



SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW



Coatbridge College

**Annual Report to the Board of Management
and the Auditor General for Scotland
2007/08**

3 December 2008



Coatbridge College

Annual Report to the Board of Management and the Auditor General for Scotland 2007/08

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Executive Summary

Finance

Our audit of Coatbridge College is now complete and our audit opinions on the truth and fairness of the financial statements and the regularity of transactions are unqualified.

The College reported a surplus of £1,217,000 in 2007/08. The budgeted surplus shown on the 2007 Financial Forecast Return submitted to the Scottish Funding Council was £184,000 and the positive variance of £1,033,000 was mainly due to over achievement of income against budgets and FFR estimates.

The 2007/08 surplus, along with that achieved in 2006/07 will be used to fund the College's contribution to its estates strategy which is scheduled to commence in June 2009 and complete in January 2011.

The latest Financial Forecast Return shows the College forecasting operating surpluses of £857,000 in 2008/09, £882,000 in 2009/10 and £730,000 in 2010/11.

The College is financially secure and the balance sheet as at 31 July 2008 is showing net assets of £8.252m including bank and cash of £4.283m.

The College has changed its accounting policy in respect of the Strathclyde Pension Scheme and is now accounting for this scheme as a defined benefit scheme in accordance with Financial Reporting Standard 17 – Retirement Benefits.

Governance

The College's Corporate Governance Statement confirms that the College has been fully compliant with the key principles of the 2006 Combined Code on Corporate Governance during 2007/08 apart from the Chairman of the Remuneration Committee also being the Chairman of the Board of Management. This non-compliance has been disclosed in the Corporate Governance Statement within the financial statements. We have reviewed the College's statement and can confirm that this is in line with the Scottish Funding Council's guidance and is not inconsistent with the findings from our audit.

We did not identify any issues of concern from our review of the College's corporate governance arrangements for the prevention and detection of fraud and irregularity, standards of conduct or prevention and detection of corruption.

Conclusion

This report concludes the 2007/08 audit of Coatbridge College. We have performed our audit in accordance with the Code of Audit Practice published by Audit Scotland, International Standards on Auditing (UK and Ireland) and Ethical Standards.

This report has been discussed and agreed with the Director of Finance. We would like to thank all members of the College's management and staff who have been involved in our work for their co-operation and assistance during our audit.

Introduction

1. This report summarises the findings from our 2007/08 audit of Coatbridge College. The scope of our audit was set out in our External Audit Strategy and Plan which was presented to the Audit Committee on 29 May 2008. The main focus of our external audit has been on the financial statements and governance arrangements.
2. Our plan summarised the following key audit issues for 2007/08:
 - Estates strategy
 - Strathclyde Pension Fund liabilities – change to FRS 17 and SORP
 - Operating and Financial Review
 - Combined Code on Corporate Governance 2006
3. This report sets out our findings in relation to these key issues. This report also includes a follow-up of issues identified during our previous year's audit as well as issues which will be affecting our audit in future years.
4. This report will be submitted to the Auditor General for Scotland and will be published on Audit Scotland's website, www.audit-scotland.gov.uk.

Finance

Responsibilities

5. It is the responsibility of the College to conduct its financial affairs in a proper manner. It is our responsibility to audit the financial statements and also to consider the College's governance arrangements in relation to its financial position.

Audit opinion

6. We are required to give an opinion as to whether the financial statements present a true and fair view of the financial position of the College as at 31 July 2008 and of its expenditure and income for the financial year. We are also required to include a regularity assertion in our audit report stating whether, in all material respects, expenditure and income were incurred or applied for their intended purposes and in accordance with guidance issued by the Scottish Ministers and the financial memorandum with the Scottish Funding Council (SFC).
7. Our audit is now complete and we have issued an unqualified audit opinion on the truth and fairness of the financial statements and on the regularity of transactions.
8. We will now submit the signed financial statements to Audit Scotland who will then pass them to the Scottish Government for laying before the Scottish Parliament.

