City of Glasgow College
External Audit Report

Annual Report to the Board of Management and the Auditor General for Scotland 2011/12

February 2013

City of Glasgow College

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Executive Summary

Finance

Our audit of City of Glasgow College is complete. We audit the financial statements of the College under the Further and Higher Education (Scotland) Act 1992.

College financial year end

During the audit, Audit Scotland queried whether, in 1999/2000, the required changes were made to the 1992 Act to amend the financial year end of all colleges in Scotland from March to July. In response to this query, the Scottish Government has been unable to provide a copy of the formal order that effected this change to the Act. However, in January 2013 further evidence came to light and all auditors in the sector have agreed, in conjunction with Audit Scotland, that this evidence is sufficient to indicate that such an order was in fact made. The evidence includes the minute of a Lifelong Learning Committee meeting in October 1999 and legal representation from the Scottish Government.

We therefore now conclude that the financial statements have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Financial position

The Income and Expenditure Account reports a surplus of £438,000 in 2011/12. The budgeted deficit shown on the 2011 Financial Forecast Return submitted to the Scottish Funding Council was £469,000. The positive variance of £907,000 was mainly due to projected staff costs being lower than forecast after the merger of the three colleges and an increase in fees.

The latest projections prepared by the College forecast an operating deficit of £161,000 in 2012/13.

The College is financially secure and the balance sheet as at 31 July 2012 reports net assets of £34.127m including bank and cash of £26.555m.

Governance

The College's Corporate Governance Statement confirms that the College has been fully compliant with the key principles of the UK Corporate Governance Code during 2011/12. We have reviewed the College's statement and can confirm that this is in line with the Scottish Funding Council's guidance and is not inconsistent with our understanding of the College's governance arrangements based on the information gathered as part of our normal audit work.

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 2011/12 audit of City of Glasgow 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 Vice Principal Finance and Planning, the Finance Director and the Head 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
February 2013

Introduction

1. This report gives a summary of the findings from our 2011/12 audit of City of Glasgow College ("the College"). The scope of our audit was set out in our External Audit Strategy and Plan which was presented to the Audit Committee on 30 May 2012. Our audit has focused on the financial statements and governance arrangements at the College.

2. Our plan summarised the following key audit issues for 2011/12:
   - Voluntary severance scheme
   - Pension fund liabilities
   - Strategic partnerships and regionalisation proposals.

3. This report sets out our findings in relation to these key issues.

4. The report is also addressed to the Auditor General for Scotland and will be published on Audit Scotland's website, www.audit-scotland.gov.uk.

Finance

5. This section of the report summarises our findings in relation to the College's financial performance for the year and its position at 31 July 2012. We also discuss any significant issues identified during our audit.

6. 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 to consider the College's financial governance and management arrangements.

Auditors' opinion

7. 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 2012 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 the Scottish Funding Council (SFC).

8. Our audit is now complete and we have issued unqualified audit opinions on the truth and fairness of the accounts and on the regularity of transactions.

Financial year end

9. We audit the financial statements of the College under the Further and Higher Education (Scotland) Act 1992. We are required to give an opinion as to whether the financial statements have been prepared in accordance with the requirements of the 1992 Act and directions made thereunder by the Scottish Funding Council.

10. Schedule 1 of the 1992 Act originally stated that a Scottish college's financial year runs from 1 April to 31 March. In December 1999, the Scottish Further Education Funding Council (SFEFC) issued a direction to Scottish colleges changing the college sector's financial year end from 31 March to 31 July. For colleges' 1999/2000 financial statements this resulted in 16 month accounts to facilitate this transition.

11. Any amendments to the Act require Ministerial approval. In October 2012 Audit Scotland identified that the direction issued by SFEFC in December 1999 did not, by itself, have the requisite statutory authority to amend the Act and queried whether the required Ministerial approval had been obtained.

12. In response to Audit Scotland's query, the Scottish Government has been unable to provide a copy of the formal order, signed by a Scottish Minister, that effected the change to the Act in respect of college year ends. However, in January 2013, the Scottish Government provided other evidence indicating that such an order had in fact been made. This evidence includes the minute of a Lifelong Learning Committee meeting in October 1999 and legal representation from the

Scottish Government. All auditors in the sector have agreed, in conjunction with Audit Scotland, that this evidence is sufficient to indicate that the required order was made.

