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- beneficial change in the provision of public services
- the highest standards in financial management and reporting; and
- good governance and propriety in the conduct of public business.

The Comptroller and Auditor General, Mr John Dowdall CB, is an Officer of the Northern Ireland Assembly. He is the Head of the Northern Ireland Audit Office, which employs some 150 staff. He, and the Northern Ireland Audit Office, are totally independent of Government. He certifies the accounts of all Government Departments and a wide range of other public sector bodies; and he has statutory authority to report to the Northern Ireland Assembly on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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South West College Account

Year ended 31 July 2008

Report to those charged with Governance Audit results

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1. Executive summary

Our audit is now complete and resulted in the Comptroller and Auditor General (C&AG) providing a clean audit opinion in respect of the financial statements and regularity on [date]. No report on the account was required.

Critical matters which we would like to draw to the attention of the Audit Committee as a result of our audit include the following:

1. Two prior year adjustments (PYA) have been made to the accounts. The first PYA is in respect of the inclusion of the buildings under Private Finance Initiative (PFI) contracts on the balance sheet. This is a more accurate reflection of the College's exposure to the risks associated with PFI contracts. The second PYA relates to an error in the 2006-07 East Tyrone College accounts. A prepayment in respect of the PFI unitary payment for the Dungannon building had been omitted from the 2006-07 East Tyrone College accounts in error;
2. The absence of business level risk registers and adequate processes in place to effectively manage risk;
3. Information Technology (IT) procedures and policies have yet to be finalised and implemented;
4. Inconsistencies in the procedures in respect of the use of the TMS system and in recording hours worked for part-time staff were noted across the campuses; and
5. At present neither the Audit Committee nor the Finance and General Purpose Committee include a member with a Finance or Accounting background, as recommended in public sector guidance.

Our full recommendations are contained within the body of this report.

2. Introduction

The purpose of this report is to provide those charged with governance, both management and non-executives, with the results of our audit work on the South West College Account for 2007-08 and our recommendations for action. The report sets out:

- ◆ our audit conclusion;
- ◆ the results of our overall review of the statement of accounts;
- ◆ the outcome of our response to the key risks set out in the previously provided Audit Strategy;
- ◆ management's response to our recommendations;
- ◆ our ISA 260 Report; and
- ◆ specific lesser audit findings that we have shared with the College Director and the Head of Corporate Services (See Annex A).

This document is purely for the use of South West College and our prior consent should be sought before any distribution either in full or in part is made. The Northern Ireland Audit Office does not accept responsibility to any third party for losses arising from reliance being placed upon this document.

We would like to take this opportunity to thank the management and staff at South West College who provided assistance during the course of our audit.

3. Audit Conclusion

Our audit is now complete and resulted in the C&AG providing a clean financial audit opinion and a clean regularity opinion on [date]. No report on the accounts was required.

4. Review of the Accounts

Our review of the Income and Expenditure Account and Balance Sheet included a comparison of position at 31 July 2008 with that at 31 July 2007. We note, however, that the figures for the year ended 31 July 2007 relate to the merged position for the three legacy colleges and therefore an exact comparison may not be appropriate in these circumstances. We have used below a "traffic lights" system to categorise the movements:

	Percentage change \geq 10%
	Percentage change $<$ 10%, but \geq 5%
	Percentage change $<$ 5%

The purpose of this analysis is to provide those charged with governance with an independent interpretation of the key account movements and also to provide insight into the areas focused upon by the audit process.

COMPARISON OF BALANCE SHEET AND INCOME AND EXPENDITURE ACCOUNT WITH PRIOR YEAR

4.1 Balance Sheet

	2007-08 £'000	2006-07 restated £'000	% change	Traffic Light
Fixed Assets				
Tangible Assets	69,648	55,587	25%	
Debtors due after more than one year	1,525	1,617	-6%	
Current Assets				
Stocks	0	46	-100%	
Debtors due within one year	6,050	3,025	100%	
Cash at bank and in hand	5,924	4,886	21%	
Creditors (amounts falling due within one year)	-4,511	-2,791	62%	
Net Current Assets	<u>7,463</u>	<u>5,166</u>	44%	
Total Assets less Current Liabilities	<u>78,636</u>	<u>62,370</u>	26%	
Creditors (amounts falling due in more than one year)	-39,692	-39,946	-1%	
Provisions for Liabilities and Charges	-584	-172	240%	
Net pension liability	-2,290	-1,453	58%	
	<u>36,070</u>	<u>20,799</u>	73%	
Tax Payers' Equity				
Deferred capital grants	9,512	6,863	39%	
Income and Expenditure Reserve	6,800	5,481	24%	
PFI Reserve	1,616	1,676	-4%	
Pension Reserve	-2,290	-1,453	58%	
Revaluation Reserve	20,432	8,232	148%	
	<u>36,070</u>	<u>20,799</u>	73%	

4.2 Explanation for the significant variances only identified in the above analysis

Balance Sheet

- ◆ Tangible fixed assets increased by £14.061 million mainly due to the upwards revaluation of land and buildings during the year by £12.2 million. The revaluation reserve has increased by this amount also. Tangible fixed asset additions of £4.279 million were also incurred during the year, mainly on the Skills Centre development at the Enniskillen Campus.
- ◆ Debtors within one year has increased by £3.025 million due mainly to funding due from DEL in respect of the Skills Centre Development and the PFI assets.
- ◆ Cash at band and in hand has increased by £1.038 million due to a number of outstanding supplier balances falling due within one year not being paid until after the year end. There is a corresponding increase in the creditors balance (see below).
- ◆ Creditors falling due within one year has increased by £1.720 million due to payments to suppliers being delayed until after the year end (see corresponding increase in bank balance above) and an accrual in respect of redundancy payments made after the year end.
- ◆ Provisions for liabilities and charges has increased by £0.412 million due to several ongoing legal cases in respect of the former Fermanagh College.
- ◆ The pension liability and associated pension reserve has increased by £0.837 million in line with the valuation report provided by the NILGOSC scheme actuary.