Financial position

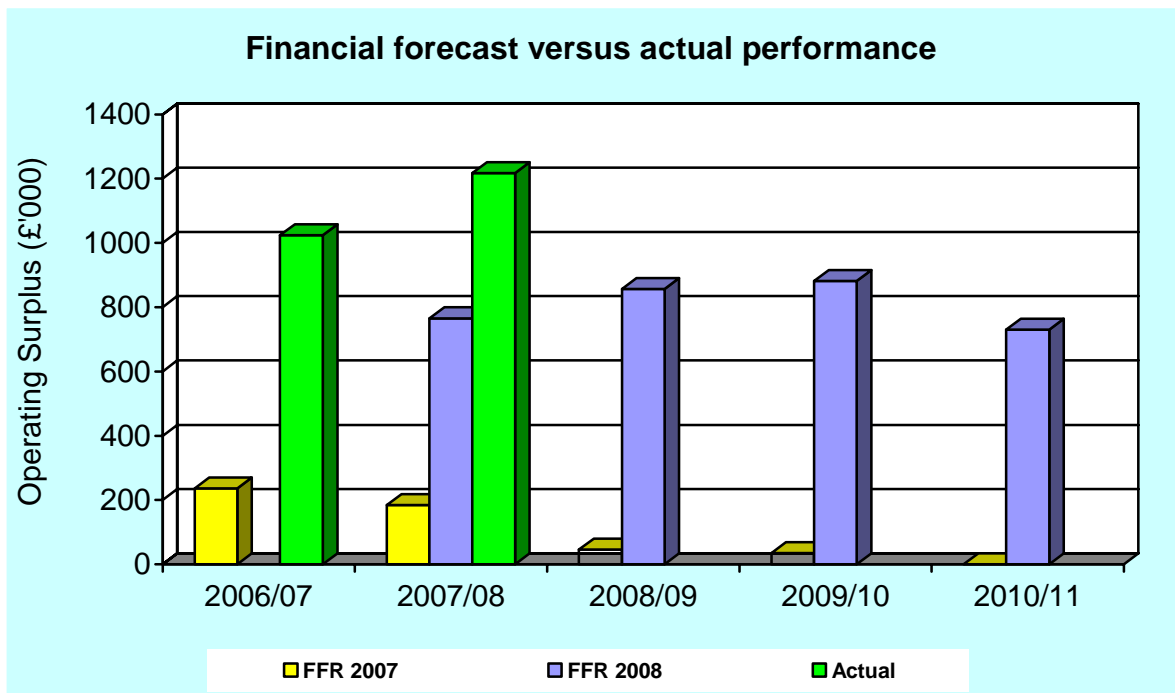
9. The College is reporting a surplus for the year to 31 July 2008 of £1,217,000. This surplus is reported following recognition of an impairment loss of £394,000 as a result of a change in the useful economic life of certain buildings in light of the College's estates strategy and an adjustment for £102,000 in respect of FRS 17. The table below shows the in-year performance excluding the above noted adjustments.

| | £ |
|--|------------------|
| Surplus per annual accounts | 1,217,000 |
| Impairment adjustment | 394,000 |
| <i>FRS 17 adjustments:</i> | |
| Net return on pension assets | (91,000) |
| Pension cost less employer contributions | <u>(11,000)</u> |
| | <u>(102,000)</u> |
| Adjusted operating surplus | 1,509,000 |

10. The College's Balance Sheet as at 31 July 2008 is reporting total reserves of £8.252 million, with £1.39 million within the general reserve and a healthy cash balance of £4.283 million.

Financial forecasts

11. The College submits annual Financial Forecast Returns (FFRs) to SFC detailing the expected results for the current year and the next three years. SFC uses the FFRs to assess the financial performance of individual colleges and of the sector as a whole.
12. The graph below compares the actual results for 2007/08 with the FFR forecasts and shows the latest predictions within the 2008 FFR.



13. As shown above, the College is expecting to report surpluses in 2008/09, 2009/10 and in 2010/11.
14. The College's original budget for 2007/08 per the 2007 Financial Forecast Return (FFR) showed a surplus of £184,000.