13. We therefore conclude that the financial statements have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

14. Resolving this national issue has caused a delay to the normal deadline of 31 December for submitting signed annual accounts to the Scottish Funding Council. In December 2012 the Scottish Funding Council formally extended this deadline for the 2011/12 accounts, through an amendment to the Accounts Direction, to allow time for the issue to be resolved.

15. The signed financial statements will now be submitted to the Scottish Funding Council and Audit Scotland, who will pass them to the Scottish Government for laying before the Scottish Parliament.

Financial position

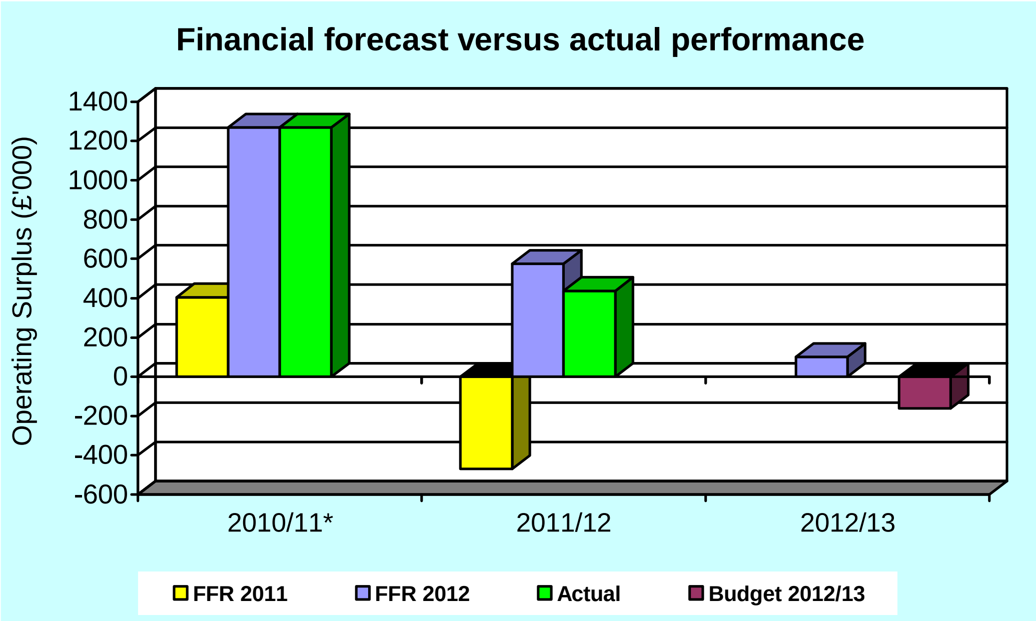
16. The Financial Statements report a surplus for the year to 31 July 2012 of £438,000.

17. The Balance Sheet as at 31 July 2012 is reporting total reserves of £22.364 million, with £22.931million within the income and expenditure account and a cash balance of £26.555 million.

Financial forecasts

18. The College has submitted the 2012 Financial Forecast Return (FFR) to the Scottish Funding Council (SFC). SFC uses the FFR to assess the financial position and performance of individual Colleges and the sector as a whole. SFC has confirmed funding for 2012/13 and, as in the previous year, the College has not been asked to provide three year projections, given the uncertainty over the financial position of the sector as a whole. The result has been that the College has not been able to budget in the same level of detail as before, beyond 2012/13. However, given the College's recent financial performance and strong balance sheet this is not expected to pose a major risk in the short term.

19. The following graph compares the actual results for 2011/12 with the FFR forecasts and sets out future projections contained within the College's most recently prepared budget.



* This is the result before exceptional items of £35.654m which resulted in a deficit of £34.385m in the year.

