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The Adam Smith College, Fife

Annual Report to the Board of Management and the Auditor General for Scotland 2008/09

December 2009

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Executive Summary

Finance

Our audit of Adam Smith College is complete and our audit opinion on the truth and fairness of the financial statements and the regularity of transactions is unqualified.

The College reported a consolidated surplus of £431,000 in 2008/09. The College's annual budget predicted a surplus of £853,000 and the variance was the result of several movements, but primarily due to bursary costs being significantly above the Scottish Funding Council (SFC) annual allocation.

The College reported a surplus of £86,000 in 2007/08, after a £49,000 gain on sale of property. The improved financial performance in 2008/09 stems from an increase in income-generating activities (including £110,000 from the Scottish Qualification Authority) and an increase in SFC grant allocations (of £826,000). This was partly offset by increased payroll and operating costs associated with the additional income-generating activity as well as the £482,000 of unfunded bursary costs. The College's initial 2009 Financial Forecast Return (FFR) submitted to the SFC projects further surpluses for the next three years (£617,000 in 2009/10, £867,000 in 2010/11 and £1.538m in 2011/12, the later of which includes a projected £429,000 gain on disposal of fixed assets).

The College approved an Estates Strategy in December 2007 which included a number of proposals for improvement and rationalisation of its estate. A major element of this strategy is the relocation of the Engineering, Construction and Science Institute to a new build at the Stenton Campus. Work has started on this element of the project, which has a budget of just over £16m plus VAT. Funding will come from a combination of borrowing and from the College's own resources. The College also hopes to secure funding from SFC for further estates development.

Governance

The College's Corporate Governance Statement confirms that the College has been fully compliant with the key principles of the 2008 Combined Code on Corporate Governance during 2008/09. We have reviewed the College's statement and can confirm that this is in line with the SFC's guidance and is not inconsistent with our understanding from the audit.

We did not identify any areas of concern from our review of the College's corporate governance arrangements in so far as they relate to prevention and detection of fraud and irregularity or standards of conduct and prevention and detection of corruption.

Her Majesty's Inspectorate of Education (HMIe) conducted an annual engagement review at the College in October 2008. The report confirmed that the College has made good progress on all the main points of action identified during the 2007 review. The College was subject to a Charter Mark follow-up review in July 2009 and was found as continuing to meet the Charter Mark standard. There were no areas of partial or non-compliance.

Conclusion

This report concludes the 2008/09 audit of Adam Smith 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 Vice Principal - Resources. 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
December 2009

Introduction

1. This report summarises the findings from our 2008/09 audit of Adam Smith College, Fife. The scope of our audit was set out in our External Audit Strategy and Plan which was presented to the Audit Committee on 10 June 2009. The main focus of our external audit has been on the financial statements and governance arrangements.

2. Our plan summarised the key audit issues for 2008/09:

   - Estates
   - European Grants
   - Fife Council Pension Scheme
   - Early retirement provision
   - Combined Code of Corporate Governance 2008
   - VAT on St Brycedale campus

3. This report includes our findings in relation to these key issues. This report also includes a follow-up of issues identified during our previous audit.

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

5. In this section we summarise the key aspects of the College's reported financial position and performance to 31 July 2009. We also outline significant issues identified during the course of our audit.

6. 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 to consider the College's governance arrangements in relation to the College's financial position.

Auditors' opinion

7. 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 2009 and of its expenditure and income for the financial year. We are also required to include a regularity assertion in our independent auditors' 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 Scottish Funding Council (SFC).

8. Our audit is now complete and we have issued an unqualified audit opinion on the truth and fairness of the accounts and on the regularity of transactions.

Financial position

In-year performance

9. The College's consolidated performance includes the surplus generated by the Adam Smith Enterprise and Education Foundation (ASEEF). The in year performance is outlined below.

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
College surplus	413	96
ASEEF surplus/(loss)	18	(10)
Consolidated surplus	**431**	**86**

10. The College reported a consolidated surplus for the year to 31 July 2009 of £431,000. This surplus includes unplanned year end adjustments in respect of the unfunded pension liability.

