



**PROMOTING ACCOUNTABILITY AND THE
BEST USE OF PUBLIC MONEY**

The Northern Ireland Audit Office's Mission is to provide objective information, advice and assurance on the use of public funds; and to encourage:

- 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 Kieran Donnelly, 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.

For further information please contact:

Stephen McCormick
Director

Northern Ireland Audit Office
106 University Street

Belfast
BT7 1EU

Tel: 028 9025 1067

Email:

Stephen.mccormick@niauditoffice.gov.uk

South West College
Year ended 31 July 2011

**Report to those charged with
Governance - Audit results**

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1. Executive summary

Our audit status is now complete and resulted in the Comptroller and Auditor General (C&AG) providing an unqualified audit opinion on [date]. No report on the account is required.

The College is required to submit its draft annual report and accounts to the Department for Employment and Learning (DEL) by 20th September 2011. This deadline was successfully achieved. We agreed a timetable to commence audit fieldwork on the 20th September with receipt of full draft annual report and accounts obtained on this date.

Internal Audit carried out five assurance reviews in 2010/11 in line with their approved audit plan. The College obtained an overall substantial assurance rating in the year.

Any personal data we obtained for audit purposes during the course of the audit was handled in accordance with the requirements of the Data Protection Act 1983. We have procedures in place to ensure that the security of any personal data obtained for audit purposes is safeguarded at all stages of the audit process. We have now completed our processing of personal data for audit purposes and have either returned it to you or have destroyed it via secure disposal methods.

There were five priority 2 points and two priority 3 points raised in section 5 of our report.

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

There are no critical matters which we would like to draw to the attention of the Audit Committee as a result of our audit with the exception of the following matter.

Our review of the PFI project concluded that there is effectively no evidence of a commitment from DEL for the PFI contractual period and consequently it is inappropriate to spread anticipated income from DEL over the period of the contract. The cumulative debtor has therefore been written off by £1,164K in the current year, £1,211K in the prior year and £3,021K for the earlier years (by prior year adjustment).

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 the year ended 31 July 2011 and our recommendations for action. The report sets out:

- ◆ our audit conclusion;
- ◆ the outcome of our response to the key risks set out in the previously provided Audit Strategy; and
- ◆ management's response to our recommendations;
- ◆ our ISA 260 Report; and
- ◆ specific lesser audit findings that we have shared with the Finance Director (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 Comptroller and Auditor General providing an unqualified report on [date]. No report on the account is required

4. Key risks identified in Audit Strategy

In our Audit Strategy presented to the Audit Committee on 14 September 2011, we identified a number of risks that related to South West College as an organisation and to individual account areas. In the Strategy we also outlined how we planned to consider South West College's response to addressing these risks. The following section includes details of the identified risks for South West College and our audit response as outlined in the Strategy. We have also updated our risk assessment with the outcomes from our audit testing, together 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 – Income Completeness

The College obtains funding from a number of schemes and thus the risk is that all income may not be reflected in the accounts.

Audit Response

We set out to agree income received from Steps to Work, Training for Success and the FLU allocation to documentation from DEL and bank to gain comfort over the completeness of income. We also noted that we would analytically review other income and investigate any significant variances.

We designed our work to ensure that income has been recognised in line with relevant accounting guidelines including the SORP and Accounts Direction.

We examined documentation from the Department for Education and Learning (DEL) to verify the FLU income. We tested the reconciliation between what the College received in the year and the block grant agreed by the Department. A sample of receipts for different elements of the grant funding from the Department were agreed to remittances from DEL and traced directly to the bank. The different income streams were agreed to the appropriate disclosure in note 2 of the accounts.

The College received additional block grant funding during the year. This was agreed to the reconciliation as noted above and to documentation received from DEL.

We agreed a sample of income received for the Steps to Work and Training for Success schemes to remittances and bank receipts. One grant claim for both schemes was selected for further testing. The total claim was agreed to supporting records such as the FF1 report detailing attendees. Student records were obtained for three students in each claim. The income claimed for each student was agreed to the individual student file. Timesheets were examined for each student to ensure that they were complete, accurate and authorised by the appropriate supervisor.

No exceptions were identified during the review of the grant claims.

We re-calculated a sample of releases of deferred grants by references to the depreciation rates for the relevant assets.

Outcome

We did not identify any issues in relation to income completeness. We are satisfied that income as presented in the financial statements is materially complete.

