

Edinburgh College

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Board of Management and the Auditor General for Scotland

12 December 2019

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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Key messages

2018/19 annual report and accounts

- 1 The financial statements of Edinburgh College for 2018/19 give a true and fair view of its financial position at the year end.
- 2 The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.
- 3 The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

Financial management

- 4 Edinburgh College's financial position deteriorated in 2018/19. Its operating deficit before other gains and losses was £6.2 million, £3.9 million more than last year, mainly due to pension cost increases.
- 5 The College's 'adjusted operating position' was a surplus of £0.7 million, an increase of £0.3 million on last year.
- 6 More detailed capital budget reporting would support improved understanding and scrutiny.

Financial sustainability

- 7 The College's financial situation remains very challenging with a range of related uncertainties. A break-even 'adjusted operating position' over the next five years requires annual savings of up to £1.2 million.
- 8 The College faces difficult decisions about its spending and the affordability of its current business model. Developing the five-year financial forecast into a longer-term strategy will enhance planning.

Governance and transparency

- 9 Edinburgh College has appropriate governance arrangements that support accountability and effective scrutiny.
- 10 The College demonstrates a commitment to transparency in the way it conducts its business.

Value for money

- 11 Edinburgh College has developed a new longer-term transformation programme designed to future-proof the College. It has also started working on improving its performance management arrangements.
- 12 The percentage of enrolled students achieving a recognised qualification in 2018/19 dropped significantly for all categories assessed.

Introduction

1. This report summarises the findings arising from our 2018/19 audit of Edinburgh College (the College).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 29 May 2019 meeting of the Audit and Risk Assurance Committee (ARAC). This report comprises the findings from:

- an audit of the College's annual report and accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2018/19 have been:

- a review of Edinburgh College's main financial systems
- an audit of Edinburgh College's 2018/19 annual report and accounts including the issue of an independent auditor's report setting out our opinions
- consideration of the four audit dimensions.

Added value through the audit

4. We add value to Edinburgh College through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

5. In so doing, we aim to help Edinburgh College promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

6. Edinburgh College is responsible for preparing its annual report and accounts in accordance with the accounts direction issued by the Scottish Funding Council (SFC). It is also responsible for establishing effective arrangements for governance, propriety and regularity that enable the Board of Management to successfully deliver its objectives.

7. Our responsibilities as independent auditors are outlined in the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

9. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

10. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

11. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

12. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related

services. The 2018/19 audit fee of £30,100 set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to both Edinburgh College and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank all management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual report and accounts



Main judgements

The financial statements of Edinburgh College for 2018/19 give a true and fair view of its financial position at the year end.

The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

The other information in the annual report and accounts is consistent with the financial statements and prepared in accordance with legal requirements.

The annual report and accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

Audit opinions on the annual report and accounts

15. The annual report and accounts for the year ended 31 July 2019 were approved by the Board of Management on 10 December 2019. We reported within our independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the Remuneration and Staff Report, Performance Report and Corporate Governance Statement were consistent with the financial statements and properly prepared in accordance with applicable legislation and directions made by the SFC.

16. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual report and accounts for audit

17. We received the unaudited annual report and accounts on 23 September 2019 in line with our agreed audit timetable.

18. The working papers provided with the unaudited annual report and accounts were of a good standard. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risks of material misstatement

19. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

Materiality

20. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

21. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit. Regarding the annual report and accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.

22. On receipt of the annual report and accounts we reviewed our materiality calculations and the revised materiality figures are summarised in [Exhibit 2](#).

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£732,000
Performance materiality	£293,000
Reporting threshold	£20,000

Source: Audit Scotland

Significant findings from the audit in accordance with ISA 260

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

24. The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Exhibit 3 Significant findings from the audit of annual report and accounts

Issue	Resolution
<p>1. Approval and evidencing of exit packages</p> <p>The College did not request prior approval from the SFC for the eight exit packages included in the 2018/19 remuneration and staff report. Prior approval is required under SFC Guidance.</p> <p>The SFC guidance also states that all settlement agreement decisions should be fully documented and a clear audit trail supporting these decisions retained. We were unable to obtain appropriate</p>	<p>Edinburgh College is waiting for retrospective approval for all exit packages from the SFC and has updated the remuneration and staff report for the omission. It has also committed to document fully all settlement decisions in future.</p> <p>We are content with the actions taken by the College.</p>

Issue	Resolution
<p>evidence of the College's decision to authorise the exit packages.</p> <p>Additionally, one exit package was omitted from the remuneration and staff report.</p>	<p> Recommendation 1 (refer appendix 1, action plan)</p>
<h2 data-bbox="162 427 438 459">2. Intangible assets</h2>	
<p>In our 2017/18 annual audit report we reported that the College's accounting policies did not include a separate policy for intangible assets and no intangible assets were disclosed in the accounts. This position remains unchanged in 2018/19.</p>	<p>Edinburgh College has committed to revising its accounting policies during 2019/20 to ensure intangibles are clearly distinguished from the existing policy on computer equipment. It is also planning to review the fixed asset records to ensure intangible assets are disclosed separately from 2019/20 onwards.</p> <p> Recommendation 2 (refer appendix 1, action plan)</p>
<h2 data-bbox="162 831 481 862">3. Accounting Policies</h2>	
<p>A number of accounting policies were not included in the College's 2018/19 financial statements.</p>	<p>The College included notes on significant judgements and estimates and accounting standards issued not yet adopted. It has also committed to review its accounting policies annually to ensure compliance with accounting requirements.</p> <p> Recommendation 3 (refer appendix 1, action plan)</p>

Source: Audit Scotland

Other findings from the audit of the financial statements

Reserves

25. In 2016/17 and 2017/18 we reported that the income and expenditure reserve included accounting adjustments originating from the formation of Edinburgh College and consequently much of the balance was not available to support expenditure. Endowment, restricted and unrestricted funds for the income and expenditure reserve should be identified separately to ensure transparency of disclosures. The College has therefore included narrative under the 'Statement of Changes in Reserves' which confirms that the College has no restricted reserves.

