

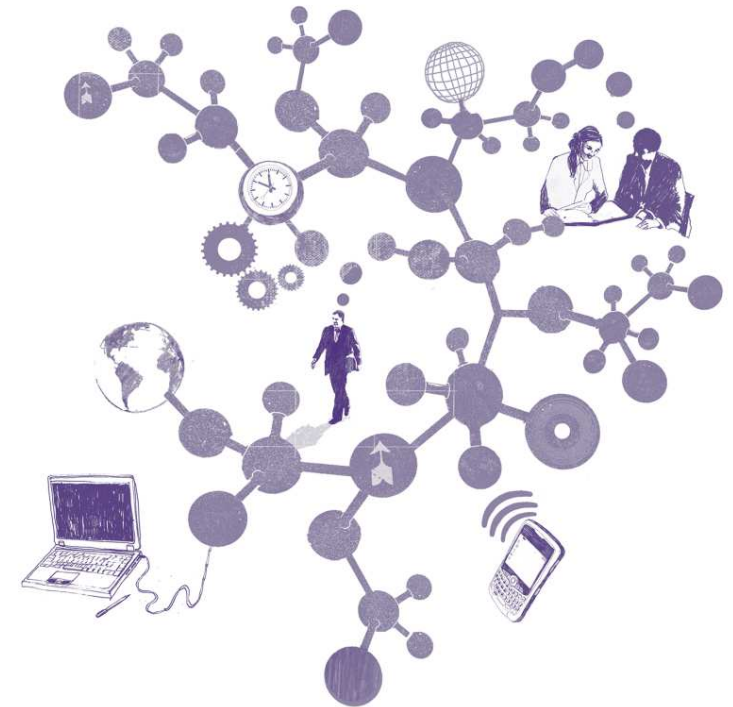
Financial Statement Audit Findings for Dumfries and Galloway College

Year ended 31 March 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

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Executive summary

Introduction

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP, Dumfries & Galloway College ("the College") and the Auditor General for Scotland. The purpose of this report is to highlight the key issues arising from the audit of the College's financial statements for the year ended 31 March 2014.

Under the Audit Scotland Code of Audit Practice we are required to report whether, in our opinion, the College's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (the SORP).

This report meets the mandatory requirements of the International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Audit Committee.

Scope of our work

During the course of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan in March 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- subsequent events review to the date of signing the financial statements
- signed management representation letter.

We received draft financial statements and a number of accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Financial Statements Opinion

We expect to provide an unqualified opinion on the College's 2013-14 financial statements.

The accounts and working papers we received are a very good standard. We have identified no material adjustments. There are also no unadjusted errors in the financial statements. Any issues identified have been trivial in value or minor grammatical and presentational issues only.

The College has adapted and prepared well in order to manage the requirement to change the accounting year to 31 March for the 2013/14 financial year.

Summary of Key Findings

Reporting area	Our Summary
Financial Statements	<ul style="list-style-type: none"> We intend to give an unqualified opinion on the financial statements of Dumfries & Galloway College We identified no material adjustments during our audit.
Financial position	<ul style="list-style-type: none"> The financial statements record a net deficit on the provision of services of (£1,651k), as this included a payment of £2,120k to the arms-length foundation. In 2013 there was a surplus of £34k. At 31 March 2014, the College had a total reserves balance of £8,343k (2013: £11,060k), of which £1,729k is available as a general reserve (2013: £4,314k).
Internal controls	<ul style="list-style-type: none"> We reviewed the Statement of Corporate Governance and were satisfied that disclosures are in line with our knowledge of the College and that the statement is underpinned by a robust assurance framework, developed with internal audit. We reviewed the assurance and governance processes the College had in place to support the payments in year to the arms-length organisation. We identified no significant deficiencies in internal controls during our audit.
Performance	<ul style="list-style-type: none"> The College achieved their target weighted student numbers (WSUMs) for the 2012/13 academic year and the College is expecting to meet this for the 2013/14 academic year also.

Looking forward

Matters arising from the financial statements audit and review of the College's internal control arrangements have been discussed with officers.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
August 2014

Section 2: Financial Results

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Financial Results

Introduction

The accounts for the period ending 31 March 2014 incorporate a change of accounting year, and are therefore compiled on an eight month period from August 2013 to March 2014. From 1 April 2014 Scotland's colleges are reclassified as central government bodies for the purposes of government reporting.

