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INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Langside College

Annual audit report to the Board of Management and Auditor General for Scotland
Year ended 31 July 2009

21 December 2009

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

The contacts at KPMG in connection with this report are:

David Watt
Director
Tel: 0141 300 5695
Fax: 0141 204 1584
david.watt@kpmg.co.uk

Keith Macpherson
Senior Manager
Tel: 0141 300 5806
Fax: 0141 204 1584
keith.macpherson@kpmg.co.uk

Lianne Barr
Assistant Manager
Tel: 0141 309 2505
Fax: 0141 204 1584
lianne.barr@kpmg.co.uk

About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the *Code*").

This report is for the benefit of only Langside College and is made available to Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

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Executive summary

Financial commentary

The College recorded a deficit of £975,000 for 2008-09, compared to a forecast surplus for the year of £100,000 and a deficit of £3,082,000 in the prior year due to accelerated depreciation. The 2008-09 deficit included a further £976,000 of accelerated depreciation in respect of progress on the next phase of the campus redevelopment.

The financial statements report retained general reserves of £3.1 million. This excludes a pension liability of approximately £2.2 million as the College has not implemented defined benefit accounting in respect of its participation in the Strathclyde Pension Fund.

The 2009-10 financial plan forecasts a surplus of £100,000.

Governance and risk management

The corporate governance statement does not disclose any significant weaknesses in the systems of internal control. The content of the statement is consistent with our understanding of the College.

Internal audit concluded that the College "has a framework of control which provides assurance regarding the effective and efficient achievement of the College's objectives".

The College has in place a process to record, distribute and monitor action in response to key guidance and circulars.

The College has prepared an operating and financial review which provides a detailed review of the College's activities in the year. This meets the requirements of Statement of Recommended Practice for further and higher education institutions 2007.

Financial statements

We issued an audit report expressing a qualified opinion on the financial statements of the College for 2008-09. Our audit opinion was qualified in respect of the adjustments and disclosures that would be required to comply with FRS 17 *Retirement benefits*. In all other respects our opinions were unqualified.

The draft financial statements were not available in line with the agreed timetable for commencement of the audit. In addition, the operating and financial review, and other narrative information, was not made available until much later. Supporting information made available at the start of the audit was subject to subsequent amendments by College finance staff.

There were a number of material adjustments arising as a result of our audit. In particular, an adjustment of £415,000 was made to reverse income which had been credited to the income and expenditure account directly from reserves. The impact on the outturn for the year was minimised by the release of £263,000 of deferred income which could be recognised by the College, plus the identification of £72,000 of bank interest which had not been accrued in the draft financial statements.

In addition, fixed asset disposals and matching accumulated depreciation of £10,381,000 were adjusted and included in the financial statements as part of the audit process. Accelerated depreciation of £976,000 was charged as a result of revised economic lives for buildings which the College now plans to demolish as part of the next phases of the Campus redevelopment.

Introduction

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice*. This, and supplementary planning guidance issued by Audit Scotland, specifies a number of objectives for our audit.

Audit framework

2008-09 was the third of our five-year appointment by the Auditor General for Scotland as external auditors of Langside College. This report to the College's Board of Management and the Auditor General provides our opinion and conclusions and highlights significant issues arising from our work.

We outlined the framework under which we operate, under appointment from Audit Scotland, in the audit plan overview discussed with the Board of Management's audit committee on 27 May 2009.

In accordance with Audit Scotland's Code, the scope of our work for 2008-09 was to:

- provide an opinion on the College's financial statements and, as required by the relevant authorities, the regularity of transactions;
- review and report on (as required by relevant legislation, *the Code* and any guidance issued by Audit Scotland):
  - corporate governance arrangements as they relate to: its review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; its financial position
  - aspects of the College's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources.

Responsibilities of the Board and auditors

External auditors do not act as a substitute for the Board of Management's own responsibilities for putting in place proper arrangements to account for the stewardship of resources made available to its and its financial performance in the use of those resources, to ensure the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the effectiveness of those arrangements and, through the College principal, to make arrangements to secure Best Value.

Acknowledgement

Our audit work has continued to bring us into contact with a range of College staff. We wish to place on record our appreciation of the assistance extended to us by College staff during our work.

