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EDINBURGH AND GLASGOW

West Lothian College

Annual Report to the Board of Governors and the Auditor General for Scotland 2007/08

16 December 2008

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Executive Summary

Finance

Our 2007/08 audit of West Lothian College is now complete and our audit opinion on the truth and fairness of the financial statements and the regularity of transactions is unqualified. The draft financial statements and supporting working papers prepared by the College were of a high standard and no material adjustments were made during the audit.

The College reported a surplus of £383,000 in 2007/08. The College's original budgeted surplus was £158,000 but this was revised during the year to £640,000 to reflect the removal of lifecycle maintenance costs and the recognition of catering income which was omitted from the original budget. The difference between this forecast and the actual surplus achieved was due to lower than anticipated commercial and ESF income.

The College is forecasting surpluses in 2008/09, 2009/10 and 2010/11in its latest Financial Forecast Return (FFR) submitted to the Scottish Funding Council (SFC). Achievement of these surpluses will be challenging and will be dependent on effective financial planning and budgetary control.

As expected, the College continues to report negative reserves, through a combination of cumulated trading deficit, previously-granted early retirements and the impact of the 2006/07 PFI campus buyout. The total negative reserves stands at £10,648m as at 31 July 2008 (2006/07: £10.692m).

Our audit identified no major internal control weaknesses in concluded that accounting systems are generally well designed and operating effectively.

Governance

The College's Corporate Governance Statement confirms that the College has been fully compliant with the key principles of the 2006 Combined Code on Corporate Governance during 2007/08. We have reviewed the College's statement and can confirm that this is in line with SFC guidance and is not inconsistent with the findings of our audit.

We did not identify any areas of concern from our review of the College's corporate governance arrangements for the prevention and detection of fraud and irregularity, standards of conduct and prevention and detection of corruption.

Conclusion

This report concludes the 2007/08 audit of West Lothian 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 Acting 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.

Introduction

1. This report summarises the findings from our 2007/08 audit of West Lothian College. The scope of our audit was set out in our External Audit Strategy and Plan which was presented to the Audit Committee on 11 September 2008. The main focus of our external audit has been on the financial statements and governance arrangements.

2. Our plan set out the following key audit issues for 2007/08:

   - Assets acquired through the PFI buyout
   - Financial position
   - Change in key staff
   - Spectrum Development
   - Early retirement provision
   - European Social Fund (ESF) grants
   - Lothian Pension Fund liabilities
   - Operating and Financial Review
   - Combined Code 2006

3. This report sets out our findings on each of these key issues. The report also includes a follow-up of issues identified during last year's audit.

4. This report will be submitted to the Auditor General for Scotland and will be published on Audit Scotland's website, which can be found at 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 its 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 2008 and of its income and expenditure for the financial year. We are also required to include a regularity assertion in our audit 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 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. The signed financial statements will now be submitted to Audit Scotland, who will pass them to the Scottish Government for laying before the Scottish Parliament.

Financial position

In-year performance

9. The College is reporting a surplus for the year to 31 July 2008 of £383,000. The College originally budgeted for a surplus of £158,000, which increased during the year to £640,000 as budgets were revised and items added, amended and/or removed over the period.

Income and Expenditure

10. The original budgeted income was £11.840m. The actual income reported in the 2007/08 accounts was £12.259m. The difference of £0.419m (3.5%) is largely due to the release of additional deferred grant of £0.3m and the inclusion of catering and shop income omitted from the original budget. The College also received confirmation of additional grants during the year.

11. The College budgeted for expenditure of £11.682m. The actual expenditure of £11.876m reported in the accounts represents a variance of 1.67% from budget. This variance is mainly due to a combination of differences in FRS 17 pension costs which were confirmed by the actuarial report, removal of lifecycle maintenance costs initially included in the budget and a higher than anticipated annual depreciation charge.

