

Linda Ellison  
Director of Finance  
Scottish Qualifications Authority  
The Optima Building  
58 Robertson Street  
Glasgow  
G2 8DQ

3 May 2018

Dear Linda

**Scottish Qualifications Authority 2017/18  
Interim management letter**

Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control operating over the financial systems. In carrying out this work, we seek to gain assurance that the Scottish Qualifications Authority:

- has systems for the 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 approved policies, procedures, laws and regulations.

The purpose of this review was to evaluate whether the controls operating within the main financial systems are sufficient to allow us to place reliance on them when forming an opinion on the 2016/17 financial statements. Our review was restricted to the key controls in place to meet our audit objectives for each system. We also performed early substantive testing on income, expenditure and payroll transactions.

The table below summarises the main financial systems that were reviewed and tested during the course of our 2017/18 interim work. Substantive testing on general ledger (journals) will be undertaken during our financial statements audit work.

System	Initial Systems Review	Substantive Testing
General ledger	✓	
Payroll	✓	✓
Trade Payables	✓	
Trade Receivables	✓	
Appointee Expenditure	✓	✓

## **Audit findings**

Overall, we have concluded that the key controls within the SQA's main financial systems are operating satisfactorily. Where controls have not been tested or where we found insufficient evidence of the effective operation of controls, we adjust our planned audit work on the financial statements to support our audit opinion.

Based on the audit work carried out, we identified two areas where there is scope for improved control and these are included in the action plan agreed with management.

## **Management Action**

The weaknesses identified in this management letter are only those that have come to our attention during the course of our normal audit work and, therefore, are not necessarily all the weaknesses that may exist.

Although we have identified areas for improvements to the system of internal control, it is the responsibility of management to decide on the extent of the internal control systems appropriate to SQA.

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

I would be grateful if you would arrange for this letter to be included in the agenda for the next Audit Committee meeting.

Yours sincerely



**Dave Richardson**  
**Senior Audit Manager**

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## Action Plan

### Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
<b>Appointee Expenditure</b>			
1	<p><b>Changes to appointee bank details</b></p> <p>Although there are arrangements in place for notifying payroll of changes to bank details, there is scope to enhance these arrangements. In line with good practice, notification of changes to bank details should always be notified and signed by the employee, who should provide both the old and the new bank details. At present, only the new bank details are required. We noted that there is not always evidence of a secondary check to demonstrate that the amendments were processed correctly.</p> <p><b>There is a risk that changes to bank details are incorrectly amended within the Appointee Management System.</b></p>	<p>We will review our Personal Details Form and current process as an interim measure. Longer term, with the introduction of Business World, appointees will have responsibility for updating their details and ensuring accuracy through the 'self service' functionality.</p>	<p>Jacqui Faulds Head of Appointee Management</p> <p>November 2019</p>
2	<p><b>Secondary checks</b></p> <p>All new appointee's details are recorded on a proforma and processed on the Appointee Management System (APS) before being subject to secondary accuracy checks. The initials and date of the processor and verifier are recorded on the form as evidence.</p> <p>In our review we found that there was at times a notable delay in the time taken to perform the secondary check.</p> <p><b>There is a risk that delays in the accuracy checks of appointee's details could result in errors being processed and paid.</b></p>	<p>Our current process is sufficient due to the timescale between initially processing details and the dates of payment. The initial processing of high volumes of personal details forms is our top priority and is done as soon as the forms are received. Secondary checks are always completed before payments are made.</p>	<p>Jacqui Faulds Head of Appointee Management</p> <p>N/A</p>