

sportscotland Group and Lottery Fund

Management report 2019/20



 AUDIT SCOTLAND

Prepared for sportscotland Group and Lottery Fund

April 2020

Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at sportscotland, covering the Group and Lottery Fund. Auditing standards require external auditors to obtain an understanding of the accounting and internal control systems that exist within the audited body to allow us to plan and develop our approach to the 2019/20 financial statement 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.

Conclusion

3. From our interim audit work we identified a number of improvements to controls since the 18/19 audit, such as enhanced documentation of financial processes. We identified some further control improvements which would be beneficial and these are summarised in [Exhibit 1](#).
4. It is worth noting that our audit approach does not seek to obtain assurance from controls and therefore the points detailed in Exhibit 1 do not impact on our planned audit approach for sportscotland Group and Lottery Fund.
5. Any weaknesses identified represent those which 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 sportscotland Group and Lottery Fund.
6. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The cooperation and assistance we have received during our audit is gratefully acknowledged.

Exhibit 1

Key findings and action plan 2019/20

Issue identified	Prior year response and target date	Proposed action required and target date
2018/19 recommendations now fully implemented		
Payroll system access		
<p>2018/19 finding</p> <p><i>Review of the user access list confirmed that there are nine members of staff with access to both the human resources and payroll areas of iTrent</i></p> <p><i>We were also informed that there is no mechanism within iTrent to prevent the same officer from adding a new employee to the system whilst also processing the bank and salary details</i></p> <p>2019/20 finding</p> <p>We confirmed through review of the iTrent user access list there are now only three members of staff with payroll user access.</p> <p>The weakness in the system's lack of segregation of duties mechanism is inherent to the system, but mitigated by the internal requirement of second officer checks on detail changes, leaver and starter forms.</p>	<p>2018/19 response</p> <p><i>Again, due to system issues, additional access was made available to certain staff to enable certain necessary manual workarounds to be implemented. Now that the SGB payrolls have been migrated to an external provider, this has been adjusted and system access has been realigned to staff members' ongoing roles.</i></p> <p><i>Completed May 2019</i></p> <p><i>Paul Scoular, Systems Administrator</i></p>	<p>N/A – second officer checks mitigate the risk</p> <p>After review of system access the Systems Administrator has reset user profiles to clearly define segregation of duties.</p> <p>Bill Menzies</p> <p>March 2020</p>
Ledger system access		
<p>2018/19 finding</p> <p><i>There is a profile called "Audit 1" included within the System Administrator access level for PS Financials. It is not appropriate for auditors to have administrator access to the system</i></p> <p><i>There is a risk that incorrect user access for the ledger system impacts on the accuracy of the underlying data</i></p> <p>2019/20 finding</p> <p>The profile "Audit 1" is still on the system, but we confirmed through review of the profile permissions that it has read only access.</p>	<p>2018/19 response</p> <p><i>This "user" was set up to allow access to correct a system issue and has since been deactivated.</i></p> <p><i>No journals were created by the profile.</i></p> <p><i>Completed April 2019</i></p> <p><i>Bill Menzies, Financial Accountant</i></p>	<p>N/A – read only access therefore no impact on accuracy of data</p> <p>User retained to allow the two auditor companies a separate login to do their reviews. This facility will remain available going forward, to get access auditors must first be allowed access by the IT dept.</p> <p>Bill Menzies Financial Accountant March 2020</p>

Issue identified	Prior year response and target date	Proposed action required and target date
2018/19 recommendations being progressed		
Payroll validation		
<p>2018/19 findings</p> <p><i>Payroll validation via confirmation by budget holders of staff complements at budget reviews have not yet been implemented.</i></p> <p><i>Prior year risk remains.</i></p> <p>2019/20 findings</p> <p>Confirmed through inquiry that payroll exercises were carried out through HR for establishment reporting and for the pay award, as well as a review of staff lists with individual managers and department heads during the Q2 budget process.</p> <p>This is a positive development, however no documentation was retained to support the validation exercise.</p>	<p>2018/19 response</p> <p><i>While we were unable to verify, due to system issues at budget meetings to date, this will now be done at budget reviews going forward.</i></p> <p><i>Verification was done and is being done annually at the point of implementing the annual pay awards, when Heads of Service review the new salary levels in their departments.</i></p> <p><i>Bill Menzies, Financial Accountant, July 2019</i></p>	<p>2019/20 response</p> <p>We will ensure that appropriate confirmation documentation is produced both at pay award review and at budget reviews going forward</p> <p>Bill Menzies, Financial Accountant</p> <p>June 2020</p>
Financial procedures		
<p>2018/19 findings</p> <p><i>New journals are reviewed by the Financial Accountant each month, and this is well-documented.</i></p> <p><i>There is also a formal process for creating a new ledger code and approval by a Financial Accountant, however records of this are not kept.</i></p> <p><i>In addition, there is a month-end checklist in place, and a monthly ledger-to-system reconciliation. However, the procedures are not documented so it was not possible to verify how often these checks are happening in practice.</i></p> <p>2019/20 findings</p> <p>There have been improvements including a log of changes to the chart of accounts. However, we found in the course of walkthrough testing that there is no documentation of the process for changes to user access for PS Financials.</p>	<p>2018/19 response</p> <p><i>As per the previous year, all new code requests are approved by the Financial Accountant and there are very few requests. We will however, going forward, create a log of any changes and the Financial Accountant will sign this off.</i></p> <p><i>Ledger reconciliations have always been done, and we will enhance our documentation of these. All journal checks are documented and signed off for the year.</i></p> <p><i>Bill Menzies, Financial Accountant, July 2019</i></p>	<p>2019/20 response</p> <p>Direct access to the main finance system is restricted to a small group of users, we will look to implement a log for any new users or changes going forward.</p> <p>Bill Menzies, Financial Accountant</p> <p>July 2020</p>
2019/20 audit findings		
<p>User access list unavailable</p> <p>Due to limitations in the PS Financial system, we were unable to obtain a user access list in order to verify the users are</p>	<p>N/A</p>	<p>We are in liason with the software supplier to address this shortcoming.</p> <p>We review delegated authority at least twice a year</p>

Issue identified	Prior year response and target date	Proposed action required and target date
<p>all current employees and that access is given as described.</p> <p>There is a risk of inaccurate system access as managers are unable to verify that only current employees have access to the financial system, and that their access is appropriate.</p>		<p>for all users and double check this against the system, also we receive monthly updates from HR of all starters and leavers and update the system accordingly .</p> <p>Bill Menzies, Financial Accountant</p> <p>July 2020</p>
<p>Expenses override of procurement policy</p> <p>While conducting walkthrough testing of the accounts payable processes, we were informed that for all payments over £200, a purchase order must be raised. In one instance, we found that a member of staff offered to pay an invoice of £308.70, including VAT on their personal credit card.</p> <p>While there would still have been managerial discretion in whether to grant a sum in expenses, there is a risk that the restriction on payments without purchase orders is vulnerable to circumvention.</p>	<p>N/A</p>	<p>On very rare occasions such a transaction may be made e.g. where a car is in for a repair, we have to pay the VAT and excess, the employee has to pay and we reimburse.</p> <p>Such payments are very rare.</p> <p>Bill Menzies, Financial Accountant</p> <p>March 2020</p>
<p>Source: Audit Scotland</p>		

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

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