Fixed assets verification

26. In 2017/18, we recommended that Edinburgh College carries out an asset verification exercise to identify any fixed assets that were no longer operational, ensure that the fixed asset register (FAR) agrees to the general ledger balances and identify any intangible assets that need to be accounted for separately.

27. We were pleased to note that the College carried out this exercise during 2018/19. It resulted in disposals of £4.2 million with a loss on disposal of £0.1 million included in the Statement of Comprehensive Income. Part of this loss was offset by deferred capital grants of £0.065 million. We confirmed that the FAR agreed to the general ledger balances. However, as outlined in Exhibit 3, intangible assets have not been disclosed separately and there was no separate accounting policy for intangibles.

Provision for accommodation occupancy rates

28. Edinburgh College has a contract for the placement of students in residential accommodation and this includes clauses in relation to a guarantee of occupancy.

In the 2018/19 financial statements, the College included a new provision of £0.9 million for the full estimated costs to 2025 when the contract can be terminated. We have reviewed the provision and were satisfied that it met the requirements of the applicable accounting standards and that the value was reasonable.

Pension liabilities

29. There are two significant matters which have the potential to affect Edinburgh College's pension liabilities in future years:

- A legal ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements (known as the 'McCloud case'). A final judgement on 27 June 2019 significantly increased the probability of future liabilities for public bodies that participate in the Local Government Pension Scheme (LGPS), including Edinburgh College. As a consequence of the judgement, the College's actuaries have included an additional £1.4 million in the past service cost shown in Note 22 of the accounts. We were satisfied with this approach and that the actuary's assumptions were reasonable.
- The courts have ruled that UK defined benefit pension schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). The College's actuaries expect this to have low impact on the LGPS schemes and the general expectation is that a 'trigger event' is yet to occur. The College has disclosed an unquantifiable contingent liability as a result.

Contingent liability

30. The College has an ongoing legal case relating to an employee tribunal. The College's legal advice suggests it is extremely unlikely that it will have to pay any additional compensation but, if the case was found in favour of the employees, the maximum amount required to pay would be £0.1 million. The College has disclosed a contingent liability to this effect in its 2018/19 financial statements and we are satisfied that the disclosure is reasonable.

Follow up of prior year recommendations

31. We have followed up actions agreed in 2017/18 to assess progress with implementation. We have reported progress of these prior year actions in [Appendix 1](#). They are identified by the prefix b/f (brought forward).

32. Seven agreed actions were raised in 2017/18. Of these, five have been fully implemented and the remainder have been progressed. Overall the College has made good progress in implementing these actions. For actions not yet fully implemented, revised responses and timescales have been agreed with management, as set out in Appendix 1.

Part 2

Financial management



Main judgements

Edinburgh College's financial position deteriorated in 2018/19. Its operating deficit before other gains and losses was £6.2 million, an increase of £3.9 million more than last year, mainly due to pension cost increases.

The College's 'adjusted operating position' was a surplus of £0.7 million, an increase of £0.3 million on last year.

More detailed capital budget reporting would support improved understanding and scrutiny.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

Financial performance in 2018/19

33. In 2018/19, Edinburgh College reported an operating deficit before other gains and losses of £6.2 million (£2.3 million deficit in 2017/18) as illustrated in Exhibit 5. The original budget for 2018/19 projected a surplus of £0.5 million. This represents a £3.9 million (170 per cent) increase in the operating deficit from the previous year. The loss on disposal of fixed assets resulted in an overall deficit for the year of £6.3 million (surplus of £0.2 million in 2017/18). There was no revaluation of assets in 2018/19.

34. The increase in deficit can be attributed to a new provision of £0.9 million for unoccupied rooms at College's Granton accommodation block, a £1.7 million increase in pension costs and an increase of £1.4 million in salaries and pension costs as a result of national pay negotiations.

Exhibit 5

Performance in 2018/19 and previous year

	2018/19 (£m)	2017/18 (£m)	Movement (£m)
Income	67.9	66.3	1.6
Expenditure	(74.1)	(68.6)	(5.6)
Deficit before other gains and losses	(6.2)	(2.3)	(3.9)
Gain / (Loss) on disposal of assets	(0.1)	-	(0.1)
Gain / (Loss) on Revaluation	-	2.5	(2.5)

	2018/19 (£m)	2017/18 (£m)	Movement (£m)
Surplus / (Deficit)	(6.3)	0.2	(6.5)

Source: Edinburgh College annual report and financial statements 2018/19

35. The level of SFC recurrent grant to Edinburgh College is based on the amount of learning that the College delivers. This is measured in units called 'credits' which equate to 40 hours of learning. The SFC set a target of 187,968 credits for the College for 2018/19 with the College reporting delivery of 188,030. The College's internal auditor carries out annual checks to confirm the accuracy of the reported activity/credits.

