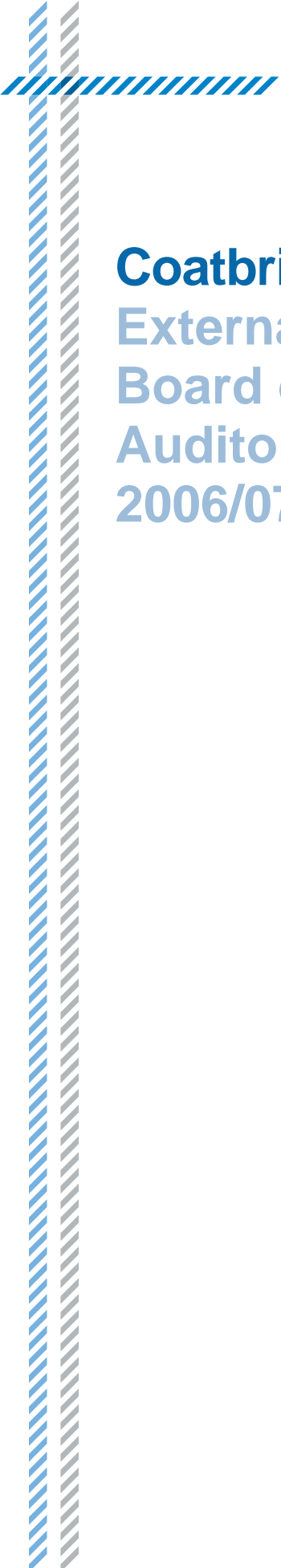




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EDINBURGH AND GLASGOW



Coatbridge College
External Audit Annual Report to the
Board of Management and the
Auditor General for Scotland
2006/07

10 December 2007



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1 Summary

Finance

- Our audit opinion on the truth and fairness of the College's financial statements is unqualified.
- Our regularity opinion is also unqualified.
- The accounts comply with the Accounts Direction issued by the Scottish Funding Council (SFC) and the Statement of Recommended Practice on Accounting for Further and Higher Education. The deadline for submitting final accounts to SFC will be achieved.
- The College reported a surplus of £941,000 to 31 July 2007 (2005/06 - £91,000). The historical cost surplus was £1,100,000, after releasing £159,000 from the revaluation reserve in respect of depreciation on re-valued assets.

Governance

- We identified no significant errors or weaknesses during our audit. In general, the College's systems of internal control appear to be adequate, well designed and operating effectively.
- The College's Corporate Governance Statement confirms that the College has been fully compliant with the key principles of the 2003 Combined Code on Corporate Governance during 2006/07.
- A revised Combined Code was issued in 2006 and will be applicable from 2007/08.

Action Plan

- We have identified 12 action points in section 5 of this report. None of these are considered to present a high risk to the College. The implementation of management's responses to the issues will address the risks identified.

Conclusion

This report concludes the 2006/07 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 and Ethical Standards.

This report has been discussed and agreed with the Director of Finance and the Finance Manager and has been prepared for the sole use of Coatbridge College and the Auditor General for Scotland and Audit Scotland. 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.

Scott-Moncrieff

10 December 2007

2 Introduction

2.1 Auditor General and Audit Scotland

The Auditor General for Scotland is responsible for reporting to the Scottish Parliament on how public bodies spend public money, manage their finances and achieve value for money in the use of public funds. In discharging this responsibility the Auditor General appoints FE College auditors and sets the terms of their appointment.

Audit Scotland is an independent statutory body that provides the Auditor General with the services required to carry out his statutory functions, including preparing a Code of Audit Practice setting out the role and responsibilities of the external auditor.

2.2 Audit appointments

The Auditor General for Scotland has appointed Scott-Moncrieff as external auditor of Coatbridge College for the five year period 2006/07 to 2010/11.

This annual report summarises our 2006/07 audit of Coatbridge College and highlights the key issues arising from our work.

2.3 Independence and ethical standards

Ethical Standard 1 – *Integrity, objectivity and independence*, issued by the Auditing Practices Board (APB), requires that external auditors ensure that the Audit Committee is appropriately informed on a timely basis of all significant facts and matters that bear upon the auditors' objectivity and independence.

We can confirm that we have complied with the APB Ethical Standards throughout the audit and that, in our professional judgement, we have remained independent and our objectivity has not been compromised in any way.

