controls of the main financial systems, due to the exceptional circumstances resulting from the COVID-19 global pandemic.

Planned system coverage

The following table summarises the key systems that we planned to test in our interim audit for financial year 2019/20.

Key System	Planned External Audit coverage
Payroll	√
General Ledger	√
Trade Payables	√
Budget Monitoring	√
Cash and Banking	√

Extent and limitations of testing

Auditing standards require us to confirm and evidence that the key controls in the key financial systems are operating effectively.

Prior to the COVID-19 global pandemic, we were able to meet with Finance and Payroll officers to discuss the key financial systems, update and document our understanding of the systems and identify the key controls in place. Unfortunately, for a number of key controls we could not fully test their operation as some of the required evidence was held in paper copy within the COPFS offices. Therefore, due to such circumstances we cannot take assurance that certain key controls were operating effectively. As a result, we

plan to carry out additional substantive procedures during our financial statements audit, to enable us to gain the required assurances.

Officers in the Finance team were proactive and helpful in progressing the areas of work which could be advanced remotely. By doing so we were able to test and confirm some of the key controls in place were operating effectively for the following key systems:

- General Ledger,
- Trade Payables
- Budget Monitoring
- Cash and Banking.

Payroll

We were able to meet with officers from the Payroll team and identify the key controls in place, however due to the exceptional circumstances, we were not able to progress our planned controls and early substantive work further. Most of the required information is held onsite in the payroll office. Therefore, we cannot conclude on the controls operating in the payroll system. As a result, we plan to carry out additional substantive procedures during our financial statements audit, to enable us to gain the required assurances for staff costs.

From the work that we were able to carry out, there are no significant issues that were identified that require to be reported.

Prior year controls testing

A full programme of controls testing was carried out as part of our prior year 2018/19 audit. This included a full initial system review of the payroll system. On the basis of audit work undertaken, we concluded that appropriate and effective internal controls were in place for those key financial systems.

One issue was raised in the prior year relating to evidencing the confirmation of supplier bank detail changes. We planned to follow up and test this key control in 2019/20 however this was not possible as evidence is held in paper copy with COPFS offices. We'll work with management to determine how they can demonstrate to us how this control has operated in 2019/20. In addition, we will carry out additional substantive testing of trade payables balances and expenditure transactions as part of our financial statements audit.

National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

COPFS demonstrated a good level of engagement with the most recent NFI exercise. All 280 matches were investigated, followed up and closed in a timely manner. One error was identified and the funds recovered. This related to a duplicate payment of £3,582. The results of this exercise contribute to providing assurance that the COPFS's anti-fraud controls are working effectively.

Conclusion

On the basis of audit work undertaken and for those key controls tested, we were able to conclude that appropriate and effective internal controls were in place within the General Ledger, Accounts Payable, Budget Monitoring and Cash and Bank systems. Therefore, we are able to take some planned controls assurance.

Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to COPFS.

All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

Acknowledgement

The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit from the COPFS is gratefully acknowledged.

Yours sincerely

A handwritten signature in black ink that reads "Gillian Woolman". The signature is written in a cursive style with a long, sweeping underline.

Gillian Woolman
Audit Director

Cc (email):
Ian Walford, Deputy Chief Executive
Mark Howells, Director of Finance and Procurement
Marlene Anderson, Head of Financial Accounting