



**ANNUAL REPORT TO THE BOARD OF GOVERNORS AND THE  
AUDITOR GENERAL FOR SCOTLAND  
ON THE EXTERNAL AUDIT  
FOR THE YEAR ENDED 31 JULY 2011**

**Wylie + Bisset LLP**  
Chartered Accountants  
Business & Tax Advisers

Date of commencement of Final Visit	5 September 2011
Date of Audit clearance meeting	29 September 2011
Date of College Responses	3 October 2011
Date of Presentation of Report	5 October 2011
Proposed signing date	15 November 2011

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## GLOSSARY OF TERMS

<b>“Report”</b>	Annual report to the Board of Governors and the Auditor General for Scotland
<b>“The College”</b>	Jewel & Esk College
<b>“GMAP”</b>	Governance and Management Appraisal and Policy Directorate
<b>“The Code”</b>	Code of Audit Practice
<b>“The SORP”</b>	Statement of recommended practice: accounting for further and higher education
<b>“SFC”</b>	Scottish Funding Council
<b>“VFM”</b>	Value for Money

## 1. INTRODUCTION

- 1.1. Wylie & Bisset were appointed as the External Auditors of Jewel & Esk College with effect from 1 August 2006 for a period of 5 years until 31 July 2011. Wylie & Bisset LLP succeeded Wylie & Bisset as auditor in 2008 and has undertaken the remainder of the appointment.
- 1.2. Our audit was carried out in accordance with our statutory responsibilities, statements of auditing standards and wider responsibilities contained in the Code of Audit Practice (the 'Code') issued by Audit Scotland in March 2007.

Paragraph 24 of the 'Code' states that the auditor's objectives are to:

- Provide an opinion whether the College's financial statements present a true and fair view of the financial position of the College and the regularity of transactions in accordance with standards and guidance issued by the Auditing Practices Board;
  - Review and report on the College's corporate governance arrangements as they relate to:
    - The College's review of its systems of internal control
    - The prevention and detection of fraud and irregularity
    - Standards of conduct, and the prevention and detection of corruption
    - Its financial position, and
  - Review aspects of the College's arrangements to manage its performance.
- 1.3. The responsibilities of the Board of Governors with regard to the financial statements are set out in the "Statement of Responsibilities of the Board of Governors" included in Appendix A and in the "Independent Auditors' Report" in Appendix B.
  - 1.4. The responsibilities of Wylie & Bisset LLP with regard to the financial statements and our audit opinion on the financial statements are included in the "Independent Auditors' Report" included in Appendix B.
  - 1.5. Our audit report on the financial statements for the year ended 31 July 2011 is unqualified.
  - 1.6. The Annual Report covers the following areas:
    2. Internal Controls and audit approach
    3. Financial Statements
    4. Internal Audit
    5. Corporate Governance
    6. Value for Money
    7. Prevention and detection of fraud and irregularities
    8. Management letter – 31 July 2010
    9. Management letter – 31 July 2011

- 1.7. Our audit findings in each of the above areas are set out in the relevant sections of the report, referenced as per above.
- 1.8. Our audit work has been designed to enable us to form an audit opinion on the financial statements of the College and should not be relied upon to disclose all weaknesses in internal controls in relation to the College's systems and financial statements.
- 1.9. This report has been prepared for the purposes of the management and Governors and should not be issued to third parties without our prior written consent. We would emphasise that our comments in this report are not intended to be any reflection on the integrity of the College staff whom we would like to thank for their help and assistance throughout our audit visit.
- 1.10. Should you have any queries on the contents of the Annual Report please do not hesitate to contact us.

