1. I have received the audited accounts of Inverness College for the year ended 31 July 2006. The auditor’s report on the accounts is not qualified but contains a paragraph drawing attention to the College’s position as a going concern. I prepared a similar report on the College’s position as a going concern in respect of the 2004/05 financial year.

2. I submit these accounts and the auditor’s report in terms of section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act.

3. Inverness College incurred a deficit of £0.667 million in its Income and Expenditure account for the period ended 31 July 2006, equivalent to 4.7% of its income for the year. The College’s accumulated deficit was £3.48 million at 31 July 2006, an increase of £0.234 million from the accumulated deficit at 31 July 2005 (£3.247 million), after the transfer of £0.431 million from the Revaluation Reserve and £0.002 million from the Pension Reserve.

4. The auditor’s report, at pages 13 to 14 of the accounts, refers to the College’s financial position in the following terms:
   
   “In forming my opinion, I have considered the adequacy of the disclosures made in the Statement of Accounting Policies of the financial statements concerning the continuation of support by the College’s bankers and the Scottish Funding Council in terms of overdraft facilities and continuing recurrent funding. In view of the significance of these issues in the context of the College’s accumulated deficit as at 31 July 2006, I consider that they should be drawn to your attention. My opinion is not qualified in this respect.”

5. During 2006 the College undertook an efficiency consultation exercise with the support of the Scottish Funding Council’s (SFC) Further Education Development Directorate (FEDD). The College has produced an action plan in response to recommendations from the FEDD, and following the request from the SFC, the College has produced a new financial recovery plan. The SFC is continuing to support the College.

Robert W Black
Auditor General for Scotland
19 March 2007