Balance Sheet

12. The College's Balance Sheet as at 31 July 2008 is reporting net assets of £9.016 million and a healthy cash balance of £1.708 million. However, this position is achieved through £19.664m of deferred capital grant offsetting the £10.648m negative reserves held by the College.

13. As shown in the table below, liquidity is down on 2006/07 due to a large increase in creditors, reflecting the transfer of unspent capital funding from deferred capital grants and amounts due to SFC for the PFI buyout. Despite this, the College has sufficient funds to meet its immediate creditors as the calculated liquidity is greater than 1. The College's financial strategy of November 2007 has set a target liquidity of 1.2 for the College.

	2007/08 £'000	2006/07 £'000
Current Assets	**2,271**	**1,903**
Current Liabilities	**2,269**	**1,217**
Liquidity	**1.04**	**1.56**

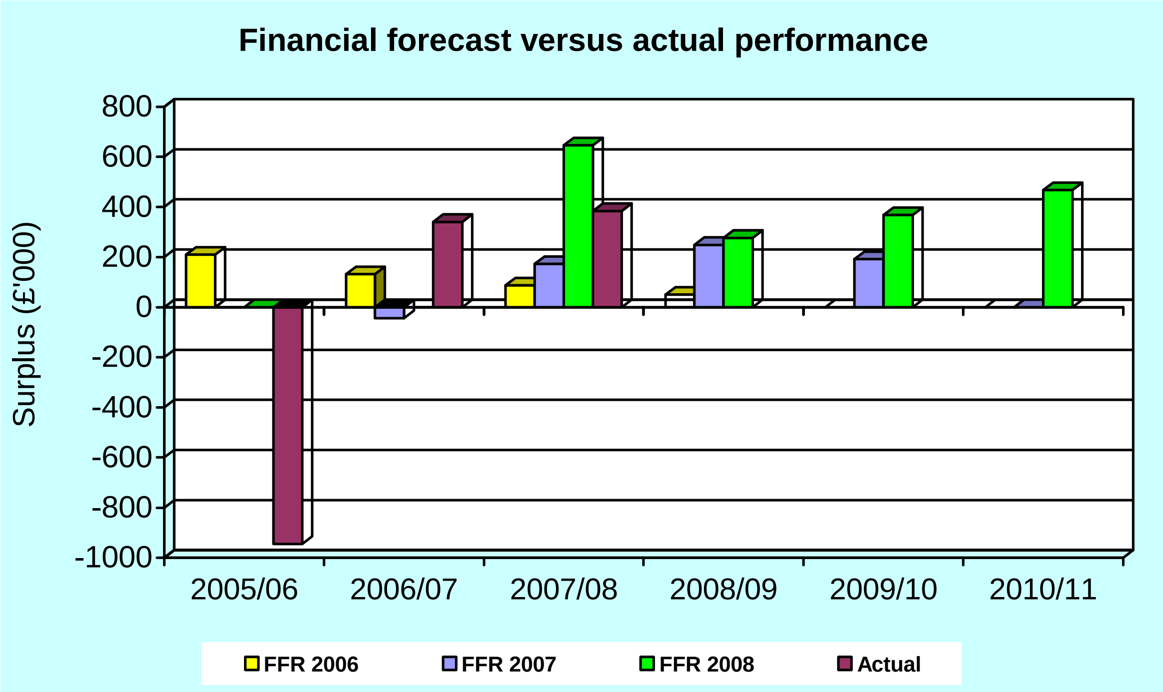
14. The following table shows that the College is funded 71% by long term debt. This is consistent with the prior year and the SFC loan is the primary source of the long-term debt. This level of gearing may impact on the College's ability to obtain future bank funding for future developments. This situation is exacerbated by the outcome of the Spending Review and indications from the Scottish Government that there will be no further significant increases in FE funding in the short to medium term.

