

# **STOW COLLEGE**

**ANNUAL REPORT  
TO THE BOARD OF MANAGEMENT AND THE AUDITOR  
GENERAL FOR SCOTLAND ON THE EXTERNAL AUDIT FOR  
THE YEAR ENDED 31 JULY 2006**

**NOVEMBER 2006**

**Wylie & Bisset**  
CHARTERED ACCOUNTANTS

<b>Date of commencement of Final Visit</b>	<b>19 October 2006</b>
<b>Date of Draft Report to College</b>	<b>8 November 2006</b>
<b>Date of Meeting re Draft Report</b>	<b>16 November 2006</b>
<b>Date of College Responses</b>	<b>16 November 2006</b>
<b>Date of Presentation of Report</b>	<b>21 November 2006</b>

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## **GLOSSARY OF TERMS**

Annual Report	-	Report
Stow College	-	The College
Governance and Management Appraisal and Policy Directorate	-	GMAP
Code of Audit Practice	-	The Code
Scottish Funding Council	-	SFC
Value for Money	-	VFM

## 1. INTRODUCTION

- 1.1 Wylie & Bisset were appointed as the External Auditors of Stow College with effect from 1 August 2001 for a period of 5 years until 31 July 2006.
- 1.2 The Annual Report has been prepared following the conclusion of our audit of the financial statements of Stow College for the year ended 31 July 2006.
- 1.3 Our audit was carried out in accordance with our statutory responsibilities, statements of auditing standards and wider responsibilities contained in the Code of Audit Practice ('the Code') issued by Audit Scotland in July 2001.
- 1.4 Paragraph 19 of the 'Code' states that the auditor's objectives are to:
  - Provide an opinion whether the College's financial statements present a true and fair view of the financial position of the College and the regularity of transactions in accordance with standards and guidance issued by the Auditing Practices Board;
  - Review and report on the College's corporate governance arrangements as they relate to:
    - The College's review of its systems of internal control
    - The prevention and detection of fraud and irregularity
    - Standards of conduct, and the prevention and detection of corruption
    - Its financial position, and
  - Review aspects of the College's arrangements to manage its performance.
- 1.5 The responsibilities of the Board of Management with regard to the financial statements are set out in the "Statement of Responsibilities of the Board of Management" included in Appendix A and in the "Independent Auditors' Report" in Appendix B.
- 1.6 The responsibilities of Wylie & Bisset with regard to the financial statements and our audit opinion on the financial statements are included in the "Independent Auditors' Report" included in Appendix B.
- 1.7 Our audit report on the financial statements for the year ended 31 July 2006 is unqualified.
- 1.8 The Annual Report covers the following areas as set out in the Code:
  - a) Internal Controls and audit approach

- b) Internal Audit
  - c) Corporate Governance
  - d) Value for Money
  - e) GMAP visits
  - f) Prevention and detection of fraud and irregularities
  - g) Management letter – 2005
  - h) Management letter – 2006
- 1.9 Our audit findings in each of the above areas are set out in the relevant sections of the report.
- 1.10 Our audit work is designed to enable us to form an audit opinion on the financial statements of the College and should not be relied upon to disclose all weaknesses in internal controls in relation to the Colleges systems and financial statements.
- 1.11 This report has been prepared for the purposes of the Board of Management and the Auditor General for Scotland and should not be issued to third parties without our prior written consent.
- 1.12 We would emphasise that our comments in this report are not intended to be any reflection on the integrity of the College staff whom we would like to thank for their help and assistance throughout our audit visits.
- 1.13 Should you have any queries on the contents of the Annual Report please do not hesitate to contact us.

