Scott-Moncrieff

Dundee College

Annual Report to the Board of Management and the Auditor General for Scotland 2009/10

December 2010

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Executive Summary

Finance

Our audit of Dundee College ("the College") is complete and we have issued unqualified audit opinions on the truth and fairness of the financial statements and the regularity of transactions.

The College reported an operating surplus of £412,000 in 2009/10 (2008/09: deficit of £258,000), against an original budgeted deficit of £869,000. This represents a significant improvement on the deficits reported by the College over the past few years.

The 2010 FFR return to SFC shows a projected deficit of £496,000 in 2010/11, returning to surpluses of £143,000 and £83,000 in 2011/12 and 2012/13 respectively, once the full benefits of the estates reconfiguration will start to be realised by the College.

The Gardyne project is due for completion before the start of the 2011/12 academic year. A total of £11.125m of assets under construction were recognised in the year to 31 July 2010.

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 2009/10. We have reviewed the College's statement and can confirm that this is in line with 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.

Conclusion

This report concludes the 2009/10 audit of Dundee 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 Assistant Principal & Director of Finance. We would like to thank all members of the College's management and staff who have been involved in our work for their co-operation and assistance during our audit.

Scott-Moncrieff
14 December 2010

Introduction

1. This report summarises the findings from our 2009/10 audit of Dundee College. The scope of our audit was set out in our External Audit Strategy and Plan which was presented to the Audit Committee on 15 June 2010. The main focus of our external audit has been on the financial statements and governance arrangements.

2. Our plan summarised the following key audit issues for 2009/10:

   - Estates Strategy
   - Tayside Superannuation Fund
   - Financial Position
   - Early retirement provision
   - Ledger system changes

3. This report includes our findings in relation to these key issues as well as our follow-up of issues identified during last year's audit.

4. The report is also addressed 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 2010. We also outline significant financial issues identified during the course of our audit. 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 governance arrangements in relation to the College's financial position.

Auditors' opinion

6. We are required to give an opinion as to whether the financial statements present a true and fair view of the financial position of the College as at 31 July 2010 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).

7. Our audit is complete and we have issued unqualified audit opinions on the truth and fairness of the financial statements and the regularity of transactions

8. The signed financial statements will be submitted to Audit Scotland, who will pass them to the Scottish Government for laying before the Scottish Parliament.

Financial position

The College reported improved results for the year to 31 July 2010, returning a surplus after a period of reporting deficits

9. The College reported an operating surplus of £412,000 in 2009/10 (2008/09: deficit of £258,000), against an original budgeted deficit of £869,000. The variance is set out in the table below.

Table 1 - Reconciliation between budget and outturn position

	£'000
Deficit per original budget	**(869)**
Movements:	
SFC Grants	383
Fees (inc Fee Waiver)	321
Education Contracts	134
Other Grant Income	158
Other Operating Expenditure	489
Depreciation and impairment	390
European Funds	(385)
Other Income	(81)
Pay Costs	(128)
Actual surplus per financial statements	**412**

10. SFC grants totalling £383,000 were not included in the original budget, as the College was not fully aware of grant awards for programmes such as PACE, skills utilisation or economic downturn funding at that stage. Other grant income, from bodies such as Dundee Council and the British Council, was also secured during 2009/10 resulting in better-than-budgeted performance.

11. Fees (including fee waiver) income also exceeded budget, driven by the demands arising from the wider economy and the associated demand for College places. An overseas educational contract was also not included in the original budget. At £4.222m for 2009/10, fees and education contracts reflect an increase of nearly £0.4m compared to the equivalent income in 2008/09.

12. Other main movements include:

- **Other operating expenditure:** During the year the College improved monitoring and management of expenditure resulting in falls in consumable costs. In addition, improvements were achieved in maintenance and utilities usage/refunds, ICT maintenance contracts, Marketing, European consultancy fees and project related costs.

- **European funds:** Remission of some projects and more limiting cost eligibility rules on others had the impact of squeezing European income.

- **Pay costs:** At a variance of £128,000, this represents just 0.6% of total pay costs.

- **Depreciation:** A late impairment adjustment in the 2008/09 accounts (November 2009) was not factored into the 2009/10 budget (finalised in June 2009).