Key Risk 2- Fixed Assets – Valuation Gross	
The value of fixed assets is significant and therefore represents a risk of material misstatement. In particular, there is a risk that the revaluation of land and buildings is not carried out by reference to the indices provided by the Department.	
Audit Response	
We obtained a copy of the indices provided to the College by the Department for the purpose of asset revaluations. We re-calculated the revaluation for a number of items in the land and buildings asset registers based on these indices and reviewed the accounting treatment including postings to the revaluation reserve and accumulated depreciation.	
We designed our work to ensure that assets have been correctly valued and accounted for at the year-end by ensuring that the indices provided by the Department were correctly applied.	
Outcome	
Our audit work revealed a number of adjustments required in the application of the DEL valuation indices to the closing cost and accumulated depreciation of Freehold Land & Buildings and PFI Buildings. These have been amended. In addition, the College the impairment depreciation from the prior year had not been reversed.	
Implication	
The income and expenditure account should be credited with the reversal of the prior year impairment depreciation. This adjustment increases the surplus for the year by £1,152K (see 6.1 below).	
Priority Rating	
1	
Recommendation	
The prior year impairment depreciation should be reversed through the income and expenditure account as the application of the indices reinstates the relevant assets at an amount above their original capitalised amount.	
Management Response	
Agreed – this adjustment has been processed.	
Responsibility	
Management Accountant	
Date of Implementation	Signed Off By:
Immediate	Head of Corporate Services

Key Risk 3 – Procurement

The College must comply with all appropriate legislation with regard to procurement and have regard to value for money considerations.

Audit Response

There were two main focus points for this testing, being:

1. Tendering
A sample at each threshold level was tested to ensure application of the appropriate tender process.
2. General Purchasing
Discussions on the procedures around tendering with respect to cumulative spending to ascertain whether this triggers additional tendering procedures.

Outcome

A sample of expenditure and capital transactions in the year were traced to procurement records. The college is adhering to the financial memorandum on an individual transaction basis.

We then compared the cumulative spend for each supplier in the test with the transaction tendered. For one of the suppliers in our sample, cumulative spend pushed the required tendering process into a threshold level which the college were not adhering to.

Procurement procedures were discussed further with college personnel and it was noted that there have been further instances where a cumulative spend issue exists, in that cumulative spend results in incorrect tendering procedures being adhered to. Such examples are A&B Fire Equipment, The Chef Shop and Chefs & Cooks Supplies Ltd. In each case, individual spend was below £1,500 and only quotations were sought but on a cumulative basis expenditure with each was greater than £1,500 which would imply that a minimum of 3 formal tenders was the correct tendering procedure in each case.

We reviewed the internal audit report on procurement procedures carried out during the year by Price Waterhouse Coopers and note that cumulative spend was also an issue resulting from their sample.

Implication

The college are not adhering to the latest procedures with regard to cumulative spend.

Priority Rating

2

Recommendation

Going forward we recommend that the college commit further efforts to ensure that the procurement thresholds are adhered to with respect to cumulative spend.

Management Response	
<p>Accepted.</p> <p>The College has made considerable efforts to implement all appropriate legislation regarding procurement and have regard for value for money. These objectives are not always congruous particularly in relation to the administrative effort attached to low level expenditure. Awareness training has been provided to all staff (June and August 2011). Exception reporting is used to identify cumulative spend issues and address these through formal procurement frameworks. The College will review resources deployed in procurement activity to enhance compliance with procurement thresholds and guidelines.</p>	
Responsibility	
Financial Accounting Officer	
Date of Implementation	Signed Off By:
December 2011	Head of Corporate Services

Key Risk 4 – PPP	
The PPP liability may not be correctly stated in the accounts.	
Audit Response	
<p>We obtained the college's financial model and agreed all of the postings made to it. We then tied this work to the balance sheet presentation, both in terms of fixed assets and PPP liabilities.</p> <p>The PPP contracts are inherently complex with a corresponding risk that the amounts recognised in the financial statements are materially misstated. We note that the College employs a third party to advise on the correct accounting treatment of the monthly unitary payments made to the private bodies.</p>	
Outcome	
Our review revealed that the College was accounting for its PFI expenditure over the life of the project.	
Implication	
The College had created a cumulative debtor of £5,396K which effectively represented PFI income to be received from DEL over future years. However, our review concluded that there is effectively no evidence of a commitment from DEL throughout the PFI contractual period and consequently it is inappropriate to spread anticipated income from DEL over the period of the contract. The cumulative debtor needs to be written off by £1,164K in the current year, £1,211K in the prior year and £3,021K for the earlier years (see 6.1 below).	
Priority Rating	
1	
Recommendation	
We recommend that the accounts should be amended by way of prior period adjustment to remove the accrued income balance in the College.	
Management Response	
Agreed.	
Responsibility	
Financial Accounting Officer	
Date of Implementation	Signed Off By:
Immediate	Head of Corporate Services

