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## Stirling Council - Review of internal controls in financial systems 2019/20

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 Stirling Council:

- 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. Our work to date has been a combination of walkthroughs of key systems, testing of key controls, and substantive testing of transactions. 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 2019/20.

| Key System                   | Audit coverage |
|------------------------------|----------------|
| Payroll                      | ✓              |
| General ledger               | ✓              |
| Expenditure / trade payables | ✓              |
| Income / trade receivables   | ✓              |
| Banking                      | ✓              |
| Treasury Management          | ✓              |
| PECOS                        | ✓              |
| SWIFT                        | ✓              |
| Non Domestic Rates           | ✓              |
| Housing Rents                | ✓              |

## Key findings

4. Our audit testing did not identify any significant control weaknesses. We did identify some less significant issues which are documented below:

- The Treasury Management reconciliations between the Logotech TM system and the ledger were not subject to a formal review by a second officer or authorisation by a team leader. We were informed that a Senior Accountant does perform an informal review of the reconciliations, however there was no evidence of this check taking place.
- Two Non Domestic Rates reconciliations reviewed during testing were not completed in an appropriate timeframe. The period seven reconciliation was not completed and reviewed until 24 December 2019 whilst the period two reconciliation was completed on 25 July 2019 and not subject to review until 2 September 2019.
- The period four Housing Rents reconciliation obtained as part of testing was not completed and reviewed until 10 September 2019.
- The period eight Accounts Receivable reconciliation examined during testing was not completed and reviewed until 20 January 2020.

5. Whilst the above identify breaches in the expected control arrangements in place, they do not represent a serious weakness in the internal controls framework at the council. The key controls in place have been operating effectively with the exception of the breaches identified above.

### **Risk identification**

6. While we have not identified any significant controls weaknesses from our audit work, this does not mean there are no risks to the financial systems used by Stirling Council. It remains the responsibility of management to determine the extent of the internal control system appropriate to Stirling Council. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

### **Acknowledgement**

7. The co-operation and assistance we received during the course of our audit work carried out to date from Stirling Council staff is gratefully acknowledged.

Yours sincerely

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