Balance Sheet

The College continues to report a strong balance sheet, including £13.225m of assets under construction in relation to Gardyne

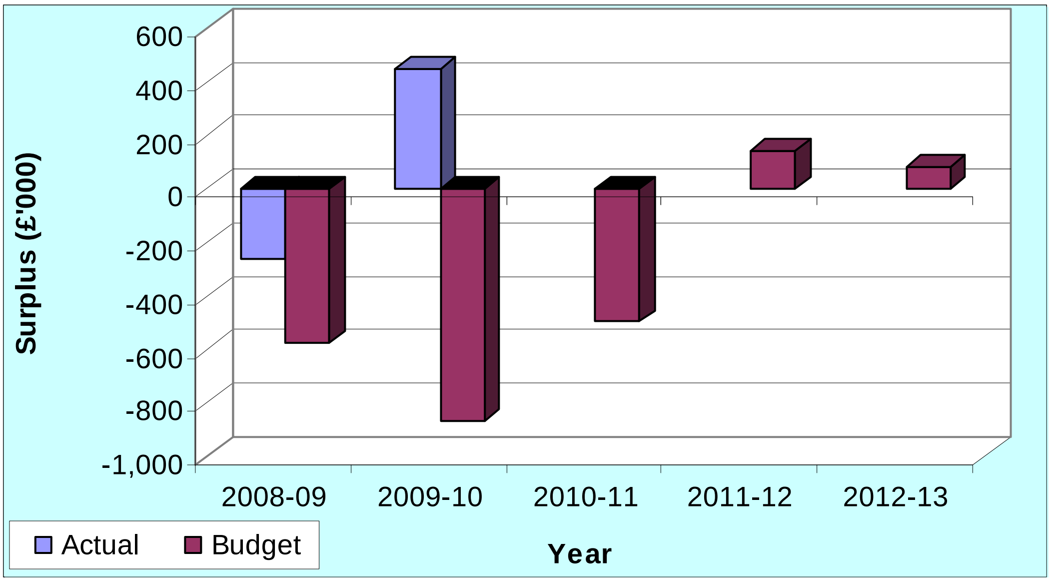
13. The College's Balance Sheet as at 31 July 2010 showed total net assets of £39.911m, with £9.056m in the general reserve and a healthy cash balance of £10.430m. Fixed asset additions during the year were £12.369m, including £11.125m of assets under construction.

Financial forecasts

A deficit of £496,000 is projected in 2010/11, returning to surpluses of £143,000 and £83,000 in 2011/12 and 2012/13 respectively

14. The College submits annual Financial Forecast Returns (FFRs) to SFC detailing the expected results for the current and next three years. SFC uses the FFRs to assess the financial performance of individual colleges and of the sector as a whole. Diagram 1 below compares the actual results for 2009/10 with FFR forecasts and sets out future projections.

Diagram 1 - Actual performance and FFR Forecasts



Source: Annual Accounts and College FFR returns to SFC

15. The College is expecting to return to deficit in 2010/11, before starting to return to a regular surplus position year-on-year. Expected efficiency savings arising from restructuring exercises over the past few years have been incorporated into the FFR with anticipated savings from the estates reconfiguration exercise expected to be reflected from 2011/12 onwards.

Financial planning and monitoring arrangements

The College has already taken difficult decisions to work towards a firmer financial footing

16. 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.

17. College budgets are devised at the start of the year and approved by the Board of Management. These are reviewed during the year and updated to take account of new information. Management accounts are discussed by the Senior Management Team on a regular basis and presented to each of the quarterly Finance Committee meetings for review and comment.

18. The College has been revising its staffing profile over the past few years to help it achieve a more robust financial position and the ongoing estates reconfiguration exercise will further add to operating efficiencies. College management have shown a willingness to act in response to the difficult position the College was in, and this approach will similarly be required as the College faces up to expected funding reductions.

19. In our opinion the College has appropriate financial management arrangements in place.

Accounting and audit adjustments

20. During the course of our audit a number of adjustments were identified to the draft financial statements. Management made a small number of adjustments in the draft financial statements presented for audit which impacted on the surplus, mainly affecting allocation across European income codes and fixed assets. There were no particularly significant adjustments within these amendments and the net movement on the surplus was a decrease of £30,000 as a result of all changes made.

21. We identified three audit adjustments, as set out below. The first two of these have been accepted and processed by management:

    - A balance sheet-only adjustment in relation to the recognition of £2.526m of deferred capital grant and the related debtor. This was in relation to the Gardyne estates development project and arose as the College was accounting for the grant on a cash as opposed to an accruals basis.