	2007/08 £'000	2006/07 £'000
Long Term Creditors	**6,387**	**6,702**
Net Assets	**9,016**	**9,579**
Gearing	**71%**	**70%**

Financial forecasts

15. The College submits annual 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 graph below compares the actual results for 2007/08 with the FFR forecasts and shows the latest predictions as reported within the 2008 FFR. The surpluses reported are based on the surplus on operations prior to gain on sale of property, exceptional items and transfers between reserves.



17. As shown above, the College is expecting to generate surpluses in 2008/09, 2009/10 and 2010/11 which are largely in line with operating surpluses generated in the last two years. Anticipated reductions in ESF funding have been factored into the forecasts and the surpluses will therefore be generated from increases in commercial and training-related income. The College has recently recruited a sales manager who has been tasked with leading on this particular initiative. The College will also use Employer Engagement and Knowledge Transfer funding to progress in these objectives. The College recently updated its 2008/09 budgeted surplus after a fresh budgeting round with various College managers and is now projecting a £0.6m surplus for the year, which is consistent with its strategic aim of delivering an annual operating surplus of 5% of total income but will be challenging to achieve.

Financial planning and monitoring arrangements

18. 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 use of resources and to ensure that planned surpluses are achieved.

19. Budgets are devised prior to the start of the year and are presented to the Finance and General Purposes Committee, who in turn review the information and recommend the budgets to the Board for approval.

20. Monthly management accounts are discussed by the Senior Management Team and presented to the Finance and General Purposes Committee and Board meetings for review.

21. The graph above shows some disparity between actual and forecast results in prior periods, with variable levels of surplus being reported over the course of 2007/08 for example. The College is no longer required to make a fixed unitary charge payment but now must meet relatively uncertain levels of future estate maintenance and replacement costs, in addition to annual depreciation charges. This increases budgeting risk, and it is vital that these new costs are fully reflected in future budget projections and within the College's financial strategy, and that the financial position is closely monitored on an ongoing basis.

Action Plan - Point 1

22. The SFC has provided significant increases in funding to the Scottish Further Education sector in the past decade. The Spending Review and indications from the Scottish Government are that there will be no further significant increases in the short to medium term. In addition to this the College will suffer from reduced European grant income. Coupled with increasing cost pressures, this will result in limited financial resources for College and the wider FE sector.

Financial reporting framework

23. The principal elements of the College's financial reporting framework are:

- Accounts directions issued by the Scottish Funding Council
- Further Education / Higher Education Statement of Recommended Practice (FE/HE SORP)

FE/HE SORP 2007

24. A revised SORP was issued in July 2007 and was applicable for the first time to the College's 2007/08 financial statements. The main impacts of the revised SORP on the College's financial statements were:

- The Board of Governors Report has been extended to meet the requirements of an Operating & Financial Review which includes more detailed analysis of the College's financial and non-financial performance.
- Changes in the required disclosure of defined benefits pension schemes. The new disclosures are shown in Note 24 to the financial statements.
- Removal of designated funds from the primary financial statements and the notes to the financial statements. This resulted in a prior year adjustment to the financial statements as shown in Note 30 to the financial statements.

25. We are pleased to confirm that the College's 2007/08 financial statements comply fully with the accounts direction and FE/HE SORP in all material aspects.

Financial statements preparation

26. We received a full set of draft accounts on 08 October 2008 and found them, and the supporting working papers, to be of a high standard.

27. We did not receive the full draft accounts on 29 September 2008 as agreed in our audit plan. However, this was principally due to additional work required during the preparation process in relation to the inherited financial records.

28. We are grateful to the Acting Director of Finance, Finance Manager and the finance staff for their assistance and support during the course of the audit. However, we would request that the 2008/09 financial statements are submitted for audit one week in advance of the fieldwork, to assist with audit planning.

Audit adjustments

29. Our audit adjustments related to presentational and disclosure issues, none of which were material to the accounts. All of our proposed adjustments were processed during the course of the audit and accordingly we have no unadjusted misstatements to highlight within this report.