2.4 Key risks

Our audits are risk based. This means that we focus our resources in the areas of highest priority or risk to the Board. The key audit issues identified for the 2006/07 audit were summarised in our external audit plan presented to the Audit Committee on 1 October 2007. These audit issues were:

- Combined Code on Corporate Governance,
- Financial Reporting Standard 17 – Retirement Benefits (FRS 17)
- Change in Finance Manager

This report includes our findings in relation to these key risks.

2.5 Scope of the audit

Our audit work can be classified under the following two headings: governance and finance. The main audit objective for each of these areas is summarised below.

2.5.1 Audit areas and audit objectives

Audit area	Audit objective
Governance	To review the College's governance arrangements in relation to: <ul style="list-style-type: none">• systems of internal control and risk management,• the prevention and detection of fraud and irregularity,• standards of conduct and prevention and detection of corruption.
Finance	To provide an opinion on the truth and fairness of the College's financial statements and on the regularity of transactions. To review the College's financial standing, and financial management arrangements.

The remainder of this report sets out the results of our work in 2006/07 under the headings of Governance and Finance. The action plan in section 5 details the recommendations we have made.

3 Governance

3.1 Introduction

The audited body has a responsibility to:

- Develop and implement systems of internal control and at least annually to conduct a review of the effectiveness of the internal control systems.
- Establish arrangements to prevent and detect fraud and irregularity.
- Ensure its affairs are managed in accordance with proper standards of conduct.
- Conduct its affairs and to put in place proper arrangements to ensure that its financial position is soundly based.

It is our responsibility to review and report on the College's governance arrangements.

It is also our responsibility to review the College's governance arrangements in relation to its financial position. This is reported in section 4 – Finance.

3.2 Corporate Governance framework

The Board of Management has formally established the following sub-committees, which contribute to the culture of risk management and internal control at the College: Finance Committee, Audit Committee, Human Resources Committee, Executive Committee, Remuneration Committee, Estates Committee and Student Affairs Committee.

3.3 Corporate Governance statement

3.3.1 Requirement for a corporate governance statement

Colleges are required to include a statement on their corporate governance arrangements within their annual account. The statement describes the ways in which the College has complied with good practice in corporate governance, including the arrangements for risk management.

3.3.2 The College's corporate governance statement for 2006/07 – fully compliant statement

The College's corporate governance statement for 2006/07 illustrates that the College was fully compliant with the 2003 Code throughout the period.

3.3.3 Combined Code 2006

A revised Combined Code on Corporate Governance was issued in June 2006, which supersedes the Code issued in 2003.

Following consultation with Further Education and Higher Education sector groups, Colleges and Universities, it was agreed that the 2006 Combined Code will be effective for the 2007/08 financial statements. We have recommended in our action plan that the College takes steps in 2007/08 to ensure that it is compliant with the updated code. *See action plan point 5.2.1.*

3.3.4 Unqualified audit opinion

We have reviewed the Corporate Governance statement included within the annual accounts. Our audit opinion on this statement is covered by our auditors' report and is unqualified in this respect.

3.4 Statement on Systems of Internal Control

The framework of internal controls operating at Coatbridge College is described within the Statement on Systems of Internal Control (SSIC) included within the Corporate Governance Statement in the annual accounts. The College has not identified any significant areas which require to be disclosed in the SSIC.

We are satisfied that the contents of the SSIC are not inconsistent with information gathered during the course of our normal audit work.

3.5 Risk management

The College's process for risk management is a crucial element of the system of internal control. As part of our audit, we have reviewed the College's risk management arrangements.

Coatbridge College is in the process of establishing a Risk Management Policy. This is expected to be issued to the Board of Management for review in December 2007. The College has 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. 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.

Within the action plan contained within section 5 of this report, we have recommended that the risk register appears as a standing item on the agenda at each audit committee meeting, or as a minimum at least twice a year, in order to strengthen the College's risk management procedures. *See action plan point 5.2.2.*

Subject to the finalisation of the Risk Management Policy, the College appears to have adequate risk management systems in place.

3.6 Internal audit

Internal audit is a key component of the College's corporate governance arrangements. The College's internal audit service is provided by Wylie & Bisset.

As required by the Code of Audit Practice, 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 Code of Audit Practice.

