

Edinburgh College

Management report 2019/20



 AUDIT SCOTLAND

Prepared for Edinburgh College

June 2020

Audit findings

Introduction

1. This report summarises the key issues identified during the interim audit at Edinburgh College. We will use the results of this work to inform our approach to the 2019/20 financial statements audit.
2. Our responsibilities under Audit Scotland's [Code of Audit Practice](#) require us to assess the system of internal control put in place by management. We seek to gain assurance that Edinburgh College:
 - 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.
3. Under the Code of Audit Practice, we are also required to carry out work on the 'wider dimension' aspects of public audit such as financial management, financial sustainability and value for money. Our work in these areas is ongoing and we will report on our conclusions in the annual audit report.
4. Our overall audit approach may require further revision once we are clearer about the accounting and auditing issues which may emerge as a result of the Covid-19 pandemic.

Conclusion

5. Our walkthrough testing of the main financial systems confirmed that, overall, controls are operating as expected. We identified a small number of key control weaknesses as summarised in [Exhibit 1](#). Our interim audit substantive testing of income and expenditure did not identify any issues.

Work summary

6. Our 2019/20 interim work included walkthrough testing of key controls in the core financial systems - general ledger, payroll, payables, receivables and cash and banking – to confirm that they were operating as expected. This included the review of bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Our review also covered budget monitoring and control, feeder system reconciliations and controls for preventing and detecting fraud in areas such as grants.
7. In addition, we carried out pre year-end substantive testing of a sample of income and expenditure transactions. We will carry out further substantive testing during our year-end financial statements work, focusing on transactions in the latter part of the financial year. This is part of our normal audit process and will build upon the work reported here.

8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged, particularly at a time when Edinburgh College is adjusting to the working restrictions and ongoing challenges associated with Covid-19.

9. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

Risks identified

10. The key control risks identified during the interim audit are detailed in [Exhibit 1](#). These findings will inform our approach to the financial statements audit where relevant.

11. 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 Edinburgh College.

Exhibit 1

Key findings and action plan 2019/20

Issue identified	Management response	Responsible officer / target date
Audit findings		
<p>1. General ledger - journal authorisation</p> <p>There is no control in the Agresso general ledger system to prevent finance staff from uploading an unauthorised journal.</p> <p>There is a risk that unauthorised journals are processed in the general ledger. There is therefore scope for error, irregularities or manipulation of the College's income and expenditure.</p>	<p>Agreed.</p> <p>Finance are aiming to get the authorisation process built-in as a function within the new version of the general ledger system. This new feature would ensure that journals are separately authorised before they can be uploaded onto the ledger system. In the meantime, this control is mitigated through the monthly reconciliations of balance sheet accounts as well as Management Accounting and Budget holders reviewing Income and Expenditure in detail.</p>	<p>Head of Finance</p> <p>March 2021</p>
<p>2. PECOS user access – expenditure authorisation</p> <p>We identified the following issues in respect of the authorisation of expenditure in the payables system:</p> <ul style="list-style-type: none"> An individual with lapsed authority was able to approve expenditure several months after removal from the authorisation limits spreadsheet. This is because the PECOS system user access list 	<p>Agreed.</p> <p>This was an isolated incident arising as a result of changes in the department structure. Comparison of spreadsheet to PECOS will be done at the same time as checks done on PECOS approvers to payroll records.</p>	<p>Head of Finance</p> <p>30 June 2020</p>

Issue identified	Management response	Responsible officer / target date
<p>was not updated in a timely manner.</p> <ul style="list-style-type: none"> An individual correctly included in the PECOS user access list as an approver was not included on the authorisation limits spreadsheet. This was because a new delegated authority form for this individual had not been submitted. There is a risk that staff without the required delegated authority approve expenditure when they are not authorised to do so. There is therefore scope for error, irregularities or manipulation of the College's expenditure. 	<p>Agreed</p> <p>This arose as a result of delays by Head in sending delegated authority forms for new approver. Checks are done every 6 months. Delays will be escalated to Head of Finance where form for new approvers are not received.</p>	<p>Head of Finance</p> <p>30 June 2020</p>

Source: Audit Scotland

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