4.3 Income and expenditure account

	2007-08 £'000	2006-07 restated £'000	% change	Traffic Light
Income				
Department for Employment and Learning Grants	26,364	23,148	14%	
Education contracts	4,559	4,328	5%	
Tuition fees and charges	1,496	1,651	-9%	
Other grant income	1,619	1,615	-	
Other operating income	484	740	-35%	
Investment income	456	279	63%	
Total income	<u>34,978</u>	<u>31,761</u>	10%	
Expenditure				
Staff costs	15,637	16,475	-5%	
Other operating expenses	14,724	14,684	-	
Depreciation	2,533	2,278	11%	
DEL contributions to depreciation	-1,254	-1,130	11%	
Total expenditure before exceptional items	<u>31,640</u>	<u>32,307</u>	-2%	
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and before tax	3,338	-546		
Exceptional items				
Exceptional staff costs	2,176	242	799%	
Exceptional costs (non staff restructuring costs)	10	85	-88%	
	<u>2,186</u>	<u>327</u>	569%	
Interest				
Finance lease interest on PFI contracts	5,675	5,636	1%	
DEL contributions to finance lease interest on PFI contracts	-5,675	-5,636	1%	
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and before tax	1,152	-873	-	
Taxation	0	0		
Surplus/(deficit) on continuing operations after depreciation of assets at valuation and tax	<u><u>1,152</u></u>	<u><u>-873</u></u>	<u><u>-</u></u>	

4.4 Explanation for the significant variances only identified in the above analysis

Income and Expenditure Account

- ◆ Income from DEL grants has increased by £3.216 million due to increased recurrent grant funding and a one off contribution to redundancy costs.
- ◆ Other operating income has decreased by £0.256 million due to a decrease in contributions as the Jobskills programme is wound down.
- ◆ Investment income has increased by £0.177 million due to increased funds held on deposit with higher interest rates.
- ◆ Depreciation expense (and associated contributions from DEL in respect of depreciation) have increased by £0.255 million and £0.124 million respectively due to fixed asset revaluations in the year.
- ◆ Exceptional staff costs have increased by £1.934 million in respect of one off redundancy costs.

4.5 Prior year adjustments

Two prior year adjustments were made to the accounts in respect of the inclusion of the PFI buildings for Omagh and Dungannon on the balance sheet and a fundamental error in the 2006-07 East Tyrone accounts in respect of a prepayment of PFI unitary payments being omitted from the accounts. The impact of the prior year adjustments is as follows:

PFI assets being brought on balance sheet:

Adjustments to balance sheet at 1 August 2006

- ◆ Increase in fixed assets of £31,984,000
- ◆ Decrease in amounts due from DEL of £1,009,000
- ◆ Increase in finance lease obligations of £31,065,000
- ◆ Decrease in reserves of £90,000

Adjustments to the income & expenditure account for the year ended 31 July 2007:

- ◆ Increase in finance lease interest of £5,636,000
- ◆ Increase in DEL contribution to finance lease interest of £5,636,000
- ◆ Increase in depreciation of £1,130,000
- ◆ Increase in DEL contribution to depreciation of £1,130,000
- ◆ Increase in operating expenses of £111,000

Fundamental error in East Tyrone College 2006-07 accounts:

Adjustments to the income & expenditure account for the year ended 31 July 2007:

- ◆ Increase in operating expenses of £30,000

Adjustments to balance sheet as at 31 July 2007:

- ◆ Increase in prepayments and accrued income of £1,070,000
- ◆ Increase in reserves of £1,070,000

5. Key risks identified in Audit Strategy

In our Audit Strategy which we distributed to Mr Victor Refausse on 29 October 2008 we identified a number of risks that related to South West College as an organisation and in addition to these risks others that related to individual account areas. In the Strategy we also outlined how we were going to consider further how South West College have addressed these risks. The following section includes details of the previously identified risks relating to South West College as an organisation and to individual account areas, and our audit response as previously provided in the Strategy. In addition we now provide the outcome of our testing, with any resulting recommendations. Each recommendation has an assigned priority rating as follows:

1. Significant weaknesses which should be addressed immediately
2. Weaknesses which are not fundamental but should be addressed as soon as possible
3. Improvements that represent best practice

Where we believe that the risk remains outstanding, we have made a recommendation which we believe that management should adopt and we have provided an opportunity for management to respond.

Key Risk 1 – Provisions (unfair dismissal)

It is anticipated that the College will have a number of outstanding legal claims against the organisation including in relation to the dismissal of the former Finance Director of Fermanagh College, a decision subsequently overturned by the Labour Relations Agency. It is important that where the expected rate of failure is likely to be greater than 50% that the total probable cost is provided in full. There is a risk that these will not be provided for or disclosed as appropriate in the accounts.

Audit Response

We shall obtain the litigation paper prepared by the Director of Corporate Services. We shall also review board minutes of the Governing Body. We shall review the solicitors' confirmation letter. Based on the review of our review, we shall assess likelihood of litigation claims succeeding and assess the requirement for provision/disclosure as appropriate.

Outcome

An amount for provisions was initially included in version one of the draft accounts submitted for audit. The provision subsequently increased in version two of the draft accounts submitted for audit as a result of an audit adjustment identified. Provisions in the final accounts relate to insurance claims, an action taken by a training organisation in respect of unlawful termination of a training contract and an action taken by a former employee of Fermanagh College in respect of unfair dismissal. These are all discussed in the paper prepared by the Director of Corporate Services and have been agreed to supporting documentation. Solicitors' letters have been received in respect of the two largest provisions.

Key Risk 2 – Procurement	
There is a risk that an inconsistent approach to procurement could lead to fraud and/or error and not represent value for money. Although efforts have been made to centralise procurement there remains a risk that different approaches remain across the different campuses.	
Audit Response	
We shall perform detailed transaction testing on expenses to ensure controls surrounding authorisation of purchases are in place and represent value for money. We shall perform a review of any procurement policies in place and assess their adequacy and consistency.	
Outcome	
We noted the following exceptions out of a sample of 50 payments selected for testing: <ul style="list-style-type: none"> a) two purchase requisition forms could not be found; b) one purchase order could not be found; c) ten payments were made outside the 30 day prompt payment target deadline; and d) one payment had been made to the wrong supplier. It should be noted that this error was identified by the College and the monies recovered. 	
Implication	
It is not possible to obtain assurance that all purchases are appropriately approved and that payments are regular. The College is not meeting its commitment to prompt payment.	
Priority Rating	
2	
Recommendation	
All purchase requisition forms and purchase orders should be attached to purchase invoices prior to payment. The College should implement procedures by which payment times can be monitored and efforts should be made to improve payment times. The staff member who authorises supplier payments should check the payee against the supplier invoice to ensure they agree.	
Management Response	
These exceptions are noted and accepted. The College is constantly working to improve procurement and payment arrangements while mindful of its important relationship with suppliers.	
Responsibility	
Head of Corporate Services	
Date of Implementation	Signed Off By:
31 July 2009	