Yours faithfully

for and on behalf of  
Wylie & Bisset LLP

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

- 2.1. We have reviewed in the course of our audit the key elements of the College's systems of internal financial controls in the main operating cycles.
- 2.2. In carrying out our audit work we have taken into account the following:
  - a) The College's internal control procedures;
  - b) The College's Governance procedures;
- 2.3. In reaching our audit opinion we carried out our audit work based on the audit plan with evidence obtained by:
  - a) Discussions with senior management and staff at the College;
  - b) Completing appropriate audit programmes;
  - c) Carrying out analytical review procedures;
  - d) Carrying out substantive and compliance audit tests on a judgemental basis; and,
  - e) Review of minutes of Board and management meetings.
- 2.4. Based on our review we have identified certain areas where the operation of internal financial controls could be improved. These areas are included within section 9 of this report.
- 2.5. As part of our procedures during the current year we have also revisited the areas noted in the prior year in order to assess whether adequate improvements have been made. The results of these follow up procedures and any subsequent recommendations are included within section 8 of this report.
- 2.6. Our recommendations have been graded as either High, Medium or Low priority depending upon the degree of risk assessment for each recommendation.
- 2.7. Management have been asked to respond to our recommendations and to identify the person responsible for implementation along with a projected timescale. These responses are included alongside our recommendations.
- 2.8. Note that the Governors of the College are responsible for safeguarding the assets of the College and hence for taking steps for the prevention and detection of fraud and other irregularities.

### **3. FINANCIAL STATEMENTS**

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

### **AUDIT REPORT**

- 3.3. We are pleased to record that there are no qualifications in our audit report on the College's 2010/11 accounts, as, in our opinion, the financial statements give a true and fair view of the College's financial position and the income and expenditure for the year ended 31 July 2011; and funds received have been applied for their intended purpose.

### **FINANCIAL PERFORMANCE**

- 3.4. The retained result of the College for the year is a surplus of £723,000 and includes the effects of exceptional income of £142,000 and restructuring costs of £833,000.
- 3.5. The exceptional income in the year relates to the profit arising on sale of college land after approval from the Board of Governors and the Scottish Funding Council. This income has been included in the Financial Statements as exceptional income in line with the [Draft] Note for Guidance 2011/9 (FE) issued by Audit Scotland.
- 3.6. In this financial year the College incurred £833,000 restructuring costs. The recurring staff costs excluding FRS17 pensions costs have reduced by £407,000 to £11,102,000 compared to last financial year. The latest draft budget shows a further reduction in staff costs to £9,801,000 core staff.
- 3.7. In 2010/11, the College had forecast for an operating surplus of £281k in 2010/11 through the College Financial Return. The College has currently budgeted for a surplus of £281k in 2011/12.

- 3.8. The consolidated balance brought forward on the income and expenditure reserve as at 1 August 2010 was £12,975k: the balance on the income and expenditure reserve at 31 July 2011 is £13,360k. Note however that these figures include a designated reserve of £8,369k and £8,178k for 2010 and 2011 respectively which were created to recognise the proceeds received in relation to the land sale to fund the new campus development. Whilst disclosure of designated reserves is not required under the SORP it was agreed with management that given the size of the balance in question, this disclosure was required in order to provide a user of the account with a true and fair view of the situation.

#### **SUBMISSION OF WORKING PAPERS**

- 3.9. The financial pages of the accounts submitted for audit were substantially complete and revised soon after our audit to include the final financial information. Working papers provided have been of a good standard and queries arising from the audit have all been resolved. Key staff members were available for consultation throughout the audit process.

#### **ISSUES ARISING**

- 3.10. During the course of the audit a number of issues arose which were resolved in discussion with, or formally reported to the Financial Accountant and the Financial Director. This practice is an established part of the audit process. The remainder of this report draws to the attention of the Board of Governors and the Auditor General any matters of particular significance or interest, which arose from the audit.
- 3.11. **Accounting Policies:** In accordance with FRS18, the Audit Committee has in the past formally reviewed the accounting policies included in the Annual Accounts. There have been no changes to the accounting policies in this year. We have not identified any instances where we consider the accounting policies to be inappropriate.
- 3.12. **Campus Development:** The campus development was completed in the year ending 31 July 2009. Final snagging costs remain to be settled with construction companies to which purpose the College has an accrual for an amount of £673,000 in this year's accounts.
- 3.13. **Accrued utilities costs:** The College has not yet been invoiced for utility costs incurred during the campus development. On the basis of a management best estimate, an accrual for an amount of £424,000 is included within the accounts.
- 3.14. Appendix C includes a copy of the letter of representation which we have sought from the Governors in support of the matters reported to us during our audit procedures. This also includes reference to the summary of unadjusted errors and deviations. There were no errors or deviations identified during our procedures which have not been amended within the accounts.

