Elmwood 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 Elmwood College ("the 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 an operating surplus of £99,000 (2008/09: deficit of £335,000) against an original budgeted deficit of £351,000.

The College's 2010 Financial Forecast Return (FFR) submitted to the SFC projects a small surplus in 2010/11 of £10,000, with deficits in 2011/12 and 2012/13 of £327,000 and £581,000 respectively.

On 22 June 2010, the Chancellor of the Exchequer's Budget Statement outlined that future pension increases were to be linked to the Consumer Prices Index (CPI) rather than Retail Prices Index (RPI). This has had a substantial impact on the College's FRS 17 actuarial valuation and is expected to significantly reduce the College's pension liabilities going forward. There is also a one-off adjustment in favour of the College of £595,000 arising from this change. This is reflected in the College's Statement of Recognised Gains and Losses in 2009/10.

The Board and Senior Management have been undertaking strategic scenario planning exercises since January 2010 and these will continue into 2010/11. The College is also undertaking a joint project entitled "Going Further" with Barony College, Oatridge College and the Scottish Agricultural College (SAC) and supported by the Scottish Funding Council (SFC). "Going Further" aims to develop a national, integrated solution for the tertiary education and training needs of the land-based sector and pursue synergies from across the institutions. In addition to work undertaken between the colleges to determine key cultural identifiers, the project will also involve the development of a Skills Forecasting Model and a joint capital investment plan that will support and drive forward the consortium, particularly joint curriculum developments. Along with other avenues the College is exploring, this will be key to putting the College on the road to financial sustainability.

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 the Scottish Funding Council's guidance and that it 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 Elmwood 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 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
10 December 2010

Introduction

1. This report summarises the findings from our 2009/10 audit of Elmwood College. The scope of our audit was set out in our External Audit Strategy and Plan which was presented to the Audit Committee at the outset of our audit. 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:

   - Financial position
   - European grants
   - Fife Council Pension Fund liabilities
   - Early retirement liabilities

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

4. This 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. 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 also to consider the College's 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 now complete and we have issued an unqualified audit opinion on the truth and fairness of the financial statements and on the regularity of transactions.

8. We will now submit the signed financial statements to Audit Scotland who will pass them to the Scottish Government for laying before the Scottish Parliament.

Financial position – 2009/10

The College has reported stronger financial results for the year than expected, reporting an operating surplus after previous periods of deficit

9. The College reported an operating surplus for the year to 31 July 2010 of £99,000 compared to an operating deficit in 2008/09 of £335,000. The 2009/10 outturn also represents a significant improvement against the budgeted deficit outturn of £351,000.

10. The improved financial performance in the current year stems from continued tight cost control on the part of the College, given the ongoing efforts to improve the financial sustainability of College operations and in recognition of the increasingly challenging funding settlements expected over the next few years.

11. Table 1 (below) reconciles the original College budget to final outturn position.

Table 1 - Budget to actual reconciliation

	£'000
Deficit per original budget	**(351)**
Movement:	
Higher than forecast operating income (see details below)	90
Lower than forecast operating expenditure (see details below)	360
Actual surplus per financial statements	**99**

12. Additional SFC income and better than expected income generated from tuition fees and education contracts were the primary reasons for income exceeding budget by £90,000. This more than offset the £78,000 variance related to a reduction in other grant income and the decrease of £165,000 in relation to Supported Accommodation income. The reduction in operating expenditure against forecast has been due to staff cost control, with a net reduction of 6 full time equivalent posts (FTE) compared to 2008/09. Savings have also been made in non-pay expenditure, particularly in relation to administration and central services costs and teaching support costs. There was also a £50,000 saving against the expected costs relating to the early retirement provision.

Balance sheet

The College continues to report a strong reserve position, primarily as a result of its £10.053m revaluation reserve

13. The College balance sheet at 31 July 2010 reported net assets of £13.025m (2008/09 £10.595m). There has been a decrease in the net pension liability of £1.114m and increase in the revaluation reserve of £0.775m, the latter due to the interim revaluation of the College land and buildings which was carried out in the year. The College had a healthy cash balance of £2.057m at 31 July 2010, an increase of £679,000 on the position at 31 July 2009.

