SCOTT-MONCRIEFF

EDINBURGH AND GLASGOW

West Lothian College

Annual Report to the Board of Governors and the Auditor General for Scotland 2008/09

December 2009

West Lothian College

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Executive Summary

Finance

Our audit of West Lothian College ("the College") is complete and our audit opinion on the truth and fairness of the financial statements and the regularity of transactions is unqualified.

The College reported a surplus of £559,000 in 2008/09 (2007/08: £383,000), against a budgeted surplus of £610,000. The budgeted surplus differed from that set out in the Financial Forecast Return (FFR), as the FFR surplus of £277,000 did not take account of the College's target to achieve a surplus of 5% of income. The College contacted the Scottish Funding Council (SFC) to advise of this revision.

The College's 2008/09 financial outturn position compares favourably when considered against results across the sector. Surpluses in line with the 5% of income target have been projected for the next three years; £610,000 in 2009/10, £675,000 in 2010/11 and £722,000 in 2011/12.

Governance

The College's Corporate Governance Statement confirms that the College has been fully compliant with the key principles of the 2008 Combined Code on Corporate Governance during 2008/09. We have reviewed the College's statement and can confirm that this is in line with the SFC's guidance and is not inconsistent with our understanding from the audit.

We did not identify any areas of concern from our review of the College's corporate governance arrangements in so far as they relate to prevention and detection of fraud and irregularity or standards of conduct and prevention and detection of corruption.

Conclusion

This report concludes the 2008/09 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 Director of Finance. We would like to thank all members of the College's management and staff who have been involved in our work for their co-operation and assistance during our audit.

Scott-Moncrieff
15 December 2009

Introduction

1. This report summarises the findings from our 2008/09 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 10 September 2009. The main focus of our external audit has been on the financial statements and governance arrangements.

2. Our plan summarised the key audit issues for 2008/09:

   - Financial Position
   - Lothian Pension Fund liabilities
   - Early retirement provision
   - College restructuring
   - Combined Code of Corporate Governance 2008

3. This report includes our findings in relation to these key issues. This 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, www.audit-scotland.gov.uk.

Finance

5. It is the responsibility of the College to conduct its financial affairs in a proper manner. It is our responsibility to audit the financial statements and also to consider the College's governance arrangements in relation to the College's financial position.

Auditors' opinion

6. We are required to give an opinion as to whether the financial statements present a true and fair view of the financial position of the College as at 31 July 2009 and of its expenditure and income for the financial year. We are also required to include a regularity assertion in our independent auditors' report stating whether, in all material respects, expenditure and income were incurred or applied for their intended purposes and in accordance with guidance issued by the Scottish Ministers and the financial memorandum with Scottish Funding Council (SFC).

7. Our audit is now complete, and our audit opinion on the truth and fairness of the financial statements and the regularity of transactions is unqualified.

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 reported a surplus of £559,000 in 2008/09 (2007/08: £383,000), against a budgeted surplus of £610,000. The budgeted surplus differed from that set out in the Financial Forecast Return (FFR), as the FFR surplus of £277,000 did not take account of the College's target to achieve a surplus of 5% of income. The College contacted the Scottish Funding Council (SFC) to advise of this revision.

10. The £51,000 adverse variance from the budgeted surplus is the net impact of various movements. Commercial and workforce development income was lower than originally anticipated, coupled with delays in progressing with european-funded projects. The College offset these variances through savings in staff costs from an internal restructure and from delays in filling vacant posts. The College also received additional SFC funding for items such as ESOL and Childcare. A quantitative analysis of the variances is set out in the table below.

	Variance £'000
Budgeted Surplus	**610**
Commercial Income	-526
European funding	-225
Additional SFC funds received	272
Staff cost savings (note 1)	521
Other variances	-93
Actual Surplus Achieved	**559**

Note1. Staff cost savings largely resulting from a restructure of the Senior Management Team and reduction in temporary commercial staff contracts.