    - A balance sheet only adjustment of £26,000 in relation to pension contribution costs which were not accrued by management for July 2010. This also arose as the College was accounting for the contributions on a cash as opposed to an accruals basis.

    - An adjustment to reflect the change in early retirement provision during 2009/10, estimated at £38,000, given the change in the make up of the provision. As the College has not accepted this adjustment, we will append this to our letter of representation. This adjustment would reduce the provision on the balance sheet and increase the surplus for the year.

22. All other audit adjustments were of a presentational and disclosure nature.

23. Going forward, we recommend that the College ensures an accruals rather than cash basis of accounting is universally adopted for transactions and balances in the financial statements.

Action plan point 1

Other issues of particular significance for the 2009/10 audit

24. In order to assist College members' understanding of the financial statements and our audit, we have summarised the issues that we believe are of particular significance to the 2009/10 financial statements below and which have not been addressed elsewhere in this report.

Estates Strategy

25. The College has moved forward in 2009/10 with the significant plans to reconfigure its estate, from the current five site model to two main campuses at Kingsway and Gardyne. The Gardyne redevelopment is a £47.7m project, to be funded through a mix of SFC grant, asset disposal, College borrowing and existing cash resources.

26. The Gardyne project is due for completion in time for the start of the 2011/12 academic year. £11.125m of assets under construction were recognised in the year to 31 July 2010.

27. We reviewed the College's plans and progress during our audit visit, including certified spend to the financial year end and the implications for the existing estate. We are satisfied that the College has accounted for the Gardyne works appropriately.

28. In reviewing the accounting for the three College sites to be disposed of - Constitution Road, Graham Street and Melrose Terrace - we noted that the College is actively marketing the sites, with bids from interested parties received on 24 November 2010. We have obtained assurance from this exercise regarding the carrying values of these sites within the College's financial statements.

29. We will continue to monitor the College's progress in implementing the estate strategy and ensure that this is appropriately reflected within future financial statements.

Tayside Superannuation Fund liabilities

30. The College's employees belong to two principal defined benefit pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) for the teaching staff and the Tayside Superannuation Fund (TSF) for the non-teaching staff.

31. 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 FRS 17, the College has

not recognised any asset or liability relating to STSS and the scheme is effectively accounted for as if it is a defined contribution scheme.

32. The TSF is also a multi-employer scheme. Following discussion in 2008/09 with Barnett Waddingham, the TSF actuary, we confirmed that the College is not currently able to identify its share of the scheme assets on a reasonable and consistent basis. This is because assets are allocated on a pro-rata basis every three years in proportion to the liabilities held at that time, and are not tracked on an ongoing basis. This has been further confirmed by the pension fund administration team at Dundee Council, who have confirmed in writing that the fund characteristics have not changed in 2009/10.

33. The College has not recognised any asset or liability relating to TSF and the scheme is effectively accounted for as if it is a defined contribution scheme. This is consistent with the approach taken in 2008/09. We have reviewed the College's disclosure within the financial statements and considered the accounting treatment to be appropriate, given the basis of allocation of scheme assets to the College. This is in line with our 2008/09 opinion.

34. Scheme assets could be tracked for the College (that is, at employer level), going forward. This has been confirmed by the scheme actuary. In 2008/09, we strongly recommended that the College investigate this issue further with TSF and the scheme actuary, to consider if this has any implications for future FRS 17 accounting and reporting. There have been no notable developments during 2009/10 in this area. We acknowledge that the College is a minority stakeholder in the scheme

Action plan follow up point 4

Early retirement liabilities

35. The College has previously offered early retirement to staff, making 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 £4.433m as at 31 July 2010, a decrease of £89,000 from the balance as at 31 July 2009.

36. Subject to the audit adjustment of £38,000 referred to in paragraph 21, we confirmed that the provision was accounted for correctly and appropriately disclosed within the financial statements.

Review of accounting systems and audit preparation

37. Our audit involved reviewing the accounting systems and certain internal controls operating at the College, to ensure they formed an adequate basis for the preparation of the financial statements. We have also followed up on the issues raised in our 2008/09 annual report, as detailed in Appendix 1 to this report.

Ledger System Upgrade

38. The 2009/10 audit did not go as smoothly as would normally be expected. This was primarily due to the problems the College experienced as a result of the ledger system upgrade from Sun 4 to Sun 5 Accounts. This initially led to the fieldwork being delayed from the agreed start date of 20 September 2010 until 12 October 2010. This provided an opportunity for management to work on the issues resulting from the ledger system upgrade. College management kept us informed of developments and we agreed to start the audit fieldwork on 13 October 2010.