Yours faithfully

Wylie & Bisset

## **2. INTERNAL CONTROLS AND AUDIT APPROACH**

- 2.1 We have reviewed in the course of our audit the key elements of the College's systems of internal financial controls including the following areas;
- a) The College's medium and short term planning processes including budgets;
  - b) The College's review of key performance indicators, financial and management accounts;
  - c) The College's controls over income and expenditure;
  - d) The College's financial controls and procedures;
  - e) The input from the Audit Committee and the Finance Committee;
  - f) The College's internal audit service.
- 2.2 In carrying out our audit work we have taken into account the following:
- a) The Code of Audit Practice issued by Audit Scotland;
  - b) The Code of Audit Practice issued by SFC;
  - c) Guidance issued by Audit Scotland;
  - d) Guidance issued by SFC;
  - e) The College's internal control procedures;
  - f) The College's Corporate Governance procedures;
  - g) The College's approach to Value for Money;
  - h) The financial memorandum between SFC and the College.
- 2.3 In reaching our audit opinion we carried out our audit work based on the audit plan with evidence obtained by:
- a) Reviewing previous financial statements;
  - b) Reviewing internal audit plans and reports;
  - c) Discussions with senior management and staff at the College;
  - d) Completing appropriate audit programmes;
  - e) Carrying out analytical review procedures;
  - f) Carrying out substantive and compliance audit tests on a judgemental basis;
  - g) Reviewing the minutes of the principal College committees.
- 2.4 Based on our review the College appears to operate appropriate internal financial controls, subject to the management letter points raised in Sections 9 & 10.
- 2.5 The audit recommendations are included in the appropriate sections of this report.
- 2.6 The recommendations have been graded as either High, Medium or Low priority depending upon the degree of risk assessment for each recommendation. Each recommendation has a target date for remedial action and the person responsible for each recommendation has been nominated in the relevant Section.

### **3. FINANCIAL STATEMENTS**

- 3.1 The financial statements of the College are the means by which it accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. In accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts direction issued by the SFC, it is the responsibility of the College to prepare financial statements, which give a true and fair view of the College's financial position and the income and expenditure for the year.
- 3.2 The Public Finance and Accountability (Scotland) Act 2000 requires that the auditor shall place on the abstract of accounts an audit report, which contains an opinion as to whether the College has fulfilled this responsibility. The format of the audit report directed by the Auditor General for Scotland clarifies the respective responsibilities of management and auditors in relation to the accounts and requires auditors to set out the basis on which they have formed their opinion.

#### **AUDIT REPORT**

- 3.3 We are pleased to record that there are no qualifications in our audit report on the College's 2005/06 accounts, as, in our opinion, the financial statements give a true and fair view of the College's financial position and the income and expenditure for the year; and funds received have been applied for their intended purpose.

#### **FINANCIAL PERFORMANCE**

- 3.4 The income and expenditure account shows an operating surplus for the year of £42,000 on the year's operations. The surplus in the accounts presented for audit was £42,000 and this reflected the provision for future pension costs arising from early retirements. These matters are discussed later in this report.
- 3.5 In 2005/06 the College budgeted for an operating surplus of £50,000. The College has budgeted for a £51,000 operating surplus in 2006/07.
- 3.6 After adjusting for the difference between the actual depreciation charge for the year and depreciation based on historical cost, a historical cost surplus of £233,000 is shown (£232,000 surplus in 2004/05).
- 3.7 The balance brought forward on the income and expenditure reserve at 1 August 2005 was £946,000. Amounts were transferred from the revaluation reserve to the income and expenditure reserve to match the depreciation charge for the year. The balance on the income and expenditure reserve at 31 July 2006 is £1,179,000.
- 3.8 In June 2006 the Scottish Funding Council (SFC) published circular SFC/36/06, which contained a series of 20 performance indicators (PIs)



assessing the financial performance of further education colleges for 2004/05. The indicators show that in 2004/05 the College was generally in a slightly weaker financial position than the sector average, particularly in regard to:

- ◆ the underlying operating surplus as a percentage of total income was 1.7%, compared with a sector average of 1.8%;
- ◆ the operating surplus as a percentage of total income was 0.49%, compared with a sector average of 1.0%;
- ◆ the reserves (designated reserves plus I&E reserves) were 8.1% of total income, compared with a sector average of 7.4%;
- ◆ the historic cost surplus as a percentage of total income was 2.0%, compared with a sector average of 3.1%;
- ◆ the interest cover was 1.9 compared with a sector average of 4.0.