3.6.1 Reliance on Internal Audit

To avoid duplication of effort and ensure an efficient audit process, we planned our audit work to place reliance wherever possible on the work of Internal Audit. We can confirm that the internal audit service has completed their work plan for the year in respect of all areas, except value for money.

During 2006/07 we have reviewed the following Internal Audit reports:

- Finance Department Evaluation
- Student Records
- Income Collection / Credit Control
- Treasury Management

We considered the results from these reports on our own risk assessments. We are grateful to Wylie & Bisset for their assistance during the course of our audit work.

3.7 Prevention and detection of fraud and irregularity

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. We consider the arrangements made by management in the following ways:

- We examine the financial instructions issued by the College to ensure that they deal adequately with fraud and irregularities and provide a framework for exercising strong internal control,
- Our systems based audit is planned so as to provide a reasonable expectation of detecting misstatements in the annual accounts resulting from fraud or irregularity,
- We focus on specific areas of high risk for potential fraud and irregularity and review the arrangements in place in these areas,
- We review the Technical Bulletins produced by Audit Scotland with regard to fraud reports and ensure that the College has arrangements in place to prevent similar frauds occurring,

- We review the extent and adequacy of the Internal Audit function within the College.

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.

3.8 Standards of conduct, integrity and openness

We are required to consider the arrangements made by management in relation to standards of conduct and prevention and detection of corruption.

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 (formerly Scottish Executive).

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.

We are pleased to report that our audit identified no issues of concern in relation to standards of conduct, integrity and openness.

4 Finance

4.1 Introduction

We are required to audit the financial statements in accordance with International Standards on Auditing and to give an opinion on:

- whether they give a true and fair view of the financial position of the audited body and its expenditure and income for the period;
- whether they have been prepared in accordance with relevant legislation and applicable accounting standards;
- the regularity of the expenditure and receipts.

We are also required to review Coatbridge College's financial management arrangements.

4.2 Accounts Direction

The College was required, in preparing its annual accounts, to comply with directions given by the Scottish Funding Council (SFC). We are pleased to confirm that the College's annual accounts for 2006/07 comply fully with the Accounts Direction issued by SFC.

4.3 Statement of Recommended Practice (SORP)

The purpose of the SORP on Accounting for Further and Higher Education is to ensure that the financial statements of institutions are prepared on a comparable and consistent basis.

The SORP takes account of best accounting practice, the requirements of the Funding Councils, the accounting provisions of the Companies Act and other relevant legislation.

We are pleased to report that the 2006/07 annual accounts of the College comply with the SORP in all material respects.

4.4 Annual accounts and audit timetable

The deadline for the submission to SFC of FE College audited annual accounts is 31 December. The accounts will be approved by the Board of Management on 10 December 2007 and will be submitted to SFC and the Auditor General prior to the 31 December deadline.

We received draft management accounts and supporting papers on 8 October 2007 as agreed, although the draft did not contain the Board of Management report, Corporate Governance Statement and Statement on System of Internal Financial Control. The audit did not run as smoothly as anticipated. Due to changes in staffing within the Finance Department

during the year, difficulty was experienced in obtaining supporting documentation and explanations for various transactions which occurred. This led to audit fieldwork lasting longer than initially projected.

We are grateful to the Director of Finance and the Finance Manager for their assistance and support during the course of the audit.

4.5 Auditors' report – unqualified opinion

We are required to give an opinion as to whether the accounts present a true and fair view of the financial position of the College at 31 July 2007 and of its income and expenditure for the financial year.

We are also required to include a regularity assertion in our audit report stating that, 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 SFC.

We have issued an unqualified audit opinion on the truth and fairness of the accounts and on the regularity of transactions.

4.6 Review of Accounting Systems

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.

We identified no major control weaknesses during our audit of the accounting systems.

In order to assist College members' understanding of the financial statements, we have summarised the issues that we believe are of particular significance to the 2006/07 financial statements with the action plan contained within Section 5. The action plan contains a number of priority 2 and 3 recommendations arising from our audit.

4.7 Financial Standing

Coatbridge 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.

