

CLYDEBANK **COLLEGE**

**ANNUAL REPORT
TO THE BOARD OF GOVERNORS AND THE AUDITOR
GENERAL FOR SCOTLAND ON THE EXTERNAL AUDIT FOR
THE YEAR ENDED 31 JULY 2010**

Date of commencement of Final Visit	6 September 2010
Date of Draft Report to College	29 September 2010
Date of Discussion re Draft Report	30 September 2010
Date of College Responses	30 September 2010
Date of Presentation of Report	16 November 2010

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GLOSSARY OF TERMS

Annual Report	-	Report
Clydebank College	-	The College
Governance and Management Appraisal and Policy Directorate	-	GMAP
Code of Audit Practice	-	The Code
Scottish Funding Council	-	SFC
Value for Money	-	VFM

1. INTRODUCTION

- 1.1 Wylie & Bisset LLP were appointed as the External Auditors of Clydebank College with effect from 1 August 2006 for a period of 5 years until 31 July 2011.
- 1.2 The Annual Report has been prepared following the conclusion of our audit of the financial statements of Clydebank College for the year ended 31 July 2010.
- 1.3 Our audit was carried out in accordance with our statutory responsibilities, statements of auditing standards and wider responsibilities contained in the Code of Audit Practice ('the Code') issued by Audit Scotland in March 2007.
- 1.4 Paragraph 24 of the 'Code' states that the auditor's objectives are to:
- Provide an opinion whether the College's financial statements present a true and fair view of the financial position of the College and the regularity of transactions in accordance with standards and guidance issued by the Auditing Practices Board;
 - Review and report on the College's corporate governance arrangements as they relate to:
 - The College's review of its systems of internal control
 - The prevention and detection of fraud and irregularity
 - Standards of conduct, and the prevention and detection of corruption
 - Its financial position, and
 - Review aspects of the College's arrangements to manage its performance.
- 1.5 The responsibilities of the Board of Governors with regard to the financial statements are set out in the "Statement of Responsibilities of the Board of Governors" included in Appendix A and in the "Independent Auditors' Report" in Appendix B.
- 1.6 The responsibilities of Wylie & Bisset with regard to the financial statements and our audit opinion on the financial statements are included in the "Independent Auditors' Report" included in Appendix B.
- 1.7 Our audit report on the financial statements for the year ended 31 July 2010 is unqualified.

- 1.8 The Annual Report covers the following areas as set out in the Code:
- a) Internal Controls and audit approach
 - b) Internal Audit
 - c) Corporate Governance
 - d) Value for Money
 - e) Prevention and detection of fraud and irregularities
 - f) Management letter – 2010
 - g) Management letter – 2009
 - h) Summary of deviations
- 1.9 Our audit findings in each of the above areas are set out in the relevant sections of the report.
- 1.10 Our audit work is designed to enable us to form an audit opinion on the financial statements of the College and should not be relied upon to disclose all weaknesses in internal controls in relation to the Colleges systems and financial statements.
- 1.11 This report has been prepared for the purposes of the Board of Governors and the Auditor General for Scotland and should not be issued to third parties without our prior written consent.
- 1.12 We would emphasise that our comments in this report are not intended to be any reflection on the integrity of the College staff whom we would like to thank for their help and assistance throughout our audit visits.
- 1.13 Should you have any queries on the contents of the Annual Report please do not hesitate to contact us.