36. The College received an additional £2.9 million of SFC funding in 2016/17 to assist its Business Transformation Programme with an expectation that this would be repaid over the three years from 2018/19 to 2020/21. The first repayment was due in 2018/19 and this reduced the College's funding for the year by £0.5 million. The College's SFC recurrent grant increased by £1.3 million in 2018/19, the majority of this was for national pay bargaining, harmonisation and pay increments.

37. In accordance with SFC guidance, the College's 'adjusted operating position' in 2018/19 was a surplus of £0.7 million, an increase of £0.3 million on 2017/18. The adjusted position removes accounting adjustments, including the reduction in funding of £0.5 million for the SFC repayment, a new provision for accommodation occupancy rates and other accounting adjustments such as depreciation and pensions.

Exhibit 6

Adjusted financial position in 2018/19 compared to the previous year

	2018/19 (£m)	2017/18 (£m)	Movement (£m)
Surplus / (Deficit) before other gains and losses	(6.2)	(2.3)	(3.9)
Depreciation (net of deferred capital grant release)	2.3	2.0	0.3
Non-cash pension adjustments	4.0	2.2	1.8
Early retirement provision year-end valuation charged to SOCI	0.3	-	0.3
Provision for accommodation vacancy	0.9	-	0.9
Exceptional income funding reduction	0.5	-	0.5
Revenue funding allocated to loan repayments and other capital items	(1.1)	(1.5)	0.4
Adjusted Operating Surplus / (Deficit)	0.7	0.4	0.3

Source: Edinburgh College annual report and financial statements 2018/19

Financial position 2018/19

38. The College had total reserves of £58.4 million, representing a revaluation reserve of £41.9 million and an income and expenditure reserve of £16.5 million. The income and expenditure reserve includes accounting adjustments originating from the formation of the College and as a consequence the majority of the balance is not available to support expenditure. Overall the balance on reserves has decreased by £18.1 million since last year primarily due to an actuarial pension loss of £10.6 million and an operating deficit for the year of £6.3 million. The College will need to continue to manage its financial resources to ensure the financial position does not deteriorate.

Budgetary processes

39. We reviewed Edinburgh College's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports, review of committee papers and attendance at committees we confirmed that senior management and members receive regular, timely and up to date financial information on the College's revenue financial position.

40. We noted that limited information on capital budget and spend was included in the monthly management accounts. To enhance scrutiny of the capital budget, it would be helpful to provide more detailed capital budget monitoring information through financial reporting arrangements. This could include any in-year changes to the capital budget, cumulative spending against total capital budget and the progress of each significant projects against the original plan, reasons for and consequences of slippage, or delays, of capital projects and any changes in the timing of capital spending.

Recommendation 4

To enhance scrutiny of the capital budget, more detailed capital budget monitoring information should be provided as part of the financial reporting arrangements.

Systems of internal control

41. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to confirm that the controls are operating as expected and thus gain assurance that the College has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

42. Our findings from our review of the systems of internal control were included in our management report that was presented to the ARAC on 29 May 2019. We concluded that the key controls were operating as expected, with some areas for improvement. No significant internal control weaknesses were identified which could affect the College's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

43. Work carried out after the management report was finalised highlighted weaknesses in relation to the authorisation of journals and employee validation checks. We extended our substantive testing during our final accounts work. No weaknesses were found.

Internal audit

44. Internal audit provides the Board of Management and the Principal with independent assurance on the Board's overall risk management, internal control

and corporate governance processes. A firm of accountants continued to provide internal audit services to Edinburgh College in 2018/19.

45. We reviewed the College's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit. While we decided not to place formal reliance on the work of internal audit, we did consider several of its reviews, such as financial controls and business and performance management, as part of fulfilling our 2018/19 financial statements and wider dimensions audit responsibilities.

Standards of conduct and arrangements for the prevention and detection of fraud and error

46. The College is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

47. We reviewed the arrangements designed to maintain standards of conduct including Codes of Conduct for Board members and staff. We also reviewed the College's fraud policy and associated fraud response plan and confirmed that there are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

48. We concluded that the College has appropriate arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. These are regularly reviewed to ensure they remain relevant and current. We are not aware of any specific issues we require to bring to your attention.

National Fraud Initiative

49. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

50. NFI activity is summarised in [Exhibit 7](#). The online application recorded a total of 282 matches. It is for individual bodies to decide which, and how many, matches to investigate and the online application identifies high risk cases. In the College's case the application has identified 14 high risk matches. The College investigated all matches promptly with no instances of fraud or irregularity identified. However, the College identified seven errors with one case resulting in the recovery of £2,455 from payment of a duplicate invoice. Actions have been taken by the College to prevent such errors in the future. The outcomes from the NFI work have yet to be reported to the ARAC.

Exhibit 7

NFI activity



282

Matches



14

High risk matches



282

Completed/closed investigations

Dependency on key suppliers

51. The impact of a failure or collapse of a key supplier can be significant to an organisation and can result in either delays or non-completion of major contracts or, disruptions in the continued provision of vital services. This has brought into focus the risk of key supplier failure and the risk of underperformance in suppliers that are experiencing difficult trading conditions.

52. Edinburgh College's key suppliers' contracts are valued at approximately £6 million and are primarily for facilities management, utilities and student records. They are all suppliers included in the Advanced Procurement for Universities and Colleges framework whose status / performance is monitored at national, regional and local levels. The College's Annual Procurement Report is presented to the Board of Management and sent to the Scottish Government.