#### **4. INTERNAL AUDIT**

##### **Objective and Approach**

- 4.1. Internal audit is a key element of the internal control system set up by management. A strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system established. The College, therefore, needs to have in place a properly resourced internal audit service of good quality. To maximise the reliance that may be placed on internal audit and to avoid duplication of effort, the adequacy of internal audit is assessed each year.
- 4.2. The College's internal auditors during 2010/11 were Baker Tilly.
- 4.3. In the course of the year ended 31 July 2011 the following internal audit reports were issued:
- a) Health & Safety
  - b) Facilities and Estates Management
  - c) Risk Management
  - d) Non SFC Income: Cash Handling
  - e) Procurement

##### **Opinion**

- 4.4. Our audit procedures included an assessment of the adequacy of the Internal Audit function using a bespoke checklist and review of the reports issued by Internal Audit function. Minutes of the audit committee were also reviewed. Our findings in this area proved satisfactory allowing us to conclude that the internal audit function is operating effectively and that we could place formal reliance on work of Internal Audit with regards to the subjects under review by Internal Audit.

## **5. CORPORATE GOVERNANCE**

### **Objective and Approach**

- 5.1. A review and assessment of the College's Corporate Governance systems relating to standards of conduct, openness and integrity was performed as part of our audit procedures using a bespoke checklist. We also reviewed the following:
- a) The College's Corporate Governance Statement included in the financial statements for the year ended 31 July 2011;
  - b) The College's revised Risk Register;
  - c) The minutes of meetings of key College committees issued during the year.

### **Opinion**

- 5.2. Based on our review, we are satisfied that the College operates appropriate Corporate Governance procedures and that management has adequate arrangements in place covering standards of conduct etc. We found no matters therein to impact upon our audit opinion. We are satisfied that the College has acted appropriately to address the requirements of the Bribery Act 2010 that came into force on 1 July 2011.

### **Recommendations**

- 5.3. The recommendations relating to this area in 2010 have been followed up by the College.

## **6. VALUE FOR MONEY**

### **Objective and Approach**

- 6.1. We have considered the College's strategy regarding value for money as part of our standard audit procedures. It is noted that whilst there have been no specific VFM studies carried out by the College's internal auditor during the year, implicit assurance over this area is obtained via all the internal audit reviews.

### **Opinion**

- 6.2. Based on our review, we are satisfied that the College has established adequate arrangements to secure economy, efficiency and effectiveness in the use of its resources.

### **Recommendations**

- 6.3. There were no recommendations relating to this area in 2010. No recommendations pertaining specifically to Value for Money have been made during the current year.

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

### **Objective and Approach**

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

### **Opinion**

- 7.6. Overall we concluded that management has an adequate approach to fraud prevention and detection and has reasonable controls in place to ensure that potential areas for fraud are detected and dealt with in an appropriate manner.

### **Recommendations**

- 7.7. There were no recommendations relating to this area in 2010. No recommendations pertaining specifically to Value for Money have been made during the current year.

## 8. MANAGEMENT LETTER – 31 July 2010

- 8.1. A management letter was prepared by Wylie & Bisset in relation to the accounts of Jewel & Esk College for the year ended 31 July 2010.
- 8.2. This included two observations along with our recommendations to management. As part of our audit procedures during the current year we have followed up the areas highlighted and include below our conclusions from the current year are detailed below.

### PRIORITISATION

- 8.3. The points within the report have been assigned a priority level based on the urgency required in addressing the matters highlighted. An explanation of the priority is as follows:

**High Priority** - Recommendations addressing significant control weaknesses which should be implemented immediately.

**Medium Priority** - Recommendations addressing significant control weaknesses which should be addressed in the medium term.

**Low Priority** - Recommendations which, although not addressing significant weaknesses, would either improve efficiency or ensure that the College matches current best practice.

### 31 JULY 2010 RECOMMENDATIONS

#### 8.4. Attendance by Board Members at meetings

- 8.4.1. **2010 Observation:** From our review of minutes, we noted two Governors who had failed to attend more than half the Board meetings held during the last year.
- 8.4.2. **2010 Implication:** Attendance at board meeting is necessary to enable Governors to adequately discharge their duties. Failure to attend meetings undermines the proper governance of the College.
- 8.4.3. **2010 Recommendation:** We recommend that attendance at board meetings is monitored and that reasons for non-attendance by Governors are noted and followed up where appropriate.
- 8.4.4. **Priority: Medium**
- 8.4.5. **2010 Management Response:** Board members have in the past been encouraged to attend their committee meetings. Further discussion has taken place with those members whose attendance has been particularly low during the year.
- 8.4.6. **2011 update:** Board and committee members attendance is registered by the College and has significantly improved.