Service overview; overall position for year; income

- The College recorded a deficit of £975,000 for 2008-09, compared to a forecast surplus for the year of £100,000 and a deficit of £3,082,000 in the prior year due to accelerated depreciation. The 2008-09 deficit included a further £976,000 of accelerated depreciation in respect of progress on the next phase of the campus redevelopment.
- The financial statements report retained general reserves of £3.1 million. This excludes a pension liability of approximately £2.2 million as the College has not implemented defined benefit accounting in respect of its participation in the Strathclyde Pension Fund.
- The 2009-10 financial plan forecasts a surplus of £100,000.

Service overview

In June 2009 the College successfully completed the construction and fitting out of the first element of the campus redevelopment programme. This became operational to students in August 2009. The College also demolished an old building in preparation for the next phase of the new estates project. The financial statements report a deficit for the year of £975,000, which has arisen primarily as a result of further accelerated depreciation (£976,000) in respect of progress on the next phase of the campus redevelopment. This compares to the 2007-08 deficit of £3,082,000, again as a result of accelerated depreciation being charged on the now demolished College building following approval of the redevelopment project.

At 31 July 2009 there were retained general reserves of £3.1 million. This excludes a net pension liability of approximately £2.2 million as the College has not implemented defined benefit accounting in respect of its participation in the Strathclyde Pension Fund.

Income

Income for the year has reduced by £2.3 million compared to 2007-08, an decrease of 13%. As shown in the table below, the majority of the decrease has arisen from decreases in Scottish Funding Council grants. This is attributed to:

- the impact of the reduced level of deferred capital grants release due to the impairment charge in 2007-08 (£2.5 million), offset by an increase of £354,000 in core recurrent grant;
- a decrease of £254,000 in other operating and grant income, principally as a result of reduced European grant income (£202,000) plus a reduction in deferred capital grant release of £89,000; and
- an increase of £160,000 in investment income following recognition of income to which the College is now entitled.

Expenditure; forecast and outturn comparison

	2008-09 £'000	2007-08 £'000	Movement £'000	Movement %
Scottish Funding Council grants	11,503	13,780	(2,277)	(17)
Tuition fees and education contracts	2,424	2,394	30	1
Other operating income	1,058	1,312	(254)	(19)
Investment income	376	216	160	74
Total	**15,361**	**17,702**	**(2,341)**	**(13)**

Expenditure

Expenditure has decreased from £20.8 million in 2007-08 to £16.3 million in 2008-09, giving a 21% reduction on last year. This is greater than the % decrease in income, which results in the lower 2008-09 deficit position. The movement in expenditure is due to the following:

- increase in expenditure on wages and salaries (£843,000) primarily as a result of pay inflation of 4%, combined with incremental progression;
- decrease in other operating costs (£174,000) primarily due to high levels of utility costs in 2007-08 due to a catch-up settlement of a number of years costs; and
- a reduction in the depreciation charge of £5.1 million as a result of the accelerated depreciation charge of £6.0 million in 2007-08 on the now demolished College building, offset by the further accelerated depreciation of £976,000 in 2008-09 in respect of progress on the next phase of the campus redevelopment.

	2008-09 £'000	2007-08 £'000	Movement £'000	Movement %
Staff costs	11,443	10,600	843	8
Other operating expenses	3,313	3,487	(174)	(5)
Depreciation	1,580	6,697	(5,117)	(91)
Total	**16,336**	**20,784**	**(4,448)**	**(21)**

Balance sheet

Balance sheet

The balance sheet shows a significant increase in net assets of £12.8 million as at 31 July 2009 compared to the previous year end. Key elements of the movements include:

- a £12.6 million increase in tangible fixed assets following partial completion of the new building at the year end, which is matched by the increase in deferred capital grants provided to the College by the Scottish Funding Council;
- a £216,000 increase in net current assets, primarily due to a reduction in trade creditors of £1.3 million offset by a reduction in other debtors of £962,000; and
- an increase in provisions for early retirement of £157,000 due to application of revised actuarial assumptions.

