



LANGSIDE COLLEGE

**ANNUAL REPORT TO THE BOARD OF DIRECTORS,
THE AUDITOR GENERAL AND THE SCOTTISH
GOVERNMENT**

**ON THE EXTERNAL AUDIT FOR THE YEAR ENDED
31 JULY 2013**

Topic	Date
Commencement of final visit	1 October 2013
Audit clearance meeting	29 October 2013
Presentation to Audit Committee	5 December 2013
Proposed presentation to Board of Management	12 December 2013

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This report has been prepared for the purposes of the College Management, Board and the Auditor General for Scotland 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. Should you have any queries on the contents of the Annual Report please do not hesitate to contact us.

1 EXECUTIVE SUMMARY

1.1 FINANCIAL REVIEW

The College returned a surplus of £532,000 in the year ended 31 July 2013. The comparative result for year ended 31 July 2012 was a deficit of £81,000. This is after accounting for exceptional restructuring costs of £1,842,000 (2012 £1,053,000).

The College maintains a strong overall balance sheet position with net assets of £35,525,000 (2012 £35,050,000). It is noted that after creating reserve for the pension deficit (£1,363,000) the income and expenditure reserve remains in surplus position of £1,332,000.

Langside College merged with Anniesland College and Cardonald College to form Glasgow Clyde College on 1 August 2013. The merger was enacted by way of a Scottish Statutory Instrument which transferred all assets, liabilities and activities to Clyde College and also enacted the winding up of Langside College as an individual entity. All legal obligations now rest with the Board of Glasgow Clyde College.

Following the merger, the operations and services of the College will continue to be provided using the same assets which have been transferred to Clyde College. Consequently, the use of the going concern concept in the final set of financial statements is considered to be appropriate and in accordance with accounting standards as interpreted for the public sector.

For the eight month period ended 31 March 2014, the merged College has predicted an operating deficit of £106,000 within its budget, with an overall surplus of £443,000 after taking into consideration the gain on sale of property in the period. For the year ended 31 March 2015, Glasgow Clyde College expects to make an operating deficit of 50,000 with an overall surplus of £645,000 after the sale of property in this period.

1.2 FINANCIAL STATEMENTS

We have issued an unqualified audit opinion on the accounts of Langside College for the year ended 31 July 2013.

There have been no significant adjustments to the draft figures arising from our audit.

1.3 GOVERNANCE & INTERNAL CONTROL

We have undertaken an overall review of the Corporate Governance arrangements in place at the College. Based on our findings it appears that the College has strong systems in place to comply with Corporate Governance requirements.

1.4 REGULARITY

We have issued an unqualified regularity opinion. There are no significant issues that we wish to draw to the Board's attention in this regard.

1.5 RECOMMENDATIONS TO MANAGEMENT

We have made recommendations relating to:

- Treatment of potential bad debts
- Posting of purchase invoices.

2 INTRODUCTION

2.1 APPOINTMENT

Wylie & Bisset LLP were appointed by Audit Scotland as the External Auditors of Langside College with effect from 1 August 2011 for a period of 5 years (until 31 July 2016). This Annual Report has been prepared following the conclusion of our audit of the financial statements of the company for the year ended 31 July 2013.

Our audit appointment has been transferred to the audit of Glasgow Clyde College from 1 August 2013.

2.2 RESPECTIVE RESPONSIBILITIES

Our audit has been 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.

The responsibilities of the Board of Management with regard to the financial statements are set out in the “Statement of Responsibilities of the Board of Management” included in Appendix A and in the “Independent Auditors’ Report” in Appendix B.

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.

2.3 REPORTING

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.

This Annual Report has been prepared for the purposes of the College’s management and Board 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.

Should you have any queries on the contents of the Annual Report please do not hesitate to contact us.

3 FINANCIAL REVIEW

3.1 FINANCIAL STATEMENTS

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. The Accounts Direction requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 ("the SORP").

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.

3.2 AUDIT OPINION

We are pleased to record that there are no qualifications in our audit opinion on the College's accounts for the year ended 31 July 2013, as, in our opinion, the financial statements give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the body's affairs as at 31 July 2013 and of its deficit for the year then ended; and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006.