- 3.9 In 2007 the SFC is due to publish comparisons of the financial performance of colleges based on 2005/06 PIs. As the financial position of the College has remained stable in 2005/06 it is anticipated that similar comparisons will be reported for the 2005/06 figures. The College is to continue to keep the inter-college comparisons produced by SFC under review.

### **SUBMISSION OF ACCOUNTS**

- 3.10 The audit fieldwork commenced on the 2 October 2006 and final draft accounts submitted for audit shortly thereafter. The accounts when submitted for audit were substantially complete. Working papers provided have generally been of a high standard and queries arising from the audit have all been resolved. Key staff were readily available for consultation throughout the audit process.

### **ISSUES ARISING**

- 3.11 During the course of the audit a number of issues arose which were resolved in discussion with, or formally reported to the Finance and I S Manager. This practice is an established part of the audit process. The remainder of this report draws to the attention of the Board of Management and the Auditor General any matters of particular significance or interest, which arose from the audit.
- 3.12 **Pension provision:** In the accounts presented for audit, pension provisions totalled £1,002,000. This is made up of an early retiral provision of £892,000 and a provision of £110,000 for support staff.
- 3.13 **FRS17 - Strathclyde Pension Fund (SPF):** The financial statements disclose the SPF on the basis that it is a defined contribution scheme. There is uncertainty within the sector at present as to whether the College's share of the underlying assets and liabilities can be identified on a reasonable basis. Therefore a number of Colleges have in accordance with the dispensation

given in paragraph 9 (b) of FRS17 chosen to account for contributions to the scheme as if it was a defined contribution scheme.

- 3.14 **Essential PC:** Included in debtors at the year-end is £290k in respect of contracts with Essential PC. The figure is net of a bad debts provision of approximately 40% of gross debtors in this area.

## **4. INTERNAL AUDIT**

### **Objective and Approach**

- 4.1 Internal audit is a key element of the internal control system set up by management. A strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system established. The College, therefore, needs to have in place a properly resourced internal audit service of good quality. In order to maximise the reliance that may be placed on internal audit and to avoid duplication of effort, the adequacy of internal audit is assessed each year.
- 4.2 The College's internal auditors are PricewaterhouseCoopers.
- 4.3 The College's internal audit strategic and operational plans are set out for the year ending 31 July 2006 in the Internal Audit Plan 2005/2006.
- 4.4 In the course of the year ended 31 July 2006 the following internal audit reports were to be issued:
- a) SUMs Return (issued)
  - b) Review of bank reconciliations (issued)
  - c) VFM review of marketing (not issued)
  - d) Review of Governance (draft)
  - e) Payroll (draft)
  - f) Follow up review (draft)
  - g) Annual Report (draft)
- 4.5 The Internal audit work carried out and the reports issued in the year were in line with the Audit Needs Assessment.

### **Opinion**

- 4.6 The Review of Governance, Payroll and Follow Up Review Reports and the Annual Report were presented in draft to the Audit Committee meeting on 21 November 2006. There were no critical areas highlighted in any of these reports.
- 4.7 The VFM review of Marketing Report has not yet been issued.
- 4.8 An assessment was made of the adequacy of the Internal Audit function using a bespoke checklist and discussion with the Internal Audit providers. Reports issued by internal audit were also reviewed. Based on this work we concluded that the internal audit function is operating effectively and that we can place formal reliance on the work of Internal Audit. Accordingly reliance was placed on the work of Internal Audit in all areas on which they reported during 2005/06 as detailed at 4.4.

## **5. CORPORATE GOVERNANCE**

### **Objective and Approach**

- 5.1 A review and assessment of the College's Corporate Governance systems relating to standards of conduct, openness and integrity was carried out using a bespoke checklist. We also reviewed the following:
- a) The College's Corporate Governance Statement included in the financial statements for the year ended 31 July 2006;
  - b) The College's Corporate Governance strategy;
  - c) The minutes of meetings of key College committees issued during the year.