Key Risk 3 – Governance and risk management procedures	
<p>There is a risk that the Governing Body may not have a sufficiently broad range of skills and experience to ensure their responsibilities are fully discharged. We note the Chairman left during the year and business level risk registers are not in place (corporate risk register in place only).</p>	
Audit Response	
<p>We shall perform a review of the board minutes of the Governing Body. We shall review training courses attended by members of the Governing Body.</p> <p>We shall perform an overall assessment of the effectiveness of risk management by performing a review of Governing Body board minutes and sub committee minutes. We shall perform a review of risk management policies and seek evidence that they are being adhered to in practice.</p>	
Outcome	
<p>The Governing Body met eight times during the year (excluding special meetings). All Governors have attended various training courses with the exception of one Governor who was appointed in April 2008.</p> <p>The College's risk management policies were drafted with the assistance of the internal auditors (as a separate assignment) and a risk management working group was in place during the year. Risk management was discussed at all Audit Committee meetings. Departmental risk registers are currently in the process of being drafted.</p>	
Implication	
<p>Not all departmental risks may be considered and actively managed at this stage.</p>	
Priority Rating	
<p>1</p>	
Recommendation	
<p>Departmental risk registers should be implemented as soon as possible.</p>	
Management Response	
<p>Further progress has been made in the development of the operation and awareness of Risk Management training within the College. This has included general awareness training for all staff and specific risk assessment training for key staff across all departments. Departmental and section risk registers have since been drafted.</p>	
Responsibility	
<p>Director</p>	
Date of Implementation	Signed Off By:
<p>31 March 2009</p>	

Key Risk 4 – Treatment of Private Finance Initiative (PFI) assets

There is a risk that PFI assets have not been properly accounted for, or disclosed, in the accounts. PFI assets were historically treated differently in the legacy colleges' accounts, therefore consistency of approach between campuses must be considered.

Audit Response

We shall examine the accounting treatment of PFI assets to ensure these are correct and are in line with professional advices received. We shall ensure consistency of treatment across campuses by reference to detailed calculations and contracts.

Outcome

There are two PFI contracts in respect of the Omagh and Dungannon buildings, fixtures and equipment (the 'assets'). Both assets were historically treated as 'off balance sheet' and were initially accounted for on this basis in versions one and two of the draft accounts submitted for audit. However in 2007/08 a change in accounting policy as a result of a change in public sector accounting practice for PFI contracts resulted in the assets being brought onto the balance sheet of the College. This was effected by way of a prior year adjustment and professional advice was received from PricewaterhouseCoopers in respect of the detailed accounting entries required. The PFI accounting entries were included in version three of the draft accounts submitted for audit. Amendments were made to versions three, four, six and seven of the draft accounts submitted for audit in respect of the PFI disclosure notes. We agreed the accounting entries to supporting documentation and we are satisfied that the accounting treatment is correct and is consistent across both campuses.

We note that a £1.07 million PFI unitary payment prepayment adjustment in respect of the Dungannon building had been made in the 2007/08 accounts which should have been made in the 2006/07 accounts for East Tyrone College (i.e. the 2006/07 accounts were incorrect). This represents a fundamental error in the 2006/07 accounts and a prior year adjustment is required to amend the 2006/07 comparative figures in South West College's 2007/08 accounts. A prior year adjustment has subsequently been made to version four of South West College's 2007/08 accounts in respect of this.

Key Risk 5 – Income recognition

There has been a change in funding approach this year to a plan led basis. There is a risk that systems have not adapted to reflect this.

The 'Training for Success' programme was given a limited assurance rating by Internal Audit, who identified issues in relation to a lack of guidance and inconsistent approaches between campuses.

Audit Response

We shall perform detailed transaction testing in relation to Funded Learning Unit (FLU) funding and Training for Success funding.

We shall assess the management information systems in place as a basis for providing information to DEL.

Outcome

Minor issues in respect of the QLS system (student enrolment system used as a basis for FLU funding) are noted in Annex A.

Minor issues in respect of the TMS system (database used as a basis for the Training for Success programme funding claims) are noted in Annex A.

Our testing did not identify any significant errors in the QLS and TMS systems.

Key Risk 6 – Management structure

There is a risk that the delay in implementing a restructured top management team has impacted on the operational management of the college.

The performance appraisal process does not extend to professional staff. There is a risk that documented roles and responsibilities may not be in place for senior staff.

Audit Response

We shall review the terms of reference for senior staff. We shall review board minutes of Governing Body to assess the period of delay and its impact on the College.

Outcome

The College Director was formally appointed in September 2007. The Heads of Corporate Services, Curriculum and Business Development, and Client Services were appointed in March 2008. The delay in appointment of senior staff does not appear to have impacted the operational management of the College.

The industrial action has impacted the operational management in that electronic registers were not completed to record student attendances. This would have an impact on funding, however, the College implemented alternative measures by keeping manual registers to ensure student attendances were recorded. These measures appear to have operated effectively, although we note that some registers in respect of part time courses have not been submitted by lecturers. The number of registers still outstanding, however, is small.

We understand that DEL will not seek clawback of recurrent block funding for 2007/08. Therefore missing registers will have no impact on funding.

Key Risk 7- Controls over EU projects

There is a risk that the recognition of grant income and project expenditure is not accurately recorded or adequately documented. Areas of risk include accounting treatment for advances, expenditure accruals and contingent liabilities to repay.

We note that this has been a problem area in the past. Specific risks identified in the past include the fact that projects are geographically disbursed and that correct accounting depends on timely returns being received from project managers.

Audit Response

We shall review the application process for EU grant funding, in particular in relation to timing of returns. We shall review the process for identifying accruals of expenditure. We shall review the results of any audits into particular projects.

Outcome

No exceptions were noted.

Key Risk 8 - Merger accounting

There is a risk that Merger accounting guidance (DEL circular FE 03/07 and/or FRS 6) may not be adequately followed, resulting in errors in comparative figures obtained from legacy colleges' accounts.

Audit Response

We shall review the merger accounting spreadsheet with reference to the DEL circular and FRS 6. We shall check figures used back to legacy college accounts.

Outcome

We noted that cost and accumulated depreciation balances in respect of fully depreciated fixed assets in Fermanagh College's 2006/07 accounts had been "written off" in the opening fixed asset cost and accumulated depreciation balances in the College's 2007/08 accounts. There was no impact on net book value. This was not disclosed in version one of the draft accounts submitted for audit. Version three of the draft accounts was amended and this has now been fully disclosed in the notes to the accounts. In all other respects the merger accounting guidance had been followed.

Key Risk 9 – Provisions (redundancy costs)

There is a risk that redundancy costs have not been accurately calculated. There have been a number of “rounds” of redundancies and more are expected. The College places reliance on information provided by Pensions Branch. One audit adjustment has already been identified in relation to late information from Pensions Branch. Further information is still outstanding.