Yours faithfully

Wylie & Bisset LLP

2. INTERNAL CONTROLS AND AUDIT APPROACH

- 2.1 We have reviewed in the course of our audit the key elements of the College's systems of internal financial controls including the following areas;
- a) The College's medium and short term planning processes including budgets;
 - b) The College's review of key performance indicators, financial and management accounts;
 - c) The College's controls over income and expenditure;
 - d) The College's financial controls and procedures;
 - e) The input from the Audit Committee and the Finance, Estates & General Purposes Committee;
 - f) The College's internal audit service.
- 2.2 In carrying out our audit work we have taken into account the following:
- a) The Code of Audit Practice issued by Audit Scotland;
 - b) The Code of Audit Practice issued by SFC;
 - c) Guidance issued by Audit Scotland;
 - d) Guidance issued by SFC;
 - e) The College's internal control procedures;
 - f) The College's Corporate Governance procedures;
 - g) The College's approach to Value for Money;
 - h) The financial memorandum between SFC and the College.
- 2.3 In reaching our audit opinion we carried out our audit work based on the audit plan with evidence obtained by:
- a) Reviewing previous financial statements;
 - b) Reviewing internal audit plans and reports;
 - c) Discussions with senior management and staff at the College;
 - d) Completing appropriate audit programmes;
 - e) Carrying out analytical review procedures;
 - f) Carrying out substantive and compliance audit tests on a judgemental basis;
 - g) Reviewing the minutes of the principal College committees.
- 2.4 Based on our review the College appears to operate appropriate internal financial controls, subject to the management letter points raised in Sections 8, 9 & 10.
- 2.5 The audit recommendations are included in the appropriate sections of this report.
- 2.6 The recommendations have been graded as High, Medium or Low priority depending upon the degree of risk assessment for each recommendation. Each recommendation has a target date for remedial action and the person

responsible for each recommendation has been nominated in the relevant Section.

3. FINANCIAL STATEMENTS

- 3.1 The financial statements of the College are the means by which it accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. In accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts direction issued by the SFC, it is the responsibility of the College to prepare financial statements, which give a true and fair view of the College's financial position and the income and expenditure for the year.
- 3.2 The Public Finance and Accountability (Scotland) Act 2000 requires that the auditor shall place on the abstract of accounts an audit report, which contains an opinion as to whether the College has fulfilled this responsibility. The format of the audit report directed by the Auditor General for Scotland clarifies the respective responsibilities of management and auditors in relation to the accounts and requires auditors to set out the basis on which they have formed their opinion.

AUDIT REPORT

- 3.3 We are pleased to record that there are no qualifications in our audit report on the College's 2009/10 accounts, as, in our opinion, the financial statements give a true and fair view of the College's financial position and the income and expenditure for the year; and funds received have been applied for their intended purpose.

FINANCIAL PERFORMANCE

- 3.4. The income and expenditure account shows a surplus for the year of £666,000. This is compared to a previous year deficit of £87,000. The accounts presented for audit showed a surplus of £666,000 which has not changed during our audit work. The impact of FRS17 pension adjustments on the financial statements are as follows:

	2009/10 £'000	2008/09 £'000
Surplus/(deficit) for the year	666	(87)
Pension scheme net expected return on assets	117	(8)
Current service gains/(losses) in excess of contributions	50	(38)
Past service (gains)/costs	<u>(680)</u>	<u>101</u>
Operating surplus/(deficit) for the year	<u>153</u>	<u>(32)</u>

- 3.5 In 2009/10 the College budgeted for an operating surplus of £36,000. The College has budgeted for a £198,000 operating surplus in 2010/11.
- 3.6 The surplus brought forward on the income and expenditure reserve at 1 August 2009 was £872,000. After the surplus for the year of £666,000 is taken into account and the pension reserve movement of £513,000, the surplus on the College's income and expenditure reserve at 31 July 2010 is £1,025,000.
- 3.7 The pension scheme past service gain arises mainly in relation to the impact of the change in pension scheme valuation to take account of CPI rather than RPI and is as determined by Hymans Robertson, the pension scheme actuaries. Note that this is considered further within section 11.

SUBMISSION OF ACCOUNTS

- 3.8 The accounts were submitted for audit **on 6 September 2010**, in line with the agreed timetable. The accounts submitted for audit were substantially complete. Working papers provided have generally been of a high standard and queries arising from the audit have all been resolved. Key staff were readily available for consultation throughout the audit process.

