

Scottish Government

Management Report 2017/18



 AUDIT SCOTLAND

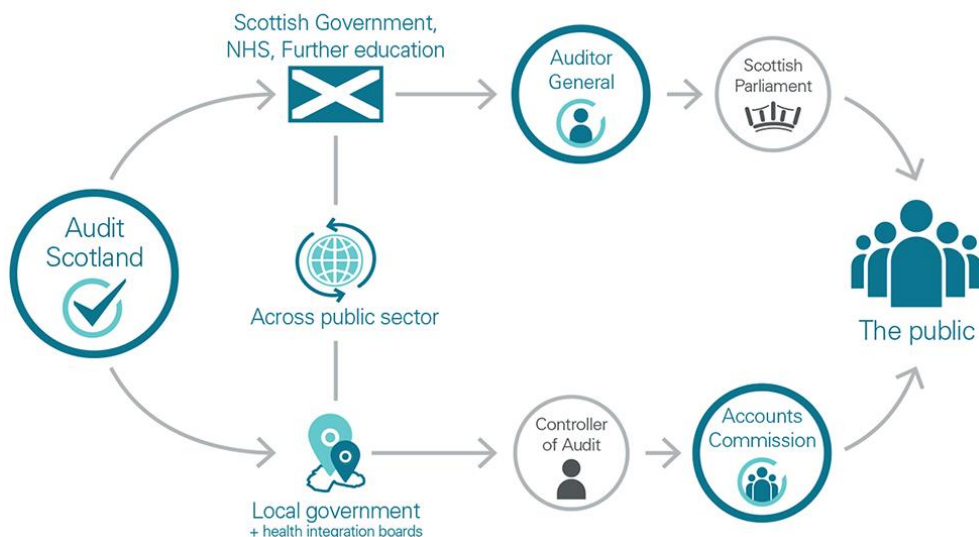
Prepared for Scottish Government

June 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Audit findings

Introduction

- 1.** Auditors in the public sector give an independent opinion on the financial statements and other specified information accompanying the statements. We also review and report on arrangements within the audited body to manage its performance, regularity and use of resources.
- 2.** To support our work on the financial statements, we test key controls within key financial systems to see if we can place reliance on the systems and processes used to produce data for the financial statements. This report contains a summary of the key issues identified during the interim audit work carried out at the Scottish Government.
- 3.** Given the size and nature of the Scottish Government's operations, a number of large and relatively complex systems such as Payroll are used. It is therefore important that adequate controls are in place to ensure the accurate processing of information.
- 4.** The Scottish Government provides services such as Payroll, HR and the Scottish Executive Accounting System (SEAS) to approximately 45 public bodies including agencies such as Transport Scotland and other bodies such as the Care Inspectorate. Our testing is used to provide assurance to the auditors of these public bodies. They will consider the results in planning and performing their local audit work.
- 5.** The main focus of our work was to test the key controls within the Scottish Government's main financial systems. We also report on our findings from the testing of expenditure and journals across the nine Scottish Government portfolios. Our expenditure testing helps to provide us with assurance that the financial statements are free from material misstatement¹ and we will use the results of this testing to finalise our approach for the 2017/18 financial statements audit.
- 6.** The report also details the results our follow-up work carried out in two areas identified in our 2016/17 annual audit report:
 - Progress in recovery of overpayments to project sponsors of approximately £16 million which was identified as part of the Scottish Government's closure work on the European Structural Funds 2007-13 programmes.
 - A review of the Scottish Government's participation in the latest National Fraud Initiative which is a counter-fraud exercise coordinated by Audit Scotland that uses computerised techniques to identify potential fraud or error.
- 7.** The contents of this report have been discussed with the Scottish Government to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

¹ Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

Summary conclusion

8. Our overall conclusion is that, other than payroll, the Scottish Government's main systems of internal control (SEAS (General ledger), Payables, Receivables and Banking) operate effectively. This enables us to take planned assurance for these systems for our audit of the 2017/18 financial statements and to provide assurance to auditors of public bodies that use the same systems. Taking planned assurance from our work on internal controls means that we can reduce the amount of substantive testing we would need to do to confirm that transactions and balances in the financial statements represent a true and fair view of the underlying activity. In the case of payroll, we will increase our testing to obtain the assurance we need.