Key Risk 5 – Payroll – Completeness & Existence	
As payroll is a significant expense for the College a risk is that it may not be complete in the accounts.	
Audit Response	
A sample of 10 employees were selected from the payroll listings. The sample included employees from all departments. Personnel files were obtained for each employee and the following were examined and agreed: <ol style="list-style-type: none"> 1. Employee names 2. Salaries as per the employee contract 3. Ensuring the employment contract was on file and signed. 4. The job description on the contract was agreed to the classification as listed in the payroll records. <p>For all 10 employees we selected one monthly payroll report from the service provider and re-calculated the deductions for tax, National Insurance, pension and other deductions</p>	
Outcome	
We were able to recalculate the deductions made from gross salaries for the selected sample of employees. Salaries could be traced back to bandings but it was noted that employee personnel files are not being kept up to date with current salaries.	
Implication	
Employee contracts are not being kept up to date.	
Priority Rating	
3	
Recommendation	
Employee contracts should be updated with current salaries/salary bands.	
Management Response	
Partially accepted. It is not considered to be feasible to issue employee contracts for every salary amendment. The College generally holds one employee contract which is updated by correspondence and/or revised salary band circulars (which are held generally). A review of personnel file documentation will be carried out to ensure that there is a clear salary (band) history documented.	
Responsibility	
HR Manager	
Date of Implementation	Signed Off By:
June 2012	Head of Corporate Services

Key Risk 6 – Pensions

The year-end pension liability may not be correctly stated in the accounts.

Audit Response

The College is a member of the NILGOSC defined benefit pension scheme. We traced postings to the Income and Expenditure Account, Statement of Recognised Gains and Losses and the Balance Sheet to the FRS 17 valuation provided by Hymans Robertson LLP. We utilised an in-house expert to review the validity of key assumptions which underpin the valuation of the year-end pension liability. We also reviewed the disclosures in the accounts to ensure compliance with relevant accounting requirements.

Outcome

We agreed the postings to the Income and Expenditure Account, Statement of Recognised Gains and Losses and the Balance Sheet to the FRS 17 valuation provided by Hymans Robertson LLP.

The key assumptions of the model are reasonable and in line with market valuations.

Disclosures in the financial statements were agreed to the Accounts Direction.

Implication

No implications have been noted. We have gained assurance that the pension liability as calculated by Hymans Robertson LLP is based on reasonable assumptions and accurately stated in the financial statements.

Key Risk 7 – Going Concern	
The College has an on-going function to monitor targets to ensure that it can continue to be a going concern.	
Audit Response	
The College faces an uncertain financial environment given Government wide spending cuts. We have reviewed current year results and future budgets to ascertain that the College has sufficient resources to enable it to operate as a going concern. We have also assessed any contingency planning arrangements in place for future periods given the very tight funding environment.	
Outcome	
The current year has resulted in the college reporting a surplus of £796k. Budgets for the forthcoming 3 years have been reviewed, each of which shows a deficit after exceptional costs. A surplus before exceptional costs has been budgeted for the year ended 31 July 2012.	
The Training For Success income is due to cease on 31 March 2012 and be subsequently re-tendered.	
Implication	
If the Training for Success contract is not successfully re-tendered, this will have a major impact on the College's ability to continue as currently projected.	
Priority Rating	
1	
Recommendation	
We note that a significant component of the costs regarding the forecasted deficits for the years ended 31 July 2013 and 31 July 2014 are for exceptional, discretionary spend and that DEL are aware of these projected deficits. They are also aware of the impact of the change in the accounting treatment of the PFI project.	
Of more concern, the Training for Success contract is currently subject to legal challenge and has been awarded until 31 March 2012. We note that the College is continually monitoring the Training for Success issue and we therefore have no recommendations to make in this respect.	
Management Response	
Accepted	
The College is equally concerned about the risks attached to the uncertainty regarding training contracts and the opportunities being lost in the current environment and will continue to liaise on this issue.	
Responsibility	
Director	
Date of Implementation	Signed Off By:
Ongoing	Director

Key Risk 8 - Regularity of transactions

Irregular transactions may occur.