Balance Sheet

11. The College's Balance Sheet as at 31 July 2009 reported net assets of £7.708m (2007/08: £9.016m) and a cash balance of £1.37m. During the year the College spent £355,000 on capital expenditure, financed fully through deferred capital grants.

12. The College's net asset position is made up of £19.338m of deferred capital grants set against a combined negative balance of the Income and Expenditure reserve and Pension Reserve of £11.63m. This negative reserves position has increased compared to 2007/08 due to the 104% increase in the pension fund liability, and the negative I&E reserve is a product of 2006/07 PFI buy out.

13. As shown in the table below, the College has sufficient funds to meet its immediate creditors as the calculated liquidity ratio is greater than 1. The liquidity has increased compared to 2007/08 due to a notable decrease in the level of accruals and deferred income this year (largely timing differences). Current assets have also decreased year on year, mainly due to a decrease of £329,000 in the College's bank balance. Overall, the liquidity level is largely in line with the College's 1.2:1 target.

	2008/09 £'000	2007/08 £'000	2006/07 £'000
Current Assets	2,103	2,371	1,903
Current Liabilities	1,832	2,269	1,217
Liquidity ratio (assets: liabilities)	1.15	1.04	1.56

14. The following table shows that the College is funded 76% by long term debt, an increase on previous years. This is due to a reduction in its net asset position because of an increase in the

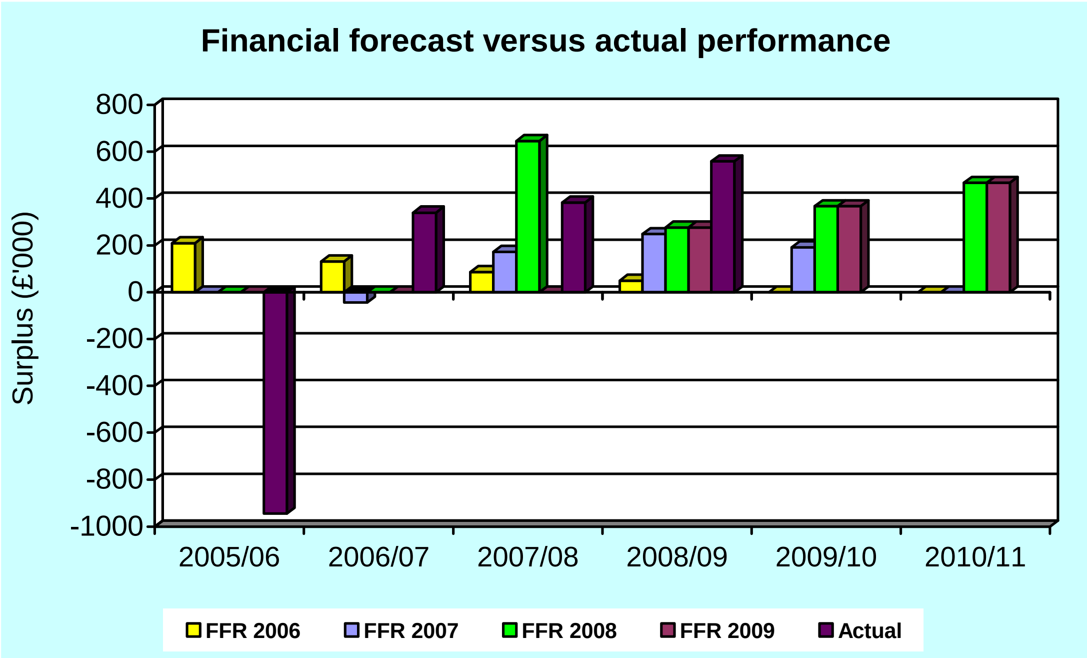
pension fund liability. The College is working towards rectifying this position through repayment of its debt via the 5% 'surplus-to-income' target.