39. Once on site, the efficiency of the fieldwork was adversely impacted by the ledger upgrade. We do acknowledge management's efforts in trying to minimise the adverse impact as a result. System downtime/power failure and utilities problems (including flooding) exacerbated what was already a difficult situation.

40. Given the magnitude of the upgrade project and the related problems the College has had to deal with in producing the annual accounts, we recommend that the College undertakes a formal post-implementation review of the project. This should include a formal 'lessons learned' exercise and a report should be produced by the Assistant Principal & Director of Finance detailing areas of improvement so that they can be applied to ongoing and future projects. The report should assess the effectiveness of project management and monitoring processes. Details should also be provided of the events which resulted in project deviations, an analysis of project issues and their results and related recommendations to inform future project management.

Action plan point 2

Journal entries

41. We noted that manual journal entries are not always subject to review and approval before posting. We recommend that management consider introducing a de minimis level, over which journals require to be independently reviewed and approved.

Action plan point 3

Staff numbers

42. The College has again had notable difficulty in producing Full Time Equivalent (FTE) staff numbers, which is required for both SFC returns and for annual accounts disclosure. Management should look to introduce a more efficient and effective recording and reporting system. FTE information is not only required for external reporting purposes, but regular monitoring internally could help to improve management information and decision making.

Action plan point 4

Governance

43. 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

44. 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

Appropriate governance arrangements are in place within Dundee College

45. 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.

46. The College's Corporate Governance Statement for 2009/10 explains that the College was fully compliant with the 2008 Combined Code throughout the period.

47. 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

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

In 2010/11, the College will have to report against revised Corporate Governance standards

49. A new Corporate Governance Code was published in June 2010 and will apply to financial years beginning on or after 29 June 2010. The UK Corporate Governance Code, formerly known as the Combined Code, sets out standards of governance for listed companies. The Code is also applicable to publicly funded bodies that are required to prepare an annual statement on internal control or corporate governance for inclusion in their annual accounts. The "comply or explain" provision is retained in this new version of the code.

50. We recommend that the College reviews its corporate governance arrangements against the new Code in preparation for making its Corporate Governance Statement in its 2010/11 annual accounts. We have undertaken an analysis of the key changes applicable to education bodies and will be sharing this guidance with College management to help inform this assessment.

Action plan point 5

Risk management

The College has sufficient and appropriate risk management systems in place

51. The College continues to observe its approved Risk Management Framework and has a risk register in place. The Board of Management, with support from Executive Team, has overall responsibility for overseeing risk management. Risks are identified and assessed by the Executive Team and Strategic Forum and monitored by the Audit Committee.

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

Internal audit

53. Internal audit is a key component of the College's corporate governance arrangements. The Board's internal audit service is provided by Henderson Loggie. We have considered the internal audit arrangements in place and concluded that there is an effective service which complies with relevant sector guidance.

54. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate. During 2009/10 we have reviewed the following internal audit reports and integrated the findings with our own external audit work:

- Staff Contribution
- Payroll
- Space Management
- Procurement and Creditors

- Business Development
- Corporate Planning
- SUMS, Bursaries and EMA audits

Internal audit 2009/10 conclusion

55. Internal audit has concluded in its annual report that the College has in place adequate and effective internal control systems. Internal audit also concluded that proper arrangements were in place at the College to promote and secure Value for Money.

56. We are grateful to Henderson Loggie for their assistance during the course of our audit work.

Prevention and detection of fraud and irregularity

57. We are required to consider the arrangements made by management for the prevention and detection of fraud and irregularity. We also consider the arrangements that the College has in place to ensure compliance with all relevant guidance and regulations.

58. The College has a fraud prevention policy and fraud response plan in place. The College has also established processes for staff to raise concerns. Management confirmed that there were no frauds identified during the year.

59. All SFC and other guidance and regulations are recorded by the College, with records maintained to confirm action taken on each of the requirements of the circulars.

60. We identified no issues of concern in relation to the arrangements for the prevention and detection of fraud, with regard to the legality of transactions or in relation to compliance with relevant guidance and regulations.

Standards of conduct

61. 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.

62. 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. Our audit identified no issues of concern in relation to standards of conduct, integrity and openness.