11. The College reported a consolidated surplus of £86,000 in 2007/08. The improved financial performance in 2008/09 stems from an increase in income-generating activities (including two significant contracts of £110,000 from the Scottish Qualification Authority and £85,000 from the Scottish Government) and an increase in SFC grant allocations of £826,000. This was partly offset by increased payroll and operating costs associated with the additional income-generating

activity as well as the unfunded bursary costs (which were funded fully in 2007/08).

12. The table below reconciles the College's 2008/09 budget to the final outturn position for the year.

Budget to actual reconciliation

	£'000
Surplus per original budget	**853**
Movement:	
Bursary funding shortfall	(482)
Impact of revaluation of early retirement provision	(300)
Savings in operating costs / increased income	385
Foundation contribution to surplus	18
Audit adjustments	(48)
Net of other variances	5
Actual surplus per financial statements	**431**

Bursary Underfunding

13. The College receives bursary funding from SFC. The allocation provided in 2008/09 was considerably lower than the level of expenditure incurred. SFC has generally funded such 'additional' claims in previous periods. However, the current economic climate and the rise in the level of such claims across the sector as a whole have increased the uncertainty over the SFC response to this situation for 2008/09. As a result, unfunded bursary costs of £482,000 have been recognised in 2008/09.

14. The College has identified the need to limit the impact of bursary underfunding in future years. The 3% bursary funding increase has not been applied in 2009/10 in a bid to limit future years underfunding. Projected underfunding of £300,000 has been incorporated into 2009/10 financial forecasts.

Early Retirement Pension Provision

15. The College uses the services of Hymans Robertson LLP to estimate the early retirement pension provision. The movement on the provision is not factored into annual budgets and the impact at the year end is a charge to the College accounts and a likely variance from original budget.

16. The provision is subject to fluctuation and requires an assessment of market conditions as at 31 July each year. Accordingly, it can be difficult to incorporate these costs within annual budgets with any great deal of certainty. During the year the College undertook an interim valuation of the scheme which indicated that no additional provision was required, although the outturn position at

year end was clearly somewhat different.

Savings in operating costs / increased income

17. The College made significant savings against budget by reducing overhead costs during the year. Main cost savings were in the areas of funding development, ICT and at Senior Management level through an Assistant Principal leaving during the year and not being replaced. Cost savings of £334,000 were identified and achieved during the year.

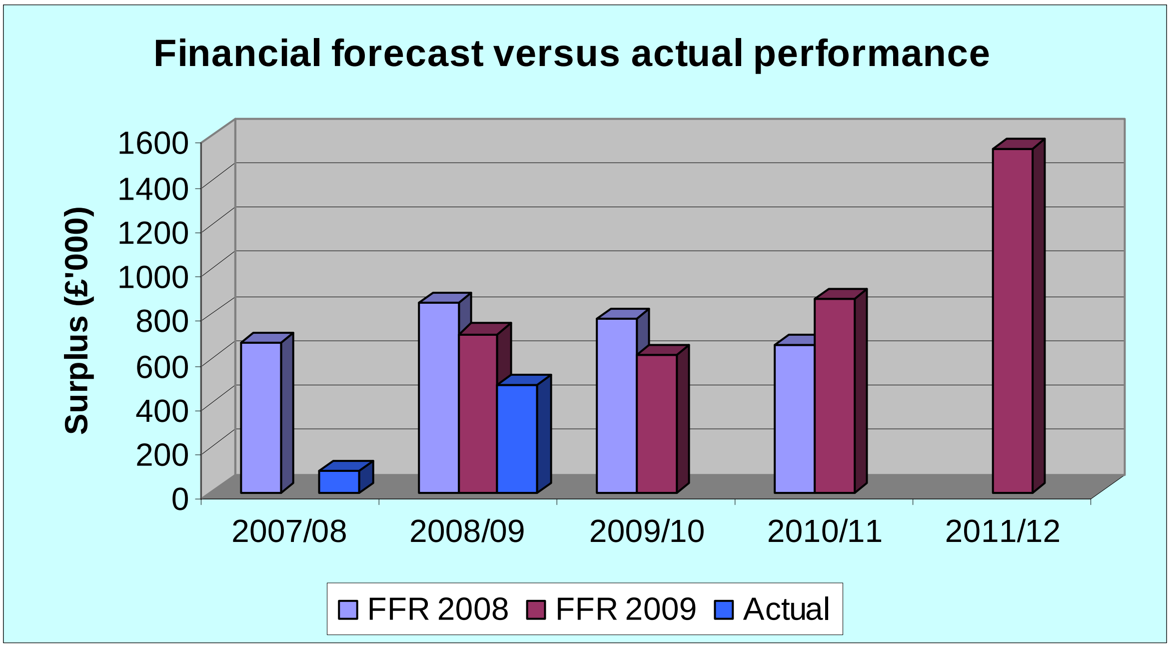
18. Commercial income was higher than budget, primarily due to additional contract from the Scottish Qualifications Authority (£110,000) and funding for the College's Malawi Project. This increase was partly offset by lower than forecast European income, which was significantly lower than expectation due to delays in the progress of certain projects. It is expected that this European income will be recognised in future periods, as the projects progress.