Audit Response

We shall review information provided to Pensions Branch to allow provision to be calculated for accuracy with reference to human resources files. We shall review the provision calculation with reference to employment contracts and figures received from Pensions Branch.

Outcome

The redundancy accrual and expense included in version one of the draft accounts submitted for audit were found to be overstated by £104,156. This was due to estimates of pension liabilities being included in the draft accounts. The final pension liabilities were not received from Pensions Branch until after the draft accounts were submitted to DEL. Our audit work was performed on the revised schedule prepared by the College once all Pensions Branch advices had been received. No exceptions were noted. Version two of the draft accounts submitted for audit was amended and now includes the correct redundancy accrual and expense.

Key Risk 10 – Outsourced payroll	
<p>The College uses a non-NICS payroll provider for support staff payroll. There is a risk that controls over, or within, the third party payroll bureau are inadequate or that they are not aware of all relevant allowances. There is a risk that employees' details have not been accurately transferred to the College payroll / personnel systems post merger.</p> <p>A specific issue was identified in respect of overtime payments to a staff member in the Fermanagh College report. There is a risk that adequate controls may not be in place to mitigate against this occurring again.</p>	
Audit Response	
<p>We shall review controls surrounding the accuracy and completeness of payroll data sent to outsourced providers.</p> <p>We shall review controls surrounding the checking of data returned from outsourced providers.</p> <p>We shall review the data migration process from the legacy colleges to the College's personnel systems.</p> <p>We shall review the overtime policy and approval process.</p>	
Outcome	
<p>We noted that inconsistencies existed in the policy for paying overtime to support staff across the campuses. Support staff at the Dungannon campus are entitled to overtime payments, whereas support staff at the other campuses are not entitled to overtime payments.</p> <p>Other minor exceptions are noted in Annex A.</p>	
Implication	
<p>Inconsistencies in overtime payment policies may lead to disputes with staff.</p>	
Priority Rating	
<p>1</p>	
Recommendation	
<p>A College wide overtime policy should be implemented as soon as possible</p>	
Management Response	
<p>The College has a conditional flexi time system in operation in the Omagh campus and a similar pilot scheme operating at the Enniskillen campus. This system eliminates the need for overtime payments to support staff as their participation in flexi time working is conditional on providing evening cover on a rota basis. The scheme is monitored by a clocking system. The College is in negotiations with union and staff representatives to extend this scheme through all College campuses, revising the terms and operation of the scheme so that it is suitable for a multi-campus organisation and procuring a clocking system to support this.</p> <p>There have been no disputes with staff in relation to these differences – rather this system has served to promote positive working relations within the College</p> <p>The College will not be implementing a College wide overtime policy – rather it will be eliminating overtime through the introduction of alternative working arrangements</p>	
Responsibility	
<p>HR Manager</p>	
Date of Implementation	Signed Off By:

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Key Risk 11 – Controls over IT systems	
There is a risk over the controls of the IT system. Internal Audit provided limited assurance in respect of IT systems and controls. College IT procedures are currently in draft form and there has been a reliance on “old” Omagh College procedures.	
Audit Response	
We shall obtain assurance as to the operation of the IT systems through testing major systems upon which funding is dependent (QLS and TMS).	
Outcome	
Minor exceptions regarding the operation of the IT systems were noted in Annex A. The IT policies are still in draft form.	
Implication	
The absence of agreed procedures may lead to breakdowns in controls over IT systems and inconsistencies may exist between practices at each campus.	
Priority Rating	
1	
Recommendation	
Final procedures should be agreed and implemented as soon as possible.	
Management Response	
In recognition of the short comings highlighted by the audit of IT and related controls, the College has engaged with external regulatory authorities to provide appropriate advice. The policies which were in draft form at the time of audit have been revised and launched with training and awareness provided to all staff. Follow up audit is planned to assess the impact of these developments.	
Responsibility	
Head of Client Services	
Date of Implementation	Signed Off By:
31 July 2009	

Key Risk 12 – Compliance with Accounts Direction

There is a risk that the Accounts Direction is not complied with in full. An updated Accounts Direction was issued post year end which includes additional disclosures. This is the first year that accounts have been prepared in the updated format.

Audit Response

We shall perform a review of the accounts to ensure compliance with the Accounts Direction.

Outcome

A number of minor errors were noted and discussed with the Head of Corporate Services and the Management Accountant. These have been adjusted in the final accounts.

Key Risk 13 – Statement on Internal Control

There is a risk that the Statement on Internal Control (SIC) does not disclose all relevant matters. Specific risks exist in relation to the ongoing NIAO review into Fermanagh College and the absence of an overall assurance rating from the Internal Auditors.

Audit Response

We shall review the SIC in line with our knowledge of the progress of the Fermanagh College report and our discussions with Internal Audit.

Outcome

The disclosures in the SIC are adequate in respect of Fermanagh College and the areas of limited assurance highlighted in Internal Audit reports.

Key Risk 14 – Manipulation of financial results to achieve breakeven

There is a risk that financial results may be manipulated to achieve a breakeven position. For example, year end accruals may be understated, income may be recognised when conditions for receipt are not met and expenses may be capitalised inappropriately.

Audit Response

We shall perform detailed testing of post year end payments, accruals calculations and income journals/receipts. We shall also perform detailed testing on significant fixed assets.

Outcome

Post year end payments totalling £23,275 were identified which were not included in accruals in version one of the draft accounts which had been prepared to meet the DEL deadline of 30 September and submitted for audit. A further £43,944 was identified by the College after version one of the draft accounts was submitted to DEL. These amounts were accrued in version two and subsequent versions of the draft accounts submitted for audit.

6. Significant observations identified during audit work and recommendations to management

We reviewed the accounting systems and management controls operated by the South West College only to the extent we considered necessary for the effective performance of our audit. As a result our review may not have detected all weaknesses that exist or all improvements that could be made.

We would like to bring the following significant matters to the attention of the audit committee following our audit. Some minor points that came to our attention during our audit are included in Annex A. These have been discussed with management and their responses are also shown in this annex.

Included within the significant matters below are points raised with management in previous years audits which we consider have not been fully addressed. Enhanced priority ratings have now been attached to these issues reflecting their need to now be addressed.