	2008/09 £'000	2007/08 £'000	2006/07 £'000
Long Term Creditors	5,893	6,387	6,702
Net Assets	7,708	9,016	9,579
Gearing	76%	71%	70%

Financial forecasts

15. The College submits annual Financial Forecast Returns (FFRs) to SFC detailing the expected results for the current and 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 with previous FFR forecasts and shows the latest predictions within the 2009 FFR.



Source: West Lothian College Financial Forecast Returns.

17. The College is actually forecasting surpluses of £610,000 in 2009/10, £675,000 in 2010/11 and £722,000 in 2011/12. These surpluses are different from that set out in the Financial Forecast Return (FFR) as the FFR budgeted surpluses did not take account of the College's target to achieve a surplus of 5% of income. The College contacted the Scottish Funding Council (SFC) to advise of this revision. Accordingly, we have not raised an exception in this report although we would stress it is important that accurate figures are provided to SFC to inform their financial

planning and in compliance with the financial memorandum. We confirmed that the budget presented to the College's Finance and General Purposes Committee in August 2009 reflects the £610,000 / 5% surplus target.

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 operations and use of resources.

19. Budgets are devised prior to the start of the year and are presented to the Finance and General Purposes Committee which reviews the information and, if satisfied, recommend to the Board for approval.

20. Management accounts are discussed by the Senior Management Team on a regular basis and presented to each of the quarterly Finance and General Purposes Committee and Board meetings for review.

21. Internal audit reviewed the Budgetary Control process in place during 2008/09 and graded the arrangements as "Good".

Responding to the Economic Recession

22. Regular Business and Enterprise reports were reported to the College's Finance and General Purposes Committee throughout 2008/09. The College implemented plans in order to manage expenditure and maximise income so as to achieve the targeted surplus. A key action taken in response to the current economic climate was the reorganisation of the Marketing and Sales Centre. The aim of this reorganisation was to provide the College with a greater focus on development and promotion of income generating activities for the College.

Financial statements preparation

23. We are grateful to the Assistant Principal - Finance & Resources, the Finance Manager and the finance staff for their assistance and support during the course of the audit. The draft accounts and supporting working papers were of a high standard.

24. We found that there are adequate resources and experience within the Finance Department to meet the College's financial management and reporting needs.

Audit adjustments

25. During the course of our audit we identified a number of audit adjustments to the financial statements as presented for audit. The College has adjusted for one of these audit differences. We do not consider the unadjusted differences to be material in isolation or in aggregate. These

unadjusted differences have a net £20,000 effect on the 2008/09 outturn position and we have appended these to our letter of representation.

Audit Adjustments (not adjusted for)

Audit Difference	**£'000**
Surplus in accounts presented for audit	**559**
Adjustments:	
Fee waiver adjustment	(38)
Creditors "cut-off" adjustment	18
Surplus per financial statements if adjustments applied	**539**
Net impact of unadjusted differences	**(20)**

26. The College is recognising £76,000 in relation to fee-waiver income, above the allocation SFC has confirmed to date. SFC has generally funded such 'additional' claims in previous periods. However, the current economic climate and the rise in the level of such claims across the sector as a whole have increased the uncertainty over the SFC response to this situation for 2008/09. As a result - and from our consideration of past SFC action and future fee waiver uplifts being applied - we have proposed a more prudent approach of recognising half of this amount in 2008/09. (If subsequently received in full, the balance would be recognised within the 2009/10 financial statements).

27. We identified two other adjustments with no net impact on the income and expenditure account. One of the adjustments relates to the College recognising an invoice relating wholly to 2009/10 as "deferred expenditure". A prepayment and corresponding accrual was recognised for £73,000. This should not be recognised in the 2008/09 financial statements as overstates current assets and current liabilities. This has been adjusted by the College. The second adjustment, relating to asset capitalisation, has not been adjusted by the College and would have been offset by a change in release from the deferred grant reserve. This is discussed further in paragraph 31.

28. All other adjustments to the draft accounts were of a presentation and disclosure nature.

Review of accounting systems

29. Our audit involved reviewing the accounting systems and certain internal controls operating at the College, to ensure they formed an adequate basis for the preparation of the financial statements.