Part 3

Financial sustainability



Main judgements

The College's financial situation remains very challenging with a range of related uncertainties. A break-even 'adjusted operating position' over the next five years requires annual savings of up to £1.2 million.

The College faces difficult decisions about its spending and the affordability of its current business model. Developing the five-year financial forecast into a longer-term strategy will enhance planning.

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial planning

53. On-going financial challenges within the further education sector and pressures at the College mean that it is crucial that the College has plans in place to support financial sustainability in the longer term. We reviewed the College's financial planning processes and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

54. Edinburgh College is funded substantially through SFC grants (78% of income in 2018/19) with this funding set on a year-on-year basis by the SFC.

55. In 2018/19, the College started repaying the business transformation grant of £2.9 million, received from the SFC in 2016/17 to assist the management of the College's cash flow. This is repayable through adjustments to the SFC grant funding. The first repayment in 2018/19 reduced the College's funding for the year by £0.5 million and the College is currently in discussions with the SFC around the level and timing of the remaining repayments.

56. In addition to SFC funding, the College is financed by a long-term bank loan facility due to be repaid in 2034 and with the balance of £9.7 million as at 31 July 2019. In 2018/19, the College repaid £0.5 million in capital and £0.6 million in interest with similar amounts due to be paid next year. The College currently receives £0.8 million of annual debt servicing funding from the SFC to assist with these repayments but 2018/19 was the final year in which Edinburgh College received the funding. From 2019/20 onwards the College will need to fund loan repayments out of existing income streams.

57. The Board of Management approved the College's 2019/20 budget in June 2019. The College is budgeting for an operating deficit of £1.7 million (excluding yet to be agreed funding reduction from the SFC) with a break-even 'adjusted operating position' and cash flow budgets.

58. The College is projecting a break-even 'adjusted operating position' between 2019/20 and 2023/24 but this is based on significant staff and other operating cost efficiencies being met. To achieve a break-even position over the next five years, the College needs to achieve savings of up to £1.2 million. There is a risk that the College will not be able to achieve these savings.

Recommendation 5

To achieve a break-even 'adjusted operating position' over the next five years, the College needs to achieve savings of up to £1.2 million. The College should keep its projected savings under review to ensure they are realistic and achievable.

59. As highlighted in paragraphs above, there is a range of uncertainties regarding the College's finances. The required repayments of the SFC funding coupled with increased staff costs as a result of the national pay negotiations, the loss of certain funding streams and the new provision for unoccupied rooms at the College's Granton accommodation block present significant financial pressures for the College. The College is currently reviewing its business model in light of these financial challenges and recognises that, going forward, it needs to make difficult decisions about its spending and affordability of its current business model.

60. The five-year financial forecast from 2019/20 to 2023/24 provides the Board of Management with a good basis for monitoring financial performance over the medium-term but there is scope for developing this into an overarching longer-term financial strategy. This would enhance the information available to the Board and allow it to understand fully the financial position of the College in the longer-term including any difficult decisions that may be required to a break-even position in future years.

61. While the College has a clearly defined strategic direction, and the Board and management demonstrate a good awareness of the challenges facing the organisation, without an overarching financial strategy to support the organisation's strategic and operational plans, there is a risk that the College does not have a complete picture of its financial position and the challenges it faces in meeting its objectives in the longer term.

Recommendation 6

Edinburgh College should develop an overarching longer-term financial strategy to help identify problems with affordability at an early stage. The strategy should include scenario planning, whereby assumptions about different levels of future income, expenditure and activity are made.

Capital planning

62. Edinburgh College's 2019/20 outcome agreement provides for capital funding of £2.4 million, split between high-priority backlog maintenance and lifecycle maintenance and capital spend. The College has recognised a risk that its ageing IT infrastructure will not meet future business needs. The College sees digital investment as a key part of its future and has made a request to the SFC to reallocate a portion of the high-priority backlog maintenance to ICT capital spend.

63. The College is currently preparing an outline business case which will explore the possibility of developing replacement facilities within its Granton campus under the Scottish Government's new Mutual Investment Model. The planning for this is at very early stages.

EU Withdrawal

64. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

65. Edinburgh College has carried out a range of activities in preparation for the UK's withdrawal from the EU. It is involved in the SFC colleges forum on EU withdrawal which developed an EU withdrawal checklist used by the College. The College has also engaged with its students and staff.

66. The College's internal working group considers the potential impact and mitigation of EU withdrawal on its operations, third party partnerships and commercial contracts with EU partners. It has identified risk areas such as reduced numbers of non-UK EU students and related income, the loss of European Social Fund income, loss of non-UK EU staff and changes to recruitment and procurement processes. The College continues to include these risks in its top-level risk register for on-going scrutiny.

67. There remains great uncertainty regarding future arrangements. In our view, Edinburgh College has taken reasonable steps to prepare for the impact of EU withdrawal.

Part 4

Governance and transparency



Main judgements

The College has appropriate governance arrangements that support accountability and effective scrutiny.

The College demonstrates a commitment to transparency in the way it conducts its business.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Governance arrangements

68. The governance of the College is centred around the Board of Management, with six supporting committees, including the Audit and Risk Assurance Committee (ARAC) and the Policy and Resources Committee.

69. The ARAC is responsible for scrutiny of the internal control framework within the College. The ARAC completes an annual self-evaluation as part of the Board of Management's annual evaluation activity. This allows it to reflect on its practices and identify areas for improvement.