	2009 £'000	2008 £'000	Movement £'000	Movement %
Fixed assets	26,196	13,576	12,620	93
Debtors	956	1,887	(931)	(49)
Cash and short-term investments	6,240	6,276	(36)	(0.6)
Creditors: amounts falling due within one year	(3,146)	(4,329)	(1,183)	(27)
Creditors: amounts falling due after more than one year	-	(102)	(102)	(100)
Provisions for liabilities and charges	(1,551)	(1,394)	157	11
Net assets	**28,695**	**15,914**	**12,781**	**80**

Financial forecasts

The following table summarises the 2009-10 financial forecast.

	£'000
Income	16,437
Expenditure	16,337
Forecast surplus for the year ending 31 July 2010	**100**
Cash and investments balances at 31 July 2009	6,240
Forecast cash and investments balances at 31 July 2010	6,335
Forecast movements in cash during 2009-10	**95**

The surplus forecast for 2009-10 in the financial forecast return to the Scottish Funding Council is consistent with the budget surplus for 2008-09, before the impact of the accelerated depreciation and other audit adjustments which gave rise to the deficit for 2008-09.

The increase in income of £1.1 million over 2008-09 is primarily as a result of an expected increase in Scottish Funding Council grant income (£650,000) plus increased other operating income. The College is forecasting to minimise increases in overall staff costs, although completion of the new building in 2008-09 will lead to an increased normal depreciation charge in 2009-10. The audit adjustments agreed in 2008-09 will, however, have an impact on the forecasts previously submitted and management have already responded to this by re-forecasting the budget and forecast figures.

Governance and risk management

- The corporate governance statement does not disclose any significant weaknesses in the systems of internal control. The content of the statement is consistent with our understanding of the College.
- Internal audit concluded that the College "has a framework of control which provides assurance regarding the effective and efficient achievement of the College's objectives".
- The College has in place a process to record, distribute and monitor action in response to key guidance and circulars.
- The College has prepared an operating and financial review which provides a detailed review of the College's activities in the year. This meets the requirements of Statement of Recommended Practice for further and higher education institutions 2007.

Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all publicly-funded bodies.

Through the College principal, the Board of Management is responsible for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy of these arrangements. The *Code* requires auditors to review and report on the College's corporate governance arrangements as they relate to:

- the College's reviews of its systems of internal control, including reporting arrangements;
- the prevention and detection of fraud and irregularity;
- standards of conduct and arrangements for the prevention and detection of corruption; and
- its financial position.

Governance arrangements

The Board of Management comprises 17 members, plus four co-opted members who bring particular skills and expertise, and meets four times a year to oversee the College's strategic plans. It is supported in this role by the senior management team. The College operated seven key standing committees during 2008-09: committee of chairs, finance, audit, property and estates, staffing, development, and an academic board. The committee of chairs acts as a search committee, conducts the annual appraisal of the Principal, and makes recommendations to the Board of Management and determines the remuneration of the most senior staff including the Principal. This governance structure, which includes non-executive, student and academic representation, is demonstrative of best practice and meets the minimum requirements of the Scottish Funding Council. The committee structure provides the Board of Management with the framework to ensure appropriate oversight and monitoring of financial and academic activities.

Governance and risk management (continued)

Risk management

A formal risk management policy is in place which has been approved by the Board of Management. The risk register, which is made available on the College's website, has been reviewed and updated during 2008-09. The risk register contains details of the risk areas, the specific risks, the likelihood and materiality of the risk. Action against the total risk score is dependent on the severity of the specific risk. he new build project is included on the risk register, as a specific "failure to manage the new build appropriately" risk, with the total risk score graded green (low), as the likelihood of the risk materialising has been assessed as low.

Corporate governance statement

The corporate governance statement for 2008-09 provides details on how the Board of Management have established processes and controls in order to comply with the combined code on corporate governance.. The statement highlights that the College is committed to exhibiting best practice in all aspects of corporate governance. The corporate governance statement is informed by the results of internal consideration of the arrangements that have been put in place by the Board of Management.

The College does not disclose any significant weaknesses within its statement. We are required to review this to assess whether the description of the process employed by the College is consistent with our understanding and report any inconsistencies in our opinion. We are not required to provide an opinion on the College's system of internal control. We have reviewed the corporate governance statement and believe it to be consistent with our understanding of the process followed by the College during the year.