ISSUES ARISING

- 3.9 During the course of the audit a number of issues arose which were resolved in discussion with, or formally reported to the Director of Finance and Estates. This practice is an established part of the audit process. The remainder of this report draws to the attention of the Board of Governors and the Auditor General any matters of particular significance or interest, which arose from the audit.
- 3.10 Pension / FRS 17 :
- a) The pension liability in regard to the Strathclyde Pension Fund decreased by £723k to £2,180k based on the actuarial report commissioned by the College.
 - b) The unfunded pension provision increased from £2,995,000 to £3,224,000. This increase was as a direct result of the change in the mortality tables used to calculate the provision. The increase in provision resulted in a charge of £389k being made to the income and expenditure account.
- 3.11 Reliance has been placed on the VAT work done by Deloitte regarding the purchase of the new campus. The College received a loan from HMRC of £2,126,000 under the Lennartz mechanism. During the year the College repaid a further £219,000 leaving a balance due of £1,567,000.

- 3.12 **Main College Reception:** During the year the College commenced a refurbishment of the reception area. At the year-end this was included in Tangible Fixed Assets as 'Assets Under Construction' at a cost of £231k. There is a further financial commitment of £283k in relation to this project disclosed in the financial statements at the year-end.
- 3.13 **Payroll:** As noted in the previous two years annual reports to the Board of Governors there were ongoing issues with the college payroll system. The Human Resources department were required to perform manual checks on all payroll calculations for each month. It was noted that a new system came into place from December 2009 and through discussions with payroll staff and through our testing we found no issues with the calculations performed.
- 3.14 **Fee waiver income recognition:** The College has completed its audit of the wSUM's and associated fee waiver claim for 2009-10. The final fee waiver amount claimable from the SFC is £1,518,472. This compares to the amount declared in the Financial Statements of £1,443,161 which represents the actual cash received from the SFC. The College can recognise a debtor in the Financial Statements of £75,311 but has chosen not to on the basis that the SFC cannot guarantee payment of the debt during 2010-11. Added to the lack of a guarantee is the current budgetary review process ongoing in the public sector which only further strengthens the rationale for not recognising a debtor in the Financial Statements.

4. INTERNAL AUDIT

Objective and Approach

- 4.1 Internal audit is a key element of the internal control system set up by management. A strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system established. The College, therefore, needs to have in place a properly resourced internal audit service of good quality. To maximise the reliance that may be placed on internal audit and to avoid duplication of effort, the adequacy of internal audit is assessed each year.
- 4.2 The College's internal auditors during 2009/10 were Deloitte LLP.
- 4.3 The College's internal audit strategic and operational plans are set out for the year ending 31 July 2010 in the Audit Needs Assessment.
- 4.4 In the course of the year ended 31 July 2010 the following internal audit reports were issued:
- a) Review of Admissions and Advice Centre Management
 - b) New electronic class registers
 - c) Payroll reporting

- d) Strategic Planning and Performance Management
 - e) Review of Faculty of Sport & Wellbeing
 - f) Review of Purchasing
 - g) Follow Up
- 4.5 The Internal audit work carried out and the reports issued in the year were in line with the Audit Needs Assessment.
- 4.6 The Annual Report from the College's internal auditors gave substantial assurance for the year. No internal audit reports were outstanding at the date of this Annual report.

Opinion

- 4.7 An assessment was made of the adequacy of the Internal Audit function using a bespoke checklist and discussion with the Internal Audit providers. Reports issued by internal audit were also reviewed. Based on this work we concluded that the internal audit function is operating effectively and that we can place formal reliance on work of Internal Audit. Accordingly reliance was placed on the work of Internal Audit in all areas on which reported they reported during 2009/10 as detailed at 4.4.

5. CORPORATE GOVERNANCE

Objective and Approach

- 5.1 A review and assessment of the College's Corporate Governance systems relating to standards of conduct, openness and integrity was carried out using a bespoke checklist. We also reviewed the following:
- a) The College's Corporate Governance Statement included in the financial statements for the year ended 31 July 2010;
 - b) The College's Corporate Governance strategy;
 - c) The minutes of meetings of key College committees issued during the year.

Opinion

- 5.2 Based on our review the College appears to operate appropriate Corporate Governance procedures and that management have adequate arrangements in place covering standards of conduct etc. These include for example Codes of Conduct for both Board Members and Staff. We found no matters therein to impact upon our audit opinion.

Recommendations

- 5.3 There were no recommendations in 2009 and no further recommendations in this area this year.