20. As shown above, the latest projections prepared by the College forecast an operating deficit of £161,000 in 2012/13.

21. The College's original budget for 2011/12 per the 2011 Financial Forecast Return (FFR) forecast a deficit of £469,000. A reconciliation between the forecast deficit and the actual surplus is set out below:

	£
Deficit per initial budget	**(469,000)**
Increase in international fees **(paragraph 22)**	164,000
Decrease in staff costs **(paragraph 23)**	330,000
Merger severance costs **(paragraph 24)**	(647,000)
Increase in HE & FE fees **(paragraph 25)**	435,000
Decrease in depreciation **(paragraph 26)**	322,000
International project income **(paragraph 27)**	230,000
Miscellaneous items	73,000
Actual surplus per financial statements	**438,000**
Variance from original budget	**907,000**
Variance as percentage of total income	**1.58%**

22. The number of students attending the College from overseas was higher than forecast. There had been difficulties in 2010/11 in respect of foreign students obtaining visas and the budget within the 2011 FFR was reduced to reflect this.

23. As a result of the merger in September 2010, a major voluntary severance exercise was undertaken. This has resulted in a significant decrease in staff costs in 2011/12, greater than initially forecast.

24. Due to the uncertainty over the level of costs involved with any further voluntary severance agreements, no costs or grants were included in the 2011 forecast. The College incurred voluntary severance costs of £1.28m and received a grant of £633k towards these costs in the year.

25. There was an increase in the number of full time enrolments this year following a drive to increase these fees as a result of grant in aid being cut. Part time fees also fell due to the reduction in job opportunities and students choosing to attend College full time.

26. During the year, the College reassessed the useful economic life of the former Metropolitan College buildings as these buildings are planned to be demolished in 2015, rather than in 2013 as originally scheduled. The original budget included a depreciation charge based upon these buildings being written off over two years. Additionally the capital spend of the College occurred later in the year than forecast which also reduced the expected deprecation charge for the year.

27. The College is working with partners in Angola to develop a maritime training centre. Once constructed, City of Glasgow College will assume operational management, monitoring the quality and content of the courses delivered. Income from this was not included in the forecast.

Financial planning and monitoring arrangements

28. As part of our audit, we considered 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.

29. The College has a rigorous and prudent budgeting process, which is directly linked to the annual curriculum planning process. Performance monitoring and forecasting processes are in place to ensure that available funds remain appropriately directed and controlled.

30. Budgets are devised in advance of the year and approved by the Board of Management, after consideration by the Finance Committee, and forecasts are updated during the year to take account of new information. The Finance Committee meets four times a year, and management accounts showing forecast year end positions against budget are presented to each Finance Committee meeting. In addition, management accounts are circulated monthly to members of the Finance Committee.

31. In our opinion the College has effective financial management arrangements in place, and has taken steps to proactively analyse and respond to the future funding challenges posed by the current economic climate.

Financial reporting framework

32. The principal elements of the College's financial reporting framework are:
    - Accounts Direction issued by the Scottish Funding Council
    - Further Education / Higher Education Statement of Recommended Practice (FE/HE SORP) 2007

33. We are pleased to confirm that the College's 2011/12 financial statements comply fully with the Accounts Direction and FE/HE SORP 2007 in all material aspects.

Financial statements preparation

34. We are grateful to the Finance Director and to all the finance staff for their assistance and support during the course of the audit.

35. In addition, we found that the College has adequate resources available in the Finance Department to meet the College's financial management and reporting needs. City of Glasgow College compares favourably when considered against the resources, organisation and quality of supporting papers of other Colleges across the sector.

Audit adjustments

Actual adjustments

36. During the course of the audit the following adjustment to the financial statements was identified:-

Dr Depreciation released on disposal - Equipment	£7,322,000	
Cr Cost released on disposal - Equipment		£7,322,000

Being the disposal of equipment within the financial statements to agree to the fixed asset register

37. This adjustment did not impact on the College's surplus for the year.

38. All other adjustments related to presentational and disclosure issues.

Potential adjustments

39. Four potential adjustments were noted as a result of the audit work performed, but have not been adjusted in the financial statements:-

1	Dr Trade Debtors	£63,073	
	Cr Trade Creditors		£63,073

Being the grossing up of debit balances within the aged creditors listing

2	Dr Trade Debtors	£121,018	
	Cr Trade Creditors		£121,018
	Being the grossing up of credit balances within the aged debtors listing		
3	Dr Accrued income	£19,438	
	Cr Other creditors		£19,438
	Being the reallocation of a credit balance from debtors		
4	Dr Merger costs	£26,088	
	Cr Accruals		£26,088
	Being the differences between severance and pension costs accrued and paid		

Effect on I&E account of the above noted potential adjustments – decrease in surplus of £26,088.