6.1 Inconsistency in procedures

Observation	
<p>We noted the following inconsistencies in procedures across the campuses:</p> <ul style="list-style-type: none"> - procedures in respect of the use of the TMS system were inconsistent across the campuses; and - procedures in respect of recording hours worked for part-time staff were inconsistent across the campuses. 	
Implication	
<p>Inconsistent procedures can lead to breakdowns in internal control and / or errors occurring.</p>	
Priority Rating	
<p>1</p>	
Recommendation	
<p>We recommend that College-wide procedures be implemented as soon as possible.</p>	
Management Response	
<p>Work is ongoing to standardise these procedures. Existing procedures are effective but it is acknowledged that some operational differences have existed in different campuses due to historical circumstances. With the new College structure in place, standardised procedures will be fully documented and implemented.</p>	
Responsibility	
<ul style="list-style-type: none"> - Head of Training; and - HR Manager. 	
Date of Implementation	Signed Off By:
<p>31 July 2009</p>	

6.2 Fixed asset register

Observation	
It was noted that the detailed fixed asset register module on Agresso does not agree with the fixed asset note to the accounts. However, we were able to obtain a number of alternative reports from Agresso to support the balances.	
Implication	
The detailed accounting records do not fully support the accounts.	
Priority Rating	
2	
Recommendation	
We recommend that the additional work is performed on the fixed asset register module to ensure it agrees to the accounts.	
Management Response	
<p>The issue with the fixed asset register was that it the information could not be extracted in the specific format requested by the auditors. A variety of accounting reports and supporting documentation were produced to support the figures in the accounts and this was acknowledged by the auditors at the time.</p> <p>In addition it should be noted that this was a complex year in accounting for fixed assets as a result of:</p> <ul style="list-style-type: none"> - Merger accounting for assets of the three former Colleges - Revaluation of land and buildings and further post balance sheet revaluation - Write off of opening balances with no value in the former Fermanagh College - Implementation of depreciation modules - Change in accounting for PFI assets <p>Further work will be performed to ensure detailed fixed asset module agrees with general ledger figures.</p>	
Responsibility	
Head of Corporate Services	
Date of Implementation	Signed Off By:
31 July 2009	

6.3 Absence of losses and special payments register

Observation	
A losses and special payments register is not in place, in accordance with the requirements of the Financial Memorandum.	
Implication	
Losses and/or special payments requiring special approval are not being recorded for consideration. The College is not meeting its requirements under the Financial Memorandum.	
Priority Rating	
2	
Recommendation	
We recommend that a losses and special payments register be set up immediately.	
Management Response	
Losses and Special Payments Register established December 2008 and subsequently advised to staff.	
Responsibility	
Head of Corporate Services	
Date of Implementation	Signed Off By:
28 February 2009	

6.4 Absence of finance/accounting experience at Committee level

Observation	
At present neither the Audit Committee nor the Finance and General Purposes Committee include a member with a Finance/Accounting background. Established public sector guidance requires one member of the Audit Committee to have a Finance/Accounting background.	
Implication	
The Governing Body is not fulfilling its responsibilities in this regard.	
Priority Rating	
1	
Recommendation	
We recommend that a member be appointed as soon as possible with relevant financial or accounting experience.	
Management Response	
Skills deficit recognised and efforts ongoing to identify and co-opt governor with suitable experience.	
Responsibility	
Chairman	
Date of Implementation	Signed Off By:
31 July 2009	

6.5 Audit working papers and draft accounts

Observation		
<p>The audit workpapers presented for audit were not referenced to the accounts and were difficult to follow. Some schedules did not include explanatory information, making it difficult to determine what they related to. It was difficult to reconcile the schedules to the accounts without assistance from the College's finance staff. Other balances were not supported by schedules. Significant additional time was spent by the auditors requesting supporting documentation and explanations for balances and schedules. We acknowledge that it was the first year of the audit and that there were a number of complex "one-off" accounting issues which need to be addressed. In addition we recognise that there may have been an expectation gap in terms of the information which the auditors required to be provided by the College and that both the auditors and finance staff were on a learning curve. The recommendations noted below are made as best practice guidance to ensure that similar issues do not arise in future years.</p> <p>A number of versions of the draft accounts were submitted for audit. Ten versions of the draft accounts were submitted in total. Of these, four versions required significant amendments, as detailed below. Changes to the other versions were presentational in nature.</p>		
Version number	Version date	Amendments required
1	30/9/08	Impact of valuation indices provided by the Valuation Lands Agency at 31 July 2008, adjustments identified by auditors, late invoice accruals
2	11/12/08	PFI asset entries
4	10/2/09	Prior year adjustment in respect of Dungannon PFI prepayment, cashflow statement amendments as advised by auditors on 20/12/08 not included in previous versions of the draft accounts
6	17/2/09	Cashflow statement comparative figures not updated for impact of prior year adjustment in respect of Dungannon PFI prepayment
Implication		
<p>The absence of fully referenced and supported audit work papers leads to inefficiencies in the audit process both for the auditors and the College's finance staff.</p> <p>Errors in the draft accounts lead to inefficiencies and delays in the completion of the audit.</p>		
Priority Rating		
3		
Recommendation		
<p>We recommend that the accounts are supported by, and referenced to, lead schedules for each account area. Each balance on the lead schedules should in turn be referenced to supporting documentation. Explanations should be provided on file for any new balances or significant variations in balances from the previous year.</p> <p>We recommend that only two versions of the draft accounts are produced, the first version being the version for audit and the second version being the final version which incorporates all adjustments and amendments identified during the audit.</p> <p>We further recommend that a client liaison schedule, setting out specific details of the working papers and schedules that are required to support the accounts and audit process, is agreed with audit. This should include agreed dates for production and identify the officer responsible for providing the information. A 'de minimus' level on both an individual and a cumulative basis below which adjustments should not be made should also be agreed with audit.</p>		
Management Response		
<p>The College agrees that this year has been particularly difficult due to a number of exceptional issues and delays experienced. There has been comprehensive discussion on the matter of expectations, communications and the lessons to be learnt from this process. It is intended that through further planning and communication in line with the</p>		

recommendations that this issue will be fully addressed.

Responsibility	
Date of Implementation	Signed Off By:

7. International Standards on Auditing (ISA 260)

We are obliged under ISA 260 to bring to the attention of those charged with governance errors found during the course of our audit. The auditors must report material errors that are adjusted in the financial statements, if their occurrence has implications for the entity's control environment. They must also report all immaterial errors found during the audit that are not adjusted unless they are "clearly trifling". For South West College we have determined that "clearly trifling" is less than £1,000.

7.1 Adjusted Differences

Version one of the accounts dated 30 September 2008 were subsequently adjusted for the following items. The final version of the accounts (Version ten) was signed by the Accounting Officer on [date].