15. A reconciliation between the forecast surplus and the actual surplus is set out below:

| | £ |
|---|------------------|
| Surplus per initial budget | 184,000 |
| Increase in ESF income (paragraph 18) | 310,000 |
| Increase in LEC income (paragraph 19) | 161,000 |
| Increase in investment income (paragraph 20) | 94,000 |
| Increase in SFC income (paragraph 21) | 420,000 |
| Gain on implementation of FRS 17 (paragraph 22) | 102,000 |
| Decrease in repairs and maintenance expenditure (paragraph 23) | 210,000 |
| Impairment adjustment (paragraph 24) | (394,000) |
| Miscellaneous items | 130,000 |
| Actual surplus per financial statements | 1,217,000 |
| Variance from original budget | 1,033,000 |
| Variance as percentage of total income | 9% |

16. The College continues to develop the portfolio of activity that it delivers, the supporting infrastructures and make improvements to the efficiency and effectiveness of services all leading to increasing income and reducing expenditure. This approach has provided the College with a platform to take advantage of opportunities presented.
17. The FFR is an estimate of future trends and therefore relies on assumptions on rates of change in income and expenditure and changes to external influences. Those assumptions are agreed with the Board of Management and the SFC. The College is conscious of the timing of preparing the FFR on an annual basis and the need for both the Finance Committee and the Board of Management to agree the assumptions. This process ultimately has an inherent delay and also impacts on the periods used for the forecasting. The FFR is currently completed based on nine months activity to the end of April, thus omitting a quarter of the year from information gathering. It is proposed that the FFR should only require to be approved by the Finance Committee late in June to allow more time for information to be gathered and the return prepared. **Action plan – 1.**
18. The predications on ESF funding indicated a potential drop of approximately 40%, however the College has managed to secure additional funds from those expected by submitting bids in support of the most vulnerable students.

19. The College has a strong established relationship with Scottish Enterprise particularly in the dental area and has built upon the numbers of students, securing additional funds. The LEC contracts run within fiscal years with decisions on contract not being made until April of the following year making it hard to predict the forecast at the start of an academic session.
20. The increase to investment income is due to the increased cash balances that the College has managed effectively, coupled by an increase in interest rates.
21. The investment made by SFC, together with the hard work and innovation from the College's staff, has provided the College with a strong foundation to develop into a sustainable and vibrant organisation. The FFR model had assumed a 1% growth in income from the SFC. However the increase has been substantially more, at approximately 5%, including one-off strategic allocations late in the year.
22. At the time when the 2007 FFR was prepared, the Board of Management had not considered the implementation of FRS17 to be imminent. However due to changes to the guidance from Audit Scotland and amendments to FRS 17 itself, the Board considered the adoption of FRS 17 to be prudent.
23. The reduced expenditure in relation to repairs and maintenance is a result of the College's successful Business Case for the development of the campus with substantial support from the SFC. As a result, the College has not maintained certain areas of the College to the same high standard over the last year in preparation for the project commencing.
24. An impairment loss of £394,000 has arisen in the year as a result of a change in the useful economic life of certain buildings in light of the College's estates strategy, again this could not be anticipated when the 2007 FFR was prepared.
25. The College continues to expand its portfolio of clients, partners and services to organisations. The College's Strategic Plan 2008-11 articulates its commitment to continually grow alternate income sources. The strategy relies on multiple strands and partnerships, each with different but complimentary aspects that will enable the College to grow; from commercial solutions, research & development, consultancy and bespoke training. This approach therefore makes it difficult to predict the income.
26. In all cases the College will take a prudent approach to potential income streams, but targets are continually reviewed and agreed by the Board of Management.

Financial planning and monitoring arrangements

27. The College has a responsibility to conduct its financial affairs in a proper manner. As part of our audit, we are required to consider the College's financial standing, including the arrangements in place for financial planning, budgetary control and financial reporting. It is important that such arrangements are adequate in order to properly control the College's operations and use of resources.

