

A REPORT BY THE AUDITOR GENERAL FOR SCOTLAND UNDER SECTION 22(3) OF THE PUBLIC FINANCE AND ACCOUNTABILITY (SCOTLAND) ACT 2000

THE 2006/07 AUDIT OF JAMES WATT COLLEGE

1. I have received the audited accounts of James Watt College for the year ended 31 July 2007. The auditor's report on the accounts is not qualified.
2. I submit these accounts and the auditor's report in terms of section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report which I have prepared under section 22(3) of the Act.
3. In 2005/06, the auditor's report, at pages 8 to 9 of the accounts, expressed concern about the College's financial position:

"These conditions, along with other matters as set forth in the accounting policies, indicate the existence of a material uncertainty which has cast significant doubt about the College's ability to continue as a going concern."
4. While the auditor did not express a specific concern about the financial position in 2006/07, the College's accumulated deficit increased to £5.69 million at 31 July 2007. This was primarily due to the College incurring an operating deficit of £0.919 million in its Income and Expenditure account for the period ended 31 July 2007. This deficit is equivalent to 2.5% of the College's income for the year.
5. The college prepared a financial recovery plan in early 2007, which identified savings of around £1.6 million to be made in 2007/08 as a result of a restructuring exercise. Cash flow projections included in the plan show that it aims to achieve a small cash reserve by 2010/11. At 31 July 2007, the projected operating surplus for the year ending 31 July 2008 was £0.204 million. The SFC is continuing to support the College.
6. Despite the forecast improvements, I believe that the College continues to face a significant financial challenge. I have asked the auditor to continue to monitor the College's progress against its financial recovery plan.



Robert W Black
Auditor General for Scotland
11 April 2008