Key Areas of Expenditure

The College reported expenditure of £10,583k in the current financial year. The table below shows a breakdown of this expenditure figure

	2014	2013
	£'000	£'000
Staff Costs	5,004	6,957
Arms Length Foundation	2,120	0
Depreciation	787	1,405
Other operating expenses	2,672	3,942
	10,583	12,304

Source: Dumfries & Galloway College Financial Statements 2013/14

Expenditure is reduced in 2013/14 as expected, as there are only eight months in the 2013/14 financial year.

Colleges were able to make donations to arms-length foundations in 2013/14. Cash reserves from 1 April 2014 are affected by the reclassification as all of the College income and expenditure will count as part of the Scottish Governments income and expenditure, and all expenditure net of income requires budget cover from the Scottish Government's own budget limits

During 2013/14 the College made £2,120k in donations to the Scottish Colleges Foundation. The Scottish Colleges Foundation is an independent trust established with the purpose of supporting further and higher education colleges in Scotland. The College has successfully applied in the 2014/15 financial year to the Scottish Colleges Foundation for funding for the Dumfries campus hospitality development.

Income for the year

The College reported income of £8,932k in the current financial year. Income is reduced in 2013/14 as expected, as there are only eight months in the 2013/14 financial year.

The College receives income from multiple sources as shown in the table below. It is clear from this analysis that the main source of funding is grants from the Scottish Funding Council which accounts for 79% of total income.

	2014	2013
	£000	£000
Scottish Funding Council grants	7,062	9,630
Tuition fees and education contracts	1,211	1,622
Other income	659	1,086
	8,932	12,338

Source: Dumfries & Galloway College Financial Statements 2013/14

Financial Results

Financial Position

The College's balance sheet reflects a positive financial position with net assets of £35,323k.

	2014	2013
	£'000	£'000
Non- Current Assets	40,521	41,308
Current Assets	3,128	5,174
Current Liabilities	(2,464)	(2,691)
Non current liabilities	(5,862)	(5,229)
Total net assets	35,323	38,562

Source: Dumfries & Galloway College Financial Statement s 2013/14

The reduction in net assets is largely due to the £2,120k donation to the arms-length foundation in 2013-14, therefore reducing the current assets cash balance.

Looking Forward

Dumfries and Galloway College's objectives remain broadly similar to those in 2013/14 and achieving the targets set out in the Outcome Agreement for 2014/15 will be the main focus for the Board and Senior Management Team going forward. The public finances remain challenging, as does the ability to prepare students for the transition into employment, with youth unemployment remaining a key political issue.

In 2014/15 the College is undertaking a substantial capital programme with the hospitality redevelopment within the Dumfries Campus to establish a training kitchen and restaurant. The College plans to re-introduce hospitality and catering courses.

There will be considerable pressure on the finance team in 2014/15 to make the transition to the requirements for central government reporting, as well as transferring to a new financial reporting framework in 2015/16.

Implications for the move to International Financial Reporting Standards in 2015/16 have been assessed by the College, and an Action Plan is in place to manage the significant changes in accounting and reporting requirements.

Section 3: Audit findings

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Audit Findings

Introduction

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, which was issued to the College in March 2014.

We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Audit opinion

We anticipate that we will provide the College with an unmodified opinion conclude that the financial statements are prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code. Our audit opinion is set out in Appendix A.

Our work has covered the regularity assertion, and we are satisfied from our sample testing, that transactions are in accordance with the Scottish Funding Council's Financial Memorandum.

Changes to the audit plan

During the conduct of our audit, we have not had to alter or change our audit plan issued in March 2014.

Outstanding matters

Our audit is substantially complete. We continue to finalise our audit procedures in the following areas:

- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

The draft management letter of representation is attached as Appendix B to this report.

Audit amendments

There was one trivial financial amendment identified in the accounts for £5k, and the College has chosen to amend for this error. This reduced grant income by £5k and increased the deficit in the year by £5k. Any amendments made were minor in number and nature to correct grammar and presentation only. There are no unadjusted errors identified in the financial statements.