Looking Forward

Financial position

63. The 2010 FFR return to SFC shows a projected deficit of £496,000 in 2010/11, returning to surpluses of £143,000 and £83,000 in 2011/12 and 2012/13 respectively, once the full benefits if the estates reconfiguration will start to be realised by the College. Management see 2011/12 as a turning point for the College, as the strategic decisions taken in relation to workforce management and estates reconfiguration start to pay full dividends.

64. There is increasing uncertainty over the level of future funding that will be provided to the sector and indications from the Scottish Government are that there will be no significant increases in future funding. Coupled with increasing cost pressures this will result in limited financial resources for the sector. Whilst College management are fully aware of this situation, the true impact has yet to be confirmed and the College's assumptions underpinning its financial projections have yet to be tested. Whatever the outcome, all indications are that the coming years will prove a time of more restraint for the FE sector than has been enjoyed in recent periods. Accordingly, as a result of both internal and external pressures, the College will continue to face significant challenges as it works towards achieving an annual surplus.

Estates strategy

65. In 2010/11, we will continue to monitor the College's progress in implementing the estate strategy. The Gardyne Campus project is expected to be complete by 31 July 2011, leading us to expect to see an asset of circa £48m in next year's Balance Sheet.

International financial reporting standards

66. The College's financial statements are currently prepared on the basis of UK accounting standards (UK GAAP) which the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) Board believes continues to be appropriate for colleges. The Scottish Funding Council's expectation is that Colleges will continue to converge with international financial reporting standards (IFRS) as UK GAAP converges with IFRS over the next few years. It appears likely that full implementation will not take place before 2013. Whilst this is some time away, the conversion process requires sufficient and appropriate information to be available to support the production of comparator balances. Effectively, this means work to produce full IFRS-compliant financial statements will begin at least one year before the actual implementation date. In some areas, such as in relation to fixed assets and component accounting, the earlier the work begins the more straightforward the conversion process may be.

67. We will continue to monitor developments in this area and ensure that the College continues to follow the appropriate accounting standards. We will also continue the dialogue we have opened with College finance management regarding the implications of the move to IFRS for the College.

Appendix 1 - Action Plan

Our annual report action plan details the financial control weaknesses and opportunities for improvement that we have identified during our audit visit in addition to any reportable matters arising from our review of performance and governance systems.

The action plan details the officers responsible for implementing the recommendations and implementation dates. The College should assess these recommendations for their wider implications before approving the action plan. Following submission of this report to the Audit Committee, we will send a copy to the Auditor General.

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.

Grading

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been graded. The grading 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.

Issues arising from our 2009/10 audit

No	Title	Issue identified	Risk and recommendation	Management comments
1	**Accounting basis** **(Para 23)**	Two of the audit adjustments noted as part of the 2009/10 audit stem from accounting for the transactions and balances on a cash as opposed to an accruals basis.	There is a risk of misstatement if the accruals accounting convention is not adopted in all instances. Going forward, we recommend that the College ensures an accruals rather than cash basis of accounting is universally adopted for transactions and balances in the financial statements. **Grade 3**	The two items identified were exceptional, and had no impact on the I+E Account. However, the College has no hesitation in accepting the recommendation and would stress that the initial accounting treatment reflected in the first draft of the Financial Statements - pending final internal review - did not infer any deviation from accruals accounting. **Responsible officer:** Acting Head of Finance **Implementation date:** With immediate effect

No	Title	Issue identified	Risk and recommendation	Management comments
2	**Ledger system upgrade** **(Para 40)**	The College has experienced difficulties as a result of the ledger system upgrade, from Sun 4 to Sun 5 Accounts.	The College should undertake a formal post-implementation review of the project. This should include a formal 'lessons learned' exercise and a report should be produced by College management detailing areas of improvement so that they can be applied to ongoing and future College projects. The report should assess the effectiveness of project management and quality monitoring processes. Details should also be provided of the events which resulted in project deviations, an analysis of project issues and their results and recommendations for future enhancement or modification of the project management methodology. **Grade 3**	The project is being undertaken using PQIS (Professional Quality Implementation Services) methodology as used by Castle Computer Services who provide SunSystems support. The project started in November 2009 and the project plan includes a Post Implementation Review which will be carried out in early December prior to the project 'sign-off'. In the main, technical issues relating to the complex interfaces between Sun5 and other software caused unforeseen delay. **Responsible officer:** Assistant Principal & Director of Finance **Implementation date:** February/March 2011