Commercial income contracts

30. The College performs contract work for local employers in respect of workforce development. We noted that signed contracts are not received from the College's clients in all instances. Signed contracts should be obtained prior to undertaking this type of work, as far as is practical.

Action Plan Point 1

Capitalisation of expenditure

31. Through our testing of asset additions, we identified capitalised invoices which included elements of repairs and maintenance work. Whilst there is often an element of professional judgement in identifying what is capital and what is revenue spend, the College should review invoices which include capital works in more detail to reach a reasonable split between what is capitalised and what is expensed in the year.

Action Plan Point 2

Year end "cut-off" adjustments / IT interface

32. We identified a number of purchase and sales invoices that were received or issued around the year end that were not posted to the correct year. We also noted instances where invoices received before the year end wholly relating to 2009/10 were recognised as both a creditor and a debtor.

33. We have not had particular issues with cut off procedures at the College in previous years and this issue this year appears to coincide with the re-focus of finance staff resources around year end to manually key data due to problems with the non-pay expenditure interface with the ledger.

Action Plan Point 3

34. We identified no other reportable control weaknesses during our audit of the accounting systems. In general, the College's systems of internal financial control appear to be adequate, well designed and operating effectively and are commensurate with the level and extent of arrangements in place at other Colleges.

Issues of particular significance for the 2008/09 audit

35. In order to assist College members' understanding of the financial statements and our audit, we have summarised the issues that we believe are of particular significance to the 2008/09 financial statements below.

Lothian Pension Fund liabilities

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

37. 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 FRS 17, the College has not recognised any asset or liability relating to STSS and the scheme is effectively accounted for as if it is a defined contribution scheme.

38. The LPF 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 £2.514 million as at 31 July 2009, an increase of £1.286 million on the equivalent position in 2007/08. 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.

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

Early retirement liabilities

40. The College has previously offered early retirement to staff, making monthly payments to the pension fund to cover any shortfall arising from the decision to grant early access to retirement benefits. In line with Financial Reporting Standard 12 - *Provisions, Contingent Liabilities and Contingents Assets* (FRS 12), the College recognises a liability for the future payments in relation to these early retirements. The College recalculates its estimate of this liability every year.

41. We reviewed the calculation of the early retirement provision and found that it was properly reported in the financial statements.

College restructuring

42. During 2008/09, the College has moved from an organisational model of 6 "Sectors" to 4 "Academic Centres", supplemented by a "Business Partnership Centre", as a means to work more effectively and leverage potential efficiency savings. This also allowed management to best-align activities with the core objectives of the strategic plan. The review involved a consultation exercise whereby all staff had the opportunity to feedback into the process.

43. We considered the restructuring changes made during the year as part of our audit work. The changes had limited direct implications on the annual accounts and the College has made appropriate commentary in the Operating and Financial Review on the nature and extent of these changes.

Governance

44. 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

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

Corporate Governance Statement

46. Colleges are required to include with 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 in corporate governance, including the arrangements for risk management, and report on the College's compliance with the Combined Code.

47. A revised Combined Code on Corporate Governance was issued in June 2008, which supersedes the Code issued in 2006. 2008/09 is the first year the College has had to state the extent of compliance with the 2008 code. The College's Corporate Governance Statement for 2008/09 explains that the College was fully compliant with the 2008 Combined Code throughout the period.

48. We reviewed the Corporate Governance Statement by:

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

49. We are satisfied that the statement is consistent with SFC guidance and that the contents are not inconsistent with information gathered during the course of our normal audit work.

Risk management

50. Risk management is important to the establishment and regular review of systems of internal control.

51. The College has a strategic risk register in place, maintained by the Principal who, along with senior management, is responsible for reviewing and updating the risk register on a regular basis via SMT meetings. The full strategic risk register is reported to the Audit Committee, with the Committee given the opportunity to comment on the register as part of its review. Operational risk is also considered as part of planning processes within departments.