6. VALUE FOR MONEY

Objective and Approach

- 6.1 We have reviewed the College's Value for Money systems including the following:
- a) The College's strategy in this area;
 - b) VFM studies carried out by the College's internal auditors.

Opinion

- 6.2 Based on our review the College appears to have established adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources subject to the points noted below.

Recommendations

- 6.3 There were no recommendations in 2009 and no further recommendations in this area this year.

7. PREVENTION AND DETECTION OF FRAUD AND IRREGULARITIES

Objective and Approach

- 7.1 The Code sets out that the College should establish arrangements for the prevention and detection of fraud and other irregularities as part of its Corporate Governance procedures.
- 7.2 An assessment was made of the adequacy of the systems and controls for the prevention and detection of fraud and irregularities using a bespoke checklist.
- 7.3 In the course of the audit we have reviewed the following areas with regard to the prevention and detection of fraud and irregularities:
- a) The monitoring and compliance with financial procedures;
 - b) The College's strategy to prevent and detect fraud and other irregularities;
 - c) The internal controls operated for segregation of duties, authorisation and approval processes and reconciliation procedures.
- 7.4 No areas of concern were found during normal audit procedures.
- 7.5 We emphasise that our audit of the financial statements is planned to ensure there is a reasonable expectation of detecting misstatements arising from fraud or other irregularity that are material in relation to those financial statements, but cannot be relied upon to detect all frauds and irregularities.

Opinion

- 7.6 Overall we concluded that management takes fraud prevention and detection seriously and has reliable controls in place to ensure that potential areas for fraud are detected and dealt with.

Recommendations

- 7.7 There were no recommendations in 2009 and no further recommendations in this area this year.

8. MANAGEMENT LETTER – 2010

- 8.1 The management letter for the year ended 31 July 2010 was issued by Wylie & Bisset LLP following the audit for the year.
- 8.2 The one recommendation from the 2009 management letter has now been addressed.
- 8.3 There are no recommendations raised from the 2010 audit.

9. MANAGEMENT LETTER – 2009

9.1 The recommendations following the audit for the year ended 31 July 2009 by Wylie & Bisset are detailed below.

Background	Recommendation	Priority	College Response
<p>a) Our review of the payroll system found that there had been little change in the way the payroll function was being performed and maintained. During the current year, staff were still required to review the payroll each month as confidence in the system was low.</p> <p>We note that a new system is due to be put in place which will become live in November 2009.</p>	<p>We recommend that the new system is installed as planned.</p> <p>Findings on revisit in 2010:</p> <p>We note that the new payroll system is now in place and the issues raised previously have now been addressed.</p> <p>We seek Audit Committee approval to remove this recommendation from the report. There is no further recommendation other than ongoing monitoring.</p>	<p><i>Medium</i></p>	<p>None required.</p>

10 SUMMARY OF DEVIATIONS

10.1 During our audit work, we identified no deviations relating to control matters. The table below confirms this and nothing requires to be brought to the attention of the Board of Governors.

Nature of Deviation & Reason for it	Actual Deviation £	Unadjusted I&E Effect £	Unadjusted B/S Effect £
None	-	-	-

11. CURRENT ISSUES

11.1 Changes to measurement of price inflation in public sector pensions

On 22 June 2010, George Osborne, Chancellor of the Exchequer, announced a change of how price inflation will be measured for the purposes of annual increases in public sector pensions: from 2011, annual indexation will be accomplished by reference to the Consumer Price Index (“CPI”) rather than the Retail Price Index (“RPI”).

The impact of this has been accounted for by Hymans Robertson LLP in determining the actuarial valuation for the pension scheme as at 31 July 2010. In doing this they have prepared their valuation on the basis that the change from RPI to CPI is a change in benefit. The gain arising from this valuation has therefore been taken directly to the Income and Expenditure account, in accordance with FRS 17.

This accounting treatment is in line with others in the sector.

However, there is question as to whether the change from RPI to CPI should instead be treated as a change in assumption (rather than change in benefit). In this instance, the valuation would require to be reconsidered and any gain/ loss arising would be included within the balance sheet valuation rather than within the income and expenditure account.