Review of accounting systems

30. One of the objectives of our audit was to review the accounting systems and internal controls operating at the College to ensure they formed an adequate basis for the preparation of the financial statements.

31. We identified no major control weaknesses during our review and concluded that the College's accounting systems are generally well designed and operating effectively. We noted one relatively minor issue in relation to VAT, which is set out in the action plan.

Action Plan - Point 2

Other issues arising from the audit

32. In order to assist understanding of the financial statements and of our audit, we have summarised the issues below that we believe are of particular significance in 2007/08.

Assets Acquired through PFI Buyout

33. West Lothian College's Livingston campus was originally funded through the Private Finance Initiative (PFI). The College submitted a business case to the Scottish Funding Council for the buy-out of its PFI Contract. The business case was approved and the buy out completed in April 2007. West Lothian College now holds title to the campus buildings.

34. The assets comprise the buildings as well as equipment. In 2006/07, the College had not allocated the value of the assets obtained between these different components. There were therefore issues arising from the accounting treatment of these assets as they require to be depreciated at different rates.

35. In October 2008, the College obtained a breakdown of the original GVA Grimley valuation report, which split the £18.8m existing-use valuation into more detailed component parts. This provided additional information on which the College could separately identify elements of the valuation and

this was reflected in the 2007/08 financial statements. In particular, Note 14 to the accounts shows a re-classification of £1.73m of assets between buildings and equipment and Note 19 shows re-classification of the related deferred capital grant. We reviewed the accounting in respect of this area and found it to be satisfactory.

Spectrum Development

36. Construction of the College's new Spectrum Development was completed during the current financial year. Construction began in 2006/07 and the expenditure to 31 July 2007 was recognised as an asset under construction in the College's 2006/07 financial statements. We reviewed the accounting for the now-complete Spectrum Development and found no issues with the treatment applied.

Early Retirement Provision

37. The College has previously offered early retirement to staff, particularly when the College relocated to its Livingston campus. The College makes monthly payments to the pension fund to cover shortfalls arising from the decision to grant early access to retirement benefits. In line with accounting standards the College has recognised a liability for the future payments in relation to these early retirements.

38. We reviewed the basis for the College's early retirement provision estimate and found it to be reasonable. At £3.135m, the early retirement provision continues to represent a sizeable liability within the College's financial statements.

European Social Fund (ESF) Grants

39. We reviewed the recognition of, and accounting treatment for, European grants as part of our audit work on the annual accounts and identified no issues of concern. A Verification and Compliance Team from the Scottish Government are to review a sample of ESF schemes within the College as part of an "On-The-Spot Control Inspection" visit. This is due to take place in December 2008.

40. We also reviewed the College's FFR returns and found that the reduction in ESF grants had been factored into the College's forecasts.

Lothian Pension Fund Liabilities

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

42. 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.

43. The Lothian Pension Fund is also a multi-employer scheme but the College can identify its share of underlying assets and liabilities and has therefore recognised a net liability in its balance sheet. The College reported a liability of £1.228m as at 31 July 2008, an increase of £541,000 on the equivalent position in 2006/07. The increase in the liability is principally due to a lower than expected return on the College's pension assets during the year. This was partially offset by a reduction in the College's pension liabilities due to changes in actuarial assumptions.

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

APUC

45. APUC Ltd (Advanced Procurement for Universities and Colleges) was established in response to the McClelland report – *Review of Public Procurement in Scotland*. The College is looking to secure potential procurement savings from APUC, as well as looking to consider how APUC can offer general improvement in the College's procurement systems. Representatives from APUC visited the College during October and November 2008 for a detailed review of the College's systems, with a view to considering the most efficient and effective means to integrate the College within this sector-wide initiative.