Description of adjustment	Account area	Balance sheet		I&E	
		DR £'000	CR £'000	DR £'000	CR £'000
Surplus per version one of the accounts submitted for audit					<u>1,413</u>
Overstatement of Enniskillen buildings valuation at 1 August 2007.	Revaluation reserve Fixed assets cost	1,159	1,159		
Being overstatement of accrual re John Moores University.	Accruals Teaching costs	1			1
Underaccrual of BT invoice.	Admin expenses Accruals		25	25	
Insurance payments included in accruals which relate to 2008/09 year.	Prepayments Admin expenses	25			25
Understatement of Clanrye Employment provision.	Admin expenses Provisions		23	23	
Understatement of deferred capital grant amortisation.	Deferred capital grants Income	56			56
PFI prepayment calculation understatement.	PFI expense PFI prepayment	3			3
Correction to redundancy accrual previously estimated.	Redundancy accrual Redundancy expense	104			104
Correction of income wrongly classified.	Recurrent grants income Superannuation income			16	16
Adjustment to debtors for EU project income not recoverable.	EU project income Debtors		8	8	
Adjustment to major works income for capital grant element of Skills Centre.	Major works income Capital grants		187	187	
Adjustment to professional fees expense for capital element of Skills Centre	Fixed assets building Premises cost	187			187
Minor works income included in major works income code.	Major works Minor works			15	15
Increase in audit accrual.	Admin expenses Accruals		8	8	

Description of adjustment	Account area	Balance sheet		I&E	
		DR £'000	CR £'000	DR £'000	CR £'000
Reallocation of ILT funding split in line with expenditure.	Income - ILT Capital grants		29	29	
Adjustment to correct PFI subsidy costs.	Accruals PFI subsidy costs - creche PFI subsidy costs - catering	9			4 5
Additional accruals identified after version one of draft accounts prepared and submitted to DEL.	Direct teaching Direct support Admin Premises Accruals			8 31 2 3	
Increase in depreciation expense after revaluation indices posted.	Depreciation expense Accumulated depreciation		11	11	
Reversal of Cookstown impairment as result of revaluation indices posted.	Accumulated depreciation Depreciation expense	18			18
Decrease in value of land as a result of revaluation indices posted.	Revaluation reserve Fixed assets - land cost	8	8		
Increase in value of buildings as a result of revaluation indices posted.	Fixed assets - building cost Revaluation reserve	268	268		
Reclassification of payments in advance included in other creditors & accruals.	Other creditors & accruals Payments received in advance	64	64		
Inclusion of Omagh PFI building on balance sheet.	PFI operating expense Prepayment Fixed assets (NBV) Finance lease creditor DEL balancing account debtor			201	
		18,872	19,791		
		919			
Inclusion of Dungannon PFI building on balance sheet.	PFI operating expense Reserves Prepayment Fixed assets (NBV) Finance lease creditor DEL balancing account debtor			158	
		201	359		
		18,861	19,712		
		851			
Revaluation uplift for Omagh PFI building.	PFI assets - cost PFI assets - accumulated depreciation Revaluation reserve	1,847			
		1,095	2,942		
Revaluation uplift for Dungannon PFI building.	PFI assets - cost PFI assets - accumulated depreciation Revaluation reserve	2,262			
		1,046	3,308		
Reversal of Dungannon unitary payment prepayment (included as prior year adjustment)	Dr PFI reserve Cr Prepayments Cr PFI expense	1,100	1,070		30
Overall net		48,956	49,217	725	464
Net impact					-261
Revised surplus per final accounts					<u>1,152</u>

7.2 Unadjusted audit differences

Our schedule of the unadjusted audit differences is provided below. The overall net adjustment is not considered material to the accounts. There are no matters arising from these audit differences that we wish to particularly draw to the Audit Committee's attention.

We include in the table below a summary of the more significant unadjusted differences.

Description of adjustment	Account area	Balance Sheet		I&E	
		DR £'000	CR £'000	DR £'000	CR £'000
Revaluation error for non-specialised building (no change in value per VLA report).	Revaluation reserve Buildings - valuation	11	11		
Error in depreciation charge for Skills Centre.	Buildings - accumulated depreciation Depreciation expense	2			2
Misclassification of unitary payment prepayment.	Debtors due in more than one year Debtors due in less than one year	30	30		
Understatement in value of PFI assets at 31 July 2008.	Fixed assets - PFI assets Revaluation reserve	120	120		
Overstatement of depreciation on Dungannon PFI building.	Fixed assets - PFI assets Depreciation expense Reserves	73	43		30
Adjustment to DEL contribution to depreciation charge as a result of above overstatement of depreciation.	DEL contribution to depreciation Reserves DEL debtor balancing account	43	73	30	
Increase in support staff' pay award accrual.	Wage & salaries expense Accruals		3	3	
Total		279	280	33	32
Net impact					1

8. Conclusion

The Comptroller and Auditor General provided a clean audit opinion (delete as appropriate) on [date] for the South West College Account. No report on the accounts was required.

Several risks identified during the audit planning process remain outstanding. We also noted a number of other weaknesses during our audit, which are referred to in this report and should also be addressed.

We recommend that South West College considers the points included in this report alongside any subsequent management reviews so that positive actions can be taken to enhance the processes in the critical areas of South West College's operations.

9. Complaints Procedures

NIAO seeks to ensure that, when carrying out its audit work, it complies with the principles developed by the Public Audit Forum in its paper "What Public Sector Bodies can expect from their Auditors".

NIAO also wishes to gauge public sector bodies' perceptions of its audit processes in order to promote continuous improvement. In particular, it undertakes to act quickly on any complaint and ensure that the underlying causes of problems are addressed to prevent them recurring. In the first instance, complaints can be addressed to the member of the Directorate responsible for the audit within which the concern has been raised.

Failing resolution of the problem to the satisfaction of the complainant, the Accounting Officer of the audited body can then write directly to the Comptroller and Auditor General. He will ensure that a further review of the case will be undertaken.

Annex A: Minor points for the attention of management

Note: NIAO do not recommend that these points need to be considered by the Audit Committee. They are provided for completeness and to give a general perspective on the control environment.