9. Our controls testing identified a number of cases where controls did not operate as expected and these are summarised in [Exhibit 1](#). This includes several findings which are the same as those identified in previous years' audits and management action to resolve them remains outstanding. It is important that the issues identified are addressed within the agreed timescales to ensure that the integrity of the systems is maintained and that risks are minimised. There is also the potential for risks to increase the longer management action remains outstanding.

10. Issues identified from our expenditure testing and follow-up work are also detailed in [Exhibit 1](#). Where weaknesses have been identified we will carry out additional work in response to these findings and this is also detailed in the exhibit.

Testing of key controls



Bank reconciliations



Payroll controls



IT access



Budgets

11. 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.

12. Our 2017/18 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Additionally, our testing covered budget monitoring and control, and feeder system reconciliations.

13. Where we identified that a key control did not operate as we expected, we considered other mitigating controls and the effectiveness of these controls to deliver the control objective we expected. If the key control or mitigating control is not operating adequately, we have included it in our key findings in [Exhibit 1](#).

14. In accordance with *ISA 330: The Auditor's Response to Assessed Risks*, 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 we have confirmed that controls remain unchanged and no significant weaknesses have been identified.

Testing of expenditure

15. We tested a sample of expenditure items across all nine Scottish Government ministerial portfolios. We focused on core portfolio expenditure given that grant-in-aid funding to public bodies is audited by their local auditors. A sample of high-value transactions were tested covering the first nine months of the financial year. Further testing will be completed before the start of the financial statements audit to ensure coverage of the full financial year.

16. We identified one issue from our expenditure testing and this is detailed in [Exhibit 1](#).

Testing of journals

17. We selected a sample of journal entries relating to the period April 2017 to December 2017 based on a number of potential risk factors, for example journals created on a weekend or bank holiday (it would be expected that most journals would normally be created during the working week). We found that all the journals tested were appropriate and valid. We will test a further sample of journal entries as part of our final accounts testing.

European Structural Funds

18. The Scottish Government's closure work on the European Structural Funds 2007-13 programmes identified that they had overpaid project sponsors approximately £16 million as a result of audit findings and therefore this could not be claimed from the European Commission as eligible expenditure. As at 31 March 2017, the Scottish Government had identified this debt but had not decided whether it should be recovered. If they did not pursue it, there was a risk that the European Commission would take a view that this funding is out-with their approved state aid schemes and that they would apply state aid penalties which could be an additional cost to the Scottish Government.

19. Out of 215 project sponsors, a group of 71 project sponsors were identified as being overpaid and invoices were subsequently raised by the Scottish Government and issued to project sponsors. Of these 71 sponsors, 17 sponsors formally disputed the invoice amounts. The Scottish Government formed panels to hear the project sponsors' evidence regarding the disputed amounts. The Scottish Government informed us that the panels upheld project sponsor appeals in six cases, with a further three being partially upheld, and overall the potential recoveries were approximately £14 million of which £4.9 million was taken forward through the dispute process.

20. Our testing examined a sample of reports from panel meetings, considered the perceived breaches, reviewed the judgements made and the resultant reports. Our testing concluded that for the sample of reports we reviewed, the panels' decisions were methodical, impartial and fair. We will review the accounting treatment in relation to the overpayments as part of our financial statements audit.

National Fraud Initiative

21. The Scottish Government participates in the biennial NFI exercise through uploads of payroll and accounts payable data. The data submitted by the Scottish Government covers all of those bodies which use its payroll and accounts payable shared services in addition to its own operations.

22. We completed a NFI auditor questionnaire which all auditors of bodies who participate in NFI are asked to complete. This includes reviewing the progress of the Scottish Government in investigating data matches, results of investigations and reporting of results internally and externally. It was expected that match investigation should have largely been completed by 30 September 2017.

23. Overall, we found that the Scottish Government's engagement in most areas was good. However, there was no follow-up of matches relating to procurement. We also made recommendations in relation to the reporting of progress and results of the NFI exercise. Further details of our findings are included in [Exhibit 1](#).

Risks identified

24. 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 the Scottish Government.