Review of accounting systems

40. During our audit work we have considered the College's accounting systems and internal controls. Please refer to the action plan for details of control improvements detected during audit fieldwork. In general, the College's systems of internal financial control appear to be adequate, well designed and operating effectively.

Other issues of particular significance for the 2011/12 audit

41. In order to assist College members' understanding of the financial statements and our audit, we have summarised issues below which we believe are of particular significance to the 2011/12 financial statements, which have not already been discussed fully in our report.

Voluntary Severance Scheme

42. Our audit planning identified the accuracy and classification of costs associated with the voluntary severance agreements entered into in the year as a significant audit area. As a result of our audit testing, it was concluded that the amounts had been correctly included (*see potential adjustment 4 – paragraph 39*) and disclosed in the financial statements.

Strategic Partnerships

43. In September 2011, the Scottish Government released '*Putting Learners at the Centre: Delivering Our Ambitions for Post-16 Education'.* We appreciate that discussions are currently taking place between other Colleges within the Glasgow area with regard to proposed merger considerations, although at present none of these discussions impact directly upon City of Glasgow College. It has been proposed that a regional board will be created and funding in the future will be distributed by this board, instead of directly by the Scottish Funding Council.

44. We discussed with management the progress being made by the College in response to the Scottish Government's regionalisation proposals. In particular, we considered the impact that this has on the College's operational plans and governance framework established to support

successful implementation. In addition, we considered the impact that any proposed changes may have on the College's 2011-12 financial statements.

45. We are satisfied, from the audit work performed as detailed above, that no changes are required to the 2011/12 financial statements.

Pension Fund liabilities

46. The College's employees belong to two principal defined benefit pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF).

47. The STSS is a multi-employer, notionally funded scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme. In line with Financial Reporting Standard 17 – *Retirement Benefits* (FRS 17), the College does not recognise any asset or liability relating to the STSS and the scheme is effectively accounted for as if it was a defined contribution scheme.

48. The SPF 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. In 2011/12, the College reported a liability in respect of the SPF of £6.747m, which represented an increase of £3.819m from the balance as at 31 July 2011 (£2.928m).

49. We reviewed the College's accounting for the pension liability and confirmed that it complies with the requirements of FRS 17 and the FE/HE SORP, and that disclosure is consistent with the actuarial valuation report. We also confirmed that the actuarial assumptions underpinning the valuation are reasonable and reflective of the College's circumstances.

50. We are satisfied, from the audit work performed as detailed above, that the pension fund liabilities have been accounted for and disclosed correctly in the 2011/12 financial statements.

Governance

51. 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.

Corporate Governance

Current governance arrangements

52. Colleges are required to include in their financial statements a statement covering the responsibilities of their Board of Management in relation to 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 UK Corporate Governance Code.

53. The College's Corporate Governance Statement for 2011/12 states that the College was fully compliant with the UK Corporate Governance Code throughout the period.

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

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

56. Of particular note is the hands-on approach of the Board of Management in relation to the preparation of the Operating and Financial Review contained within the Annual Report. The Chair of each of the committees has produced a summary of the year for inclusion, which provides a valuable insight for readers in respect of the College's development post-merger and its governance arrangements.

Risk management

57. Risk management is important to the establishment and regular review of systems of internal control. The College's annual accounts outline the principal risks and uncertainties of the College and confirm that mitigating controls are in place in response to those risks.

58. The College has a Risk Management Policy and Risk Management Procedures in place. The College has a risk register which is maintained by the Executive Leadership Team (ELT) and reviewed and updated on a regular basis. The Board of Management reviews the top level risks at each meeting and the full risk register annually. In addition any significant changes in the risk register are notified immediately to the full Board.