We are satisfied that in all in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers and that the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

3.3 SUBMISSION OF WORKING PAPERS

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.

In particular, as in the prior year, the College provided the audit team with access to their accounting system. This allowed access to “drill down” into accounts to the relevant supporting documentation. The College also provided us with a detailed set of management accounts which linked the nominal in the trial balance to the financial accounts allowing us to easily identify how the balances in the accounts are composed. This increased the efficiency of our audit and reduced the time commitment required from the College’s finance staff.

3.4 INCOME AND EXPENDITURE ACCOUNT

- The retained result of the College for the year is a surplus of £532,000 compared with a prior year deficit of £81,000.
- Income received from the Scottish Funding Council has slightly increased. There has been a reduction in grant in aid funding of £873,000 (9%) which has been offset by the receipt of merger funding of £1,435,000. A further £210,000 has been received from Skills Development Scotland for the New College programme.
- The recurring staff costs, excluding FRS 17 Pension costs have reduced by £1,049,000 to £8,085,000 compared to last financial year. This reduction has been achieved through staff taking up the voluntary severance scheme operated in 2011/12.
- During this financial year, the College incurred restructuring costs of £1,842,000 (2012 £1,053,000). This relates mainly to staff severance payments in relation to those staff who left the College at 31 July 2013 after taking up the voluntary severance scheme run in 2012/13.

	Y/E 31/7/13 £'000	Y/E 31/7/12 £'000
Income		
Scottish Funding Council Grants	11,308	12,350
SFC Exceptional income	1,435	-
Tuition fees and education contracts	1,764	1,760
Other grant income	38	38
Other operating income	561	750
Investment income	45	90
	<hr/>	<hr/>
	15,151	14,988
Expenditure		
Staff costs	8,085	9,134
Staff costs – restructuring	1,842	1,053
Other operating expenses	2,868	2,969
Depreciation	1,797	1,833
Interest and other finance costs	27	80
	<hr/>	<hr/>
	14,619	15,069
	<hr/>	<hr/>
Surplus / deficit	532	(81)

3.5 BALANCE SHEET

- At 31 July 2013 the College had net assets of £ 35,525,000, an increase of £475,000 from 2012. The increase has arisen primarily as a result of the surplus made in the year and the favourable movement in the pension liability.
- The tangible fixed asset balance has decreased from prior year levels primarily as a result of depreciation of £1,797,000 along with the impact of a reclassification of the Woodburn Campus (£1,111,000). This is now held within current assets as a “non-current asset held for sale” as it now meets the criteria for such.
- Current investments in 2012 comprised of cash held on deposits. At the current year end these had matured giving rise to an increased in the cash at balance of £4,990,000. This has been offset by a decrease in cash as a result of a reduction in deferred income received in advance in relation to international students in at 31 July 2012.
- The provision for liabilities comprises the unfunded pension scheme liability in relation to early retired staff (£1,578,000) along with an amount of £811,000 provided in respect of a charge payable upon termination of a rental guarantee arrangement entered into by the College in previous years.
- The change in reserves has occurred primarily due to a decrease in the FRS 17 pension reserve of £1,531,000 to a level of £1,363,000, along with the result for the year. The majority of the gain in the year has been recorded through the Statement of Total Recognised Gains and Losses (STRGL) (£1,307,000).

	31/7/13 £'000	31/7/12 £'000
Fixed Assets		
Tangible fixed assets	33,568	36,307
Current Assets		
Non current asset held for sale	1,111	-
Stock	6	-
Debtors	621	442
Current investments	-	801
Cash in hand and at bank	4,990	4,507
Creditors : amounts falling due in less than one year	(1,019)	(1,708)
Creditors: amounts falling due after more than one year	-	(4)
Provision for liabilities	(2,389)	(2,401)
Pension liability	(1,363)	(2,894)
Net assets	35,525	35,050
Deferred capital grants	32,948	34,312
Income & Expenditure reserve excluding pension reserve	2,695	2,376
Pension reserve	(1,363)	(2,894)
Revaluation reserve	1,245	1,256
Total Funds	35,525	35,050

4 AUDIT APPROACH & KEY FINDINGS

4.1 OUR APPROACH

Our audit approach recognises the requirements of the Code and is designed to adhere to the general principles outlined therein. Our approach is also designed to address the requirements of the Financial Memorandum between the Scottish Funding Council (SFC) and the Boards of Management of the Colleges of Further Education.