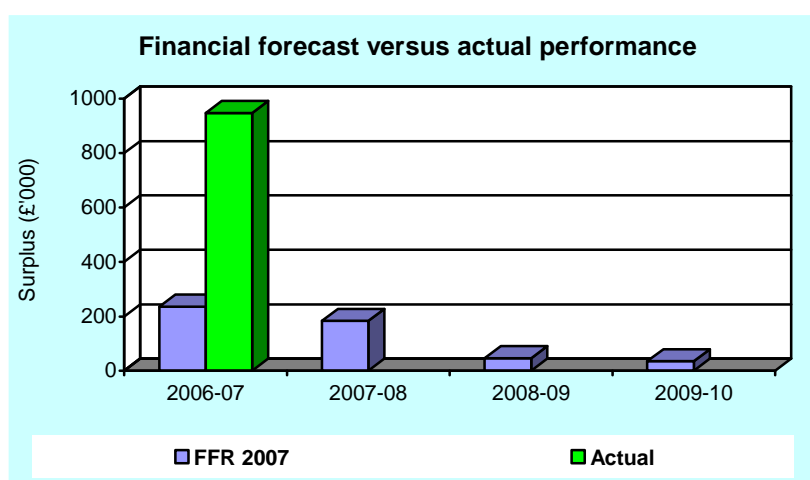
It is important that such arrangements are adequate in order to properly control the College's operations and use of resources.

4.7.1 Financial management

Budgets are devised at the start of the year and approved by the College and are updated during the year to take account of new information. Management accounts are presented to each College Board meeting for review.

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.

The graph below compares the actual results from continuing operations prior to the release of the revaluation reserve for 2006/07 with the FFR forecasts and shows the latest projections contained within the 2007 FFR.



As shown above, the College is expecting to achieve surpluses over the next three years. The actual surplus in 2006/07 is unusually high in comparison with the original projections contained within the FFR, but this is mainly due to the College improving systems for identifying and securing additional income, for example, European income has risen by £200k with no significant de-commitments as in previous years, commercial activity up £60k, College nursery provision up £85k, and a review of all income provisions total £170k.

We found that the management reporting process in place at the College during the year has not been as robust as would be expected for an institution of this size. The monthly management accounts presented to members of the senior management team and the Board were poor in terms of content, not delivered timeously and could not be fully relied on as a decision-making tool.

In order to gain assurance over the financial management procedures, the College instructed the internal auditors to perform a specific review to evaluate the operation of the Finance Department. The report highlighted some areas of improvement and these have been fully actioned, including recruiting a qualified accountant with experience of the sector to the position of Finance Manager. Additionally a review of the VAT procedures has also been

instructed by the College, engaging the VAT department of Scott-Moncrieff to conduct the review.

4.7.2 Financial position

The College reported a surplus of £941,000 to 31 July 2007 (2005/06 - £91,000). The historical cost surplus was £1,100,000, after releasing £159,000 from the revaluation reserve in respect of depreciation on re-valued assets.

In total, the College has reserves and deferred capital grants of £6,583,000. Of this, £4,620,000 is held within the revaluation reserve.

4.7.3 Conclusion

It is evident that Coatbridge College has made significant progress to address the issue of inadequate financial management they faced during the year, by implementing the recommendations made by the Internal Auditors. The strengthened Finance team and the introduction of the Internal Auditors' recommendations together will help to strengthen the College's financial management going forward. The Board of Management is confident that these steps will ensure strengthened financial management in the future.

4.8 FRS 17 – Retirement Benefits

The College has previously accounted for the Strathclyde Pension Fund (a defined benefit pension scheme) as if it were a defined contribution pension scheme. This treatment is permitted by Financial Reporting Standard 17 – Retirement Benefits (FRS 17) under certain circumstances. As part of our audit, we considered whether the continued accounting for the scheme in this manner is appropriate and consistent with guidance issued for the College sector and with the practice adopted by other Colleges within the Strathclyde area.

Our conclusion is that it is reasonable for the College to account for the Strathclyde Pension Fund, as presently constituted, as a defined contribution scheme in 2006/07. However this position will require to be reviewed on an annual basis to take account of changes to the scheme, particularly the introduction of separate employer contribution rates planned for 2008. Therefore this will again be an issue which will require to be monitored and considered in respect of the 2007/08 financial statements.

4.9 International Financial Reporting Standards (IFRSs)

The Chancellor announced in his 2007 budget speech the decision to adopt IFRSs for public sector accounting by 2008/09. Whilst this does not have an immediate impact on the Coatbridge College accounts, the College should be aware of this issue as it could have significant implications in the future.