28. Budgets are devised at the start of the year and approved by the Board of Management, after consideration by the Finance Committee, and are updated during the year to take account of new information. The Finance Committee meets four times a year, and management accounts showing forecast year end positions against budget are presented to each Finance Committee meeting.
29. In our opinion the College has effective financial management arrangements in place.

Financial reporting framework

30. The principal elements of the College's financial reporting framework colleges are:
- Accounts Direction issued by the Scottish Funding Council
 - Further Education / Higher Education Statement of Recommended Practice (FE/HE SORP) 2007

FE/HE SORP

31. A revised SORP was issued in July 2007 and was applicable for the first time to the College's 2007/08 financial statements. The main impact of the revised SORP on the College's financial statement were as follows:
- The Board of Management Report has been extended to meet the requirements of an Operating & Financial Review which includes more detailed analysis of the College's financial and non-financial performance.
 - Changes in the required disclosure of defined benefit pension schemes. The new disclosures are shown in note 23 to the financial statements.
32. We are pleased to confirm that the College's 2007/08 financial statements comply fully with the Accounts Direction and FE/HE SORP 2007 in all material aspects.

Financial statements preparation

33. We are grateful to the Director of Finance, the Finance Manager and the finance staff for their assistance and support during the course of the audit. We found the draft financial statements and supporting working papers to be of a good standard.
34. In addition, we found that the College had adequate resource available in the Finance Department to ensure it meets the College's financial management and reporting needs going forward.

Adjustments during the audit

Actual adjustments

35. Seven adjustments were posted as a result of the audit work performed:-

| | | |
|------------------------|----------|----------|
| 1) Dr Impairment | £393,903 | |
| Dr Revaluation reserve | £47,791 | |
| Cr Land and Buildings | | £441,694 |

Being the impairment of certain buildings resulting from the Estates strategy

| | | |
|------------------------|---------|---------|
| 2) Dr VAT Creditor | £17,549 | |
| Cr VAT Non-recoverable | | £17,549 |

Being adjustment to reconcile liability to year end VAT return

| | | |
|---|---------|---------|
| 3) Dr Equipment Cost | £63,850 | |
| Dr Land and Buildings Depreciation for year | £8,393 | |
| Dr Equipment Expenditure | £1,558 | |
| Cr Equipment Depreciation for year | | £9,339 |
| Cr Land and Buildings Cost | | £64,462 |

Being adjustments required to ensure fixed asset register reconciles to the nominal ledger

| | | |
|-------------------------------|--------|--------|
| 4) Dr Exceptional Staff Costs | £7,510 | |
| Cr Staff Costs | | £7,510 |

Being reallocation to disclose exceptional staff costs in line with the severance agreements

| | | |
|-----------------------------|--------|--------|
| 5) Dr Creditors | £7,584 | |
| Cr Other Operating Expenses | | £7,584 |

Being the correction of the year end trade creditor balance

| | | |
|--------------------|--------|--------|
| 6) Dr Other Income | £5,884 | |
| Cr Debtors | | £5,884 |

Being the correction of the year end debtors balance

| | | |
|---|----------|----------|
| 7) Dr Pension reserve | £637,000 | |
| Dr Income & Expenditure Account Reserve | £102,000 | |
| Cr Pension liability | | £535,000 |
| Cr Staff costs | | £11,000 |
| Cr Finance costs | | £91,000 |
| Cr Pension reserve | | £102,000 |

Being adjustments required to disclose the SPF as a defined benefit scheme

36. A prior adjustment was also required to be made to the financial statements in respect of this change in accounting treatment. The decision to treat the Strathclyde Pension Fund as a defined benefit scheme was not taken by the Audit Committee and therefore not approved by the Board of Management until after the audit had commenced and thus the adjustment could not have been reflected in the draft financial statements presented by the College at the start of the audit. This was confirmed with Scott-Moncrieff, as agreement in relation to the required treatment was not reached until late September.
37. All other adjustments related to presentational and disclosure adjustments.