The Accounting Standards Board (“ASB”) has met within the last next few weeks and issued a draft UITF Abstract for consultation to decide upon whether the change should be classified as a change in benefit or a change in assumption. It is unlikely that this debate will be resolved prior to approval of the 2010 financial statements and therefore the adjustments have been accounted for as a change in benefit. Should there be a decision that this is a change in assumption, the valuation and accounts will require to reflect any change to the actuarial valuation through the 2011 financial statements.

We will continue to review the situation and will keep the College apprised of the situation in order that any changes can be acted upon accordingly.

11.2 ASB ‘Policy Proposal: the future of UK GAAP’

The purpose of this consultation paper from the Accounting Standards Board (ASB) is to set out a proposed strategy for the future basis of UK GAAP and its convergence with International Financial Reporting Standards (IFRS).

The proposed approach is to work under the International Accounting Standards Board’s (IASB) framework and to converge with IFRS to the fullest extent possible consistent with the needs of UK entities. The ASB’s current intention is to issue an exposure draft withdrawing the separate body of literature currently referred to as UK

GAAP and replacing it with new IFRS-based literature. Any modifications to the application in the UK of the underlying IFRS literature would be proposed at that stage.

The paper considers the future role of statements of recommended practice (SORPs) that are issued by industry or sectoral bodies that are recognised by the ASB. As a general principle, the ASB's view is that SORPs should only remain where there is a need arising from sector specific issues not covered by guidance in accounting standards. The proposal is to restrict the number of SORPs to which the ASB provides any endorsement.

The ASB intends issuing an exposure draft outlining its recommendations for the future of UK GAAP after considering the feedback on this paper.

It is noted that the SFC's expectation is that colleges will continue to converge with international financial reporting standards (IFRS) as UK GAAP converges over the next few years, and it appears likely that implementation will not take place before 2013. Consequently, it is highlighted that the transition timetables for IFRS that apply to the rest of the public sector do not therefore apply to colleges.

APPENDIX A

STATEMENT OF RESPONSIBILITIES OF THE BOARD OF GOVERNORS

(As copied from Annual Accounts)

Statement of the Board of Governor's Responsibilities

The Board of Governors are required to present audited financial statements for each financial year.

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Governors is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2007 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Governors, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

The financial statements are prepared in accordance with the Accounts Direction issued by the Scottish Funding Council, which brings together the provisions of the Financial Memorandum with other formal disclosures that the Scottish Funding Council require the Board of Governors to make in the financial statements and related notes.

In preparing the financial statements, the Board of Governors is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the College will continue in operation. The Board of Governors is satisfied

that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the College and prevent and detect fraud;
- Secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance and General Purposes Committee;
- Professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors and whose head provides the Board of Governors with a report on internal audit activity within the College and an opinion on

the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Approved by order of the members of the Board of Governors and signed on its behalf by:

M Yuille
Chair of Board of Governors

30 November 2010

APPENDIX B

INDEPENDENT AUDITORS REPORT

(As copied from Annual Accounts)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF GOVERNORS OF CLYDEBANK COLLEGE, THE SCOTTISH PARLIAMENT AND THE AUDITOR GENERAL FOR SCOTLAND

We have audited the financial statements of Clydebank College for the year ended 31 July 2010 under the Further and Higher Education (Scotland) Act 1992. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board of Governors, Accountable Officer and Auditor

The Board of Governors and Accountable Officer are responsible for preparing the Annual Report and the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. They are also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of Board and Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the body has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit. We also report whether in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1st January 2006 and any other terms and conditions attached to them for the year ended 31 July 2010; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

In addition, we report to you if, in our opinion, the college has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement of Corporate Governance and Internal Control reflects the college's compliance with the requirements of the Scottish Funding Council and report if, in our opinion, it does not. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the college's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction, of the state of affairs of the college as at 31 July 2010 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder by the Scottish Funding Council; and
- information which comprises the Operating and Financial Review included with the Annual Report is consistent with the financial statements.

Regularity

In our opinion in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1st January 2006 and any other terms and conditions attached to them for the year ended 31 July 2010; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

Wylie & Bisset LLP
Chartered Accountants and Registered Auditors
168 Bath Street
Glasgow G2 4TP

Date