70. We have been advised that the chair of the Board of Management is leaving on 31 October 2019. Until a new chair is appointed through the public appointments process, which can take some time, the vice chair will step up as a temporary chair of the Board.

71. We note that the College has contracted a consultancy to undertake a review of the College's governance arrangements including discussions with members of the committees and attending meetings. We will review the results of the work during 2019/20, as part of our ongoing assessment of governance and transparency of the College.

72. We concluded that, overall, Edinburgh College has appropriate arrangements in place that support good governance, accountability and scrutiny.

Openness and transparency

73. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the public has access to understandable, relevant and timely information about how the Board is taking decisions and how it is using resources such as money, people and assets.

74. Examples that demonstrate Edinburgh College's commitment to transparency include the availability of Board and other committee papers on its website and the development work undertaken by the College to produce an annual KPI report with performance indicators from across College areas. As noted under governance arrangements above, the College has also contracted consultants to undertake a

review of the College's governance arrangements which may identify areas for improved openness and transparency. We have concluded that Edinburgh College demonstrates a commitment to openness and transparency.

Transparency in reporting

75. The management commentary that accompanies the financial statements should clearly explain how the college has performed against its budget and how this is reconciled to the financial statements. We have made recommendations to help enhance the College's reporting of its financial performance.

76. In addition to the opinion on the performance report covered in Part 1 of this report, we also consider the qualitative aspects of the performance report included in the annual report and financial statements. The purpose of a performance report is to provide information on a college, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and understandable analysis of a college's performance and is essential in helping stakeholders understand the financial statements.

77. Last year we recommended that the College should consider improving the quality of the performance and accountability reports which support the financial statements. We are pleased to note some improvements to the 2018/19 performance and accountability reports but there is scope for further improvements to make the reports more concise and improve their readability. The College agreed to review its approach to the preparation of the performance and accountability reports in 2019/20 to align them with good practice.

Cyber resilience

78. We reported last year that Edinburgh College obtained its Cyber Essentials Plus accreditation in August 2018. This confirmed the function is well-placed to defend the College's information against malicious attacks and to build upon this accreditation going forward. The College also has a cyber resilience plan in place.

79. Last year we also reported that:

- The College did not carry out penetration testing (both internal and from the outside) of its data networking infrastructure. This has still not been implemented in 2018/19. We have been advised that this is due to a lack of IT budget (Appendix 1, Point 8).
- Should an attack or incident occur, the IT function would lack capacity and capability to recover quickly, partially due to a backlog of training and skills development. The College now has 'Information Security Essentials' training as part of their mandatory training programme including cyber security training.

Business continuity planning

80. Last year we reported that Edinburgh College did not have an overarching business continuity plan and that its departmental business continuity plans would benefit from more detailed scenario testing (Appendix 1, Point 9). We are pleased to note that the College has introduced a Business Continuity Management (BCM) framework which includes carrying out business impact assessments and developing business continuity management plans across all departments. The College intend to complete this work by the end of 2020.

81. The College has recently carried out a Business Continuity Management (BCM) exercise with members of the Executive Team and Senior Management. This was a scenario-based exercise designed to test the critical incident management plan, the roles and responsibilities for decision making and the resumption of normal operations when an incident occurs. The College used this exercise to identify priority actions for improvement which will inform business

continuity plans and the next such exercise. Plans are currently in place to hold an exercise of this nature every 18-24 months.

Part 5

Value for money



Main judgements

Edinburgh College has developed a new longer-term transformation programme designed to future-proof the College. It has also started working on improving its performance management arrangements.

The percentage of enrolled students achieving a recognised qualification in 2018/19 has dropped significantly for all categories assessed.

Value for money is concerned with using resources effectively and continually improving services.

Performance management

82. The Financial Memorandum between SFC and fundable bodies in the college sector requires Edinburgh College to:

- have a strategy for reviewing systematically management's arrangements for securing value for money
- obtain a comprehensive appraisal of management's arrangements for achieving value for money as part of internal audit arrangements.

83. Securing the economical and effective management of Edinburgh College's resources and expenditure is the responsibility of the Board of Management. Internal audit has recorded in its annual report that the College has proper arrangements in place to promote value for money and deliver Best Value in the achievement of organisational objectives.

84. Internal audit's review of the College's business planning and performance management assessed whether the College had effective systems and controls in place to measure and manage the achievement of strategic and operational goals, targets and outcomes. The review highlighted a number of issues:

- There was no overarching reporting of KPIs to the Board or year-end consideration of performance against the College's strategic and operational plans. The College started developing an annual KPI report for the Board but this had been delayed by the recent decision to amend its corporate strategy.
- Actions/objectives included within operational plans were not clearly linked to the College's strategic plan. The College is planning to review its operational plans during 2019/20 to ensure better alignment.
- Performance Targets were not SMART (Specific, Measurable, Achievable, Realistic, Timely). The College is planning to review them during 2019/20.

85. The College has started working to implement internal audit recommendations and enhance its current arrangements. We will review progress during 2019/20.

Overview of service performance

86. Edinburgh College achieved its target for credits in 2018/19. It delivered 188,030 credits against a target of 187,968 credits. We reviewed the main service performance indicators used by Edinburgh College and trends over the 5 year period and have summarised these in [Exhibit 8](#).

