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Mrs Mary Pitcaithly, OBE  
Chief Executive  
Falkirk Council  
Municipal Buildings  
West Bridge Street  
Falkirk  
FK1 5RS

30 July 2012

Dear Mary

**Falkirk Council 2011/12 Audit:  
Corporate Governance Arrangements - Systems of Internal Control**

Audit Scotland's Code of Audit Practice (the code) sets out the basic principles that govern all audit work and compliance with the code ensures that audits are conducted in accordance with legislative requirements and International Standards on Auditing.

The code requires the auditor to review and report on the main financial systems to contribute to an assessment of corporate governance arrangements. Our overall assessment of the main financial systems also forms part of the process of arriving at an appropriate audit opinion on the financial statements.

As part of our 2011/12 audit, we have identified the following key financial systems:

- Financial Ledger
- Budgetary Control
- Payroll
- Accounts Receivable
- Council Tax Billing and Collection
- Housing Rents
- Capital Accounting
- Treasury Management
- Accounts Payable
- Cash and Cash Equivalents
- Non Domestic Rates Billing and Collection

Our audit consisted of high level reviews of the systems with our work focused on identification and testing of key 'high level' controls within the system.

**Audit Findings**

Overall, we found that high level financial system controls were operating satisfactorily. However, we identified some areas where there is scope for improvement to the systems of control.

### **Procurement Cards**

In response to a request from Audit Scotland we have also undertaken a review of the council's arrangements for the use of procurement cards. Our review has concluded that these arrangements are satisfactory. However, we have identified one area where improvement could be made and this is included in the action plan.

### **Management Action**

The areas we identified where further improvement could be achieved are included in the action plan that follows this summary.

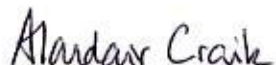
This report to management sets out our findings from the review carried out. The weaknesses outlined are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist.

Although we have identified a number of areas for improvements to the systems of internal control, it is the responsibility of management to determine the extent of the internal control system appropriate to the Council. We would stress, however, that an effective internal control system is an essential part of the efficient management of any organisation.

Communication of issues and weaknesses arising from this audit does not absolve management from its responsibility for addressing the issues raised and for maintenance of an adequate system of internal control.

We would like to thank your staff for their co-operation and assistance during our review.

Yours sincerely



**Alasdair Craik**  
**Senior Audit Manager**

By email: S Ritchie, Director of Corporate & Neighbourhood Services  
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