Observation	Implication	Recommendation	Management Response
Minor differences were noted between the debtors control account and the aged debt reports.	Information provided to management for the purposes of credit control (i.e.: the aged debt reports) may not accurately reflect the true debtors' position.	We understand that the aged debt reports are "live" reports and cannot be backdated to reflect the aged debt position at a certain point in time. We recommend that reconciliation be performed between the debtors control accounts and the aged debt reports to allow management to understand the true aged debt position of each month end.	Not accepted Monthly review of aged debt carried out and clearly evidenced. Live aged debt report is more beneficial and accurate for credit control and management reporting purposes. Month end control accounts all available and reconciled.
It was noted that aged debtor reports printed after 31 July 2008 were headed "September 2006".	Confusion may arise as to the period to which the reports relate.	We recommend that an Agresso specialist look at the report parameters and amend this error so that the report header accurately reflects the date to which the report relates.	Accepted Report header amended – this represents a minor system error which has now been corrected.
It was noted that there is no segregation of duties in the cash offices at Enniskillen, Omagh and Dungannon. The Finance Officer receipts the cash, counts it and prepares the daily lodgement which is not checked independently prior to banking.	Absence of segregation of duties increases the risk of misappropriation of cash.	We recommend that one staff member is responsible for receipting and preparing the lodgement and that another staff member is responsible for checking the lodgement prior to banking.	Partially accepted Resource limitations prevent full segregation of duties at all locations. This is mitigated by regular cross checking and reconciliations. No further action proposed although position will be kept under review.
We noted differences in procedures for opening post. In Enniskillen and Omagh, the staff members who opens the post does not sign the post book after recording the cheques received that day. The post book is signed by the Finance Officer after the cheques have been taken to the cash office. In Dungannon, a post book is not used and cheques are automatically receipted onto	Inconsistency in procedures across campuses can lead to a breakdown in internal controls.	We recommend that procedures are standardised across all campuses.	Accepted – to be standardised across locations.

Agresso.			
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Observation	Implication	Recommendation	Management Response
<p>It was noted during our visit to the Dungannon campus that a large amount of cash was held in the cash register instead of being transferred to the safe. A bank lodgement had not been made for over two weeks.</p>	<p>There is an increased risk of misappropriation of cash.</p>	<p>We recommend that cash held in the cash register is counted, checked and transferred to the safe on a daily basis. Bank lodgements should be made on a frequent basis, ideally daily.</p>	<p>Accepted Banking procedures at Dungannon campus have been reviewed with daily banking implemented. Safe used for all significant money holding.</p>
<p>It was noted that controls over the keys for the strong room and safe at Enniskillen were weak. The keys to the strong room and safe were left unattended in the door to the strong room. In addition to this, the key to the strong room is on the same key ring as the key to the box (located in the strong room) which holds the key for the safe. Large numbers of staff access the strong room at all times to obtain stationery etc. Therefore, these staff members all have potential access to the safe.</p>	<p>There is an increased risk of misappropriation of cash.</p>	<p>We recommend that the key to the box which holds the key for the safe is kept on a separate key ring from the strong room key and is held by a staff member with a suitable level of responsibility.</p>	<p>Accepted and implemented.</p>

Observation	Implication	Recommendation	Management Response
<p>We noted a number of exceptions when performing tests on the QLS (student enrolment) system:</p> <ul style="list-style-type: none"> a) attendance registers for 4 out of 22 courses could not be located; b) 16 out of 22 enrolment forms had not been signed and dated by the course tutor. Of these 16, 7 related to full-time courses; c) 1 out of 22 enrolment forms could not be found. The course had been cancelled but for audit purposes all forms should be retained on file; d) in 2 out of 22 enrolment forms, the student number was not recorded on the enrolment form; e) in 1 out of 22 enrolment forms the receipt number was not recorded on the enrolment form; f) in 1 out of 22 enrolment forms the course code entered was incorrect; and g) in 1 out of 22 enrolment forms the course recorded on the enrolment form did not match the course recorded on the FLU return. This was amended following the audit. 	<p>Information contained in the QLS system forms the basis of DEL recurrent block grant funding and therefore it is important, in order to ensure funding is secured, that the information is correct and complete and is supported by enrolment forms which agree to QLS and which are authorised appropriately.</p>	<p>We recommend that spot checks be undertaken to ensure that enrolment forms agree to QLS and are appropriately authorised. We recommend that all enrolment forms are retained for a period of seven years, even for courses which are cancelled.</p>	<p>Accepted.</p> <p>Internal quality control measures developed to sample check.</p> <p>Archiving procedures developed to ensure all documentation is kept for an appropriate length of time.</p>

Observation	Implication	Recommendation	Management Response
<p>We noted during our testing of the TMS system (used for Jobskills and Training for Success claims) that student postcodes noted on the enrolment form did not agree to the TMS system in 2 out of 20 cases.</p> <p>We also noted that a timesheet was entered for a student when they had left the course the previous week.</p>	<p>Information contained in the TMS system forms the basis of DEL funding and therefore it is important that the information is correct and complete.</p> <p>Funding was inappropriately claimed for this student.</p>	<p>We recommend that spot checks be undertaken to ensure that enrolment forms agree to TMS.</p> <p>We recommend that measures be undertaken to ensure that timesheets in respect of students who leave their courses cannot be entered on TMS.</p>	<p>Accepted.</p> <p>Internal quality control measures developed to sample check.</p>
<p>We noted during our review of the gifts and hospitality registers at each campus that there is no evidence of approval of entries made and no appropriate place within the register for approval to be recorded.</p>	<p>Gifts or hospitality may be accepted which may compromise the College's independence and/or integrity which is not identified and dealt with on a timely basis.</p>	<p>We recommend that all gifts / hospitality received are approved by an appropriate senior member and that this approval is evidenced on the register.</p>	<p>Partially accepted</p> <p>Approval was granted by virtue of recording – however registers now amended to require signature evidencing actual approval.</p>
<p>An Estates Strategy was not in place during the year.</p>	<p>Estates may not be properly managed, resulting in additional costs to the College.</p>	<p>We recommend that an Estates Strategy is implemented as soon as possible.</p>	<p>Accepted</p> <p>Work ongoing to fully develop Estates Strategy – this process is not yet complete</p>
<p>We noted that there are no complaints registers in place at the Dungannon, Cookstown or Enniskillen campuses.</p>	<p>Complaints may not be recorded and dealt with on a prompt basis and in accordance with established complaints procedures. This could ultimately result in financial loss and/or adverse publicity for the College.</p>	<p>We recommend that a complaints register be established at each campus and that each register is reviewed on a timely basis by an appropriate member of staff to ensure all complaints are dealt with on a timely basis.</p>	<p>Accepted</p> <p>Complaints procedure standardised for all campuses in 2008.</p>
<p>It was noted that the prompt payment disclosure in the Operating and Financial Review had not been completed as the College's systems were unable to provide the information required for the disclosure.</p>	<p>The disclosure requirements of the Accounts Direction are not being met.</p>	<p>We recommend that the College amend their systems so that this information can be provided for future years' accounts.</p>	<p>Accepted</p>
<p>It was noted during expenditure testing that 10 out of 50 payments tested were not paid</p>	<p>The College is not meeting the prompt payment commitment detailed in the</p>	<p>We recommend that efforts are made to improve the speed of payments.</p>	<p>Accepted</p>

within 30 days.	Operating and Financial Review.		
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**South West College Account
Report to those charged with Governance – Audit results 31 July 2008**