No	Title	Issue identified	Risk and recommendation	Management comments
3	**Journal entries** **(Para 41)**	We noted that manual journal entries are not always subject to review and approval before posting. .	Inappropriate journals may be raised, misstating the financial position of the College. We recommend that management consider introducing a de minimis level, over which journals require to be independently reviewed and approved. **Grade 2**	Management accept the recommendation in principle, and practices previously agreed with the College's internal auditors will be enforced. **Responsible officer:** Acting Head of Finance **Implementation date:** January 2011
4	**Staff numbers/ FTEs** **(Para 42)**	The College has again had notable difficulty in prodcuing Full Time Equivalent (FTE) staff numbers, which is required for both SFC returns and for annual accounts disclosure.	There is a risk of inaccurate disclosure being made, and the system is not as efficient as it could be. Management should look to introduce a more efficient and effective recording and reporting system. FTE information is not only required for external reporting purposes, but regular monitoring internally could help to improve management information and decision making. **Grade 2**	Agreed. **Responsible officer:** Acting Head of Finance (in conjunction with Director of HR) **Implementation date:** March 2011

No	Title	Issue identified	Risk and recommendation	Management comments
5	**Corporate Governance Code** **(Para 50)**	The UK Corporate Governance Code, formerly known as the Combined Code, sets out standards of governance, against which publicly funded bodies are required to prepare a corporate governance statement. This replaces the 2008 Combined Code.	To mitigate against the risk of non-compliance, we recommend that the College reviews its corporate governance arrangements against the new Code in preparation for making its Corporate Governance Statement in its 2010/11 annual accounts. We have undertaken an analysis of the key changes applicable to education bodies and will be sharing this guidance with College management to help inform this assessment. **Grade 3**	Agreed. **Responsible officer:** Acting Secretary to the Board **Implementation date:** April 2011

Follow-up of issues from 2008/09 external audit

No	Title	Original recommendation and management response	Update at October 2010
1	**Format of Management Accounts**	**Original Recommendation** College management should consult with members and consider aligning management and financial account formats as far as is practical. **Management Response** Agreed – this does require to be addressed.	This will be revisited as part of the ledger system upgrade and revised chart of accounts being put in place. We suggest that management also provide a reconciliation between management and financial accounts, to ensure Members are readily able to see how the internal reports relate to the financial position being reported by the College on a statutory basis. The new management accounts will follow the format of the financial statements – with additional supplementary analyses. **Ongoing**
2	**Authorised signatories**	**Original Recommendation** The list of authorised signatures should be updated with specimen signatures and made available reviewed to all relevant employees for reference. **Management Response** This matter is currently under review as the College is working with its Internal Auditors to revise its financial procedures/regulations during 2009/10.	New Financial Procedures, incorporating new signatories and levels of authority, have been established and published. The parameters within the new Financial Procedures will be included within the new Financial Regulations which are due to be finalised in early 2011. **Ongoing**

No	Title	Original recommendation and management response	Update at October 2010
3	**Payroll System**	**Original Recommendation** The College should ensure that: • adequate exemption reports are produced for data amendments; • accurate FTE information can be produced efficiently from the system; and • all relevant staff are reminded of the need to retain leaver documentation on file, in line with College procedures **Management Response** The new payroll system is not yet established, and work on improvements to controls/procedures is on-going.	The College are still experiencing some issues with the new payroll provider. Management are discussing a new Service Level Agreement to obtain the best possible service from the provider. **Ongoing**

No	Title	Original recommendation and management response	Update at October 2010
4	**Tayside Superannuation Fund Accounting Treatment**	**Original Recommendation** We strongly recommend that the College investigate the issue of tracking assets with TSF and the scheme actuary, to consider if this has any implications or opportunities for future FRS 17 accounting and reporting. **Management Response** Barnett Waddingham have stated that presently it is not possible, nor practical, to track the College's assets in TSF. The College is therefore, within the exemption allowed in FRS17, proposing to continue to account on a defined contribution basis. The College will continue to monitor the situation and review if necessary its position. It should be noted that the College is a minority stakeholder in the TSF scheme.	There have been no notable developments during 2009/10 in relation to the FRS 17 situation and the Tayside Superannuation Fund scheme administration. Management should continue to monitor the situation and push as strongly as possible for arrangements to be put in place for sufficient tracking of individual assets and liabilities and the setting of tailored contribution rates. This could allow the College to account for the TSF scheme on a defined benefit basis. In making this recommendation, we acknowledge that the College is a minority stakeholder in the scheme. **Ongoing**

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