Exhibit 8 Key performance indicators – trend analysis

KPI	2018/19	2017/18	2016/17	2015/16	2014/15
% of credits delivered as NRQs	91.1%	97.9%	98.5%	98.2%	97.9%
Full-time FE aged 16-19	46.5%	54.9%	57.5%	61.6%	n/a
Full-time FE	56.0%	62.0%	62.9%	65.0%	60.0%
Full-time HE	69.8%	71.1%	73.1%	73.7%	72.8%
Part-time HE	75.5%	82.6%	82.1%	73.8%	68.9%
Part-time FE	66.2%	70.8%	71.9%	75.5%	79.9%

Source: Edinburgh College annual report and financial statements 2014/15 to 2018/19

87. The table above shows a significant decrease in the percentage of enrolled students achieving a recognised qualification between 2017/18 and 2018/19, compared to the relative stability of the achievement rates in the years from 2014/15 to 2017/18. The College has indicated that it is assessing the reasons for the reduction in achievement rates and will publish the measures it intends to take to address the issues in its evaluative report to the SFC.

National performance audit reports

88. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, we published several reports which may be of interest to the Edinburgh College. These are outlined in [Appendix 4](#).

89. The College's ARAC considers national reports where relevant. The committee discussed the Scotland's Colleges 2018 national report at the February 2019 meeting and the Scotland's Colleges report 2019 at its meeting in October 2019.

