

Edinburgh College

Management report 2020/21



 AUDIT SCOTLAND

Prepared for Edinburgh College

May 2021

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 2020/21 financial statements audit.
2. 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 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, governance and transparency, and value for money. Our work in these areas is ongoing and we will report on our conclusions in the annual audit report.

Conclusion

4. Our walkthrough testing of the main financial systems confirmed that, overall, key controls were operating as expected. We identified a couple 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

5. Our 2020/21 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.
6. 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.
7. 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 given the restrictions associated with remote working.

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

Risk identified

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

10. 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 2020/21

Issue identified	Management response	Responsible officer / target date
Audit findings		
<p>1. General ledger – journal authorisation</p> <p>As last year, 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>We have confirmed the implementation of a journal approval workflow process in Agresso with Unit4 software consultants. This will prevent the uploading of unauthorised journals.</p> <p>Timescales for the work are currently being finalised.</p>	<p>Head of Finance</p> <p>31 August 2021</p>
<p>2. Payroll – checks on changes to standing data</p> <p>We have been advised that the payroll team checks the annual changes to the standing data in the iTrent payroll system such as new tax and national insurance rates or bands. However, we have been unable to obtain evidence of these checks being performed at the start of the new tax year, as the process has not been documented.</p> <p>There is a risk that the annual changes to the payroll standing data are not checked to ensure that this data is complete and accurate.</p>	<p>Agreed.</p> <p>We will update our payroll procedures to document the process.</p>	<p>Head of Finance</p> <p>31 May 2021</p>

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