Exhibit 1

Key findings and action plan 2017/18

Issue identified	Management response Responsible officer and target date	Additional audit procedures planned
Audit findings		
Current year		
<p>1. Expenditure testing</p> <p>Our expenditure testing found three instances where the grant did not follow the process as set out in the terms and conditions of the grant letter. The total value of the grants where issues were identified was £2.1 million. These covered:</p> <ul style="list-style-type: none"> • Grant conditions not satisfied before payment in Health and Sport; • Grant payment made without Statement of Compliance as specified in grant letter in Environment, Climate Change and Land Reform; and • An extension to a deadline given for a grant in Communities, Social Security and Equalities, which was not agreed in writing as required by the terms of the grant letter. <p>The grant letter is a key control to ensure propriety of expenditure. It is important that conditions set out in the grant letters are followed to ensure that money is spent in line with Scottish Government objectives.</p>	<p>Grants guidance is clear on the principles and process to be followed. The three findings were local issues of a procedural nature, which did not result in any inappropriate payment of funding; steps have been taken in each case to prevent recurrence.</p> <p>For information – the Governance team are working with Third Sector Unit to boost awareness and understanding of the materials and guidance already available to grant makers by initiating a grant makers network, which met for the first meeting time on 12th of June.</p>	<p>Further testing of expenditure charged during January to March 2018 to ensure we have tested the full year.</p>
<p>2. Bank reconciliations</p> <p>We audited a sample of bank reconciliations for two bank accounts. We identified that the bank reconciliations for the period April 2017 to September 2017 were not completed until November 2017. We</p>	<p>Accepted. Cover for bank reconciliations will be reviewed and extended.</p> <p>Head of Treasury and Banking</p>	<p>Further testing of bank reconciliations as part of our year end work.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures planned
<p>noted that reconciliations after September 2017 had been completed timeously.</p> <p>Bank reconciliations provide the necessary control to uncover irregularities and help to identify potential fraud. If reconciliations are not completed timeously the risk of fraud or error not being detected is increased. The Scottish Government should ensure that monthly bank reconciliations are completed and reviewed for the full financial year.</p>	<p>October 2018</p>	
<p>3. Authorised signatory not removed</p> <p>The Scottish Government provides its banks with details of officers who have the authority to open accounts. This list should be updated when officers leave the department. We identified one signatory relating to one bank account who has moved departments but had not been removed from the authorised signatory list. We were advised that officers have made numerous attempts to remove the signatory but the bank has not actioned the request.</p> <p>There is a risk that unauthorised transactions are processed if the authorised signatory list is not up to date. We would recommend further attempts are made to update the signatory list.</p>	<p>The bank has now confirmed that the member of staff has been removed as signatory from bank accounts of both the Scottish Government and other customers of the Scottish Government banking framework.</p> <p>Head of Treasury & Banking Complete</p>	<p>No additional audit procedures are required.</p>
<p>4. European Structural Funds (ESF) reconciliation</p> <p>From sample testing of the ESF reconciliations we identified that there was a lack of an independent review of completed reconciliations for the period from April 2017 to November 2017. In addition, reconciliations were not completed monthly for the period April 2017 to October 2017. Failure to complete and review reconciliations regularly weakens this control.</p> <p>We noted that reconciliations were carried out on a monthly basis from November 2017, and review of reconciliations was implemented from December 2017. These weaknesses were identified in-year and addressed.</p> <p>There is a risk of errors not being detected timeously. Furthermore, a</p>	<p>Continue to undertake reconciliations on a monthly basis.</p> <p>Head of European Structural Funds State Aid Division</p> <p>Already implemented</p>	<p>Further testing of ESF reconciliations, including whether they have been reviewed, as part of our year end work.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures planned
lack of review means discrepancies could potentially be undetected.		
<p>5. Payroll exception reporting</p> <p>Variance reports are run monthly by the payroll team with the expectation that all variances should be investigated by Senior Pay Administrators. For the variance reports of September 2017 and January 2018 that we audited, not all variances had been investigated. Completed variance reports were subsequently provided. There is a lack of audit trail to confirm that all variances are investigated and resolved before the payroll is run.</p> <p>The central variance report should be updated by all Senior Pay Administrators and reviewed by the Pay Admin Managers prior to the payroll being run. The review should be evidenced.</p>	<p>We are reviewing how team leaders access the variance report to allow multiple updating of the report. A review of the Variance Report has commenced and we are working with our Support Contractor on scoping and building a replacement report.</p> <p>The new report will be shared with internal audit for comment.</p> <p>Head of HR Service Centre</p> <p>Review date - September 2018</p>	<p>We will increase our substantive testing of payroll transactions as part of our year end work.</p>
<p>6. Payroll retrospective payments</p> <p>In our leavers sample of 30 we identified an employee who was not retrospectively paid for the annual salary increase which took effect from 1 August 2017.</p> <p>Similarly, one case from our change of grade sample highlighted an employee who was not paid a lump sum payment due to an annual pay and band increment which was effective from August (but retrospectively applied in November's pay).</p> <p>There is a risk that retrospective payments to employees are not correctly applied to all employees and that there is no control in place which prevents/detects this.</p>	<p>A report will be provided by Corporate Analytical Systems Team (CAST) to ensure all backdated pay award payments are captured and processed including lump sum promotion payments.</p> <p>Head of HR Service Centre</p> <p>Review date - September 2018</p>	<p>We will quantify the potential monetary error and assess against our performance materiality.</p> <p>We will also review and consider this report confirming all backdated pay award payments have been captured and processed.</p>