Our audit approach is risk based and focused on the key risks facing the College.

During our initial planning procedures, we identified a number of areas where we considered the risk of misstatement in the accounts to be greater than normal. Our audit procedures were designed and undertaken to ensure greater focus on these risk areas in order that specific conclusions could be made with regard to the identified risks. Details of the risks identified, our audit response and our conclusions are included within Appendix D.

As part of prior year audit procedures, we documented the systems and controls in place at the College and obtained an understanding of their operation. In accordance with auditing standards, during our current year audit visit we confirmed our documented understanding of the main operating cycles and associated accounting systems via interviews of staff and the performance of walk through tests. This process has allowed us to review, in the course of our audit, the key elements of the College's systems of internal financial controls in the main operating cycles.

Based on our procedures, we have identified certain areas where the operation of internal financial controls could be improved. These areas are highlighted within subsequent sections of this report.

It should be noted that the primary objective of our audit is to express an opinion on the truth and fairness of the College's accounts as a whole. An audit does not examine every operating activity and accounting procedure in the College, nor does it provide a substitute for management's responsibility to maintain adequate controls over the College's activities. Our work is not designed therefore to provide a comprehensive statement of all weaknesses or inefficiencies that may exist in the Colleges systems and working practices, or of all improvements that could be made..

4.2 AUDIT ISSUES ARISING

During the course of the audit a number of issues arose which were resolved in discussion with, or formally reported to the Corporate Director of Finance and ICT. This practice is an established part of the audit process. This report draws to the attention of the Board of Directors any matters of particular significance or interest, which arose from the audit, noted as follows:

- **Accounting Policies:** In accordance with FRS18, we understand the Audit Committee will formally review 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.

4.3 OTHER MATTERS

Merger: The College has merged with Annielsand College and Cardonald College to form Glasgow Clyde College.

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

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 the balance sheet. The College has consistently reported significant FRS 17 liabilities over the past few years. The Strathclyde Pension Fund's actuaries provide the College with an updated valuation on an annual basis which is reflected in the pensions liability disclosed on the balance sheet. We have reviewed the College's accounting for these pension schemes and found that it complies with the requirements of FRS 17 and that disclosure is consistent with the actuarial report.

Going Concern: Wylie & Bisset LLP, in accordance with International Standard on Auditing (UK & Ireland) ISA 570 : Going concern, are required to consider the Board of Management's use of the going concern assumption in relation to the financial statements of the College for the year ended 31 July 2013. Following the merger, the operations and services of the College will continue to be provided using the same assets which have been transferred to Clyde College. Consequently, the use of the going concern concept in the final set of financial statements is considered to be appropriate and in accordance with accounting standards as interpreted for the public sector.

Board Attendance: Our review of Governance procedures highlighted that three board members had attended less than 50% of Board Meetings held during the year. This situation had been identified by the Board Secretary and action taken in accordance with the College procedures. At the year end all board members retired from the Board and those board members identified as having poor attendance have not been appointed to the Glasgow Clyde College Board.

VAT Partial Exemption: Consistent with prior years, College has not performed a VAT partial exemption calculation for the year. We understand that historically the Board had considered it was not beneficial for the College to perform the calculation given that the primary source of funding for the College is SFC grant income. This was considered by Scott Moncrieff as part of their due diligence procedures and the partial exemption calculation undertaken for the year ended 31 July 2012. This highlighted recoverable VAT of £8,000. This is considered trivial. As the nature of the College's activities have not significantly changed during the year we are satisfied that any such adjustment for the current year would be similarly negligible. .