59. We have concluded that the College has robust risk management systems in place.

Internal audit

60. The internal audit service is a key component of the College's internal control framework. As part of our corporate governance responsibilities, we have considered the College's arrangements to ensure that the work of internal audit is sufficient in quality and volume and complies with best practice.

61. For 2011/12 the internal audit service has been provided by BDO LLP. To avoid duplication of effort and ensure an efficient audit process, we have made use of internal audit work where appropriate.

Internal audit's annual opinion statement

62. Internal audit has concluded in its annual report that management has an adequate framework of control over the systems examined.

Prevention and detection of fraud and irregularity

63. As part of our audit we consider how the College ensures compliance with all relevant guidance and regulations. This includes a consideration of the College's arrangements for the prevention and detection of fraud and irregularity.

64. The College has an anti-bribery policy and a code of practice on whistle blowing in place. There were no frauds identified during the year.

65. The SFC has a circulation list, tailored by the College, to ensure that specific responsible individuals within the College receive the relevant circulars. Circulars received which require a response are included on the Senior Management Team meeting agenda. Once discussed, a member is nominated to be responsible for coordinating any response to the circular, monitoring any responses which are required from other members of staff and for reporting to the Finance Committee which then submits the response to the Funding Council.

66. We identified no issues of concern in relation to the arrangements for the prevention and detection of fraud, with regard to the legality of transactions or in relation to compliance with relevant guidance and regulations.

Standards of conduct

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

68. 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 have been issued by the Scottish Government.

69. 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.

70. We are pleased to report that our audit identified no issues of concern in this area.

Looking Forward

Financial position

71. There is increasing uncertainty over the level of future funding that will be provided to the sector. Indications from the Scottish Government are that the reductions in funding experienced in 2011/12 is a trend which is expected to be reflected in funding settlements over the next few years. Coupled with increasing cost pressures this will result in significant financial challenges for the College and the sector as a whole.

72. SFC has confirmed funding for 2012/13 and, as in the previous year, the College has not been asked to provide three year FFR projections given uncertainty over the financial position of the FE and public sector as a whole. This puts pressure on the College’s ability to plan its medium term financial future. It is undoubtedly a significant variable which complicates strategic decision making. However, the history of strong financial performance has shown that the College operates on a firm financial footing and is well placed to meet these future financial challenges when compared to many other FE bodies.

73. The Scottish Government discussed the plan of having regional boards to distribute funding in the future. It is likely that these boards will be set up prior to Summer 2013. Henry McLeish is to be the Chair of the Glasgow regional board and therefore will be required to step down as Chair of City of Glasgow College.

International financial reporting standards

74. The College’s financial statements are still prepared on the basis of UK accounting standards (UK GAAP) which the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) Board believes continues to be appropriate for Colleges.

75. Colleges will continue to converge with international financial reporting standards (IFRS) as UK GAAP converges with IFRS. It appears likely that full implementation of IFRS will not take place before 2014/15.

76. The conversion process requires sufficient and appropriate information to be available to support the production of comparator balances. Effectively, this means work to produce full IFRS-compliant financial statements will begin at least one year before the actual implementation date. In some areas, such as in relation to fixed assets and component accounting, the earlier the work begins the more straightforward the conversion process may be and we endorse any moves the College may make to work towards IFRS transition in a structured and well-planned way.

Estate valuation

77. Financial Reporting Standard 15 ‘Tangible fixed assets’ (FRS15) states that a full valuation of assets should be undertaken at least every five years and an interim valuation in year three. Note 10 to the financial statements refers to a full valuation exercise being conducted as at 31 July 2008 for the former Metropolitan College land and buildings and as at 31 July 2010 for the former Central and Nautical Colleges.

    As a result, a full valuation exercise is required as at 31 July 2013 for the former Metropolitan College land and buildings, and an interim valuation in respect of the former Central and Nautical Colleges to ensure compliance with the provisions of FRS 15.