Prior year follow up		
<p>7. Supplier vetting</p> <p>For procurements under £50,000 there are no formal supplier checks in place. For example, confirmation that the supplier is valid, that the financial position of the supplier is adequate and that there are no regulatory or ethical issues. This means that a bogus, financially weak or disreputable supplier could be used by the Scottish Government.</p>	<p>SG have taken a risk based approach in considering supplier expenditures of less than £50k. This balances the risk of operational delivery exposure where payments are made in arrears, with the resourcing required to complete full analysis of accounts. Consideration will be given to steps to further reduce potential fraud risks.</p>	<p>Further testing of payables and expenditure as part of our year end work.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures planned
<p>One mitigating control is that suppliers are paid in arrears.</p> <p>The Scottish Government planned to roll out a new supplier vetting scheme between August 2016 and April 2017 but found that there were not enough Designated Purchasing Officers across Directorates to deliver the new scheme.</p> <p>The Scottish Government still plans for procurements under £50,000 and above £5,000 to have a contract in place to strengthen controls.</p> <p>In the meantime, there is a moderate risk that a financially weak, fraudulent or disreputable supplier is being used by the Scottish Government which may lead to disruption of service provision.</p> <p>The Scottish Government should ensure that controls are strengthened for procurements below £50,000 in 2018/19.</p>	<p>Purchase to Pay Manager</p> <p>November 2018</p>	
<p>8. Access to Payroll system</p> <p>We have reported on controls over access to the payroll system since our 2014/15 report. e-HR is an integrated system that administers multiple HR functions including payroll. As such, adequate arrangements for segregation of duties are essential. Mitigating controls include Team Leader checks over starters, leavers and amendments to payroll. As with 2016/17, the results of our 2017/18 testing identified issues in each of these areas (see payroll amendment checks below).</p> <p>There remains a risk that changes to payroll are not subject to independent verification, resulting in the potential for payroll error or fraud. The Scottish Government should ensure mitigating controls for the segregation of duties are operating effectively.</p>	<p>The mitigating controls are part of a process of continuous improvement. The results of the audit have been included in this process and will be considered along with workflow mapping and allocations to ensure that the segregation of duties are operating effectively. The mitigation controls are part of a process of continuous improvement and with the introduction of a client group split rather than an A-Z split across all payrolls provides a segregation of duties by client.</p> <p>Head of HR Service Centre</p> <p>Review date - October 2018</p>	<p>Further testing of mitigating controls (team leader checks) will be carried out as part of our year end work.</p>
<p>9. Payroll amendment checks</p> <p>We identified in 2015/16 and 2016/17 that 100 per cent Team Leader checks were not completed for all starters and leavers. These checks involve Payroll Team Leaders checking changes to Payroll data have been processed correctly and mitigate the risk of input</p>	<p>We are creating Quality Assurance reports, logs and processes to assist with data checking and identify skills gaps. We are also communicating with CAST, ITECS and our Support Contractor to identify facilities</p>	<p>We will increase our testing of payroll amendments as part of our year end work considering this finding.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures planned
<p>error so we consider them an important key control.</p> <p>For 2017/18, a Scottish Government policy change means only starters have a target of 100 per cent. The target for leavers is now ten per cent. A mitigating control is that action logs which provide an audit trail should be created for all changes and notifications.</p> <p>Our 2017/18 testing identified the following issues:</p> <ul style="list-style-type: none"> • Our testing of starters identified five cases out of 30 where the Team Leader checks were not completed. • Our testing of leavers identified a case where a leaver's annual leave entitlement was calculated correctly, but was incorrectly input into the payroll system, leading to an overpayment for that employee. The error was small, however minimal Team Leader checks (10%) means smaller errors are not identified and corrected (variances over 15% should be picked up by variance reports). • We identified one case where an action log was not created for a leaver and two cases for changes. <p>There is an increased risk of fraud or error occurring in payroll where Team Leader checks are not properly carried out. The Scottish Government should ensure Team Leader checks are fully carried out at the time of payroll amendments.</p> <p>The reduced level of checking of certain amendments means that there is a risk that smaller errors are not being identified and recovered. The risk increases where action logs are not created. Management should consider whether the revised level of checks is appropriate to mitigate the risk of errors.</p>	<p>within the existing system for better audit and reporting tools</p> <p>We have reminded all Team Leaders to ensure they update the Action Logs</p> <p>We have reminded Team Leaders of the necessity for checking manually keyed payments into the system for leavers.</p> <p>We have reminded all SPA to complete the action log for all work processed by them</p> <p>We will continue to test our Team Leaders checking as part of our continual process improvement review</p> <p>A review of the existing Variance Report has commenced and as part of the review we will consider revising the checking of leavers and the percentage difference for all other changes. We are working with our Support Contractor to create a pre and post payroll report which will assist Team Leaders with checking. We sourced an example of a report already in use by our Support Contractor and shared with Internal Audit who provided positive comments.</p> <p>Head of HR Service Centre</p> <p>Review date - October 2018 & March 2019</p>	