4.4 UNADJUSTED ERRORS

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 that were identified during our procedures other than clearly trifling which have not been amended within the accounts.

4.5 INDEPENDENCE

International Standard on Auditing (UK and Ireland) 260: Communication with those charged with governance, requires that we communicate at least annually with you regarding all relationships between our firm and Langside College which, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the audit engagement partner and the audit staff and to detail the related safeguards in place.

We are not aware of any such relationships between our firm and Langside College that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the audit engagement partner and the audit staff.

In our professional judgement, as of the date of this report, Wylie & Bisset LLP is independent of Langside College within the meaning of United Kingdom regulatory and professional requirements and the objectivity of the audit engagement partner and the audit staff is not impaired.

5 GOVERNANCE & INTERNAL CONTROLS

5.1 GOVERNANCE

Corporate Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the upper levels of an organisation. The respective responsibilities of the College and Wylie & Bisset LLP are summarised in Appendix A.

Although we are not required to form an opinion on the adequacy and effectiveness of the individual components of the College's code of corporate governance, we are required *under the Code* to consider the corporate governance arrangements in place at the College.

5.2 INTERNAL AUDIT

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.

The College's internal auditors during the year ended 31 July 2013 were Scott Moncrieff

In the course of the year ended 31 July 2013 the following areas were scheduled to be reviewed by the Internal Auditor:

- Financial Reporting Pack
- Payroll Review
- Creditor Payments
- Risk Management

Our audit procedures included an assessment of the adequacy of the Internal Audit function and review of the reports issued by the Internal Auditor. At the time of our audit, reporting was complete in relation to all areas reviewed by internal audit.

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. We have been able to place reliance on work carried out by internal audit in relation to creditor payments and voluntary severance.

5.3 STATEMENT OF CORPORATE GOVERNANCE

We have reviewed the Colleges Statement of Corporate Governance included within the financial statements. Whilst we do not express an opinion on this statement, we are required to report where a statement does not comply with the requirements of SORP or other guidance, or if it is misleading or inconsistent with other information of which we are aware. The content of this statement is consistent with our understanding of Langside College.

As part of our audit we have performed a review and assessment of the College's Corporate Governance systems relating to standards of conduct, openness and integrity. In addition, we reviewed the College's Risk Register and risk management arrangements along with the minutes of meetings of key College committees issued during the year.

The College is committed to exhibiting best practice in all aspects of Corporate Governance and, in the opinion of the Board of Management the College complies with all the provision of the UK Corporate Governance Code in so far as they apply to the further education sector.

The College's full Board of Management meets four times a year and has several committees through which it conducts its business. Each committee has formally constituted terms of reference and standing orders. These committees include: a Committee of Chairs, a Finance Committee, an Audit Committee, a Property and Estates Committee, a Staffing Committee, a Development Committee and Forum for Excellence in Learning and Teaching. With the exception of the Forum they all comprise mainly lay members of the Board, one of whom is the Chair.

Board members also include members from College staff and students.

The Board annually completes an exercise on self-evaluation which is based on the responsibilities of the Board and on the 'Good Governance Standard for Public Services'. Each committee of the Board completes an annual self-evaluation exercise based on the remit of the committee. Both exercises include an evaluation of the performance of the Chair(s).

We have also considered the arrangements made by the College in order to address the requirements of the Bribery Act 2010 that came into force on 1 July 2011 in order to assess their appropriateness and adequacy.

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.

We found no matters therein to impact upon our audit opinion, however two recommendations have been made in this area to strengthen the Corporate Governance arrangements currently in place.

6 FRAUD AND IRREGULARITIES

6.1 BEST PRACTICE

Best practice requires that the charity should establish arrangements for the prevention and detection of fraud and other irregularities as part of its Governance procedures.

An assessment was made of the adequacy of the systems and controls for the prevention and detection of fraud and irregularities during our audit planning procedures.

6.2 AUDIT FINDINGS

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 charity'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.

No areas of significant concern were found during normal audit procedures.

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.

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.

There are no specific recommendations made in this area however, it is highlighted that all the recommendations made have an implicit impact on the prevention and detection of fraud and other irregularities within the College.