Balance sheet

19. The College had accumulated reserves of £24.313m as at 31 July 2009 (2008: £25.138m). The movement on the accumulated reserves position includes an increase in the net pension liability of £1.216m and reduction in the revaluation reserve of £373,000. The College had a healthy cash balance of £7.355m at year end.

Financial forecasts

20. The College submits annual Financial Forecast Returns (FFRs) to SFC for the current year and 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 for 2008/09 with FFR forecasts and sets out future projections.



Source: College 2008 and 2009 FFR returns

21. As shown above, the College is expecting to make sizeable surpluses between 2009/10 and 2011/12. The 2009 FFR incorporates the impact of the £16m Engineering, Construction and Science Centre development at the Stenton Campus. The development includes the major renovation of the existing campus and development of the Priory Campus with new IT and business and management teaching facilities being created. Funding will come from a combination of borrowing and from the College's own resources. The impact of the expenditure has been incorporated into the College's forecasts.

Financial planning and monitoring arrangements

22. 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.

23. Budgets are devised and approved at the start of the year and are updated during the year to take account of new information. The Board has established a Finance Committee which met regularly throughout the year. Management accounts showing forecast year end positions against budget are presented to each Finance Committee.

24. In our opinion the College has sufficient and appropriate financial management arrangements in place.

Financial statements preparation

25. We are grateful to the Vice Principal - Resources, the Finance Managers and the finance staff for their assistance and support during the course of the audit. We found the draft accounts and supporting working papers to be of a very high standard.

26. In addition, we found that the College has adequate resource available in the Finance Department to ensure it is adequate to meet the College's financial management and reporting needs going forward.

Audit adjustments

27. During the course of our audit a small number of audit adjustments to the financial statements were identified.

28. Depreciation charges were misstated by £91,000 in the 2008/09 accounts presented for audit. In 2007/08, the College undertook an interim valuation of land and buildings, although the revised useful economic lives were not updated in the depreciation calculations for 2008/09. As well as processing the depreciation adjustment, the release from the revaluation reserve was adjusted to match the revised useful economic lives. The release of £54,000 from the revaluation reserve did

not impact on the consolidated operating surplus.

29. During our audit, the finance department identified £40,000 of grant income from Fife Council which had not been recorded within the 2008/09 financial statements. We confirmed that the grant income related to 2008/09 and an adjustment was processed accordingly. Expenditure totalling £2,000 in relation to 2009/10 was also removed by the College.

30. The table below outlines the impact of the adjustments identified during the course of audit on the outturn position. All other audit adjustments were of a presentational and disclosure nature and there were no unadjusted misstatements.

Impact of adjustments identified during the course of the audit

	£'000
Surplus per accounts presented for audit	**478**
Adjustments identified during the audit:	
Increased depreciation charge to reflect new UEL of assets	(90)
Recognition of income relating to 2008/09	40
Removal of expenditure relating to 2009/10	2
Rounding	1
Actual surplus per audited accounts	**431**

Review of accounting systems

31. 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.

Supplier statements

32. We noted that supplier statements received by the College are not checked and matched to College records on a periodic basis, which could lead to inaccurate or late payments, loss of goodwill and misstatement of trade creditors. The College should ensure that supplier statements are reconciled on a periodic basis.

Action Plan Point 1

Formal asset verification

33. The College did not conduct a fixed asset verification exercise during the year. Whilst we are aware that a full revaluation is to be performed in 2009/10, we recommend that the College

conducts an annual verification exercise in years when revaluations are not being performed.