Financial planning and monitoring arrangements

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

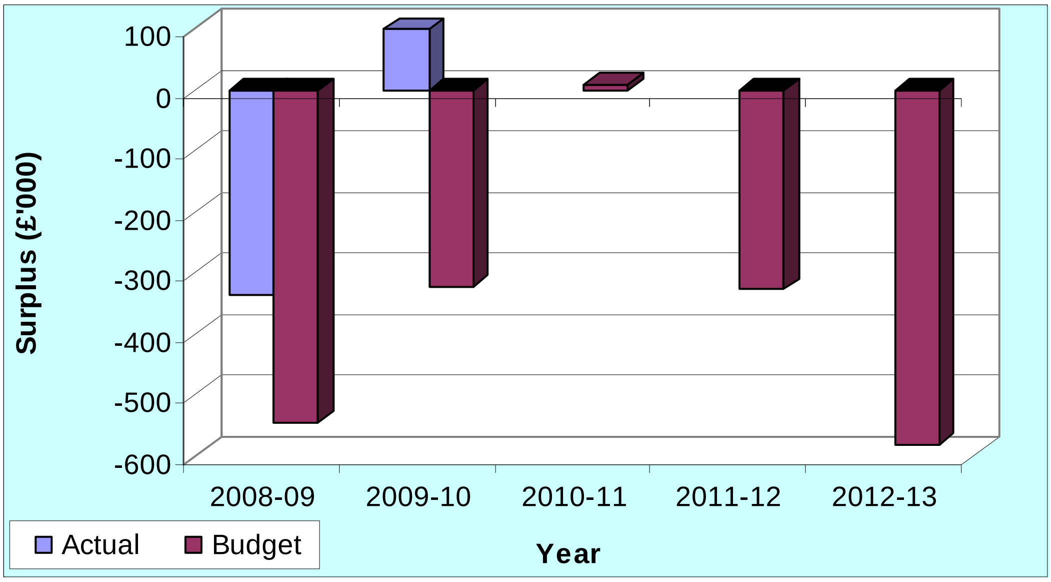
Financial forecasts

Operating deficits expected to return in 2011/12 onwards, despite a small forecast surplus in 2010/11

15. 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.

16. The College completed its 2010 FFR in June 2010. The FFR return included assumptions that SFC funding in 2011/12 and 2012/13 will fall by 3% each year. Diagram 1 below compares actual operating results for 2008/09 and 2009/10 with the FFR forecasts.

Diagram 1 - Actual performance and FFR Forecasts



Source: Annual Accounts and College FFR returns to SFC

Financial planning arrangements

17. Following the preparation of the 2009 FFR the College undertook a review of its financial position. Prior to the economic downturn, the College was expecting to generate a surplus in 2010/11 of 3% of total annual income. This has since been revised to a £10,000 surplus in the 2010 FFR submission.

18. The College has made progress in addressing its financial position in previous years. However, there remain some fundamental decisions to be taken about the future nature, focus and structure of the College to tackle the projected deficits going forward. The Board and Senior Management are to take part in another strategic scenario planning exercise in December 2010 to consider these issues.

19. The College's strategic scenario planning exercise will be coupled with the "Going Further" review. This is a strategic project the College is involved in, working in collaboration with Barony College, Oatridge College and the Scottish Agricultural College (SAC) and supported by the Scottish Funding Council (SFC). "Going Further" aims to develop a national, integrated solution for the tertiary education and training needs of the land-based sector and pursue synergies from across the institutions. This will involve the development of a joint capital investment plan that will support and drive forward the consortium, particularly joint curriculum developments. A Joint Board Working Group has been set up, with Board and Principal representation from across the Colleges. This will be an important element of the plan to put the College on the road to financial sustainability.