7 AUDIT RECOMMENDATIONS – 31 JULY 2012

7.1 31 JULY 2012 MANAGEMENT LETTER

A management letter was prepared by Wylie & Bisset LLP in relation to the accounts of Langside College for the year ended 31 July 2012.

The points noted within the prior year management letter, along with the observations and follow up conclusions from the current year are detailed below.

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 company matches current best practice.

7.2	Register of Interests
Observation	We noted from our review of the online register of interests that a number of entries appeared to be old registers with no evidence that they have been reviewed and updated.
Implication	The College may not be fully aware of its related parties and therefore potential conflicts of interest may not be identified and disclosure of related party transactions may be inaccurate. Further, public perception of Governance procedures may be impacted if information included within the website in such areas appears not to have been updated.
Recommendation	We recommend that the register of interests for every board member is updated on an annual basis and evidenced as such. If there are no changes to the existent register a note should be added to register to evidence it has been reviewed.
Priority	Low
2013 Update	From discussion with the College secretary an annual update was performed in November 2012 in which only 1 change was made. We are satisfied that our recommendation has been addressed but would remind Board members of their responsibility to advise the College should their situation change. No further action required.

7.3	Potential Bad Debts
Observation	Our review found that a bad debt exercise had been carried out for all old debtors. The exercise involved reviewing whether each debtor had been repaid after the year end or if they were on a payment plan. This did not detail how long it would take for a debt to be fully recovered. It was found that one debt on the current payment plan would take 26 years to be fully recovered and therefore may not be received in full. We do note that this amount is immaterial.
Implication	The College may be overstating their debtors and not fully providing for potentially irrecoverable debt. The amounts involved in our sample are not significant with regard to materiality, however have highlighted weaknesses in the process that may have the potential to result in larger error going forward.
Recommendation	We recommend that when the bad debt exercise is performed the spreadsheet is updated to note the time it would take to fully repay the debt. If it will exceed 5 years the debt should be included within the bad debt provision.
Priority	Low
2013 Update	At the year end a similar bad debt exercise was performed for which the spreadsheet details the length of time for all individuals on payment plans to repay. From this we can see that a further 2 people exceed the 5 year term recommended and are not included within the bad debt provision. We note that the amounts are immaterial. We repeat our original recommendation.
Responsibility	Management Response
Director of Finance & ICT	The debtors referred to were highlighted for inclusion in the bad debt provision, however an error in the spreadsheet resulted in the related amounts not being captured in the original bad debt provision. The spreadsheet has since been revised to resolve this issue and the bad debt provision was adjusted accordingly in advance of the year end financial statements being finalised.

8 AUDIT RECOMMENDATIONS – 31 JULY 2013

8.1 31 JULY 2013 RECOMMENDATIONS

As noted within the previous section, the majority of recommendations made in the previous year have been addressed in the year with only one point requiring further action. This was addressed prior to the finalisation of the financial statements.

Those additional matters which were highlighted as a result of our current year audit procedures are noted below, detailing the observation and implications thereof along with our recommendation for improvement.

The points noted have been assigned a priority level in line with that explained in section 7.

8.2	Posting of invoices
Observation	In the year the College has received an invoice from Danwood in April. This invoice was subsequently held back due to a dispute with the supplier. In July the invoice was posted to the accounting system but posted with an invoice date of July.
Implication	There is a risk that expenditure could be missed if invoices are not posted when received or included within the wrong period for both management accounts and statutory accounts.
Recommendation	We recommend that all invoices are posted to the system upon receipt of the invoice and posted to the system on the date of the invoice.
Priority	Low
Responsibility	Management Response
Director of Finance & ICT	The invoice referred to was being held in a high priority file by the finance team who consulted the Director Finance & ICT regularly in respect of this as she was liaising with the supplier in respect of possible credits to partially offset the value of the invoice. The forecast figures in the 12/13 College management accounts included the related costs and as such there was no risk of this cost not being recorded in the 12/13 period.

9 EMERGING ISSUES

As Langside College ceased to exist as entity on 1 August 2013 the following is included for reference of the Board of Management of Glasgow Clyde College.