8.5. **Supplier Statements**

8.5.1. **2010 Observation:** We noted when performing our audit testing that supplier statements had not been kept for the month of July due to staff absence.

8.5.2. **2010 Implication:** Non retention of the supplier statements and absence of associated reconciliations represents a breakdown of a basic low level procedural control.

8.5.3. **2010 Recommendation:** We recommend that supplier statements are retained on file following creditor account reconciliation until superseded by a more recent statement.

8.5.4. **Priority:** Low

8.5.5. **2010 Management Response:** Agreed and noted. We will ensure that in future our normal monthly and year end internal procedures are followed, regardless of staff absences.

8.5.6. **2011 update:** The 2010 observation is followed up adequately.

## 9. MANAGEMENT LETTER – 31 July 2011

9.1. Those additional matters which were highlighted as a result of our 2010 audit procedures are detailed below, along with our recommendations. These have been assigned a priority level in line with that explained in section 8.3.

### 9.1.1. Jewel & Esk Valley Commercial Enterprises Ltd

9.1.2. **Observation:** From our fieldwork in both Jewel & Esk College and Jewel & Esk Valley Commercial Enterprises Ltd we noticed that some income streams are shared between the two organizations, such as Residences and Refectories income. Jewel & Esk College recharges part of its costs to Jewel & Esk Valley Commercial Enterprises Ltd for which in some cases there is not clear substantiation for the amount recharged.

9.1.3. **Implication:** Although Jewel & Esk Valley Commercial Enterprises Ltd is part of the group it is also an organization in its own right that needs to be managed and has to prepare accounts. It is essential that Jewel & Esk Valley Commercial Enterprises Ltd has reliable meaningful financial information for management and reporting purposes.

9.1.4. **Recommendation:** We recommend that the allocation of income streams and the mechanics for the allocation of costs between Jewel & Esk College and Jewel & Esk Valley Commercial Enterprises Ltd are clarified.

9.1.5. **Priority: Medium**

9.1.6. **Management Response:** There is a reasonable arbitrary split of costs associated with JEVCEL activity, but due to the inter-twined curriculum delivery and corporate support, it is very difficult to show a precise split of expenditure. However, following the conclusions of a VAT review, it has been decided to deliver all JEVCEL activity from within the core College curriculum delivery plan. JEVCEL will therefore no longer operate as a subsidiary company of the College.

## STATEMENT OF THE BOARD OF GOVERNORS' RESPONSIBILITIES

In accordance with the College's Constitution, the Board of Governors of Jewel & Esk College is responsible for the administration and management of the affairs of the College, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the Constitution, the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions and other relevant accounting standards. In addition within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Governors, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

### **In causing the financial statements to be prepared, the Board of Governors has ensured that:**

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- the financial statements are prepared on the going concern basis, unless it is inappropriate to presume that the college will continue in operation.

### **The Board of Governors has a responsibility to:**

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Further and Higher Education (Scotland ) Act 1992, the College's Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and hence to take reasonable steps to prevent and detect fraud;
- ensure reasonable steps have been taken to secure the economical, efficient and effective management of the College's resources and expenditure; and
- ensure sound corporate governance and the proper conduct of the college's operations.

## APPENDIX A

**The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:**

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors and whose head provides the Board of Governors with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any systems of internal financial control can, however, only provide reasonable, but not absolute assurance against material misstatement or loss.

### **Statement of disclosure to Auditors**

- so far as the Board of Governors are aware, there is no relevant audit information of which the College's auditors are unaware, and
- it has taken all the steps that it ought to have taken as a Board of Governors to make itself aware of any relevant audit information and to establish that the college's auditors are aware of that information.