52. The College has satisfactory risk management systems in place to manage and monitor key strategic risks the College may be exposed to. However, we understand management are looking to refresh the risk management process in 2009/10, and have suggested some areas to consider as part of this refresh within our 2007/08 audit recommendation follow up (see Appendix 1).

Action Plan Follow Up - Point 4

Internal audit

53. Internal audit is a key component of the Board's corporate governance arrangements. The Board's internal audit service is provided by BDO Stoy Hayward. We have considered the internal audit arrangements in place and concluded that there is an effective service which complies with relevant sector guidance.

54. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate. During 2008/09 we have reviewed the following internal audit reports and integrated the findings with our own external audit work:

- Budgetary Control and Accounting
- Human Resources
- Academic Department/Support Services Department
- Bursaries and student funding
- Follow Up review

Internal auditor 2008/09 conclusion

55. Internal audit has concluded in its annual report that *"Based on the reviews undertaken during 2008/09, 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 2008/09 and in previous years, proper arrangements to promote and secure value for money."*

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

Prevention and detection of fraud and irregularity

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

58. The College has a fraud prevention policy and fraud response plan in place. Management confirmed that there were no frauds identified during the year.

59. We identified no issues of concern in relation to the arrangements for the prevention and detection of fraud or with regard to the legality of transactions.

Standards of conduct

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

61. Propriety requires that public business is conducted with fairness and integrity. This includes avoiding personal gain from public business, being even-handed in the appointment of staff, letting contracts based on open competition and avoiding waste and extravagance. Guidance on standards of conduct, accountability and openness has been issued by the Scottish Government.

62. Our work in this area included a review of the arrangements for adopting and reviewing standing orders, financial instructions, 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.

63. Our audit identified no issues of concern in this area.

Looking Forward

Financial position

64. 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. Coupled with increasing cost pressures this will result in limited financial resources for the sector.

65. The College has also been awarded additional funding of £816,000 from SFC to specifically support activity in response to the economic downturn. This is ring-fenced money which the College is currently agreeing how best to allocate for the benefit of the local area.

Future capital works

66. The College is developing plans for capital works to extend Terraces 1 and 2 and refurbish Terrace 4 over the summer of 2010. A significant ICT refresh is also planned. We will consider the progress made with these projects and the impact on the financial statements during our 2009/10 audit.

Procurement efficiencies

67. The College has entered into a number of contracts arising from Advanced Procurement for Universities and Colleges (APUC) and is involved in a number of initiatives. The College has not yet identified its savings from being part of this procurement process, however APUC is undertaking an exercise to assess the benefits of the contracts it has introduced and the College will use this information to gauge savings that have been made.

Appendix 1 - Action Plan

Our annual report action plan details the financial control weaknesses and opportunities for improvement that we have identified during our audit visit in addition to any reportable matters arising from our review of performance and governance systems.

The action plan details the officers responsible for implementing the recommendations and implementation dates. The College should assess these recommendations for their wider implications before approving the action plan. Following submission of this report to the Audit Committee, we will send a copy to the Auditor General.

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

Grading

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

Grade 5	Very high risk exposure - Major concerns requiring Board attention.
Grade 4	High risk exposure - Material observations requiring management attention.
Grade 3	Moderate risk exposure - Significant observations requiring management attention.
Grade 2	Limited risk exposure - Minor observations requiring management attention
Grade 1	Efficiency / housekeeping point.