20. We are pleased to note the College's involvement in "Going Further", along with the intention to open dialogue and explore other avenues with other Colleges in the Fife area. We strongly encourage the College to set out a clear timetable to support whatever action arises from the above exercises. The College's financial difficulties are likely to be exacerbated by tight funding settlements related to the current economic environment. It is vital the College continues to work towards setting out in as much detail as possible a way for it to operate in a financially sustainable way.

Follow up action plan point 1

Financial statements preparation

21. We received full financial statements and working papers of a high standard at the outset of our audit. We are grateful to the Director of Finance and finance staff for their assistance and support during the course of the audit.

Audit adjustments

22. During the course of our audit a small number of adjustments to the financial statements were identified. The table below outlines the impact of the adjustments identified during the audit on the outturn position. The majority of the changes related to pension and fixed asset accounting or were of a presentational and disclosure nature. All the adjustments have been made by the College.

Table 2 - Adjustments identified during the audit impacting on the outturn

	£'000
Surplus per accounts originally presented for audit	**183**
Adjustments identified during the audit:	
Amendment to FRS 17 accounting (CPI/RPI movement): see paragraph 34 for further details	(595)
Charging asset impairment to revaluation reserve rather than I&E (ie where sufficient revaluation reserve balance exists)	309
Adjustment to depreciation calculation	24
Removal of provision	150
Adjustment to doubtful debts given subsequent receipt of funds	29
Rounding difference	(1)
Actual surplus per audited accounts	**99**

23. Depreciation charges were overstated by £24,000 in the 2009/10 accounts presented for audit. The College undertook an interim valuation of land and buildings in the year which was not fully incorporated into the original depreciation calculation. In addition, the College charged £309,000 to the income and expenditure account in respect of revaluation adjustments which should have been recognised as an adjustment to the revaluation reserve, as there were sufficient reserves available to apply this charge against.

24. A presentational change was also made to fixed assets to fully reflect the interim valuation, although this did not affect the operating surplus. The College releases funds from the revaluation reserve to the general reserve in line with depreciation charged on assets which have been subject to revaluation. Initially this release was overstated by £95,000. (The adjustment processed by management impacts on the statement of historical cost surpluses but does not affect the income and expenditure account).

25. During our audit, management removed a provision of £150,000 as the qualifying criteria for raising the provision have not been satisfied. Having reviewed this issue, we agree with this approach. The College also received £29,000 income during our audit which was part of the provision for doubtful debts, with the accounts adjusted accordingly post-receipt.

26. All other audit adjustments were of a presentational and disclosure nature and there were no unadjusted misstatements.

Review of accounting systems

27. 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.

Register of interests

28. It is best practice for the College to maintain a register of interests for the Board of Management. We noted that declarations for seven members have not been formally updated for over a year.

Action plan point 1

VAT observations

29. As part of our audit work, our specialist VAT team undertook a high level review of the College's VAT arrangements and made the following observations:

- The College has two capital projects that were valued at more than £250,000 in the last 10 years. It does not perform capital goods adjustments for these projects. Each of these projects should be monitored for 10 years and where the College's partial exemption VAT recovery percentage is lower than the percentage that was used to recover VAT on the works, the College may be required to repay an element of the VAT to HMRC. Conversely, if the percentage has increased the College may be able to recover more VAT.

- The College includes some grants in its VAT calculations. HMRC has confirmed that grants could be excluded from the calculation, which could allow the College to increase its VAT recovery.

Action plan point 2

30. We identified no other reportable control weaknesses during our audit of the accounting systems. In general, the College's systems of internal control appear to be adequate, well designed and operating effectively.

Other issues of particular significance for the 2009/10 audit

31. 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.

Fife Council Pension Fund liabilities

32. 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.

33. 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.

34. The FCPF 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. The College reported a liability of £1.278m as at 31 July 2010, a significant reduction of £1.114m compared to 31 July 2009. The main reason for the reduction was that on 22 June 2010, the Chancellor of the Exchequer's Budget Statement outlined that future pension increases were to be linked to the Consumer Prices Index (CPI) rather than Retail Prices Index (RPI). There is also a one-off adjustment in 2009/10 in favour of the College of £595,000 arising from this change, reflected in the College's Statement of Recognised Gains and Losses.