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 College 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 2011/12 audit

Action point	Issue identified and recommendation	Management response
1 **Title Deeds**	We understand that the College does not have full recorded title in respect of certain areas of land at Cathedral Street and Thistle Street. There is a risk that as the College does not have full title to certain areas, the construction process could be disrupted. We recommend that resolution of this issue is pursued vigorously to ensure that the titles are complete before construction commences. **Grade 3**	The College has lodged all the required documents and have secured insurance coverage to minimise the risk and impact. **To be actioned by:** Estates Director **No later than:** 31 May 2013
2 **Supplier statement reconciliations**	During testing of creditors, it was noted that supplier statement reconciliations were not being performed. There is a risk that trade creditor balances could be over or under stated as these are not being confirmed to supplier statements. We recommend that supplier statement reconciliations be performed monthly, or at the minimum annually as at 31 July, in respect of key suppliers to strengthen the internal control environment in this area. **Grade 2**	Annual supplier statement reconciliations will be performed in respect of key suppliers. **To be actioned by:** Finance Director **No later than:** 31 July 2013

Action point	Issue identified and recommendation	Management response
3 **Fixed asset register**	During our audit testing, it was noted that the totals for certain classes of assets per the fixed asset register did not agree to the disclosures within the financial statements. Two issues were noted: 1) Certain land and buildings which had nil net book values, but which continued to be owned by the College, had been incorrectly removed from the fixed asset registers. 2) Items of equipment which had been disposed of and correctly removed from the fixed asset register, had not been removed from the disclosures within the financial statements (*audit adjustment - paragraph 36*). While there is no overall impact on the net book value of the assets, there is a risk that costs and accumulated depreciation are overstated. We recommend that the items of land and buildings removed from the registers are re-instated. Additionally we recommend that a reconciliation is performed, at least annually, between the fixed asset registers and the financial statements, to ensure that the figures contained within the underlying records are mirrored in the disclosure notes contained within the financial statements. **Grade 2**	Agreed **To be actioned by:** Finance Director **No later than:** Immediate effect
4 **NCG Investment**	We note that an application has been made to Companies House to strike off New Campus Glasgow Limited from the public record, however the investment has not been impaired within the financial statements. Although immaterial, the investment recorded within the financial statements is overstated. We recommend that when strike off is approved that the accounting records be updated to reflect this disposal. **Grade 2**	Agreed **To be actioned by:** Finance Director **No later than:** On notification of formal strike off

Action point	Issue identified and recommendation	Management response
5 **Level of petty cash**	During our audit testing it was noted that the level of petty cash held by the College is high at circa. £20k, in comparison to our experience of other Colleges within the sector. There is an increased risk of misappropriation of cash due to the high level of cash being held. It is recommended that the level of petty cash which is required to be held within any given department is re-considered and reduced if appropriate. **Grade 2**	Levels of petty cash held have been reviewed and subsequently reduced to circa. £15k. **To be actioned by:** Finance Director **No later than:** Immediate effect
6 **Reconciliation of income per management accounts to income disclosed in the VAT returns**	While performing a reconciliation of income per the management accounts to income recorded within the VAT returns it was noted that the information within box 6 of the returns (Total value of sales excluding VAT) was incorrectly stated resulting in a £6.9 million difference. This was discussed with the Head of Finance who investigated the difference and noted that there was an error within the system in respect of the figures selected for disclosure within box 6 of the return. This did not have any impact on the Output VAT amount thus VAT due to HMRC is correct. There is a risk that if HMRC were to perform such a reconciliation they may conclude that VAT has been under declared. We recommend that such a reconciliation is performed quarterly, to ensure that such issues are identified on a timely basis. **Grade 1**	The system has now been amended to pick up the correct figures in the future. The VAT return for the quarter ended 31 October 2012 was also amended to correct the income figure for 2011/12. **To be actioned by:** Finance Director **No later than:** Immediate effect

Action point	Issue identified and recommendation	Management response
7 **FTE numbers**	At the audit planning stage, we requested a summary of FTE numbers be available for the audit commencing. This information was not made available to the audit team during the fieldwork. It is recommended that HR ensure FTE numbers and the split of contracted in/out and temporary staff be completed in time for commencement of audit fieldwork to ensure the efficient running of the audit process. We recommend that in respect of the College's 2013 audit timetable that this information is prepared by the end of September 2013. **Grade 1**	Agreed **To be actioned by:** HR Director **No later than:** 30 September 2013

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