Regularity

The Board of Management considers all incoming correspondence relevant to its strategic management role from the Scottish Funding Council and other regulatory or advisory bodies, such as Audit Scotland. The audit committee also considers any applicable correspondence. The College therefore considers all incoming guidance received from these bodies, and can demonstrate that they take appropriate action when required.

Internal audit

The approved internal audit programme for 2008-09 has been completed and the internal auditors have concluded that the College "has a framework of control which provides assurance regarding the effective and efficient achievement of the College's objectives".

Internal controls

In accordance with our audit plan, we undertook detailed testing in relation to both entity level and key financial controls. We have relied on the work carried out on internal audit around other income, tuition fees and debtors and considered their work carried out on asset management.

During our audit cut-off testing we identified certain invoices that had not been accounted for in the correct period. Our work showed that, whilst all invoices were reviewed, only some invoices over a certain amount were accrued on materiality grounds. Following further internal review, management also identified a number of invoices, either purchases or sales invoices, which had not been correctly treated and these were adjusted during the audit completion process. While these adjustments were not material overall, it is recommended that a review of cut-off procedures is put in place to improve the process in 2009-10.

Recommendation one

Governance and risk management (continued)

Prevention and detection of fraud and irregularity

The College's financial regulations details measures put in place to prevent instances of fraud, including a whistle-blowing policy. The College has a fraud policy available to all employees on the intranet, as well as policies and procedures in individual financial and operational areas. Management has not reported any material instances of fraud or irregularity during 2008-09.

Standards of conduct

Members of the Board of Management and staff are require to operate in accordance with the College's internal code of conduct setting out the required minimal ethical and behavioural expectations. There are comprehensive human resource policies and procedures providing additional guidance to staff which are readily accessible to staff on the intranet. There is also a formal register of interests for recording members of the Board of Management' interests. This is made available on the College's website.

Best Value / value for money

The 2008-09 planning guidance for further education colleges issued by Audit Scotland indicated that there was no requirement for auditors to undertake performance audit or other Best Value studies during the year.

Scottish Funding Council enquiry

On 9 June 2009 the Scottish Funding Council issued an enquiry letter to all further education colleges in Scotland as a result of findings by the Scottish Funding Council's internal auditors. These asked Colleges to ensure that:

- all non-trivial contracts entered into by institutions are committed to writing;
- statutory child protection requirements in relation to Enhanced Disclosure checks are adhered to;
- Boards of Management avoids the prospect of any actual perceived conflicts of interest for board members at all times; and
- colleges are aware of and adhere to guidance issued in relation to provision provided in collaboration with other organisations.

Following a review of activities and systems, the College replied to this enquiry on 16 September 2009 with positive affirmation that it already complies with best practice in these areas.

Key findings

- We issued an audit report expressing a qualified opinion on the financial statements of the College for 2008-09. Our audit opinion was qualified in respect of the adjustments and disclosures that would be required to comply with FRS 17 *Retirement benefits*. In all other respects our opinions were unqualified.
- The draft financial statements were not available in line with the agreed timetable for commencement of the audit. In addition, the operating and financial review, and other narrative information, was not made available until much later. Supporting information made available at the start of the audit was subject to subsequent amendments by College finance staff.
- There were a number of material adjustments arising as a result of our audit. In particular, an adjustment of £415,000 was made to reverse income which had been credited to the income and expenditure account directly from reserves. The impact on the outturn for the year was minimised by the release of £263,000 of deferred income which could be recognised by the College, plus the identification of £72,000 of bank interest which had not been accrued in the draft financial statements. In addition, fixed asset disposals and matching accumulated depreciation of £10,381,000 were adjusted and included in the financial statements as part of the audit process. Accelerated depreciation of £976,000 was charged as a result of revised economic lives for buildings which the College now plans to demolish as part of the next phases of the campus redevelopment.

Audit opinion

On 17 December 2009 we issued an audit report expressing a qualified opinion on the financial statements of the College for the year ended 31 July 2009. Our audit opinion was qualified in respect of the adjustments and disclosures that would be required to comply with FRS 17 *Retirement benefits*. In all other respects our opinions were unqualified.