Loss of charitable status

46. The Office of the Scottish Charity Regulator (OSCR) previously published the results of the pilot scheme to review charitable status of a selection of charities including John Wheatley College in Glasgow. OSCR concluded that the charity test was not met because of the ability of Scottish Ministers to direct or otherwise curtail the College's activities. The Scottish Government has since announced its intention to protect the charitable status of Scottish FE Colleges and an order has been laid before the Scottish Parliament to this effect.

Governance

47. 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.

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

Corporate Governance Statement

49. Colleges are required to include in their financial statements 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, including the arrangements for risk management, and report on the College's compliance with the Combined Code on Corporate Governance.

50. The College's Corporate Governance Statement for 2007/08 explains that the College was fully compliant with the 2006 Combined Code throughout the period. The College's statement did not identify any significant control weaknesses.

51. We reviewed the Corporate Governance Statement by:

- checking the statement against Scottish Funding Council guidance;
- considering the adequacy of the process put in place by the Principal and Board of Governors to obtain assurances on systems of internal control;
- assessing whether disclosures in the statement are consistent with our knowledge of the College.

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

Combined Code 2006

53. A revised Combined Code on Corporate Governance was issued in June 2006, which supersedes the Code issued in 2003. The Combined Code 2006 is applicable for reporting years beginning

on or after 1 November 2006 and therefore the College has stated compliance with the 2006 code for the first time in its 2007/08 annual accounts.

54. We recommended in our 2006/07 Annual Report that the College should review its corporate governance arrangements against the 2006 code and we note that this was discussed by the Board in June 2008, with authority delegated to the Audit Committee to confirm the College's compliance with the Code at its November 2008 meeting.

55. The Financial Reporting Council (FRC) issued an updated Combined Code in June 2008. The updated code is applicable to accounting periods beginning on or after 28 June 2008, and will therefore be relevant for 2008/09. The updated code includes two amendments from the 2006 code. The first amendment is in relation to FTSE 100 companies and does not apply to the College. The second amendment allows the Chairman to sit on the Audit Committee where the Chairman was considered independent on appointment.

Action plan – Point 3

56. Internal audit also conducted a review of Corporate Governance arrangements in place during the year. Their report concluded that, overall, "corporate governance arrangements within the College are satisfactory and conform in the main with best practice". Issues raised included securing voluntary student representation in the governance structure, undertaking formal review of Chair and Clerk performance and public availability of meeting minutes. We concur with the findings and recommendations arising from the internal audit review.

Operating and Financial Review

57. We are satisfied that the Operating and Financial Review meets the requirements of the 2007 SORP in all material respects.

Risk management

58. Risk management is important to the establishment and regular review of systems of internal control. We reviewed the College's risk management arrangements as part of our audit.

59. The College has a risk register in place and this is maintained by the Principal who, along with senior management, is responsible for reviewing and updating the risk register on a regular basis. Changes to the action plan and the full risk register are reported to the Audit Committee, which is given the opportunity to comment on the register as part of its review.

60. We have concluded that the College has satisfactory risk management systems in place. However, we believe that the process could be enhanced by the setting and reporting of deadlines for mitigating actions within the risk register.

Action Plan - Point 4

Internal audit

61. Internal audit is a key component of the College's corporate governance arrangements. The College's internal audit service is provided by BDO Stoy Hayward. In the previous year we undertook a detailed review to ensure that the work of internal audit is sufficient and appropriate, and performed in accordance with the Code of Audit Practice. The review concluded that the internal audit service provided to the College was in compliance with the SFC's Code of Audit Practice.

62. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate. During 2007/08 we have reviewed the following internal audit reports:

- Asset Management
- Cash and Treasury Management
- Other Income
- Information Technology
- Corporate Governance

Internal audit's conclusion

63. Internal audit has concluded in its annual report that *"Based on the reviews undertaken during 2007/08, in our opinion West Lothian College has a sound framework of control which provides assurance regarding the effective and efficient achievement of the College's objectives. In our opinion West Lothian College has, based on the areas examined in 2007/08 and in previous years, proper arrangements to promote and secure value for money."*

64. We are grateful to BDO Stoy Hayward for their assistance during the course of our audit work.

Prevention and detection of fraud and irregularity

65. We are required to consider the arrangements made by management for the prevention and detection of fraud and irregularity. Fraud is defined as deception made for personal gain and irregularity is defined as transactions which do not comply with Scottish Ministers' guidance.