Issue identified	Management response Responsible officer and target date	Additional audit procedures planned
<p>10. Payroll signed contracts</p> <p>We identified in our 2016/17 audit that there was no signed contract held by payroll for five members of staff. Our 2017/18 testing of 30 starters, identified six cases where no signed contract was held by Payroll. In 2016/17 HRSS advised that contracts have been revised, with signed acceptance being included at the offer of appointment stage. Revised arrangements were due to be trialled in March 2017, meaning new entrants could not proceed without signed acceptance. This year's findings would indicate this has not been fully implemented.</p> <p>There is a risk that a lack of signed contracts could result in disagreements over terms and conditions of employment. The Scottish Government should ensure signed contracts for all staff are held by Payroll.</p>	<p>We will meet with Resourcing colleagues and review the process to ensure all areas are aware of the potential consequences when the signed contract has not been received and the importance of attaching the documentation to DOC. The pay teams scan all documents as quickly as resourcing and workflow allows. All documentation has now been uploaded. All paperwork within the HR Service Centre is retained securely until it is scanned. This mitigates any risk that confidential documents are misplaced.</p> <p>Head of HR Service Centre</p> <p>Review date - October 2018 & March 2019</p>	<p>We will increase our testing of starters, as part of our year end work, considering this finding.</p> <p>We will confirm that all documentation has now been uploaded to the system.</p>
<p>11. Payroll supporting documentation</p> <p>We identified in our 2016/17 audit that there were delays in uploading supporting documentation onto the system. Our 2017/18 testing of starters, leavers and payroll changes identified a total of 20 cases (from a combined total sample of 90) where supporting documentation had not been uploaded onto the system at the time of testing. Of the 20 cases, 17 had been outstanding for more than one month.</p> <p>There is a risk that changes are made to the payroll system which are unsupported, increasing the risk of fraud or error. The Scottish Government should ensure appropriate supporting documentation is retained on the payroll system.</p>	<p>The Pay Admin team will scan all documents as quickly as resourcing and workflow allows. All subsequent paper work has been uploaded.</p> <p>Team Leaders will regularly check there is no back dated scanning.</p> <p>Head of HR Service Centre</p> <p>Review date - October 2018 & March 2019</p>	<p>Further testing of supporting documentation will be carried out as part of our year end work.</p> <p>We will confirm that all documentation has been uploaded to the system.</p>
<p>12. SEAS and EASEbuy access controls</p> <p>In our 2016/17 interim report we identified three instances where access to SEAS was granted without full compliance with the SEAS Access Policy. In 2017/18 we noted the following issues:</p>	<p>SEAS access controls:</p> <p>Access was granted to two users without the appropriate level of training being carried out by a temporary member of staff who now left the Scottish Government. System Administration is now carried</p>	<p>We will test a sample of journal entries at the year end to ensure they have been accounted for correctly.</p> <p>We will confirm that all documentation has been uploaded to the system.</p>