Observation	Implication	Recommendation	Management Response
It was noted during expenditure testing that a purchase order (Moyallon Foods Transaction no 15014517 for £331.13) could not be found. We understand that a purchase order book is used internally to approve food orders and a purchase requisition is not used.	Evidence does not exist that all purchases are correctly approved.	We recommend that all purchase orders for food be attached to purchase invoices so that a full audit trail exists in the event of inspection.	Accepted
It was noted during expenditure testing that purchase requisitions were not found for 2 payments (Sewing Machine Centre Transaction no 15006750 for £153.93 and Pro Hire Centre Omagh Limited Transaction no 15013990 for £156.75).	Evidence does not exist that all purchases are correctly approved.	We recommend that all purchase requisitions be attached to purchase invoices so that a full audit trail exists in the event of inspection.	Accepted
It was noted during expenditure testing that a BACS payment for £126,199 was made to the wrong supplier. This error was identified by the College's finance staff after the payment had been made. The monies were returned by the supplier.	A payment could be made to an incorrect supplier who may not be willing to refund it on a timely basis or not at all. This could lead to cash flow difficulties for the College and ultimately a loss.	We recommend that all BACS payment runs are checked against supplier invoices before the payments are processed.	Accepted – internal checks in place to mitigate against error.
<p>We noted the following exceptions during our testing of payroll:</p> <p>a) in 2 out of 6 cases the payroll report received from the Department of Education on a monthly basis detailing teaching staff salaries could not be found and there was no evidence of payment authorisation (Enniskillen campus);</p> <p>b) in 2 out of 6 cases, there was no evidence of authorisation on the part time salaries spreadsheet submitted to CJS Payroll Limited for processing. In addition there was no evidence that the spreadsheet had actually been submitted (Enniskillen campus);</p>	Errors may be made in payroll which are not identified on a timely basis.	Payroll information should be checked by the College staff prior to being processed by the third party payroll bureau and again after processing has been carried out. Evidence of these checks should be retained in the event of a query. BACS payments should only be authorised by an authorised signatory.	<p>Accepted</p> <p>Some omissions in data at the Enniskillen campus acknowledged due to changes in staff personnel as a result of College restructuring.</p> <p>All payroll accounts reconciled for the year on a monthly basis. Routine checks carried out but not always evidenced.</p> <p>Contracts have been updated for all support and management staff following restructuring.</p> <p>College currently in the process of standardising and documenting payroll processes and procedures across the college. These will include evidencing of</p>

			all checks carried out.
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Observation	Implication	Recommendation	Management Response
<p>c) in 1 out of 2 part-time staff members selected for testing at the Enniskillen campus, there was no staff appointment form on file, nor was a payroll sheet completed by the personnel department on file;</p> <p>d) in 2 out of 2 support staff members selected for testing at the Enniskillen campus, there was no evidence of the summary timesheets sent to CJS Payroll Limited being appropriately authorised. An employment contract could not be found on file for one of the staff members;</p> <p>e) there was no evidence of payslips returned from the third party payroll bureau being checked for accuracy before being issued to staff;</p> <p>f) in June 2008 BACS authorisation in respect of payroll costs was signed by Eimear Rushe who is not an authorised signatory.</p>			<p>BACS signatory listing documented.</p>

**South West College Account
Report to those charged with Governance – Audit results 31 July 2008**

Observation	Implication	Recommendation	Management Response
<p>We noted during our testing of the process by which the closing nominal ledger balances from the three legacy colleges were transferred into the Agresso accounting system to become opening nominal ledger balances of South West Colleges nominal ledger that a clear audit trail did not exist between various debtor and creditor balances in the legacy colleges nominal ledgers and the South West College nominal ledger. It was difficult to test the appropriateness of the posting in the South West College nominal ledger. It should be noted however, that no exceptions were noted in the postings tested by us.</p>	<p>The absence of a clear audit trail makes it difficult to follow what has been posted to the Agresso accounting system in respect of opening balances.</p>	<p>We recommend that a spreadsheet be maintained listing all balances in the legacy colleges' nominal ledgers and then matching them to the equivalent posting in South West College's nominal ledger.</p>	<p>Partially accepted.</p> <p>The merger of the accounting balances for the three former Colleges was carried out as part of the finance system merger in August 2007. This process involved 2 former college balances being added to 1 pre-merger College system – which appears to have caused some confusion.</p> <p>Load balances are available for audit purposes. A summary of comparative figures for merged accounts has also been prepared.</p>
<p>An overall assurance rating has not been provided by the Internal Auditors for the year.</p>	<p>It is more difficult to gain an overall perspective on the strength of the College's systems of internal control.</p>	<p>We recommend that the College seek an overall assurance rating from the Internal Auditors.</p>	<p>Partially accepted.</p> <p>PWC have explained their rationale for this approach – however further comment has been requested on this issue.</p>

Annex B: Certificate of the Comptroller and Auditor General

South West College

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the South West College for the year ended 31st July 2008 under the Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Governing Body and auditor

The Governing Body is responsible for preparing the Annual Report and the financial statements in accordance with the Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008 and the Department of Employment and Learning direction made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Corporate Governance and Accountability Statement.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008 and the Department of Employment and Learning direction made thereunder. I report to you whether, in my opinion, the information included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you if South West College has not kept proper accounting records, if I have not received all the information and explanations I require for my audit.

I review whether the Statement on Internal control reflects South West College's compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of South West College's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are most appropriate to South West College's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008 and directions made thereunder by the Department of Employment and Learning, of the state of South West College's affairs as at 31st July and of its surplus, cash flows and total recognised gains and losses for the year then ended;
- the financial statements have been properly prepared in accordance with the Further Education (Northern Ireland) Order 1997 as amended by the Audit and Accountability Institutions of Further Education (Public Sector Audit) Order (Northern Ireland) 2008 and the Department of Employment and Learning directions made thereunder; and
- information included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

*JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU*

March 2009

Date

[1] The other information that is 'read' is the content of the printed Annual Report other than the financial statements and those parts of the Remuneration report which are audited. The description of the information that has been read is tailored to reflect the terms used in the Annual Report.