Potential adjustments

38. No potential adjustments to be reported.

Review of accounting systems

39. One of the objectives of our audit was to review the accounting systems and internal controls operating at the College to ensure they formed an adequate basis for the preparation of the financial statements. Please refer to the action plan for details of control improvements detected during audit fieldwork.

Other issues arising from the audit

40. In order to assist College members' understanding of the financial statements and our audit, we have summarised the issues below that we believe are of particular significance in 2007/08.

Estates strategy

41. The College's estate refurbishment project is due to commence in June 2009. As a result, in 2007/08 significant professional fees were incurred, and construction work commenced in the Games Hall in June 2008 in order to provide facilities which can be used in the de-cant stage of the project. As a result of this project, the value of certain buildings were identified as being impaired and accordingly an adjustment was required to be made to the financial statements (paragraph 35 – journal 1).

Strathclyde Pension Fund liabilities – change to FRS 17 and SORP

42. The College has elected to change its accounting policy in respect of the Strathclyde Pension Fund, which will now be accounted for as a defined benefit scheme. A prior year adjustment was required to incorporate the pension liability into the financial statements. The actuarial valuation prepared by Hymans Robertson LLP showed that the pension fund had a net deficit of £1.020m at 31 July 2006, a deficit of £56k at 31 July 2007 and a deficit of £591k at 31 July 2008. These valuations are now reflected within the financial statements and details are disclosed within note 23.
43. The overall impact of this change of accounting policy is detailed within note 32 of the financial statements.
44. We have reviewed the College's accounting for the pension liability and ensured that it complies with the requirements of FRS 17.

Operating and Financial Review

45. One of the key changes in the new SORP is the requirement for the College to include an Operating and Financial Review (OFR) within its financial statements. The College has included a detailed operating and financial review within the financial statements and thus complies with the requirements of the new SORP.

Combined Code on Corporate Governance 2006

46. As described in the next section, we are satisfied that the College has complied with the Combined Code on Corporate Governance 2006 for the year to 31 July 2008.

Governance

47. It is the College's responsibility to ensure that it has adequate governance arrangements in place. It is our responsibility to review and report on these arrangements as they relate to:
- the College's review of its systems of internal control, including reporting arrangements'
 - the prevention and detection of fraud and other irregularities;
 - standards of conduct and arrangements for the prevention and detection of corruption;
 - the College's financial position.
48. We reported on the College's financial position in the Finance section of this report. This section includes our comments on other aspects of the College's governance arrangements.

Corporate Governance Statement

49. Colleges are required to include in their financial statements a statement covering the responsibilities of their board of management in relation to corporate governance. The statement should describe the ways in which the College has complied with good practice, including the arrangements for risk management, and report on the College's compliance with the Combined Code on Corporate Governance.
50. The College's Corporate Governance Statement for 2007/08 explains that the College was compliant with the 2006 Combined Code throughout the period, except for the fact that the Chairman of the Board of Management is also the Chairman of the Remuneration Committee. This exception is clearly disclosed within the Corporate Governance Statement of the financial statements. The College recognises that this is contrary to the provisions of the 2006 Combined Code, but considers it appropriate to maintain this position due to the adoption of the Association of Scottish Colleges (ASC) Guide for College Board Members.
51. We reviewed the Corporate Governance Statement by:
- checking the statement against Scottish Funding Council guidance;
 - considering the adequacy of the process put in place by the Principal and Board of Management to obtain assurances on systems of internal control;
 - assessing whether disclosures in the statement are consistent with our knowledge of the College.
52. We are satisfied that the statement is consistent with the Scottish Funding Council's guidance and that the contents are not inconsistent with information gathered during the course of our normal audit work.

Combined Code 2006

53. A revised Combined Code on Corporate Governance was issued in June 2006, which superseded the Code issued in 2003. The Combined Code 2006 is applicable for reporting years beginning on or after 1 November 2006 and therefore the College has stated compliance with the 2006 code for the first time in its 2007/08 financial statements.
54. We recommended in our 2006/07 Annual Report that the College reviewed its corporate governance arrangements against the 2006 code and are pleased to report that the College has completed this assessment. The only area of non-compliance is that the Chairman of the Board of Management is also the Chairman of the Remuneration Committee, and this fact is clearly disclosed within the Corporate Governance Statement in the financial statements.