Follow Up Action Plan Point 2

34. Other than the issues above, we identified no reportable control weaknesses during our audit of the accounting systems. In general, the College's systems of internal financial control appear to be adequate, well designed and operating effectively.

35. During 2008/09, the College continued with its implementation of the PECOS electronic procurement system, which is expected to deliver significant efficiency savings across the sector. The College have made substantial progress in implementing the system and expects to have the vast majority of all orders raised through the system by December 2009.

Other issues of particular significance for the 2008/09 audit

36. 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 to the 2008/09 financial statements.

Group financial statements

37. The College has a 100% controlling interest in the Adam Smith Enterprise and Education Foundation ('ASEEF'). ASEEF is consolidated within the College's 2008/09 financial statements. We do not consider ASEEF's results and financial position at the balance sheet date to be material to the group financial statements.

European grants

38. The College participates in a number of European Social Fund (ESF) projects. The College is lead partner for most of these projects. The conditions of the European grants restrict expenditure to specific purposes and the College must keep detailed records of the expenditure against each grant. The College should not recognise the income until the conditions of the grant have been met.

39. We reviewed the accounting for European grants and confirmed that this was consistent with College records and are satisfied this was reflected appropriately within the financial statements.

Pension Fund liabilities

40. The College's employees belong to two principal defined benefit pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) for the teaching staff and the Fife Council Pension Fund (FCPF) for the non-teaching staff.

41. The STSS is a multi-employer, notionally funded scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme. In line with Financial Reporting Standard 17 - *Retirement Benefits* (FRS 17), the College does not recognise any asset or liability relating to the STSS and the scheme is effectively accounted for as if it was a defined contribution

scheme.

42. The Fife Council Pension Fund is also a multi-employer scheme but the College can identify its share of underlying assets and liabilities and has therefore recognised a net liability in its balance sheet. In 2008/09, the College reported a liability in respect of the Fife Council Pension Fund of £3.515m. This was a significant increase from the balance as at 31 July 2008 of £2.299m.

43. We reviewed the College's accounting for the pension liability and confirmed that it complies with the requirements of FRS 17 and the FE/HE SORP, and that disclosure is consistent with the actuarial report.

Early retirement provision

44. The College has previously offered early retirement to staff. The College makes monthly payments to the pension fund to cover any shortfall arising from the decision to grant early access to retirement benefits. In line with Financial Reporting Standard 12 - *Provisions, Contingent Liabilities and Contingents Assets* (FRS 12), the College recognises a liability for the future payments in relation to these early retirements. The provision for early retirement was £3.101m as at 31 July 2009.

45. We reviewed the College's accounting treatment of its liabilities arising from early retirements and confirmed that this was consistent with the calculated liability as provided by Hymans Robertson LLP.

VAT on St Brycedale campus

46. The College has applied to HM Revenue & Customs for the Lennartz mechanism to be applied retrospectively to the St Brycedale campus redevelopment which was completed in 2004/05. If accepted by HM Revenue & Customs, this would have resulted in the College recovering the VAT on the campus works and repaying the VAT over a period agreed with HM Revenue & Customs.

47. During our final audit we confirmed that the College's had received correspondence with HMRC indicating that the application had been unsuccessful.

Estates Strategy

48. The College approved an Estates Strategy in December 2007 which included a number of proposals for improvement and rationalisation of the College estate. The strategy will be funded through a combination of SFC grants, external borrowing and the College's own resources. SFC has yet to formally commit to funding the proposed developments, but the College feel discussions have been positive to date.

49. The College is progressing with the relocation of the Engineering, Construction and Science Institute, currently based at a number of locations, to a new build at the Stenton Campus. The College has committed to a loan of £8.5m in addition to the existing loan of £1.3m (the later of which the College renegotiated in 2008/09). The new facility at the Stenton Campus should be in

place by the end of July 2010.

50. The College spent a total of £1.889m on capital additions during the year. Of this, £1.831m related to the initial design and building works in respect of the Stenton development and this has been reported as assets under construction in the 2008/09 financial statements.

51. The College believes that the estates strategy will significantly enhance the learning experience at the College and will continue to seek funding from SFC to support the plan.

Governance

52. 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

53. We reported on the corporate governance arrangements in relation to its financial position in the Finance section of this report. This section includes our comments on other aspects of the College's arrangements.