If the College had implemented defined benefit accounting, we estimate that the net assets of the College would have been reduced by approximately £2.2 million, while the deficit for the year of £975,000 would have been increased by approximately £90,000.

Financial statements – compilation arrangements

Financial statements were presented to us on 9 November 2009, one week after the agreed date for commencement of audit fieldwork. The statements were incomplete. In particular, they did not contain any of the "front end" narrative statements, namely the operating and financial review, statement of corporate governance and internal control, or the statement of the Board of Management's responsibilities. The narrative statements were only made available for consideration on 1 December 2009. A similar issue arose in the 2007-08 audit and recommendations were agreed to improve arrangements.

A full draft set of financial statements which accurately reflect the management accounts should be prepared and available to us on the (mutually agreed) first day of our audit. These should include the operating and financial review and other narrative material. Whilst we expect small adjustments may be made to these, having financial statements available alongside third party audit evidence would significantly enhance audit efficiency. Any changes that are made to the financial statements should be tracked by management and explanations given, with supporting documentation available where appropriate. Our findings in respect of these matters were discussed at the audit committee meeting on 9 December 2009 where we presented our "report to those charged with governance" under International Standards on Auditing 260.

Recommendation two

Key findings (continued)

Reserves accounting

The draft financial statements presented for audit included income of £415,000 which had been released from the College's internal designated reserves back to the income and expenditure account as income in the year. Discussions had taken place with management earlier in 2008-09, and prior years, confirming that such practices did not comply with generally accepted accounting practice. The financial statements have been adjusted to reverse this, which had a corresponding effect on the result for the year.

Fixed assets

Accounting for tangible fixed assets represented an audit focus area in 2008-09 due to the new estates project and disposal of existing assets. This follows from last year's focus on the value of fixed assets and the calculation of accelerated depreciation. A number of issues were found regarding our audit work on fixed assets.

Accelerated depreciation

Following progress made on the new build project, additional accelerated depreciation has been charged in the year reflecting the revised useful economic lives of buildings which the College now plans to demolish as part of the later phases of the campus redevelopment project. This additional depreciation of £976,000 has produced the deficit for the year.

Fixed asset disposals

The demolished buildings, plus a number of associated plant and equipment items, remained on the fixed asset register at the year end. No disposal had been accounted for in the draft financial statements presented for audit. All items physically disposed of, including through demolition, should be removed from the fixed asset register. As a result, an audit adjustment to include £10,381,000 of fixed asset disposals, matched by removal of the same amount of accumulated depreciation, was processed in the financial statements.

From our discussions with the Resource Manager and estates staff, it is our understanding that detailed inventory lists are currently being collated and reorganised in order to create accurate records of everything owned by the College, following the opening of the new building. This should assist in future assessment of the fixed asset register.

Recommendation three

Assets under construction

No transfer from assets under construction, and consequently no depreciation was charged on the new College building during the year. It has been agreed with management that while the construction of the building ended in June 2009, as the building only became fully operational for use by students and staff from August 2009, the asset should remain in assets under construction at the year end. The asset will be transferred to operational buildings and equipment from 1 August 2009. College management will need to ensure that the expenditure on the new building is recorded appropriately between land and buildings, and equipment assets. Furthermore, in order to comply with the requirements of the FRS 15, and the statement of recommended practice ("SORP") for further education institutions, management need to identify components making up the total building which have different useful economic lives, and to charge depreciation according to these different lives.

Recommendation four

Key findings (continued)

Interest accrual and deferred income

During our audit procedures we identified omitted bank interest receivable of £72,000. In addition, deferred income of £263,000 was released as it has been confirmed that there is no requirement for the College to make repayment of these monies and it should be credited to the College income and expenditure account as earned. It is recommended that amounts recorded as deferred income should be reviewed regularly by senior management to ensure it is being deferred appropriately. Original documentation should also be retained evidencing the purpose of the grants received and any restrictions given alongside these.

Recommendation five

Action plan

Priority rating for recommendations		
Grade one: Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	**Grade two**: Issues that have an important effect on internal controls, but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.	**Grade three**: Issues that would, if corrected, improve the internal control in general, but are not vital to the overall system. These are generally issues of best practice that we feel would be of benefit to you if introduced.