### **Opinion**

- 5.2 Based on our review the College appears to operate appropriate Corporate Governance procedures and management have adequate arrangements in place covering standards of conduct etc. These include for example Codes of Conduct for both Board Members and Staff.

### **Recommendations**

- 5.3 There are no recommendations in this area.

## **6. VALUE FOR MONEY**

### **Objective and Approach**

- 6.1 We have reviewed the College's Value for Money systems including the following:
- a) The College's strategy in this area;
  - b) VFM studies carried out by the College's internal auditors.

### **Opinion**

- 6.2 Based on our review the College appears to have established adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources subject to the points noted below.

### **Recommendations**

- 6.3 There were no recommendations in 2005.
- 6.4 There are no recommendations in this area.

## **7. GMAP VISITS**

- 7.1 The College has not had a GMAP visit during the year ended 31 July 2006.
- 7.2 There are no recommendations in this area.

## **8. PREVENTION AND DETECTION OF FRAUD AND IRREGULARITIES**

### **Objective and Approach**

- 8.1 The Code sets out that the College should establish arrangements for the prevention and detection of fraud and other irregularities as part of its Corporate Governance procedures.
- 8.2 An assessment was made of the adequacy of the systems and controls for the prevention and detection of fraud and irregularities using a bespoke checklist.
- 8.3 In the course of the audit we have reviewed the following areas with regard to the prevention and detection of fraud and irregularities:
- a) The monitoring and compliance with financial procedures;
  - b) The College's strategy to prevent and detect fraud and other irregularities;
  - c) The internal controls operated for segregation of duties, authorisation and approval processes and reconciliation procedures.
- 8.4 No areas of concern were found during normal audit procedures.
- 8.5 We emphasise that our audit of the financial statements is planned to ensure there is a reasonable expectation of detecting misstatements arising from fraud or other irregularity that are material in relation to those financial statements, but cannot be relied upon to detect all frauds and irregularities.

### **Opinion**

- 8.6 Overall we concluded that management takes fraud prevention and detection seriously and has reliable controls in place to ensure that potential areas for fraud are detected.

### **Recommendations**

- 8.7 There are no recommendations in this area.

## 9. MANAGEMENT LETTER – 2005

- 9.1 The management letter for the year ended 31 July 2005 was issued by Wylie & Bisset following the audit for the year and is reproduced in full.
- 9.2 There were no recommendations graded as “High” priority in this area.
- 9.3 Most of the points have been repeated in the 2006 Management letter.

Background	Recommendations	Priority	College response	Responsibility /Timescale
<p>1. FIXED ASSETS</p> <p>The college has schedules to back up the figures in the nominal ledger but these amounts are not incorporated within the detailed fixed asset register.</p> <p>It is a covenant for providers of capital funds that a detailed fixed asset register be maintained.</p>	<p>To ensure effective management and control of fixed assets, it is recommended that the college maintain a detailed asset register.</p>	<p>Medium</p>	<p>The College is in the process of implementing a comprehensive database to meet all necessary requirements of a fixed asset register. The approach adopted has been validated by the 2005 internal audit review of fixed assets.</p>	<p>Associate Principal</p> <p>31 March 2006</p>
<p>2. DEBTORS</p> <p>(a) During our sample audit of slow moving debtors, it was noted that no provision has been made for a potential bad debt of £16,104 for David Martin.</p>	<p>The college’s credit control should constantly monitor slow moving debts and report potential bad debts to management on a monthly basis.</p>	<p>Medium</p>	<p>The College’s credit control continuously monitors slow moving debts and considers potential bad debts as part of the monthly management accounting process. As a result of this approach full provision was immediately made against the £16,104 amount when the College was informed of financial difficulties being experienced by David Martin (CITEC) during the audit process.</p>	<p>Associate Principal</p> <p>Ongoing</p>