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

Early retirement liabilities

36. 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 College recalculates its estimate of this liability every year, using SFC statistical tables. The provision for early retirement was £870,000 as at 31 July 2010 (£843,000 as at 31 July 2009).

37. We reviewed the College's accounting treatment of its liabilities arising from early retirements and confirmed that this was properly reported in the financial statements.

European grants income

38. At the time of our audit planning meeting with College management in April 2010, we noted that the College was expecting to recognise around £277,000 of ESF European grants income in 2009/10. The College actually recognised £258,000 in the 2009/10 financial statements.

39. We reviewed the income and expenditure the College has recognised in 2009/10 in respect of European grants and confirmed this has been accounted for appropriately.

Governance

40. 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

41. 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 Elmwood College

42. 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.

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

44. 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

45. 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.

46. Internal audit conducted a review of the College's corporate governance arrangements during 2008/09, including compliance with the Combined Code. Whilst no significant areas of non-compliance were identified, internal audit made a number of recommendations for the College to

revise its arrangements. We have confirmed during our 2009/10 that these recommendations have been addressed by the College.

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

47. 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.

48. 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 3

Risk management

The College has sufficient and appropriate risk management systems in place

49. Risk management is important to the establishment and regular review of systems of internal control. We review the College’s risk management arrangements as part of our audit work on corporate governance.

50. The College has a risk register in place. The Principal works with other senior management to review and update the risk register on a regular basis. Changes to the action plan and the full risk register are reported to the respective Committees of the Board (each Committee has its own delegated risks to monitor) but the Audit Committee and the Board both review the whole register on at least an annual basis.

51. The risk register is well-structured, setting out an impact/likelihood assessment of each risk, and identifies a risk ‘owner’. It also sets out the mitigating controls and further actions required to mitigate these risks, with a net/residual risk score after consideration of existing mitigating actions.

52. The College has appropriate risk management systems in place to identify and monitor key strategic risks to the College.

Internal audit

53. Internal audit is a key component of the College’s corporate governance arrangements. The College’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. For 2009/10 we have reviewed the following internal audit reports and integrated the findings with our own external audit work:

- Student Experience - Curriculum
- Payroll
- Supported Accommodation
- Corporate Planning
- SUMs and Student Funds Audit, and
- Follow Up review

Internal auditor 2009/10 conclusion

55. Internal audit has concluded in its annual report that *"the College operates adequate and effective internal control systems. Proper arrangements are in place to promote and secure VFM".*

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.

58. The College has a Fraud Policy and Response Plan and Whistle Blowing Policy in place, including identifying the appropriate officers staff should contact if they become aware of any indications of fraud or irregularity. Management have confirmed that there were no frauds identified during the year.

59. 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

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

61. 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, register of interests and schemes of delegation and complying with national and local Codes of Conduct.

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

Looking Forward

Financial position

64. Latest projections show a small surplus being projected by the College in 2010/11, with further operating deficits in the following two years. This represents something of an upward trajectory, compared to the sizeable losses consistently reported by the College over the past few years.

65. 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

66. The College is reviewing its position as it considers a joint capital investment plan as part of the "Going Further" project. We will monitor the situation and ensure that developments are appropriately reflected in the College's future financial statements.

International financial reporting standards

67. 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.

68. 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.