9.1 CLASSIFICATION CHANGE FOR INCORPORATED COLLEGES

The Office of National Statistics 'ONS' has reviewed the classification of further education Colleges in the UK and concluded that all incorporated FE Colleges should be classified as non departmental public sector bodies ("NDPB"). This will impact upon Colleges' ability to use carry forward surpluses and will require revenue and capital spend to be within Scottish Government spending limits.

This has significant implications for the sector with Colleges now required to report, budget and align accounting practice with that applicable to central government organisations.

9.2 YEAR END CHANGE

As a consequence of the classification change discussed in section 9.1, Colleges will require to apply the same financial year basis as is currently used in the public sector (April to March). This will take effect from the 31 March 2014 with Colleges required to report on the 8 month period then ended.

The impact of the change in the financial year end for all Scottish Colleges is ultimately unknown. With the financial year now differing from the academic year the recognition of income and expenditure will have to be reviewed carefully in order to present an accurate financial result. This will require consideration across the sector to ensure results are reported on a consistent basis. This will have particular significance in the initial 8 month period to 31 March 2014.

The year end change which will result in an alteration to the annual reporting deadline for Colleges to SFC and Audit Scotland. As a consequence College management will have to consider the timing of their diet of Board and Committee meetings. There is currently a lack of clarity with regards to when the annual reporting deadline will be however College management need to be aware of the need to be flexible to meet the imminent change.

9.3 MANAGEMENT OF RESERVES AND SURPLUSES

The reclassification of Colleges affects their ability to use carry forward surpluses. The SFC has issued guidance on a potential solution to the future management of reserves and surpluses, through the use of arms-length charitable foundations. Currently the sector has been asked to consider 3 possible models:

- a) a separate foundation for each College or region;
- b) a single umbrella foundation with designated sub funds for each College; or,
- c) a number of foundations based on geographical or other groupings.

College Management are aware of the currently identified ramifications of the reclassification in this regard and are considering the most appropriate course of action.

9.4 CHANGES IN ACCOUNTING FRAMEWORK

The Financial Reporting Council (FRC) issued FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland in March 2013. This is the third new standard to be issued by the FRC since November 2012 and represents the most significant element of the new UK GAAP reporting regime. FRS 102 is applicable for accounting periods beginning on or after 1 January 2015, ie 31 March 2016 year ends.

The Further and Higher Education SORP Board has recently developed a new SORP, which is currently out for consultation. It is expected that the revised SORP will be issued in summer 2014. Whilst this will only apply to College financial statements from 31 March 2016 management should be aware of the need to draw up a transitional balance sheet at 1 April 2014 in order to facilitate the composition of restated comparative figures at 31 March 2015.

At Wylie & Bisset we acknowledge this is a period of significant change and uncertainty for the FE sector. Our Education Unit continue to monitor developments during this time of change and will offer guidance and advice as clarity is attained.

APPENDICES

A STATEMENT OF THE RESPONSIBILITIES OF THE BOARD OF MANAGEMENT

In accordance with the Further and Higher Education Act (Scotland) Act 1992 and the College's Constitution, the Board of Governors of Langside 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 Management 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 preparing the financial statements, the Board of Management is required to:

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

Financial statements of the College may be published on the College's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the College's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Board of Management 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.

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.

B INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Langside College for the year ended 31 July 2013 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Income and Expenditure Account, Statement of Historical Costs Surpluses and Deficits, Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 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 Management and Auditor

As explained more fully in the Statement of Responsibilities of the Board of Management, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 directions made thereunder by the Scottish Funding Council of the state of the body's affairs as at 31 July 2013 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on Regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers;

Opinion on Other Prescribed Matters

In our opinion the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement of Corporate Governance and Internal Control does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters

C LETTER OF REPRESENTATION

Langside College
50 Prospecthill Road
GLASGOW
G42 9LB

5 December 2013

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 31st July 2013.