Background	Recommendations	Priority	College response	Responsibility /Timescale
<p>(b) The debtors figure includes £318,544 of Essential Personal Computer debtors. This is not substantiated by a list of balances but the figure is arrived at after a provision of £402,598. The basis of the provision was on data of debtors unpaid for previous years and works out at 36.75%.</p>	<p>It is recommended that the college monitors the payments profile closely and makes any relevant adjustment.</p>	Medium	<p>The College monitors the payments profile on a continuous detailed basis. This approach has resulted in the recognition of the revised provision of 36.75%.</p>	<p>Associate Principal</p> <p>Ongoing</p>
<p>3. BANK</p> <p>During the year old outstanding cheques of £34k were written off and credited to the income and expenditure account. The above includes a cheque that was duplicated and amounted to £20,030.</p>	<p>It is recommended that the ageing of outstanding cheques be monitored closely and relevant adjustments are made on a timeous basis.</p> <p>The duplication of cheques gives slight concern over the control, authorisation and issue of cheques.</p>	Medium	<p>The ageing of outstanding cheques is being monitored closely, with adjustments made on a monthly basis.</p> <p>Following the identification of a duplicated cheque procedures relating to the control, authorisation and issue of cheques will now be reviewed.</p>	<p>Associate Principal</p> <p>31 December 2005</p>
<p>4. CREDITORS</p> <p>(a) During the course of our audit of a sample of Purchase ledger balances, it transpired that £35k of balances had been credited to the Income and Expenditure account.</p> <p>(b) There were approximately £7k of debit balances on the listings of balances.</p>	<p>It is recommended that a closer control is kept on the purchases ledger balances to ensure the accuracy and completeness of trade creditors.</p> <p>Debit balances should be investigated and corrective actions taken.</p>	Medium	<p>A review of controls relating to purchase ledger balances will now be undertaken.</p> <p>A review of controls relating to credit notes will now be undertaken.</p>	<p>Associate Principal</p> <p>31 December 2005</p> <p>Associate Principal</p> <p>31 December 2005</p>

Background	Recommendations	Priority	College response	Responsibility /Timescale
(c) No statements were available for a sample of balances that were selected for reconciliation to suppliers statements. Alternative audit tests were carried out to substantiate the selected balances and a post year end review of invoices was performed.	We recommend that creditor balances are agreed to supplier statements on an ongoing basis.	Medium	The College has experienced difficulties in obtaining supplier statements from Glasgow City Council and Scottish Power and is currently in the process of progressing this matter.	Associate Principal 31 December 2005

Background	Recommendations	Priority	College response	Responsibility /Timescale
<p><b>5. COMPARATIVE FIGURES</b></p> <p>Certain accruals and prepayments schedules did not have comparative figures.</p>	<p>We recommend that comparative figures are inserted to ensure the completeness of the schedules for audit.</p>	<p>Low</p>	<p>Comparative figures will be inserted to ensure the completeness of the schedules for audit.</p>	<p>Associate Principal 30 November 2005</p>
<p><b>6. INCOME &amp; EXPENDITURE VARIANCES</b></p> <p>It was noted during the analytical review of expenses that telephone costs had increased from £55k to £85k.</p>	<p>We recommend this area is reviewed going forward given the significant increase in the costs.</p>	<p>Low</p>	<p>The College is currently undertaking a best value review of all communications costs</p>	<p>Principalship 31 December 2005</p>
<p><b>7. RECURRENT FUNDING</b></p> <p>The accounting policy adopted has resulted in the College recognising the 2003/04 fee waiver figures rather than any potential 2004/05 adjustment as the 2004/05 figures cannot be ascertained at present.</p>	<p>We recommend that a note is included in the accounts in this area.</p>	<p>Medium</p>	<p>The College has consistently applied this approach. However consideration will now be given to the inclusion of a note.</p>	<p>Associate Principal 30 November 2005</p>
<p><b>8. CORPORATE GOVERNANCE</b></p> <p>The college has a comprehensive risk assessment plan.</p> <p>This plan should be assessed and monitored on an ongoing basis.</p>	<p>We recommend that a progress report is kept for the key risk areas to reflect the monitoring aspect of the plan.</p>	<p>Medium</p>	<p>The College departmental, operational and strategic plans recognise progress in relation to key areas of risk.</p>	<p>Principalship Ongoing</p>