No.	Issue and recommendation	Management response	Officer and due date
1	Audit cut-off testing identified certain invoices that had not been accounted for in the correct period. Our enquiries revealed that whilst all invoices were reviewed, only some invoices over a certain amount were accrued on materiality grounds. Following further internal review, management also identified a number of invoices, either purchases or sales invoices, which had not been correctly treated and these were adjusted during the audit completion process. While these adjustments were not material overall to the financial statements, it is recommended that a review of cut-off procedures is put in place to improve the process in 2009-10. *(Grade two)*	For clarification purposes, the statement "management also identified a number of invoices…which had not been correctly treated and these were adjusted.." refers to eleven invoices ranging in value from £616 to £5,896, in total £33,000. Internal cut-off procedures are in place which should identify material adjustments required. However, with regard to these eleven invoices, two of them were for the same type of goods and totalled £9,336. They were not identified during the normal process because they were of a significantly lower value than in previous years. They were corrected during the audit. A further review of cut-off procedures will be carried out as part of the normal review process.	Finance Manager By May 2010
2	Draft financial statements were not made available until the 9 November 2009, one week after the mutually agreed start date of the audit. The operating and financial review, and other aspects of the "front-end" narrative material were not made available for audit until 1 December 2009. The supporting documentation made available to support the draft financial statements was incomplete, which led to additional inefficiencies in the audit process and a compressed timetable in which issues required to be resolved. It is recommended that management review the timeline for preparation of the financial statements to allow draft financial statements to be made available at the start of audit fieldwork. These should include complete front end narrative material, as well as supporting documentation for all financial statement captions. In respect of supporting audit documentation, it is recommended that our prepared by client listing made available to management earlier in the process, should be used by management as a checklist in preparation of the commencement of the audit. *(Grade one)*	The College accepts that the draft financial statements were not available until 9 November, and also accepts that the "front end" narrative material was not made available until 1 December. On page 11 of the report it is stated that the financial statements should accurately reflect the management accounts and management accounts were made available on 4 November. The recommendation to review the timeline is accepted. However, the College had a timeline in place for the 2008-09 exercise which would have provided a full set of financial statements had it not been for particular mitigating circumstances which reduced the time available. While the College accepts that there were difficulties and delays it believes that the auditors contributed to these and does not accept that overall it warrants a Grade one.	Assistant Principal (Resources), Finance Manager By February 2010

Action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
3	Following opening of the new building, we understand that College management are in the process of preparing detailed inventory lists of College assets to ensure that accurate records of everything owned by the College are prepared. It is recommended that management ensure that as part of this process, detailed fixed asset registers for accounting purposes are prepared which will enable a full auditable trail of assets held in the new building to be used as the basis for the financial statements. *(Grade two)*	The recommendation is accepted. College staff are well aware of this issue and are currently addressing it.	Resources Manager, Finance Manager, Estates Manager, Head of ICT Ongoing, with completion by May 2010
4	The asset will be transferred to operational buildings and equipment from 1 August 2009. College management will need to ensure that the expenditure on the new building is recorded appropriately between land and buildings, and equipment assets. Furthermore, in order to comply with the requirements of the FRS 15, and the statement of recommended practice ("SORP") for further education institutions, management need to identify components making up the total building which have different useful economic lives, and to charge depreciation according to these different lives. It is recommended that management obtain the information required to implement component accounting as required by the SORP during 2009-10. *(Grade one)*	This is an issue for the 2009-10 year end and it did not affect the 2008-09 year end. College staff are well aware of this issue, have experience of dealing with it in previous years and the information to identify the components is recorded separately for the claims to the Funding Council to draw down the funding for the new build. While the recommendation is accepted for future years, the College does not accept that it warrants a grade one for the 2008-09 year end financial statements.	Finance Manager, Resources Manager Ongoing with completion by May 2010
5	Following adjustments to deferred income balances in 2008-09, it is recommended that amounts recorded as deferred income should be reviewed regularly by senior management to ensure that they are being deferred appropriately. Original documentation should also be kept evidencing the purpose of the grants received and any restrictions given alongside these. *(Grade two)*	The recommendation is accepted. Original documentation is currently being kept.	Achieved