## APPENDIX B

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF GOVERNORS OF JEWEL & ESK COLLEGE, THE SCOTTISH PARLIAMENT AND THE AUDITOR GENERAL FOR SCOTLAND**

We have audited the financial statements of Jewel and Esk College for the year ended 31 July 2011 under the Further and Higher Education (Scotland) Act 1992. These comprise the Income and Expenditure Account and Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of the Board of Governors and auditor**

The Board of Governors are responsible for preparing the Annual Report and the financial statements in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued thereunder by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice on Accounting for Further and Higher Education. The Board of Governors are also responsible for ensuring the regularity of expenditure and income. These responsibilities are set out in the Statement of Board and Chief Executive's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction. We report to you whether, in our opinion, the information which comprises the Operating and Financial Review included in the Annual Report, is consistent with the financial statements. We also report whether in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2011; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

In addition, we report to you if, in our opinion, the college has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement of Corporate Governance and Internal Control reflects the college's compliance with the requirements of the Scottish Funding Council and we report if, in our opinion, it does not.

## APPENDIX B

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF GOVERNORS OF JEWEL & ESK COLLEGE, THE SCOTTISH PARLIAMENT AND THE AUDITOR GENERAL FOR SCOTLAND (CONTINUED)**

We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the college's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the college's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinions**

##### ***Financial statements***

In our opinion

- the financial statements give a true and fair view, in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder by the Scottish Funding Council, of the state of affairs of the college as at 31 July 2011 and of its surplus, total recognised gains and losses and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder by the Scottish Funding Council; and
- information which comprises the Operating and Financial Review included with the Annual Report, is consistent with the financial statements.

APPENDIX B

**Regularity**

In our opinion in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum dated 1 January 2006 and any other terms and conditions attached to them for the year ended 31 July 2011; and
- funds from whatever source administered by the college for specific purposes have been properly applied for the intended purposes.

Wylie & Bisset LLP  
Chartered Accountants and Registered Auditors  
168 Bath Street  
GLASGOW G2 4TP

APPENDIX C

**JEWEL & ESK COLLEGE**

Edinburgh Campus  
24 Milton Road East  
EDINBURGH  
EH15 2PP

XX October 2011

Messrs Wylie & Bisset LLP  
Chartered Accountants  
168 Bath Street  
Glasgow  
G2 4TP

Dear Sirs

**LETTER OF REPRESENTATION**

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the college's accounts for the year ended 31<sup>st</sup> July 2011.

1. We acknowledge as members of the Board of Governors our responsibility for ensuring:
  - a) the financial statements are free of material misstatements including omissions
  - b) that the financial statements give a true and fair view of the state of affairs of the College as at 31<sup>st</sup> July 2011.
  - c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records.
  - d) all other records and related information, including minutes of all management meetings, have been made available to you.
  - e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by SFC under the terms of the Further and Higher Education (Scotland) Act 1992, and
  - f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Governors by the SFC.
2. We have appointed Baker Tilly as Internal Auditors to the College as required by SFC. All reports issued to the College and our responses to them have been made available to you.
3. We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

## APPENDIX C

4. The College has no liabilities or contingent liabilities other than those disclosed in the accounts.
5. All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.
6. There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.
7. The College has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for the Board of Governors nor to guarantee or provide security for such matters.
8. We confirm that we have disclosed to you all related party transactions relevant to the College and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of charities legislation, the Statement of Recommended Practice for Further and Higher Education accounts or accounting standards.
9. The College has not contracted for any capital expenditure other than as disclosed in the accounts.
10. The College has satisfactory title to all assets and there are no liens or encumbrances on the College's assets, except for those that are disclosed in the financial statements. Where these assets are included at market value in order to comply with accounting standards, we confirm that the market value has been determined based on our "best estimate" using relevant information currently available to us.
11. We are not aware of any irregularities, including fraud, involving management or employees of the College, nor are we aware of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such breaches have come to our attention.
12. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the College conducts its business.
13. We confirm that, in our opinion, the College is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the College's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the College's ability to continue as a going concern need to be made in the financial statements.
14. We confirm the specific representations made to you during the course of your audit, outlined as follows:
  - a) The accounts include an accrual of £424k in relation to unbilled utilities costs. This level has been determined as management's "best estimate" based on an assessment of previous billings, price review and usage.

**APPENDIX C**

- b) The treatment of the £847k capital funding formula 2010-11 carried forward as at 31 July 2011 and associated deviation from the outline funding regulations with regard to these monies has been agreed with the Scottish Funding Council as acceptable to them and the most appropriate use given the College's specific circumstances.

15. We confirm that you have not brought to our attention any deviations or misstatements that we have not reflected within the accounts.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

..... Chairman

..... Principal & Chief Executive