

Janet Egdell  
Accountable Officer  
Registers of Scotland  
Meadowbank House  
153 London Road  
Edinburgh  
EH8 7AU

22 April 2020

**Sent by email**

Dear Janet,

## **Registers of Scotland 2019/20 Interim audit management letter**

1. This letter summarises the key issues identified during our 2019/20 interim audit at Registers of Scotland.
2. 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 Registers of Scotland (RoS):
  - 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 in its financial statements; and error, fraud or corruption
  - complies with established policies, procedures, laws and regulation.

## **COVID-19**

3. Our interim audit work was in progress when the Government lockdown for the COVID-19 global pandemic was announced. As a result, we adjusted our audit approach and working arrangements. Once we are clearer about the accounting and auditing frameworks that will apply to the 2019/20 audits we may have to amend our audit approach further. We continue to work closely with the finance team and would like to thank RoS staff for their assistance during the 2019/20 interim audit and for continuing to provide audit information during this challenging time.

## **Overall conclusion**

4. On the basis of audit work undertaken, we concluded that appropriate and effective internal controls were in place for those key financial systems which we reviewed. Our audit testing did not identify any significant control weaknesses. We did identify two less significant issues which were discussed with management so that appropriate actions could be taken. These were:
  - Around 30 per cent of payroll journals had been posted and authorised by the same person. This was due to the small number of people involved in this process. We were satisfied that other mitigating controls were operating effectively. The finance team has now put procedures in place to ensure there is appropriate segregation of duties for all journal postings.
  - The January and February aged debtors reports were not followed up completely or within normal timescales, with a targeted approach taken. This was due to staff shortages as a result of promotions. The total value of aged debt at 29 February 2020 was £1,068,049. This meant there was a large backlog of debt recovery to be actioned and processed in March. Vacant positions have since been filled and debtors reports are now checked timeously. As at 31 March 2020 the aged debtor balance was £778,961.

## **Audit coverage**

5. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate, prior year results. Our risk based audit approach

allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. During our 2019/20 interim audit, we performed more focused controls testing on changes to customers bank account details, due to a change in the process from prior years. We also examined system feeder and reconciliations in more detail.

6. The following table summarises the key systems and areas that we tested during our interim audit for financial year 2019/20.

Key System	Audit coverage
Payroll	✓
General Ledger	✓
Trade Payables	✓
Trade Receivables	✓

7. In addition, we commenced our review of the arrangements RoS has in place to counter fraud in respect of its procurement processes. This work will consider internal audit's recent report on accounts payable and procurement. We will report our findings in our Annual Audit Report.

8. We have agreed with management to reschedule our planned review of arrangements for complying with equalities legislation until the 2020/21 audit. This provides flexibility in the timing of our audit and also allows RoS officers to focus on more immediate priorities concerning COVID-19.

## Internal audit

9. Internal audit is provided by the Scottish Government Directorate for Internal Audit and Assurance. As this Directorate is the internal auditors for a number of central government bodies, Audit Scotland each year completes a review of the Directorate's compliance with the Public Sector Internal Audit Standards (PSIAS). This review is carried out by our Scottish Government external audit team and we will report any relevant findings for RoS in due course.

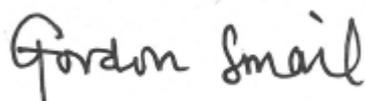
10. We will consider internal audit reports issued in 2019/20 for the purpose of our audit.

## Acknowledgements

11. The issues identified in preparing this management letter are only those which have come to our attention during the course of 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 RoS. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

12. 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 all RoS staff is gratefully acknowledged.

Yours sincerely



**Gordon Smail**

**Audit Director**

Cc (email): Stephen Wellham (Head of Finance), Elizabeth Gregor (Deputy Head of Finance)