Audit findings against significant risks

Under International Standard on Auditing (ISA) 315, we are required to identify and assess the risks of material misstatement within the College's financial statements. We identified those areas that we consider to risks within our Audit Plan 2013-14. We outline our response to the significant risks of material misstatement below.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Tuition and Fee Revenues Existence and occurrence of tuition fee revenues</p>	<ul style="list-style-type: none"> • Review of the controls in place over the tuition revenues system • Substantive testing of transactions, with no issues arising • Review the period end balances and agree a sample to post period end receipts • Analytical review of tuition and fee revenue. 	<p>Our audit work on controls and substantive testing on income has not identified any issues in respect of tuition fee revenues.</p>
2.	<p>Employee remuneration Completeness of employee remuneration accruals</p>	<ul style="list-style-type: none"> • We completed detailed substantive testing of the employee remuneration processes on a sample of transactions during the year, with no issues arising • Analytical Review of payroll expenditure • Reconciliation of the employee remuneration cost is reflected in the ledger • Testing of employee remuneration accruals. 	<p>Our work did not identify an issues in respect of employee remuneration.</p>
3.	<p>Operating Expenses Completeness of creditors and provisions</p>	<ul style="list-style-type: none"> • Substantive testing of accruals, payables and provisions • Review of judgements associated with accruals • Cut off after date testing • Review and test the accounting and calculations for VAT against HMRC's guidance on the Lennartz Mechanism of accounting for VAT. 	<p>Our work did not identify an issues in respect of operating expenses and provisions.</p>

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journals entries • Review of accounting estimates, judgements and decisions made by management • A review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>
5.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition.</p>	<ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing of material revenue streams • A review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>

Accounting policies, estimates & judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the College's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> Income from tuition fees is recognised in the year in which it is receivable and includes all fees chargeable to students or their sponsors Income from grants, contracts and other services rendered is included to the extent of completion of the contract or service concerned Income from donations is credited to the income and expenditure account in the year in which it is received, unless specific restrictions apply Income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned 	<ul style="list-style-type: none"> The revenue recognition policies are appropriate under the SORP In a small number of cases, judgements are made regarding levels of accrued income, and no issues have been found with this from the audit. The draft accounts outlined an appropriate revenue recognition policy as part of Note 1. 	<p style="text-align: center;">● (Green)</p>




Assessment

- (Red) Marginal accounting policy which could potentially attract attention from regulators
- (Amber) Accounting policy appropriate but scope for improved disclosure
- (Green) Accounting policy appropriate and disclosures sufficient

Table 2: Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<ul style="list-style-type: none"> • Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of assets and capital equipment – pension fund valuations and settlements – revaluations – impairments – Provisions. 	For all material items, we have reviewed: <ul style="list-style-type: none"> • the appropriateness of your policies under the SORP • the extent of judgement involved • the potential financial statement impact of different assumptions • the adequacy of disclosure of the accounting policy. We have no concerns to highlight to the Audit Committee.	 (Green)
Other accounting policies	<ul style="list-style-type: none"> • We have reviewed the College's policies against the requirements of the SORP 	<ul style="list-style-type: none"> • The accounting policies are appropriate under the SORP • We have no further comments to raise with the Audit Committee 	 (Green)

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Our findings on internal controls

The purpose of an audit is to express an opinion on the financial statements. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. During the course of our audit, we have concluded that there are no deficiencies in internal control of sufficient importance to merit being reported to you in accordance with auditing standards.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the College.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any material related party transactions which have not been disclosed.
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the College's decision to prepare the financial statements on a going concern basis.

Looking forward

Key changes for 2014/15 onwards

In this section we highlight the key changes affecting the financial statements in 2014-15.

Reclassification of Colleges

The Office of National Statistics (ONS) reclassification of Further Education Colleges to central government bodies comes into force from 1 April 2014.

From 2014/15 there will be a requirement for the financial statements to comply with the Government Financial Reporting Manual (FReM). This has resulted in a significant number of accounting implications which have an impact on the 2014/15 financial statements

Full International Financial Reporting Standards (IFRS) conversion is applicable from 2015/ 16 with the issue of the new HE/ FE Statement of Recommended Practice (SORP). This will also require comparative figures to be prepared for the opening balance at 1 April 2014 and 1 April 2014 to March 2015.

The College will have to consider the implications of this decision and how the changes can be managed to deliver these changes. The College has started work early on IFRS conversion and has a timetable and Plan of key issues for conversion.

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Governance

Introduction

The College's governance and risk management arrangements continue to operate effectively.

Financial Monitoring

The College has a responsibility to monitor and control the financial position. In order to gain assurance over the adequacy of the processes we reviewed the budgeting and treasury management processes in place and found no issues.

Regionalisation

As a result of the Griggs report on the Review of Further Education Governance in Scotland a number of institutions have merged on a regional basis.

Due to its geographic location, Dumfries and Galloway College did not merge as part of this process.

We have undertaken a review of governance arrangements in place at the College as part of our audit work. We identified no weaknesses in the entity level controls.