Corporate Governance Statement

54. Colleges are required to include in their annual accounts a statement covering the responsibilities of their Board of Management in relation corporate governance arrangements. The statement should describe the ways in which the College has complied with good practice in corporate governance, including the arrangements for risk management, and report on the College's compliance with the Combined Code.

55. The College's Corporate Governance Statement for 2008/09 explains that the College was fully compliant with the 2008 Combined Code throughout the period.

56. We reviewed the Corporate Governance Statement by:

- checking the statement against SFC 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

57. We are satisfied that the statement is consistent with SFC's guidance and that the contents are not inconsistent with information gathered during the course of our normal audit work.

Combined Code 2008

58. A revised Combined Code on Corporate Governance was issued in June 2008, which supersedes the Code issued in 2006.

59. We recommended in our 2007/08 Annual Report that the College reviews its corporate governance arrangements against the 2008 code and are pleased to report that the College has completed this assessment. No areas of non-compliance were identified.

Corporate planning

60. During the year the Board of Management of Adam Smith College approved the College Corporate Plan for the period 2009 to 2012. The plan built upon the previous plan focusing on the following three fundamental aims;

- The delivery of 21st Century Learning
- The development of a 21st Century Workforce
- The development of a 21st Century College

61. The Corporate Plan outlines the College's principal objectives within the period. The document links the College's key strategic plans and statements including those for learning and teaching, staff development, estates, finance and ICT along with the strategic plans of the College's individual directorates. It has incorporated the challenges facing the College, in particular the impact of the economic downturn and it outlines key performance targets for each of the three key aims outlined above.

Risk management

62. Risk management is important to the establishment and regular review of systems of internal control. The College's financial statements outline the principal risks and uncertainties of the College and sets out the mitigating controls in place to address these risks.

63. During 2008/09 the College updated the Strategic Risk Register to align it with the 2009- 2012 strategic plan. A member of the Principal's Group has lead responsibility for mitigating controls. The Principal is responsible for reviewing and updating the risk register on a regular basis, as supported by Senior Management. Changes to the action plan and the full risk register are reported to the Board via the Audit Committee.

64. From our review, the College appears to have sufficient and appropriate risk management systems in place.

Internal audit

65. Internal audit is a key component of the Board's corporate governance arrangements. The Board's internal audit service is provided by Chiene + Tait. We have considered the internal audit arrangements and concluded that there is a sufficient and appropriate service in place.

Reliance on internal audit

66. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal

audit work where appropriate. For 2008/09 we reviewed the following internal audit reports and integrated the findings with our own external audit work:

- Corporate Social Responsibility
- European Funding
- Curriculum Development
- Staff Recruitment and Retention
- Partnership Working

Internal audit's conclusion

67. Chiene + Tait have concluded in their 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, and that the strategic and operational risks to which the organisation is exposed are being managed".*

68. We are grateful to Chiene + Tait for their assistance during the course of our audit work.

Prevention and detection of fraud and irregularity

69. 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.

70. The College has a fraud prevention policy (including fraud response plan) and whistle blowing policy in place. The College has identified a fraud liaison officer and a whistle-blowing officer. There were no frauds identified during the year.

71. All SFC and other guidance and circulars are received by the Principal's Secretary. All relevant regulatory information is distributed to the appropriate members of staff. A database is held of all SFC circulars and responsible officers dealing with the relevant circular.

72. 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

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

74. 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.

75. 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.

76. We are pleased to report that our audit identified no issues of concern in this area.

External Reviews

HMIe Review

77. In October 2008 the College was subject to an annual engagement review from Her Majesty's Inspectorate of Education (HMIe). The College was last reviewed in March 2007 and received 'Very Good' or 'Good' grades in all subject and cross-college areas.

78. The recent HMIe report confirmed that the College had made good progress on all major points for action identified in the last review.

Charter Mark

79. In July 2009 the College was subject to a Charter Mark follow-up review. The College was found as continuing to meet the Charter Mark standard and there were no areas of partial or non-compliance.

80. We congratulate the College on the results of the recent external reviews.

Looking Forward

81. In this section, we highlight some recent or emerging issues that are likely to impact on our next year's audit.

Financial position

82. SFC 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. Coupled with increasing cost pressures this will result in limited financial resources for the sector.