Audit Response

As part of our audit we reviewed board papers and other relevant documentation to evaluate the legality of decision making and the regularity of transaction. Throughout the audit we assessed each transaction that we came across to identify any potential regularity issues.

We reviewed a number of areas where there is greater risk of inappropriate expenditure. Our work included the following procedures:

1. We reviewed the management accounts produced in the year to assess whether they are adequate for management to assess the performance of the College.
2. We reviewed minutes of all governing body committee meetings held throughout the year in order to ensure that significant or unusual transactions or activities are reviewed by those charged with governance.
3. We tested a sample of expenses payments made to members of the governing body to assess whether they are appropriate, in line with the Department's policy and authorised by an appropriate person.
4. We tested a sample of payments made to directors for the reasons outlined above.
5. We reviewed the Register of Interests framework and monitoring of transactions for reasonableness.
6. We reviewed the College's anti-fraud policy and whether the college's procedures for identifying fraud risks were appropriate.
7. We examined a sample of significant expense claims by staff to ensure that expenditure was reasonable and appropriately authorised.

Outcome

No instances of any irregular transactions were noted throughout the fieldwork. All amounts tested have been expended on items which would be deemed to be reasonable spend for a further education college.

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

We reviewed the accounting systems and management controls operated by 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.

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

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.

5.1 Steps to Work Accrual

Observation	
<p>The steps to work late invoices accrual is based on the actual income received for the project. The college claims the income directly from the Department and passes this on to the subcontracted entities who carried out the work. The college charge an administration fee of 18.5%, therefore the accrual should be 81.5% of the income received that had not been passed onto subcontractors at the year end.</p> <p>The college had applied the 81.5% to the opening accrual in error; this resulted in a misstated closing accrual.</p>	
Implication	
<p>This resulted in the accrual being understated by £47k.</p>	
Priority Rating	
<p>2</p>	
Recommendation	
<p>We have proposed that the accrual be adjusted in order to give a more accurate representation of amounts due. Refer to section 6 for the adjusting journal.</p>	
Management Response	
<p>Accepted.</p> <p>The College initially provided for accrual on an actual basis however, are content to accept further general accrual as a provision for further sub-contractor payments. Adjustment to be incorporated in the final accounts.</p>	
Responsibility	
<p>Management Accountant</p>	
Date of Implementation	Signed Off By:
<p>October 2011</p>	<p>Head of Corporate Services</p>

5.2 Recognition of Revaluation Reserve

Observation	
The College does not release an amount to the Historical Cost Surpluses and Deficits Reserve from the Revaluation Reserve in respect of previous fixed asset revaluations.	
Implication	
The treatment in the financial statements is not consistent with recommended accounting practice.	
Priority Rating	
2	
Recommendation	
An adjustment has been included in the schedule of adjusted audit differences to recognise a movement between the Historical Cost Surpluses and Deficits Reserve and the Revaluation Reserve. This movement has been based on current depreciation charged to the income and expenditure account for the re-valued Freehold Land and Buildings Fairview building, given that the asset was originally acquired at nil cost, and is in line with the sector wide treatment.	
Management Response	
Accepted. Full disclosure will be made in the final accounts (note – this does not affect reported surplus position).	
Responsibility	
Management Accountant	
Date of Implementation	Signed Off By:
October 2011	Head of Corporate Services

5.3 Operating Lease Disclosure

Observation	
<p>An operating lease was taken out on 1 June 2010 for a property in Omagh.</p> <p>Whilst there is an accounting policy within the accounts, there is no disclosure of the operating lease, as required by SSAP 21, paragraph 57.</p> <p>The lease is due to run for another 2 years at an annual rent of £35,000 (£42,000 gross)</p>	
Implication	
<p>The College is not adhering to SSAP 21 paragraph 57 with respect to disclosures of Operating Leases.</p>	
Priority Rating	
<p>2</p>	
Recommendation	
<p>The College should disclose the total of operating lease rentals charged as an expense in the Income & Expenditure Account and the payments which the college are committed to make during the next year, analysed between those in which the commitment expires within that year, in the second to fifth years inclusive and over five years from 31 July 2011.</p>	
Management Response	
<p>Accepted.</p> <p>Subject to clarification of disclosure requirements – relative to Accounts Direction/SSAP21.</p>	
Responsibility	
<p>Management Accountant</p>	
Date of Implementation	Signed Off By:
<p>October 2011</p>	<p>Head of Corporate Services</p>