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 31st July 2013.
 - 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 Scott Moncrieff 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.
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 treatment of the College as a going concern within these financial statements is considered appropriate on the grounds that the operations and services of the College will continue to be provided using the same assets which have been transferred to Clyde College. We are satisfied 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 that you have not identified to us any unadjusted errors other than those which are clearly trifling. It is our view that the cost of making these adjustments to the financial statements outweighs any benefits that will be gained by users of 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

D IDENTIFIED AUDIT RISKS, APPROACH & CONCLUSION

Risk	Audit response	Conclusion
<p><u>Financial performance</u></p> <p>Funding resources for Scotland's Colleges remain tight and are reduced from previous levels. SFC grant in aid remains the main source of income however the levels received from SFC are reduced in comparison to previous years.</p> <p>There is therefore increased risk associated with the demand this places on current resources due to the occurrence of non standard transactions such as voluntary severance and other restructuring costs.</p>	<p>As part of our audit process we will review the College's final outturn and ensure we can adequately explain any deviations from budget.</p> <p>Any non standard transactions will be specifically reviewed as part of our audit testing and ensuring adherence with the requirements of FRS12 Provisions, Contingent Liabilities and Contingent Assets. In particular, any severance provision will be assessed.</p>	<p>We are satisfied that the procedures and processes operated by the College in this area are adequate to meet the needs of the College in a time of tight resources.</p> <p>All significant deviations from budget have been adequately explained and supported.</p> <p>We are satisfied that non standard transactions have been processed correctly.</p>
<p><u>Sector structural changes</u></p> <p>There is a risk of increased public scrutiny following the proposed restructure of the FE College sector and the move toward regionalisation. The College has indicated that it supports regionalisation reform and is in advanced stages in implementing a merger with Cardonald College and Anniesland College. The proposed vesting date of merger is 1 August 2013.</p>	<p>We will consider the Colleges planned merger and any impact this may have on the College's governance arrangements, internal controls and financial statements in the year under audit, particularly with regard to disclosure within the accounts.</p>	<p>The college has now merged with Anniesland and Cardonald Colleges. Based on our review, we are satisfied that the College operates appropriate Corporate Governance procedures and disclosure within the accounts is appropriate.</p>

Risk	Audit response	Conclusion
<p><u>Rutherglen Campus</u></p> <p>The land based course offering of the College has been based from the Rutherglen Campus at Woodburn House. However, we understand that the decision has been made to close this campus in order to realise cost savings for the College and to allow for the sale of the campus. This gives rise to increased risk as to how the campus and associated assets are treated within the financial statements with regard to both valuation and classification for disclosure.</p>	<p>We will review meeting minutes and relevant authorisations to determine the stage of planned sale of the campus and the intentions regarding associated assets. We will then consider the accounting treatment with regard to the specific provisions of the SORP in this area.</p>	<p>We are satisfied with the accounting treatment and disclosure of the Rutherglen campus. The campus has now been moved to current assets within the balance sheet as the conditions required to disclose as a held for sale under the SORP have now been met.</p>
<p><u>Override of Internal Controls</u></p> <p>There is a risk of fraud or error arising due to management override of controls. Note that this is considered a specific risk for all audit engagements in accordance with the requirements of ISAs.</p>	<p>Our audit procedures will include testing the appropriateness of journal entries recorded within the general ledger and other adjustments made in the preparation of the financial statements, along with a review of accounting estimates for any evidence of management bias. We will also consider specifically any significant transactions outside the normal operations of the College.</p>	<p>Satisfactory. Our testing has highlighted no issues in this area. There are no indicators of inappropriate management override of controls.</p>

Risk	Audit response	Conclusion
<p><u>Revenue Recognition</u></p> <p>There is a risk of material misstatement due to errors in revenue recognition. Note that this is considered a specific risk for all audit engagements in accordance with the requirements of ISAs unless it can be specifically rebutted.</p>	<p>Our standard testing procedures in this area will adequately address the associated risk such that a specific additional audit response is not required.</p>	<p>Satisfactory. Our testing of the income balances has highlighted no issues with regard to revenue recognition providing adequate assurance over the figures included within the financial statements.</p>

E CONTACT DETAILS

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