Background	Recommendations	Priority	College response	Responsibility /Timescale
<p>9. GENERAL</p> <p>The time delay for the production of the Financial Statements had a significant implication for the management of the audit process.</p>	<p>We recommend that a full audit file with draft financial statements is available prior to the commencement of the 2006 audit to ensure an efficient audit process.</p>	<p>Medium</p>	<p>Finance Department procedures will be reviewed in light of this audit recommendation to ensure a full audit file is available prior to commencement of the 2006 audit.</p>	<p>Associate Principal                      2005/06 Year End Audit</p>

## 10. MANAGEMENT LETTER – 2006

10.1 The recommendations following the audit for the year ended 31 July 2006 are set out below.

10.2 There were no recommendations graded as “High” priority in this area.

Background	Recommendations	Priority	College response	Responsibility /Timescale
<p><b>1. FIXED ASSETS</b></p> <p>The college has schedules to back up the figures in the nominal ledger but these amounts are not incorporated within the detailed fixed asset register.</p> <p>It is a covenant for providers of capital funds that a detailed fixed asset register be maintained.</p>	<p>To ensure effective management and control of fixed assets, it is recommended that the college maintain a detailed asset register.</p>	<p>Medium</p>	<p>College maintains 2 separate databases for Fixed Assets. Due to the large volume of capital works at the end of the year and start of the new year both registers still require to be updated.</p>	<p>Finance &amp; IS Manager</p> <p>Completion January 2007</p>
<p><b>2. DEBTORS</b></p> <p>(a) During our sample audit of slow moving debtors, it was noted that no specific provision has been made for bad debts.</p> <p>However, there was a general provision on old debts of 75/90%.</p> <p>The provision appears to be reasonable.</p>	<p>The college’s credit control should constantly monitor slow moving debts and report potential bad debts to management on a monthly basis. The bad debts provision can then be made on specific bad debts.</p>	<p>Medium</p>	<p>College has calculated a general provision for the year. This provides adequate provision</p>	<p>Finance &amp; IS Manager</p> <p>Review process at next year end</p>

Background	Recommendations	Priority	College response	Responsibility /Timescale
<p>(b) The debtors figure includes £290,000 of Essential Personal Computer debtors. This is not substantiated by a list of balances but the figure is arrived at after a bad debt provision of gross debtors of approximately 40%.</p>	<p>The administration of the debtors is carried out by Home Learning Direct. It is recommended that the college continues a dialogue with Home Learning Direct to minimise the bad debt exposure.</p>	Medium	Agreed	<p>Finance &amp; IS Manager</p> <p>On-going</p>
<p>(c) During our audit of post year end Sales Invoices it was noted that £10,655 of sales invoices for the year ended 31 July 2006 were not prepaid.</p>	<p>We recommend that a thorough review be made for post year end invoices to ensure that all income has been recognised in the relevant year.</p>	Medium	<p>Cut-off procedures to be formalised and published prior to year-end</p>	<p>Finance &amp; IS Manager</p> <p>Pre year end</p>
<p>3. CREDITORS</p>				
<p>(a) During our audit review of post year end invoices, it was noted that £105,548 of July 2006 invoices were not accrued. The above figure included £88,966 of computer hardware.</p>	<p>We recommend that a thorough review of all post year end invoices is made to ensure that all proper items are accrued.</p>	Medium	<p>Cut-off procedures to be formalised and published prior to year-end</p> <p>Capital invoices were for grant funded items which were not received or installed at year end</p>	<p>Finance &amp; IS Manager</p> <p>Pre year end</p>
<p>(b) There were approximately £7k of debit balances on the list of balances.</p>	<p>Debit balances should be investigated and corrective actions taken.</p>	Medium	<p>Debit balances are reviewed on a regular basis and held to offset future invoices. Where no future invoice is likely a refund is requested</p>	<p>Finance Department</p> <p>On-going</p>