4.10 HE/FE SORP 2007

A revised SORP was issued in July 2007 and is applicable to the 2007/08 annual accounts. The revised SORP has been prepared on the assumption that Further and Higher Education institutions will not be adopting International Financial Reporting Standards (IFRSs) in the near future and has been based on UK Generally Accepted Accounting Principles (UK GAAP).

The main impact of the revision is the requirement for the College to include an Operating and Financial Review (OFR) to accompany its annual accounts. An OFR is intended to be more detailed and forward looking than the current Report of the Board of Management. To minimise disruption during the year end audit process, we recommend that the College prepare its OFR in advance of the 2007/08 accounts preparation process.

5 Action Plan

Our annual report action plan details the control weaknesses and opportunities for improvement that we have identified during 2006/07.

We have made no priority one recommendations in 2006/07.

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.

5.1 Priority rating

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 to improve the efficiency, effectiveness or economy of operations or which otherwise require to be brought to the attention of senior management.

5.2 Issues from our 2006/07 Audit

Title	Issue Identified	Risk and Recommendation	Management Comments
<p>5.2.1</p> <p>Combined Code 2006</p> <p><i>Report ref 3.3</i></p>	<p>A revised Combined Code on Corporate Governance was issued in June 2006, which supersedes the Code issued in 2003.</p> <p>Following consultation with Further Education and Higher Education sector groups, Colleges and Universities, it was agreed that the 2006 Combined Code will be effective for the 2007/08 financial statements.</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>Priority 2</p>	<p>Responsible Officer:</p> <p>Director of Finance</p> <p>Implementation Date:</p> <p>To be agreed</p>
<p>5.2.2</p> <p>Risk management</p> <p><i>Report ref 3.5</i></p>	<p>The risk register does not appear as a standing item on the agenda for the audit committee meetings.</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.</p> <p>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>Priority 3</p>	<p>Responsible Officer:</p> <p>Board Secretary</p> <p>Implementation Date:</p> <p>To be agreed</p>
<p>5.2.3</p> <p>Register of interests</p> <p><i>Report ref – N/A</i></p>	<p>It was noted that the register of interests for one board member had not been completed during the period in which he held office.</p> <p>A completed form is in existence for all current board members</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>Priority 3</p>	<p>Responsible Officer:</p> <p>Board Secretary</p> <p>Implementation Date:</p> <p>To be agreed</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
<p>5.2.4</p> <p>Journal preparation and authorisation</p> <p><i>Report ref – N/A</i></p>	<p>During audit testing it was noted that on a number of occasions journal back-up documentation was not available or attached to the journal, and in some instances not appropriately authorised in accordance with stated procedure.</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.</p> <p>All journals should be signed by the preparer and authorised before being entered into the system.</p> <p>All journal sheets should be attached to supporting documentation which should illustrate clearly why the journal has been raised.</p> <p>Priority 2</p>	<p>Agreed. The journal format will be revised to include signatures for prepared by, input by and authorised by.</p> <p>Responsible Officer:</p> <p>Director of Finance</p> <p>Implementation Date:</p> <p>To be agreed</p>
<p>5.2.5</p> <p>Fixed asset register</p> <p><i>Report ref – N/A</i></p>	<p>A year-end review of the fixed asset register was not performed. This review would have provided evidence that the capitalised assets are still in existence and still in use by the College.</p> <p>The current format of the register does not detail the location of the particular asset, nor does it give an individual asset reference/serial code nor detail the person responsible for each fixed asset.</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.</p> <p>We would recommend that this may be a good opportunity to implement an asset tracking system.</p> <p>Priority 2</p>	<p>The College has planned to undertake a full review of assets in 2007/08 prior to the audit starting and have considered the need for an asset tracking system. At this time it is not considered necessary to implement an asset system. Where practical assets will be logged with location etc.</p> <p>Responsible Officer:</p> <p>Director of Finance</p> <p>Implementation Date:</p> <p>To be agreed</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
<p>5.2.6</p> <p>VAT</p> <p><i>Report ref – N/A</i></p>	<p>The year end VAT return had not been submitted on time.</p> <p>The income as disclosed per the VAT returns is not being reconciled on a quarterly basis to income recorded in the nominal ledger.</p>	<p>If the VAT returns are not submitted on time, the College will be liable for penalties and interest.</p> <p>All VAT returns should be completed and submitted within the deadlines outlined by HM Revenue & Customs.</p> <p>Priority 2</p>	<p><i>Agreed</i></p> <p>Responsible Officer:</p> <p>Finance Manager</p> <p>Implementation Date:</p> <p>Immediately</p>
<p>5.2.7</p> <p>VAT</p> <p><i>Report ref – N/A</i></p>	<p>Following a separate piece of work conducted by Scott-Moncrieff's VAT team, it has been noted that the College has incorrectly categorised certain items of income as exempt from VAT instead of liable to standard rate VAT. The College has also incorrectly classified income and student headcounts when making its business/non-business and partial exemption apportionments of non-attributable VAT.</p>	<p>As a result of these issues, a liability of approximately £40,000 has arisen. Scott-Moncrieff's estimation takes into account the incorrect treatment going back 3 years to 2004/2005 in accordance with HM Revenue & Customs current guidance. This liability has been reflected within the 2006/07 financial statements.</p> <p>Priority 2</p>	<p><i>Agreed</i></p> <p>Responsible Officer:</p> <p>Finance Manager</p> <p>Implementation Date:</p> <p>Immediately</p>
<p>5.2.8</p> <p>Bank reconciliations</p> <p><i>Report ref – N/A</i></p>	<p>The list of outstanding cheques in respect of the year-end general bank account reconciliation was not retained.</p>	<p>There is a risk that the bank reconciliation is inaccurate.</p> <p>All supporting evidence, such as the list of outstanding cheques should be filed along with the monthly bank reconciliation.</p> <p>Priority 3</p>	<p><i>Agreed</i></p> <p>Responsible Officer:</p> <p>Finance Manager</p> <p>Implementation Date:</p> <p>Immediately</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
<p>5.2.9</p> <p>Bank reconciliations</p> <p><i>Report ref – N/A</i></p>	<p>The college has a bank account in the name of the North Lanarkshire Social Work Individual needs. This account is not included within the nominal ledger and monthly reconciliations are not performed in respect of this account.</p>	<p>The bank account should be incorporated into the nominal ledger and periodic bank reconciliations should be performed.</p> <p>Priority 3</p>	<p>Agreed</p> <p>Responsible Officer:</p> <p>Finance Manager</p> <p>Implementation Date:</p> <p>Immediately</p>
<p>5.2.10</p> <p>Purchase invoice processing</p> <p><i>Report ref – N/A</i></p>	<p>When reviewing post year end invoices it was noted that on more than one occasion, invoices which were dated August 2007, but related to July 2007 expenditure were posted into period 12.</p>	<p>Invoices posted at the incorrect date could result in costs being posted in the incorrect period and VAT being claimed at the incorrect time.</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>Priority 3</p>	<p>The cut off point will be brought forward; however, the College is confident that all expenditure was recognised in the appropriate period.</p> <p>Responsible Officer:</p> <p>Finance Manager</p> <p>Implementation Date:</p> <p>Immediately</p>