Issue identified	Management response Responsible officer and target date	Additional audit procedures planned
<ul style="list-style-type: none"> • We identified two instances where users were granted access to SEAS prior to the appropriate level of training being carried out. • No confirmation of Care Inspectorate employees training is obtained before user access is granted. Training is completed off-site and not in Scottish Government buildings. • Access to EASEbuy should be authorised by an officer of B3 grade or above. We identified two instances where the authorising officer was below this grade (one B1 and one A3). • We could not identify a completed access authorisation for three of our sample of 21 EASEbuy users. These users were all from bodies outside the core Scottish Government Directorates. <p>Lack of sufficient training and authorisation of users increases the risk of fraud or error occurring. The Scottish Government should ensure that all users complete appropriate training and authorisation prior to access being granted in line with its policy.</p>	<p>out by staff who are aware of system access policy.</p> <p>The SEAS user forms for Scottish Courts and Tribunals Service and the Care Inspectorate have been amended to include a disclaimer confirming that all users have completed the relevant training before submitting a request for specific SEAS responsibilities. The proposed change is currently with Internal Audit for consideration and will be implemented after this.</p> <p>SEAS Application Security Administrator June 2018</p> <p>EASEbuy controls:</p> <p>EASEbuy desk instructions for setting up Scottish Government (SG) users have been updated so that every user form authorisation is checked against the SG staff directory prior to processing as of the 1 June 2018.</p> <p>The EASEbuy team will work with all partners, i.e. those organisations that are not SG staff to agree a centralised B3 equivalent contact to authorise all user forms prior to submitting the requests to the EASEbuy team – completion date 31 July 2018</p> <p>A new PECOS user form was created for Scottish Courts and Tribunals Service (SCTS) to go live from the 1 June 2018 to have a centralised B3 equivalent to submit all user forms – completion 1 June 2018.</p> <p>The training provision for all future EASEbuy and PECOS training will be through eLearning from July 2018 onwards. Face to face training will be removed once the eLearning materials are all fit for purpose. eLearning materials will be created and maintained by a combination of the Finance Training Team and Scottish</p>	

Issue identified	Management response Responsible officer and target date	Additional audit procedures planned
	<p>Government Purchase to Pay Governance team once a Purchasing System Manager is recruited by late August 2018.</p> <p>Purchase to Pay Manager September 2018</p>	
<p>13. NFI procurement matches</p> <p>In our 2016/17 Annual Audit Report we reported that no progress had been made on investigating the procurement matches (a total of 42 recommended matches). As at April 2018, there was still no investigation into any of the procurement matches. There was a lack of clarity over who was responsible for the procurement reports.</p> <p>With no investigation of procurement matches, and a lack of clear oversight over who is responsible for investigations of different categories of matches, there is a risk that potential fraud is undetected. This exposes the Scottish Government to both financial and reputational risk.</p>	<p>The data matches in this new batch of NFI data involve personal data and, in particular, data not held by Procurement colleagues. Given the significance of GDPR in the handling of sensitive personal data, SG will review processes for taking action on intelligence provided by NFI. A process will be developed to sensitively and appropriately handle this information and take appropriate action.</p> <p>Deputy Director, Financial Management and Head of Procurement Development and Construction Review Division (liaising with colleagues across the SG as necessary).</p> <p>Review underway.</p>	<p>We will follow up as part of our year end work.</p>
<p>14. NFI internal reporting</p> <p>Although the Scottish Government Assurance and Audit Committee (SGAAC) receives information on NFI by way of escalation and from our Annual Audit Report, there is no routine reporting throughout the year.</p> <p>The Scottish Government should consider routinely reporting on NFI to SGAAC. This would help emphasise the importance of the Scottish Government's fraud prevention activities and the Scottish Government's role in supporting it.</p>	<p>There is routine reporting to SGAAC on fraud: in the Annual Fraud Report and in the Finance papers, and this does include more detailed reporting on the NFI in the relevant years. We will shortly be preparing the next Annual Fraud Report and will consider the level of detail provided on the NFI activity.</p> <p>Senior Policy Officer, Fraud By Sept 2018</p>	<p>We will consider as part of our review of the Governance Statement disclosures.</p>

Source: Audit Scotland

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Scottish Government

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