Background	Recommendations	Priority	College response	Responsibility /Timescale
<p>(c) No statements were available for two balances from a sample of balances that were selected for reconciliation to suppliers statements. Alternative audit tests were carried out to substantiate the selected balances and a post year end review of invoices was performed.</p>	<p>We recommend that material creditor balances are formally agreed to supplier statements on a monthly basis. Requests should be made from suppliers who do not send suppliers statements.</p>	<p>Medium</p>	<p>Statements are reconciled upon receipt. Requesting statements from suppliers who do not issue them is not feasible on a monthly basis.</p> <p>Statement reconciliation and verification of key suppliers where no statement is issued will be incorporated in revised cut off procedures for year end</p>	<p>Finance &amp; IS Manager                      Pre year end instructions</p>

Background	Recommendations	Priority	College response	Responsibility /Timescale
<p><b>4. SAAS REFUNDS</b></p> <p>At the end of the year there was a net overpayment of £109,275 in relation to the above and this has been carried forward as a creditor in the year end accounts.</p>	<p>We recommend that the College reviews the SAAS refunds creditor to ensure the figure reflects the accurate creditor due to SAAS in respect of the current and previous periods.</p>	<p>Medium</p>	<p>Noted, analysis and review to be undertaken. February 2007 payment run may include prior year adjustments</p>	<p>Finance &amp; IS Manager February 2007</p>
<p><b>5. PROVISION FOR EARLY RETIRALS AT 31 JULY 2006</b></p> <p>The actuarial valuation report of Hymans Robertson indicated that the present value of unfunded liabilities was £947k. The college computed their own figures using the relevant tables and percentages which projected a figure of £892k.</p>	<p>Whilst we agree that the College should use the tables to calculate the early retirals provision, we recommend that this figure is monitored against the Hyman Robertson figure on an ongoing basis.</p>	<p>Medium</p>	<p>Agreed, this will be reviewed in conjunction with the review of defined contribution versus defined benefit at the end of each year</p>	<p>Finance &amp; IS Manager Year End</p>
<p><b>6. COMPARATIVE FIGURES</b></p> <p>Certain lead schedules, accruals and prepayments did not have comparative figures.</p>	<p>We recommend that comparative figures are inserted to ensure the completeness of the schedules for audit.</p>	<p>Low</p>	<p>Noted, monthly schedules to be updated</p>	<p>Finance &amp; IS Manager 30 November 2006</p>
<p><b>7. INCOME &amp; EXPENDITURE VARIANCES</b></p> <p>It was noted during the analytical review of expenses that printing costs had increased from £29k to £63k.</p> <p>It would appear that 2006 costs included costs of printing 2005 prospectuses</p>	<p>We recommend this area is reviewed going forward to ensure that all relevant costs are properly accrued.</p>	<p>Low</p>	<p>Management Accounts reporting to be expanded to provide increased analysis for management</p>	<p>Principalship On-going</p>



Background	Recommendations	Priority	College response	Responsibility /Timescale
<p data-bbox="180 259 496 286"><b>8. RECURRENT FUNDING</b></p> <p data-bbox="213 322 528 591">The accounting policy adopted has resulted in the College recognising the 2004/05 fee waiver figures in 2005/06. As the 2005/06 figures cannot be ascertained at present, that figure will be reflected in next year's accounts.</p>	<p data-bbox="566 322 807 409">We recommend that a note is included in the accounts in this area.</p>	<p data-bbox="879 322 979 349">Medium</p>	<p data-bbox="1002 322 1219 441">College has maintained a consistent approach with prior year</p>	<p data-bbox="1265 322 1414 383">Finance &amp; IS Manager</p> <p data-bbox="1265 416 1398 504">Review approach at year end</p>

**STATEMENT OF RESPONSIBILITIES OF THE BOARD OF  
MANAGEMENT**



## **APPENDIX B**

### **INDEPENDENT AUDITORS REPORT**