69. 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	**Register of interests** **(Para 28)**	We noted that declarations for seven members have not been formally updated for over a year. (We do acknowledge that declarations of interest are a standing item at Board meetings).	The College may not adequately identify and disclose related party transactions. The College should ensure that declarations of interest are completed by each member of the Board of Management on an annual basis, with evidence retained of each update/review. **Grade 3**	Agreed. **Responsible officer:** Secretary to the Board **Implementation date:** January 2011

No	Title	Issue identified	Risk and recommendation	Management comments
2	**VAT Observations** **(Para 29)**	1) The College has two capital projects that were valued at more than £250,000 in the last 10 years. It does not perform capital goods adjustments for these projects. Each of these projects should be monitored for 10 years and where the College's partial exemption VAT recovery percentage is lower than the percentage that was used to recover VAT on the works, the College may be required to repay an element of the VAT to HMRC. Conversely, if the percentage has increased the College should be able to recover more VAT. 2) Further, the College includes some grants in its VAT calculations. HMRC has confirmed that grants could be excluded from the calculation, which should allow the College to increase its VAT recovery.	1) The College should review these capital projects to ensure that the capital goods adjustments are sufficient and appropriate. 2) HMRC has confirmed that grants could be excluded from the calculation, which could allow the College to increase its VAT recovery. **Grade 2**	'Health Check' already arranged with independent VAT advisors. **Responsible officer:** Director of Finance **Implementation date:** January 2011

No	Title	Issue identified	Risk and recommendation	Management comments
3	**Corporate Governance Code** **(Para 48)**	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:** Secretary to the Board **Implementation date:** March 2011

Follow-up of previous external audit recommendations

No	Title	Original recommendation and management response	Update at October 2010 by Scott Moncrieff
1	**College Strategy and Financial Position**	**Original Recommendation** We strongly encourage the College to set out a clear timetable to support whatever action arises from the above exercise. Previous financial difficulties are likely to be exacerbated by tight funding settlements related to the current economic environment. It is vital that the medium and longer term strategic direction of the College is established. This will give clarity of purpose and better inform the various underpinning documentation such as the financial strategy, workforce management considerations and the estates strategy. The overall aim should be to provide an overarching, comprehensive approach for the College to move towards financial and strategic sustainability. **Management response** Agreed.	We strongly encourage the College to set out a clear timetable to support whatever action arises from the above exercises. The College's financial difficulties are likely to be exacerbated by tight funding settlements related to the current economic environment. It is vital the College continues to work towards setting out in as much detail as possible a way for it to operate in a financially sustainable way. **Ongoing**

No	Title	Original recommendation and management response	Update at October 2010 by Scott Moncrieff
2	**Ordering Procedures**	**Original Recommendation** The College should ensure that all orders raised clearly stipulate that invoices should be addressed to the College finance department. Suppliers who do not comply with this requirement should be warned that this may impact on prompt payment. **Management response** Agreed.	The College updated its financial regulations to reflect this recommendation. It has held awareness sessions held with departments and there is ongoing dialogue with budget holders on this matter. **Completed**
3	**Asset Disposals**	**Original Recommendation** We recommend that the College ensure that disposal authorisation forms are completed for all asset disposals **Management response** Agreed.	The College has asset disposal authorisation forms in place and our audit work has not identified any non-compliance with procedures. **Completed**

No	Title	Original recommendation and management response	Update at October 2010 by Scott Moncrieff
4	**Early Retirement Provision**	**Original Recommendation** We recommend that the College regularly performs an exercise to confirm the validity of the on-going payments and also to confirm the dates of birth which is needed for the estimation of the liability. This could involve writing to the former employees on a regular basis and confirming details. **Management response** Agreed.	During 2009/10, the College undertook an exercise to confirm entitlement to ongoing payment and confirm details such as dates of birth. It plans to carry out this procedure on a periodic basis as part of its financial procedures cycle. **Completed**

No	Title	Original recommendation and management response	Update at October 2010 by Scott Moncrieff
5	**Combined Code 2008**	**Original Recommendation** The College's internal audit service performed a review against the requirements of the Code during 2008/09 and made several recommendations to revise the College's governance procedures. None of the recommendations indicated a fundamental weakness in the College's arrangement, although we recommend that the College ensure the resultant action plan is implemented as agreed. **Management response** Agreed.	We have confirmed that these recommendations have been implemented by the College, via follow up of the internal audit recommendations. Going forward, the College will have to "comply or explain" against a revised Corporate Governance Code – see point 3 of the "issues arising from our 2009/10 audit".

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