Risk management

55. Risk management is important to the establishment and regular review of systems of internal control. We have reviewed the College's risk management arrangements as part of our audit work on corporate governance.
56. The College has a risk management policy and a risk register in place which identifies the risks facing the College and the actions necessary to mitigate these risks. The senior management team discuss all risks on a monthly basis and present regular updates to the Audit Committee on any actions required. The Board of Management will review the risk register on an annual basis once the senior management team have performed their annual review of the risks facing the College.
57. We have concluded that the College appears to have robust risk management systems in place.

Internal audit

58. Internal audit is a key component of the College's corporate governance arrangements. The College's internal audit service is provided by Wylie & Bisset. In the previous year we undertook a review of the College's arrangements to ensure that the work of internal audit is sufficient in quality and volume and performed in accordance with the Code of Audit Practice. The review concluded that the internal audit service provided to the College was in compliance with the SFC's Code of Audit Practice.
59. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate. During 2007/08 we have placed reliance on the following internal audit reports:
- Budgetary and financial controls;
 - Risk management;
 - IT systems;

- Corporate governance.

Internal audit's annual opinion statement

60. Internal audit has concluded in its annual report that management has substantial assurance that the internal controls and governance frameworks which it operates are sufficient to ensure the effective and efficient operation of the organisation.
61. We are grateful to Wylie & Bisset for their assistance during the course of our audit work.

Prevention and detection of fraud and irregularity

62. We are required to consider the arrangements made by management for the prevention and detection of fraud and irregularity. Fraud is defined as deception made for personal gain and irregularity is defined as transactions which do not comply with Scottish Ministers guidance.
63. The College has an anti- fraud policy and whistle blowing policy in place. There were no frauds identified during the year.
64. All SFC and other guidance and regulations are received by the Principal's secretary. All relevant regulatory information is distributed to the appropriate members of staff. All relevant guidance is presented to the Board of Management meetings ensuring that all those concerned have access to adequate and relevant information.
65. We are pleased to report that we identified no issues of concern in relation to the arrangements for the prevention and detection of fraud or with regard to the legality of transactions.

Standards of conduct

66. We are required to consider the arrangements made by management in relation to standards of conduct and prevention and detection of corruption.
67. Propriety requires that public business is conducted with fairness and integrity. This includes avoiding personal gain from public business, being even-handed in the appointment of staff, letting contracts based on open competition and avoiding waste and extravagance. Guidance on standards of conduct, accountability and openness has been issued by the Scottish Government.
68. Our work in this area included a review of the arrangements for adopting and reviewing standing orders, financial instructions, registers of interest and schemes of delegation and complying with national and local Codes of Conduct. We also considered controls over ordering and procurement and disposal of assets.
69. We are pleased to report that our audit identified no issues of concern in relation to standards of conduct, integrity and openness.

Looking Forward

Financial position

70. The Scottish Funding Council has provided significant increases in funding to the Scottish Further Education sector in the past decade. The Spending Review and indications from the Scottish Government are that there will be no further significant increases in the short to medium term. In addition, there is reduced opportunity for European grant income available to the sector. Coupled with increasing cost pressures this will result in limited financial resources for the Further Education sector.

Estates project

71. In 2008/09 the College will commence the estate refurbishment project which will include improvements to the entire South building and development of a central atrium linking the two existing buildings to make the refurbished areas of the campus DDA compliant and fit for purpose. Work is anticipated to begin on site in June 2009, with completion by January 2011.
72. The cost of the project is estimated to be £22.3m, and the SFC have confirmed capital grant support of £20m towards this cost, with the remaining £2.3m being funded by the College itself.
73. We will review the College's capitalisation treatment of costs and grants in relation to this work during the 2008/09 audit.