Estates Strategy

83. The College has a significant capital development programme which will also impact on its financial resources in the coming years. In particular the College has progressed with one major element of the Strategy, the construction of the new Engineering, Construction and Science Institute at the Stenton campus. This development will be funded through a combination of the College's own resources as well as external borrowing. These factors have been included within the College's financial forecasts which indicate a healthy financial position.

84. The remainder of the Estates Strategy has been welcomed by the SFC however no formal funding commitment has been made by SFC to date. In order to meet the strategic objectives of having an estate fit for 21st Century learning, the College will seek funding for the remainder of the plan.

85. We will review developments with the Estates Strategy and the impact on College resources as part of our 2009/10 audit.

Appendix 1 – Action Plan

86. Our annual report action plan details the control weaknesses and opportunities for improvement that we have identified during 2008/09. These are the issues that we believe need to be brought to the attention of the College.

87. 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

88. 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:

Grade 5	Very high risk exposure - Major concerns requiring Board attention.
Grade 4	High risk exposure - Material observations requiring management attention.
Grade 3	Moderate risk exposure - Significant observations requiring management attention.
Grade 2	Limited risk exposure - Minor observations requiring management attention
Grade 1	Efficiency / housekeeping point.

Issue arising from our 2008/09 audit

No	Title	Issue identified	Risk and recommendation	Management comments
1	**Supplier Statements** **(Para 32)**	Supplier statements received by the College are not checked and matched to College records on a regular basis.	There is a risk that errors between College and supplier records are not identified and resolved, leading to inaccurate or late payments, loss of goodwill and misstatement of trade creditors. The College should perform supplier statement reconciliations for all key supplier accounts, and ensure that accounting records accurately reflect the outstanding balances due to suppliers. ***Grade 2***	Agreed. **Responsible officer:** Finance Manager – D Kerr **Implementation date:** 1 December 2009

Follow-up of previous external audit recommendations

No	Title	Original recommendation and management response	Update at October 2009 by Scott Moncrieff
1	**European income**	**Original Recommendation** The College identified weaknesses in the management systems in place over the European projects, with inconsistencies between the records of the European funding department and the finance department. The College plans to improve its reconciliation procedures to ensure that any income recognised is accurate and genuinely recoverable. We recommend that the College ensure that these reconciliations are performed in a timely manner. **Management Response** Agreed.	The College now has a more robust system of recording transactions involving European Projects. This ensures that there is a more coherent approach between the Finance Department and the European Projects department and we found no issues in relation to European income during our 2008/09 audit. **Completed**

No	Title	Original recommendation and management response	Update at October 2009 by Scott Moncrieff
2	**Fixed Asset Verification**	**Original Recommendation** The College should conduct an annual verification exercise covering all material fixed assets on a cyclical basis, to confirm that assets recorded in the asset register and subsequently disclosed in the financial statements are physically held by the College and have not been impaired. **Management response** Agreed.	The College has not conducted a fixed asset verification exercise during the year. Whilst we are aware that a full revaluation is to be performed in 2009/10, we recommend that the College conducts an annual verification exercise in years when revaluations are not being performed. **Responsible officer:** Finance Manager - D. Kerr **Implementation date:** 1 December 2009

No	Title	Original recommendation and management response	Update at October 2009 by Scott Moncrieff
3	**Combined Code 2008**	**Original Recommendation** A revised Combined Code on Corporate Governance was issued in 2008, which supersedes the Code issued in 2006. We recommend that the College updates its self-assessment to reflect the requirements of the new Code. **Management response** Agreed.	The College considered the impact of the revised Code and did not find any significant changes to the Code. Based on this assessment the College concluded that it was in line with the requirements of the 2008 Code. **Completed**
4	**Invoice Log** **(Originally raised in 2006/07)**	**Original Recommendation** We recommended that the College prepare a register of all invoices received which are passed to budget holders for approval, to mitigate against the risk of invoices being passed to the relevant budget holder for approval but not being returned to finance. **Management response** Agreed.	The Finance Department retain a file of all original invoices received and issue photocopies to budget holders for approval. The file is regularly reviewed, including at year end, tracking the invoices which remain outstanding. The introduction of the PECOS system has reduced the extent of invoices requiring manual authorisation. **Completed**

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