Title	Issue Identified	Risk and Recommendation	Management Comments
<p>5.2.11</p> <p>Statutory Maternity Pay (SMP)</p> <p><i>Report ref – N/A</i></p>	<p>It was noted that at the year-end SMP which was due to be refunded by the Revenue was not recognised as a debtor within the nominal ledger.</p> <p>Currently the cost of the SMP is posted to the salary nominal codes and then the rebate when calculated is posted as a credit to the income & expenditure account. Therefore at the year end both the PAYE/NI liability and the salary costs are overstated, as the rebate was not recognised till received in August.</p>	<p>There is a risk that the year-end figures are mis-stated.</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>Priority 3</p>	<p>Agreed</p> <p>Responsible Officer:</p> <p>Director of Finance</p> <p>Implementation Date:</p> <p>To be agreed</p>
<p>5.2.12</p> <p>Monthly payroll reconciliations</p> <p><i>Report ref – N/A</i></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>Although immaterial differences were noted, the risk arises as this control was not performed at the year-end.</p> <p>As part of each month end routine, all payroll control accounts must be reconciled and any differences arising should be investigated timeously.</p> <p>Priority 2</p>	<p>Reconciliations are routinely performed and, prior to the previous Financial Controller leaving this process was taking place. This practice will continue with the new Finance Manager in place.</p> <p>Responsible Officer:</p> <p>Finance Manager</p> <p>Implementation Date:</p> <p>Immediately</p>

Scott-Moncrieff

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