66. The College has a fraud policy and whistle blowing policy in place. There were no instances of fraud identified during the year.

67. We are pleased to report that we identified no issues of concern in relation to the arrangements for the prevention and detection of fraud or with regard to the legality of transactions.

Standards of conduct

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

69. 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.

70. Our work in this area included a review of the arrangements for adopting and reviewing standing orders, financial instructions, registers of interest and schemes of delegation and complying with national and local Codes of Conduct. We also considered controls over ordering and procurement and disposal of assets.

71. We are pleased to report that our audit identified no issues of concern in relation to standards of conduct, integrity and openness.

Remuneration committee meetings

72. We noted that the College's remuneration committee did not meet during the year, even though a number of remuneration and ex-gratia decisions were taken during 2007/08 which fell under the remuneration committee remit. Whilst we were able to satisfy ourselves through other available evidence that all payments were approved by relevant personnel prior to the payment being made (such as approval by the Principal and Remuneration Committee Chair), we recommend that the remuneration committee itself meets to discuss and approve proposed payments.

73. Further, during the process of reviewing remuneration decisions made in the year, we noted that the last formal minute of the remuneration committee (from 2006/07) omitted details of a potential ex-gratia payment on the basis of confidentiality. Remuneration committee minutes should be a full and complete record of the business being discussed and by their nature are confidential documents. Therefore, we see no reason for this omission from the remuneration committee minutes and suggest this is addressed at the next remuneration committee meeting.

Action Plan - Point 5

Appendix 1 – Action Plan

74. Our annual report action plan details the control weaknesses and opportunities for improvement that we have identified during 2007/08. These are the issues that we believe need to be brought to the attention of the College.

75. It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist.

Priority rating

76. To assist the College in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. The rating structure is summarised as follows:

Priority 1	High risk, material observations requiring immediate action.
Priority 2	Medium risk, significant observations requiring reasonably urgent action.
Priority 3	Low risk, minor observations which require action

Issues from our 2007/08 audit

Action Pt	Para	Issue identified and recommendation	Management Response
1	21	**Budgeting Process** The College has not been accurate in its budgeting and forecasts in the prior 3 years. We therefore recommend that the College review its budgeting and management information arrangements and ensure this fully considers both meeting original targets as well as future projection information, with a view to smoothing actuals against budget as far as is possible in practice. This is particularly important in light of the increasingly tight funding position and impact of future estate maintenance and replacement costs Priority 2	Agreed. A review of the budgeting process is currently underway with a view to improving the budget setting process for 2009-10 and management reporting for 2008-09. **To be actioned by:** Director of Finance **No later than:** 31 July 2009

2	31	**VAT returns** Two VAT returns were submitted late to HMRC. Further, there is no VAT procedures manual in place within the College. A VAT procedures manual should be produced and circulated to relevant College staff. VAT return production/submission should be included as a standard element of period-end financial procedures, with checks in place to ensure returns are made as required. Priority 3	This will be considered once the outcome of the VAT review is known. **To be actioned by:** Finance Manager **No later than:** March 2009
3	55	**Combined Code 2008** A revised Combined Code on Corporate Governance was issued in 2008, which supersedes the Code issued in 2006. We recommend that the College updates its self-assessment to reflect the requirements on the new code. Priority 3	It is noted that the 2008 version of the Combined Code will be applicable from accounting period 2008-09. The Audit Committee will assess the implications of the amended Code for the college. **To be actioned by:** Clerk to the Board of Governors **No later than:** end March 2009
4	60	**Risk Register** The College's risk register is generally reflective of good practice. However, the College should set deadlines for mitigating actions within the risk register as is appropriate, and report back on progress on a periodic basis. Priority 2	Partially Agreed. Regular progress reports are being provided to each meeting of the Audit Committee with effect from November 2008. However the need to set deadlines for mitigating actions within the risk register is not considered necessary given the frequency of reporting. **To be actioned by:** Director of Finance **No later than:** Quarterly reporting