Issues arising from our 2008/09 audit

No	Title	Issue identified	Risk and recommendation	Management comments
1	**Commercial Income Contracts** **(Para 30)**	We noted instances where the College did not have signed contracts in place in relation to commercial services provided, such as workforce development contracts.	The College is at financial risk if the other party does not fulfil its obligations under the terms of its agreement with the College. Whilst appreciating the need for pragmatism on the College's part, signed contracts should be in place at the outset of all commercial agreements. ***Grade 2***	Agreed. All reasonable steps are taken to have signed contracts in place. However, where signed contracts have not been obtained there are effective credit control processes operating to ensure that funds due are received. **Responsible officer:** Finance Manager **Implementation date:** N/A

No	Title	Issue identified	Risk and recommendation	Management comments
2	**Capitalisation of Expenditure** **(Para 31)**	Through our testing of asset additions, we identified capitalised invoices which included elements of repairs and maintenance work.	There is a risk that fixed assets and other operating expenditure may be incorrectly stated. Whilst there is often an element of professional judgement in identifying what is capital and what is revenue spend, the College should review invoices which include capital works in more detail to reach a reasonable split between what is capitalised and what is expensed in the year. ***Grade 2***	Agreed. This will be addressed as part of a planned review of the capital process. **Responsible officer:** Assistant Principal, Finance & Resources **Implementation date:** January 2010

No	Title	Issue identified	Risk and recommendation	Management comments
3	**Year-end Cut Off / IT interface** **(Para 33)**	We noted a number of purchase and sales invoices received or issued around the year end that were not posted to the correct year. We acknowledge that we have not had particular issues with cut off procedures at the College in previous years. This issue this year appears to coincide with the re-focus of finance staff resources around year end to manually key data due to problems with the non-pay expenditure interface with the ledger.	There is a risk that the College may misstate its year end income/debtors, and expenditure/creditors position. The College should ensure that all issues with the non-pay expenditure interface with the ledger are resolved with the software provider as soon as possible. This should ensure staff have enough time to review period end invoices and assign these to the correct period in future. ***Grade 2***	Agreed. An interim process has been identified for bringing invoices into the finance system. Discussions are ongoing with the systems providers to reach a resolution as quickly as possible. **Responsible officer:** Finance Manager **Implementation date:** July 2010

Follow-up of issues from 2007/08 external audit

No	Title	Original recommendation and management response	Update at October 2009
1	**Budgeting Process**	**Original Recommendation** 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. **Management Response** 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.	The College has generated a surplus which is generally in line with budget for 2008/09. The College is forecasting surpluses of £610,000 in 2009/10, £675,000 in 2010/11 and £722,000 in 2011/12. However, these surpluses are different from that set out in the Financial Forecast Return (FFR) as the FFR budgeted surpluses did not take account of the College's target to achieve a surplus of 5% of income. The College contacted the Scottish Funding Council (SFC) to advise of this revision.

No	Title	Original recommendation and management response	Update at October 2009
2	**VAT returns**	**Original Recommendation** 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. **Management response** This will be considered once the outcome of the VAT review is known.	We noted that there was one VAT return submitted late to HMRC in 2008/09. VAT procedures are to be reviewed and updated during 2009/10 as part of the update of the Financial Procedures Manual.

No	Title	Original recommendation and management response	Update at October 2009
3	**Combined Code 2008**	**Original Recommendation** 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. **Management response** 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.	We reviewed the College's Corporate Governance Statement and found no exceptions. **Action complete.**

No	Title	Original recommendation and management response	Update at October 2009
4	**Risk Register**	**Original Recommendation** 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. **Management Response** 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.	College management are looking to refresh the risk management process in 2009/10. As part of this review, we recommend that the College consider: • Update to the Risk Management Strategy, to more clearly discuss risk in terms of both 'opportunities' and 'threats'. • Link identified risks to specific strategic objectives. • Record more specific minutes of SMT risk discussions and of progress taken against action plans since the previous meeting. • Provide the Audit Committee with a cover paper when presenting the updated risk register, which clearly identifies changes to the register since last review (updates, new risks added, risks removed, changes in action plan approach, changes to risk grading). • Use gross and net risk scores in the risk register, to provide means to analyse the efficiency and effectiveness of mitigating controls and actions.

No	Title	Original recommendation and management response	Update at October 2009
5	**Remuneration Committee**	**Original Recommendation** 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. **Management Response** The Minutes 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.	We reviewed the minutes of the remuneration committee during the year; meetings were held as appropriate and records were retained. **Action complete.**

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