Combined Code 2008

74. The Financial Reporting Council (FRC) issued an updated Combined Code in June 2008. The updated code is applicable to accounting periods beginning on or after 28 June 2008. The updated code includes two amendments from the 2006 code. The first amendment is in relation to FTSE 100 companies and does not apply to the College. The second amendment is to allow the Chairman to be a member of, but not chair, the Audit Committee where the Chairman was considered independent on appointment. The College's 2008/09 Corporate Governance Statement should state compliance with the 2008 code and we will review this as part of our 2008/09 audit.

Loss of charitable status

75. The Office of the Scottish Charity Regulator (OSCR) previously published the results of the pilot scheme to review charitable status of a selection of charities including John Wheatley College in Glasgow. OSCR concluded that the charity test was not met because of the ability of Scottish Ministers to direct or otherwise curtail the College's activities. The Scottish Government has since announced its intention to protect the charitable status of Scottish FE Colleges and an order has been laid before the Scottish Parliament to this effect.

Appendix 1 – Action Plan

76. Our annual report action plan details the control weaknesses and opportunities for improvement that we have identified during 2007/08. These are the issues that we believe need to be brought to the attention of the College.
77. It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

Priority rating

78. To assist the College in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. The rating structure is summarised as follows:

- Priority 1 High risk, material observations requiring immediate action.
- Priority 2 Medium risk, significant observations requiring reasonably urgent action.
- Priority 3 Low risk, minor observations which require action

Issues from our 2007/08 audit

| Action point | Para ref | Issue identified and recommendation | Management response |
|---|----------|---|--|
| 1 Timetable – FFR preparation | 17 | <p>The process for preparation of the annual FFR currently takes place in April, to ensure that the final return can be presented to the Finance Committee and the Board of Management prior to final submission to SFC in June.</p> <p>We recommend that the return is presented to the Finance Committee only in June of each year. This will provide the Finance Department with more time and hence more information which will further strengthen the budgetary function.</p> <p>Priority 2</p> | <p>To be actioned by:</p> <p>Director of Finance & the Secretary to the Board</p> <p>No later than:</p> <p>Immediate</p> |

| | | | |
|---|-------------------|--|---|
| <p>2</p> <p>Month end reconciliations</p> | <p>N/A</p> | <p>It was noted during audit testing that the year-end sales and purchase ledger listings did not agree to the balances within the respective nominal ledger control accounts.</p> <p>We recommend that these listings be reconciled to the nominal ledger as part of the month end procedures and any differences should be investigated and adjusted where appropriate.</p> <p>Priority 3</p> | <p>To be actioned by:</p> <p>Finance Manager</p> <p>No later than:</p> <p>December 2008</p> |
| <p>3</p> <p>Journal preparation</p> | <p>N/A</p> | <p>Interim audit testing revealed that documentation to support the raising of the journal is not always attached to the journal sheet.</p> <p>We would recommend that supporting documentation be retained with the journal sheet in order to strengthen the control process.</p> <p>Priority 3</p> | <p>To be actioned by:</p> <p>Director of Finance</p> <p>No later than:</p> <p>Immediate</p> |