5	72/73	**Remuneration Committee** We noted that the College's remuneration committee did not meet during the year, even though relevant remuneration and ex-gratia decisions were taken during 2007/08. Further, the minutes of the last meeting (July 2007) do not currently appear to be a full and complete record of the business discussed. The College should aim to hold at least one remuneration committee meeting a year, where the approval of relevant payments and awards is sought. Further, the committee should ensure that the minutes of the previous meeting reflect all business discussed and are a full and complete record, going forward. Priority 2	The Minutes of the Remuneration Committee referred to were still draft Minutes not yet approved by the Chair and it is recognised that they were incomplete at that time. They have now been completed. As agreed by the Committee at its last meeting, the Committee concluded a specific remuneration matter by e-mail correspondence following the meeting and this will be recorded formally at the next meeting of the Committee. **To be actioned by:** Clerk to the Board of Governors **No later than:** Next meeting of the Remuneration Committee.

Follow-up of issues from previous year

Follow-up point	Original recommendation and management response	Update at October 2008
5.2.1 **Combined Code 2006**	We recommended that the College performed a self-assessment against the 2006 Code in preparation for making its Corporate Governance Statement in its 2007/08 annual accounts. **Management Response:** Agreed. **Responsible Officer:** Clerk to the Board **Implementation Date:** July 2008	This was discussed by the Board in June 2008, with authority delegated to the Audit Committee to confirm the College's compliance with the Code at its November 2008 meeting. **Action being taken as agreed**
5.2.2 **FE/HE SORP 2007**	To minimise disruption during the year end accounts process, we recommended that the College prepare its OFR in advance of the 2007/08 accounts preparation process. **Management Response:** Agreed. **Responsible Officer:** Director of Finance **Implementation Date:** July 2008	The Operating and Financial Review was prepared and made available at the outset of our final audit visit. **Action taken as agreed**

Follow-up point	Original recommendation and management response	Update at October 2008
5.2.3 **Working Papers**	We recommended that, when compiling the working papers for 2007/08, each element should be signed off by the person responsible within the College, and clearly cross-referenced to the audit file. Rough, hand-written notes and journals should be avoided. **Management Response:** Agreed. **Responsible Officer:** Director of Finance **Implementation Date:** October 2008	The working papers were of a much improved standard in 2007/08. Whilst there were still some problems with obtaining a full and complete set of accounts and supporting papers as per the agreed timetable, we appreciate that there were mitigating circumstances and have agreed with management that this will be fully resolved for the 2009/10 audit. **Action taken as agreed**
5.2.4 **Fixed Assets**	We recommended that the College apportions the value of the buildings between the various components and depreciates accordingly. **Management Response:** Implemented. **Responsible Officer:** Director of Finance **Implementation Date:** December 2007	The College received a more detailed breakdown from GVA Grimleys in October 2008, which provided the required detail to identify the component assets and depreciate accordingly. **Action taken as agreed**
5.2.5 **Fixed Asset Reconciliations**	We recommended that the College regularly reconcile its fixed asset register to the nominal ledger. **Management Response:** Agreed. **Responsible Officer:** Director of Finance **Implementation Date:** December 2007	As noted above, the College now has a detailed breakdown of its asset base. Detailed, meaningful reconciliations can be undertaken between the fixed asset records and the ledger. This control (and other related controls) will be improved once the College acquires the planned Fixed Asset Register software. **Partially addressed**

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