5.4 Fraud

Observation	
Two instances of fraud were noted during the year, one being a small cash loss and the other involving the misappropriation of college photocopying, in that a member of staff printed documents for their private enterprise.	
Implication	
Internal audit investigated the photocopying fraud and the College has valued it at £6k. Neither fraud has been valued at a material amount and no disclosure is required in the financial statements.	
Priority Rating	
2	
Recommendation	
We note that the fraud policy was independently reviewed by the internal auditors who reported that the College was complying with all aspects of the College's Fraud and Corruption Policy and Fraud and Corruption Response Plan. We, therefore, have no further recommendation to make.	
Management Response	
Accepted. Awareness Training provided (June and August 2011) to all staff. Exception reporting utilised to monitor potential issues ongoing.	
Responsibility	
Director	
Date of Implementation	Signed Off By:
N/A	Director

5.5 Procurement Staff – Register of Interests

Observation	
The College does not currently have a register of interests for procurement staff. Whilst there is no procurement "team", there is at least one member of staff whose duties are mainly involved in procurement procedures and at times is selected as a representative on tender panels.	
Implication	
The College transacts with a many organisations and therefore there is a risk that staff involved in procurement may have conflicting interests.	
Priority Rating	
2	
Recommendation	
We recommend that, going forward, the College implements a Register of Interests for staff who are comprehensively involved in procurement procedures. Where such staff have an interest in an existing or potential supplier, they should be excluded from the tender process.	
Management Response	
Partially accepted Registers of interest are held for all management staff and procurement documentation requires any staff to declare and record any interest at tender opening process (and withdraw if conflict identified). As attempts are made to involve a variety of staff, overseen by Finance staff (who have completed register) it is considered that current procedures are appropriate and adequate	
Responsibility	
N/A	
Date of Implementation	Signed Off By:
N/A	Director

5.6 Deferred Capital Grants

Observation	
The accounts include a deferred capital grant of £45k in relation to a fence which used to surround the old Dungannon campus. This capital grant is continuing to be amortised over its original estimated useful life although the asset no longer exists.	
Implication	
Deferred Capital Grants are overstated in the financial statements by £45k (Closing net book value of the capital grant)	
Priority Rating	
3	
Recommendation	
We have proposed an adjustment to recognise the remaining net book value in income this year due to the fact that the asset no longer exists. Refer to section 6 for the adjusting journal.	
Management Response	
Accepted. Adjustment to be incorporated in final accounts.	
Responsibility	
Management Accountant	
Date of Implementation	Signed Off By:
October 2011	Head of Corporate Services

5.7 IT Access Rights

Observation	
There is no procedure to carry out regular user access reviews to ensure that existing users are valid and possess the correct access levels.	
Implication	
<p>A lack of formalised procedures around management of users, and their access rights beyond what is required, increases the risk of unauthorised or inappropriate access to the network and applications, which may compromise data confidentiality as well as circumventing segregation of duties within business processes.</p> <p>Although starters and leavers are added and removed automatically based on information from the HR and student record systems using Microsoft Forefront Identity Manager, there is still a risk of unauthorised access to information, for example when staff change departments.</p>	
Priority Rating	
3	
Recommendation	
<p>Management should ensure that a review of access rights is performed on a regular basis (at least annually) for the network and all critical business applications, in order to ensure that any unauthorised access is detected and revoked in a timely manner. It should be the responsibility of business system owners to approve the relevant access rights of their business system users within the applications.</p> <p>The easiest and most effective way in which to implement this control is to provide line management with access matrices detailing what their staff can access. They can then state any changes to be made and sign off accordingly. Evidence of such reviews should be retained for future reference.</p>	
Management Response	
<p>South West College already carries out regular reviews of access rights at least annually for the network and all specific critical business applications.</p> <p>There is, however, no formal procedure around management of users, other than as outlined in the College User Account Management Policy. The College is happy to rectify this by drawing up a formal procedure with respective business system owners and to provide line management with access matrices detailing what their staff can access. Any changes to be made will be recorded and signed off accordingly. Evidence of such reviews will be retained for future reference.</p> <p>This procedure will be drafted in 2011/12 and, subject to Board of Governor approval, will be implemented by December 2011.</p>	
Responsibility	
IT Manager	
Date of Implementation	Signed Off By:
March 2012	Director

6. 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. 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 £6,880.