Appendix 1

Action plan 2018/19

2018/19 recommendations for improvement

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Approval and evidencing of exit packages</p> <p>The College did not request prior approval from the SFC for the eight exit packages included in the 2018/19 remuneration and staff report. This is required as per the SFC Guidance on seeking approval for severance schemes and settlement agreements.</p> <p>The SFC guidance also states that all settlement agreement decisions should be fully documented and a clear audit trail supporting these decisions retained. However, we were unable to obtain appropriate evidence of the College's decision to authorise the exit packages disclosed.</p> <p>Additionally, one exit package was omitted from the remuneration and staff report.</p> <p>Risk</p> <p>There is a risk that Edinburgh College does not comply with SFC guidance to obtain clearance on exit packages or retain evidence of settlement agreements decisions.</p>	<p>Edinburgh College is waiting for retrospective approval for all exit packages from the SFC. It has also committed to fully document all settlement decisions in the future.</p> <p>Edinburgh College should ensure all exit packages are identified and included in the remuneration and staff report next year.</p> <p>Exhibit 3</p>	<p>Agreed</p> <p>SFC retrospective approval has been requested.</p> <p>The circumstances related to the cases in the year were unusual and will not recur.</p> <p>Relevant management are aware of correct approval and evidencing to be followed regarding exit packages.</p> <p>Chief Operating Officer</p> <p>31/12/2019</p>
2	<p>Intangible assets</p> <p>In our 2017/18 annual audit report we reported that the College's accounting policies did not include a separate policy for intangible assets and no intangible assets were disclosed in the accounts. This position remains unchanged in 2018/19.</p>	<p>Edinburgh College has committed to revising its existing accounting policies during 2019/20 to ensure intangibles are clearly distinguished from its existing policy on computer equipment.</p>	<p>Agreed</p> <p>2019/20 accounts will separate out intangibles and contain a policy.</p> <p>Head of Finance</p> <p>31/7/2020</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk</p> <p>There is a risk Edinburgh College does not comply with the requirements of International Accounting Standards as interpreted for the public sector context.</p>	<p>The College is also planning to review their fixed asset records to ensure intangible assets are disclosed separately from 2019/20 onwards.</p> <p>Exhibit 3</p>	
3	<p>Accounting policies</p> <p>A number of accounting policies were not included in the College's 2018/19 financial statements.</p> <p>Risk</p> <p>There is a risk Edinburgh College does not comply with accounting requirements.</p>	<p>The College included notes for significant judgements and estimates and accounting standards issue not yet adopted.</p> <p>The College should review and update their accounting policies annually to ensure compliance with accounting requirements.</p> <p>Exhibit 3</p>	<p>Agreed</p> <p>2019/20 accounts will include intangibles and other relevant policies.</p> <p>Head of Finance</p> <p>31/7/2020</p>
4	<p>Capital budget monitoring</p> <p>Limited information on capital budget and spend is included in the monthly management accounts.</p> <p>Risk</p> <p>There is a risk that the Board of Management does not have the information required to make to make informed decisions on capital budgets.</p>	<p>To enhance scrutiny of the capital budget, it would be helpful to provide more detailed capital budget monitoring information through existing financial reporting arrangements.</p> <p>This could include any in-year changes to the capital budget, cumulative spending against total capital budget and the progress of each significant projects against the original plan, reasons for and consequences of slippage, or delays, of capital projects and any changes in the timing of capital spending.</p> <p>Paragraph 40</p>	<p>This is covered in Monthly Management accounts. More detail is available. This could be provided perhaps as a separate report within the management accounts document.</p> <p>Head of Finance</p> <p>31/3/2020</p>
5	<p>Financial sustainability</p> <p>The College is projecting a break even 'adjusted operating position' between 2019/20 and 2023/24 but this is based on significant staff and other operating cost efficiencies being met.</p>	<p>The College should keep its projected savings under review to ensure they are realistic and achievable.</p> <p>Paragraph 58</p>	<p>Agreed</p> <p>College is developing plans for savings with input from all levels of management (Senior Management Team, Executive, Board)</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk</p> <p>There is a risk that the College will not be able to achieve these savings.</p>		<p>Chief Operating Officer</p> <p>On-going until; 2023/24</p>
6	<p>Long-term financial planning</p> <p>The five-year financial forecast from 2019/20 to 2023/24 provides the Board of Management with a good basis for monitoring financial performance over the medium-term but there is scope for developing this into an overarching longer-term financial strategy. This would enhance the information available to the Board and allow it to understand fully the financial position of the College in the longer-term including any difficult decisions that may be required to a break-even position in future years</p> <p>Risk</p> <p>There is a risk that the Board of Management does not have the information required to make to make informed financial decisions that will be required in future years.</p>	<p>Edinburgh College should develop an overarching longer-term financial strategy to help identify problems with affordability at an early stage. The strategy should include scenario planning, whereby assumptions about different levels of future income, expenditure and activity are made.</p> <p>Paragraph 61</p>	<p>Agreed</p> <p>College will adopt recommendations included in Audit Scotland guidance.</p> <p>The College's 5-year plans are already updated with sensitivity analysis and cash flow projections. The College is currently working up a savings plan for 2020/21 and future years.</p> <p>Chief Operating Officer</p> <p>On-going until; 2023/24</p>
Follow up of prior year recommendations			
b/f 1	<p>Annual report</p> <p>The draft accounts received initially for audit review contained elements of duplication and on occasion lacked structure. We also discussed amendments to more fully comply with guidance.</p> <p>Risk</p> <p>There is a risk that the annual report does not provide a compliant and complete narrative to accompany the financial statements.</p>	<p>We recommend that the College undertake a quality review of the draft annual report and financial statements prior to audit review.</p> <p>This should improve the quality of the narrative which support the financial statements and should ensure further compliance with guidance.</p>	<p>Substantial improvement made in 2019 as a result of review by Communications team, Chair of ARAC and Chief Operating Officer. The College has committed to make further improvements in future years.</p> <p>Completed</p>
b/f 2	<p>Fixed asset records</p> <p>In some instances, there was an absence of evidence related to asset sales. We also noted there</p>	<p>We recommend that the College carry out an asset verification exercise to ensure the assets in the fixed asset register are still</p>	<p>The College carried out the asset verification exercise in 2018/19 and is planning to</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>was no separate identification or recording of intangible assets.</p> <p>Risk</p> <p>There is a risk that asset records are incomplete to support items in the fixed asset register. There is a risk that intangible fixed assets are not being separately identified and accounted for in compliance with the SORP.</p>	<p>operational and to identify any intangible assets that need to be accounted for separately.</p>	<p>conduct it annual exercise going forward.</p> <p>Completed</p>
b/f 3	<p>Bad debt write-offs</p> <p>Write-offs can only be authorised by the Head of Finance. We found one instance where a write was approved by the Finance Manager in the absence of the Head of Finance.</p> <p>Risk</p> <p>There is a risk that debts are written of inappropriately and contrary to agreed procedures.</p>	<p>We recommend that procedures for authorising bad debt write-offs are reviewed and authorisations are clarified.</p>	<p>All write offs were authorised by the Head of Finance.</p> <p>Completed</p>
b/f 4	<p>Cyber resilience</p> <p>It is recognised that should a full-blown cyber-attack or incident occur, the IT function would lack capacity and capability to recover quickly. This is in part due to a backlog of training and skills development.</p> <p>The College does not currently carry out penetration testing (both internal and from the outside) of their data networking infrastructure.</p> <p>Risk</p> <p>There is a risk to the security and integrity of IT systems and data from cyber-attack.</p>	<p>We recommend that the College address any training need and undertakes penetration testing of its data networking infrastructure.</p>	<p>The College now has 'Information Security Essentials' training as part of their mandatory training programme including cyber security training.</p> <p>Penetration testing to be completed in 2019/20.</p> <p>Partially completed</p>
b/f 5	<p>Business continuity planning</p> <p>There is no single overarching business continuity plan for the College. An overarching plan should consider priorities in key services and systems that need to be recovered first.</p> <p>There has been no detailed scenario testing under live conditions undertaken on either</p>	<p>We recommend that the College develops an overarching business continuity plan which covers key services and systems and considers undertaking detailed scenario testing.</p>	<p>The College has introduced a Business Continuity Management (BCM) framework which includes carrying out business impact assessments and developing business continuity management plans across all departments. The College</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>cyber incident response plans and business continuity plans.</p> <p>Risk</p> <p>There is a risk to College IT systems and data from events that could disrupt and/or damage operations.</p>		<p>intend to complete this work by the end of 2020.</p> <p>Partially completed</p>
b/f 6	<p>Financial planning</p> <p>Savings have been achieved in excess of the BTP targets. Savings from voluntary severance have been less than planned. Other savings were recognised during the year.</p> <p>Risk</p> <p>There is a risk that these additional savings are not recurring and that the cost base has not been reduced permanently.</p>	<p>The College must continue to deliver recurring savings.</p>	<p>See point 5 and 6 for updated position.</p> <p>Completed</p>
b/f 7	<p>Financial position</p> <p>As reported in 2016/17, the income and expenditure reserve includes accounting adjustments originating from the formation of the College and consequently the majority of the balance is not available to support expenditure.</p> <p>Risk</p> <p>There is a risk that the information provided lacks transparency and is a barrier to understanding.</p>	<p>Management should review the information provided in relation to reserves to assist understanding of the College's finances and to enhance transparency.</p>	<p>The College completed the reserves analysis in 2018/19 and included additional disclosures in the financial statements to enhance transparency.</p> <p>Completed</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and financial statements and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit Risk	Assurance Procedure	Results and Conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries</p> <p>Review of accounting estimates</p> <p>Focused testing of accruals and prepayments</p> <p>Focused testing of accounting adjustments at the year end</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>We did not identify any issues as a result of our audit work that would indicate management override of controls affecting the year-end position.</p>
<p>2 Risk of fraud over income</p> <p>ISA 240 requires auditors to consider the risk of fraud over income where income streams are significant.</p> <p>Edinburgh College recorded income of £66 million in 2017/18, of which £51 million was provided by the SFC and £15 million was received from other sources.</p> <p>SFC funding is reliant on accurate recording of student activity targets.</p> <p>The extent and complexity of the College income streams means that there is an inherent risk of fraud which we are unable to rebut.</p>	<p>SFC grant income reconciled to the funding allocation</p> <p>Consider relevant findings raised by internal audit and any potential impact on our audit approach</p> <p>Analytical procedures on income streams</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk</p> <p>Consider findings raised by internal audit on their review of financial controls</p>	<p>We did not identify any issues through our income testing which would indicate fraud over income.</p>
<p>3 Risk of fraud over expenditure</p> <p>Public sector auditors are required to focus their consideration of the risk of fraud and error on expenditure</p>	<p>Detailed testing of significant expenditure transactions at the year-end including cut off testing</p>	<p>We did not identify any issues through our expenditure testing which would indicate fraud over expenditure.</p>