Key elements of the College's governance framework include a well formed Board of management and a range of Committees, including the Audit Committee. Key governance procedures include appropriate policies to prevent and detect fraud and corruption and policies on anti money laundering and 'whistleblowing'.

Prevention and Detection of Fraud and Irregularity

The integrity of public funds is a key concern for the organisation and for auditors. As external auditors, we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities. Our enquiries of management and the College's internal auditors found that there were no internal frauds during 2013/14. We conducted testing on journal entries and related party transactions to highlight any unusual transactions. There were no issues arising from this testing.

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Performance

Introduction

Outcome agreements were introduced by the Scottish Funding Council (SFC) in Academic Year 2012-13, and set out what colleges and universities plan to deliver in return for their funding from SFC. Their focus is on the contribution that the colleges and universities make towards improving life chances, supporting world-class research and creating sustainable economic growth for Scotland.

The College have a range of objectives and activities set by the SFC as follows:

- compliance with the terms of the Financial Memorandum between the SFC and the College
- maintaining the provision of acceptable quality and developing and implementing a satisfactory quality improvement strategy
- following public sector pay policy set by HM Treasury
- provision of data returns requested by the SFC to the specific standards and deadlines set
- discussion with and advanced approval from the SFC before any of the capital maintenance funds are spent on items of specialised equipment to support the curriculum
- the College must notify Skills Development Scotland (SDS) within five working days of a young person leaving

Performance Indicators

In accordance with SFC requirements the College monitors and reports progress on national priorities. The College does this through their 'Key Indicator Report'. Key priorities being monitored are:

- Weighted student numbers (WSUMs)
- Enrolments
- Retention
- Finance
- Staffing

There is financial penalty through grant claw-back if the WSUMs actuals are lower than 98% of the target. The College achieved their target weighted student numbers for the 2012/13 academic year and the College is expecting to meet this for the 2013/14 academic year also.

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Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm that there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
External Audit - College	14,100	14,100
Total audit fees	14,100	14,100

Fees for other services

Service	Fees £
Reclassification of incorporated colleges – Report and Action Plan	6,000

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 7: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

This Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Audit Scotland.

We have been appointed as the College's independent external auditors by the Auditor General for Scotland, the body responsible for appointing external auditors to the Further Education sector in Scotland. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by Audit Scotland on behalf of the Auditor General and includes nationally prescribed and locally determined work. Our work considers the College's key risks when reaching our conclusions under the Code.

It is the responsibility of the College to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the College is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the College with an unmodified audit report

Independent auditor's report to the members of the Board of Management of Dumfries and Galloway College, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of Dumfries and Galloway College for the period ended 31 March 2014 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, the Statement of Historical Cost Surpluses and Deficits, the 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.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

Generic scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures 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. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the audited financial statements and to identify

any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, 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 March 2014 and of its deficit for the period 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 period 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:

- proper 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

Gary Devlin, for and on behalf of Grant Thornton UK LLP
7 Exchange Crescent, Edinburgh, EH3 8AN

xx September 2014

Gary Devlin is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

Appendix B: Draft Letter of Representation

Grant Thornton UK LLP
 7 Exchange Crescent
 Conference Square
 Edinburgh
 EH3 8AD

xx September 2014

Dear Sirs

Dumfries and Galloway College: Financial Statements for the Year Ended 31 July 2014

This representation letter is provided in connection with the audit of the financial statements of Dumfries and Galloway College for the period ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with Statement of Recommend Practice: Accounting for Further and Higher Education Institutions (The SORP). We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the terms of the Audit Scotland appointment letter dated 23 May 2011 and the Financial Memorandum agreed between the Scottish Funding Council and the College for the preparation of the financial statements in accordance with the SORP. In particular, the financial statements give a true and fair view of Dumfries and Galloway College's state of affairs as at 31 March 2014 and of its income and expenditure for the financial period.
- ii. We are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions of the College conform to the authorities that govern them. In addition, we are responsible for ensuring that funds from the Scottish Funding Council are used only in accordance with the Financial Memorandum with the Scottish Funding Council and any other conditions that the Scottish Funding Council may prescribe from time to time.
- iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the SORP.
- vi. All events subsequent to the date of the financial statements and for which the SORP requires adjustment or disclosure have been adjusted or disclosed.
- vii. The financial statements are free of material misstatements, including omissions.

Information Provided

- viii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- ix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- x. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- xiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xiv. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- xv. We confirm that transfers made to the arm's length foundational trust were done so before the period end and to a trust independent of the College..

Yours faithfully

Signed on behalf of the Governing Body of Dumfries and Galloway College



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