6.1 Adjusted Differences

Version 1 of the accounts presented to the audit committee on [date] were subsequently adjusted for the following items. The final version of the accounts (Version, [number]) was signed by the Accounting Officer on [date].

Description of adjustment	Account Area	Balance Sheet £'000		OCS £'000	
		DR	CR	DR	CR
Being: To release deferred capital grant for disposed asset.	Deferred Capital Grants	45			
	Release of Deferred Capital Grants				45
		45	-	-	45
Being: To correct additions to assets B0012 & B0013	Freehold Land & Buildings Additions		15		
	Fixtures & Fittings Additions		25		
	Accruals	4			
	Minor Works (Income & Expenditure)			36	
		4	40	36	-
Being: Late Accruals	Status A invoices			4	
	Status B invoices			4	
	Status C invoices			23	
	Course Franchise Fees			6	
	Rates			18	
	Accruals		55		
	Part time lecturers			12	
	Library/Learning Resource Staff			9	
	Technicians			4	
	HOD/Other Managers			17	
Other Misc Payroll Creditors		42			
		-	97	97	-

Description of adjustment	Account Area	Balance Sheet £'000		OCS £'000	
		DR	CR	DR	CR
Being: Correction to the revaluation of Freehold Land & Buildings and PFI Assets	Accumulated Depreciation	1,532			
	Impairment Depreciation reversal				1,150
	Depreciation				49
	Revaluation Reserve	2,047			
	Freehold Land & Buildings (Cost Revaluation)		1,330		
PFI Assets (Cost Revaluation)		1,050			
		3,579	2,380	-	1,199
Being: the removal of the DEL balancing account and the related prior year adjustment	DEL Balancing Account		5,396		
	DEL Depreciation Contribution			1,254	
	Unitary Payment Cost				7,192
	Imputed Interest charge			5,672	
	Service Charge			1,223	
	Service Charge (additional payment)			146	
	Reversal of surplus land transfer in year			61	
	Opening Reserves	4,232			
	4,232	5,396	8,356	7,192	
Being: Removal of surplus land debtor	Surplus land debtor > 1 year		1,372		
	Surplus land debtor < 1 year		61		
	Opening PFI Reserve	1,494			
	Reversal of PFI reserve movement				61
		1,494	1,433	-	61
Being: Correction of Steps to Work Accrual	Non-pay Direct Support			47	
	Accruals		47		
		-	47	47	
	Overall Net	9,354	9,393	8,536	8,497

In addition we note that the prior year deficit was increased from its previously reported £2,730K to £3,880K as follows:

Previously reported deficit	<u>(£2,730K)</u>
Removal of DEL depreciation contribution	(£1,254K)
Removal of Unitary Payment Posting	£6,875K
PFI Interest Charge for the year	(£5,678K)
PFI Service Charge for the year	(£1,154K)
Reversal of transfer from PFI long term debtor	<u>£61K</u>
Restated prior year deficit	<u>(£3,880K)</u>

6.2 Unadjusted audit differences

All adjustments brought to management's attention have been agreed and are detailed above.

There are no unadjusted differences.

7. Conclusion

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

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.

8. 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 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 31 July 2011 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, the Statement of Historical Surpluses and Deficits, 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. I have also audited the information in the Remuneration Report that is described in this part of the report as having been audited.

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Statement of Responsibilities of the Governing Body, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit 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. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 South West College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the South West College; and the overall presentation of the financial statements.

In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implication for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been

applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of South West College's affairs as at 31 July 2011 and of its deficit, cash flows and total recognised gains and losses for the year then ended; and
- 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 for Employment and Learning directions made thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department for Employment and Learning directions issued under by 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 information given in Operating and Financial Review and the unaudited part of the Remuneration Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.

KJ Donnelly

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 IEU

22 December 2011