Audit Risk	Assurance Procedure	Results and Conclusions
<p>as most public sector bodies are net expenditure bodies. Edinburgh College recorded an excess of expenditure over income of £2.3 million in 2017/18 with gross expenditure totalling £68.5 million.</p> <p>The extent and complexity of expenditure means that there is an inherent risk of fraud.</p>	<p>Analytical procedures on expenditure</p> <p>Review of accruals and provisions</p> <p>Consider findings raised by internal audit on their review of financial control systems.</p>	
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the following material account areas:</p> <ul style="list-style-type: none"> • non-current assets • pension liabilities • provisions. <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Review of accounting estimates and policies to ensure they are appropriate and properly applied</p> <p>Focused substantive testing of year-end balances</p> <p>Assess the reliability, professional competence, capability and objectivity of the actuary and valuer as experts on whom reliance is placed</p> <p>Review of report assessing actuarial processes.</p>	<p>We carried out a review of the actuaries but there was no review of the valuer this year as there was no revaluation of non-current assets.</p> <p>We assessed the actuarial assumptions used in calculating the pension figures against the PwC report for consistency with other public sector organisations and found them to be reasonable.</p> <p>We also assessed the professional competence and capability of the actuaries and, as a result, we were able place reliance on the actuaries' judgements.</p>
<p>5 Annual report</p> <p>In the prior year, the draft accounts received initially for audit review contained elements of duplication and on occasion lacked structure.</p> <p>There is a risk that that annual report does not provide a complete and compliant narrative to accompany the financial statements.</p>	<p>Review of annual report narrative against relevant requirements and guidance to ensure compliance.</p>	<p>Our review of the annual report confirmed that the College had invested time into improving their performance and accountability reports.</p> <p>But there is scope for further enhancing these reports and the College committed to build on this year's improvements in 2019/20.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>6 Financial management</p> <p>Last year, we reported that while the College achieved savings in excess of the BTP targets, savings from voluntary severance were less than planned.</p> <p>There is a risk that these additional savings are not recurring and that the cost</p>	<p>Monitor progress of actual spend versus budget through the monthly management accounts</p> <p>Review of committee minutes throughout the year for any changes in financial position.</p>	<p>We reviewed committee minutes and reports and are satisfied that the College's financial position has been closely reported and monitored throughout the year.</p>

Audit Risk	Assurance Procedure	Results and Conclusions
<p>base has not been reduced permanently.</p>		
<p>7 Financial sustainability</p> <p>There are challenges to financial sustainability for the College, as identified in its risk register. These include:</p> <ul style="list-style-type: none"> • Cost of living pay increases and pay harmonisation • Shortfall in Commercial Income • Workforce Planning and Development • Estates maintenance backlog • Increasing employer pension contributions <p>There is a risk that the College will not have enough funds to cover these costs.</p>	<p>Review the College's long-term financial strategy</p> <p>Monitor achievement of financial targets</p> <p>Consider how workforce related issues are reflected in financial planning.</p>	<p>In line with the rest of the college sector, Edinburgh College is continuing to face significant financial challenges. The forecasts in the five-year financial plan include known financial pressures and risks.</p> <p>The College is likely to have to make some tough decisions to achieve the savings required to break even in the next five years.</p>
<p>8 EU Withdrawal</p> <p>The UK's decision to leave the EU represents a major constitutional change for Scotland. It will affect everyone in Scotland to some degree including the College. What these effects will be remains uncertain, but they will unfold over both the short and the long term.</p> <p>There is a risk that withdrawal from the EU adversely affects College business and finances.</p>	<p>Assess the College's response to EU withdrawal.</p>	<p>We discussed EU withdrawal with relevant staff and reviewed relevant documentation. The College recognises the risks due to high levels of EU staff and students. It has engaged with staff and students and are continually assessing student applications and acceptances to understand the potential impact on their business.</p>

Appendix 3

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Further Education relevant reports

[Scotland's colleges 2017 - June 2017](#)

[The National Fraud Initiative in Scotland 2016/17 – July 2018](#)

[Major project and procurement lessons – August 2018](#)

[Superfast broadband for Scotland: further progress update – September 2018](#)

Edinburgh College

2018/19 Annual Audit Report

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