Follow-up of issues from previous external audit

| Follow-up point | Original recommendation | Update at December 2008 |
|---|--|---|
| <p>1</p> <p>Combined Code 2006</p> | <p>The College should review its current corporate governance arrangements against the requirements of the 2006 Combined Code. The College should take action to address any areas of non-compliance to ensure that it is compliant for its 2007/08 financial statements.</p> | <p>The only issue of non compliance is in relation to the Chairman of the Board of Management also being Chairman of the Remuneration Committee.</p> <p>The College is satisfied with this arrangement and will disclose this fact within the Corporate Governance Statement contained within the financial statements.</p> <p>Action agreed</p> |
| <p>2</p> <p>Risk management</p> | <p>Although the Board of Management formally considers the risk register annually, from experience within the sector we would suggest that this needs to be reviewed more frequently. We would therefore recommend that the risk register appears as a standard item on the agenda for each audit committee meeting or as a minimum at least twice a year.</p> | <p>The risk register now appears as a standard item on the agenda of the audit committee.</p> <p>Action agreed</p> |
| <p>3</p> <p>Register of interests</p> | <p>The Clerk to the Board should ensure that procedures are in place to ensure that a register of interests form is completed timeously by any new board member and that procedures are in place to pursue the non-completion of such documentation.</p> | <p>The register of interests is now up to date.</p> <p>Action agreed</p> |
| <p>4</p> <p>Journal preparation and authorisation</p> | <p>There is a risk that where the procedures are not applied that fictitious or erroneous journals could be posted to the accounting system. All journals should be signed by the preparer and authorised before being entered onto the system. All journal sheets should be attached to supporting documentation which should illustrate clearly why the journal has been raised.</p> | <p>The journal format has been revised to include signatures for prepared by, input by and authorised by.</p> <p>Testing during the 2008 audit still revealed instances where journals have been prepared and authorised by the Finance Manager.</p> <p>Director of Finance , Immediate</p> <p>Priority 3</p> |

| | | |
|---|---|--|
| <p>5 Fixed asset register</p> | <p>We would recommend that the fixed asset register is reviewed fully in the forthcoming year to confirm continued existence, with a further review of the register as part of the year-end routine. We would recommend that this may be a good opportunity to implement an asset tracking system.</p> | <p>The Finance department conducted a fixed asset verification exercise in relation to the 2008 year-end. A plan has also been devised in relation to how the register will be monitored for continued existence as the refurbishment project commences.</p> <p>Action agreed</p> |
| <p>6 VAT</p> | <p>All VAT returns should be completed and submitted within the deadlines outlined by HM Revenue and Customs.</p> | <p>The submission of VAT returns was tested during the course of the 2008 audit and all VAT returns were submitted on time. Considered to be a one-off event during 2006/07.</p> <p>Action agreed</p> |
| <p>7 VAT</p> | <p>As a result of the college incorrectly categorising certain items of income a liability of approximately £40k has arisen. Scott-Moncrieff's estimation takes into account the incorrect treatment going back 3 years to 2004/05 in accordance with HM Revenue and Customs current guidance. This liability has been reflected within the 2006/07 financial statements.</p> | <p>The College sought independent VAT advice in respect of this issue to ensure this issue did not arise again.</p> <p>Action agreed</p> |
| <p>8 Bank reconciliations</p> | <p>All supporting evidence, such as the list of outstanding cheques should be filed along with the monthly bank reconciliation.</p> | <p>A list of outstanding cheques is now filed with the bank reconciliations.</p> <p>Action agreed</p> |
| <p>9 Bank reconciliations</p> | <p>The bank account in the name of North Lanarkshire Social Work Individual needs should be incorporated into the nominal ledger and periodic bank reconciliations should be performed.</p> | <p>Bank reconciliations for this account are still not being prepared.</p> <p>Finance Manager, January 2009</p> <p>Priority 3</p> |
| <p>10 Purchase invoice processing</p> | <p>For VAT purposes invoices must be posted into the period to which they relate based on the date of the invoice, with an accrual prepared to accrue in any such expenditure to the prior month where necessary.</p> | <p>The Finance Manager performs informal checks when the management accounts are prepared to ensure invoices have been posted on the invoice date. A timetable has also been issued to all staff with regards to month-end procedures.</p> <p>Action agreed</p> |

| | | |
|---|---|--|
| <p>11 Statutory Maternity Pay (SMP)</p> | <p>The SMP due to be refunded by the Revenue should be recorded as a debtor and offset against the year end PAYE/NI liability.</p> | <p>College have noted this issue. No problems identified during the 2008 audit. Action agreed</p> |
| <p>12 Monthly payroll reconciliations</p> | <p>It was noted during the final audit that the salary control, pension control, & PAYE/NI control accounts were not reconciled back to supporting documentation at the year-end.</p> | <p>Reconciliations now being performed Action agreed</p> |



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