



HENDERSON LOGGIE

**Borders College**

**Annual Audit report for 2007/08  
to the Board of Management and  
the Auditor General for Scotland**

**External Audit Report No: 2008/03**

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		<b>Notice: About this report</b>
		<p>This report has been prepared in accordance with the responsibilities set out within the Audit Scotland’s <i>Code of Audit Practice</i> (‘the Code’) and <i>Statement of Responsibilities of Auditors and Audited Bodies</i>.</p>
		<p>This report is for the benefit of only Borders College and is made available to Audit Scotland (together with the beneficiaries), and has been released to the beneficiaries on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without prior written consent.</p>
		<p>Nothing in this report constitutes a valuation or legal advice.</p>
		<p>We have not verified the reliability or accuracy of any information obtained in the course of our work, other than the limited circumstances set out in the scope and objectives section of this report.</p>
		<p>This report is not suitable to be relied on by any party wishing to acquire rights against Henderson Loggie CA (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law Henderson Loggie CA does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.</p>



# Executive Summary

## 1.1 Corporate Governance

- ❑ The College has shown a surplus for the year of £0.588 million against a forecast surplus of £0.108 million in the 2008 FFR. The income and expenditure account balance at 31 July 2008 was a surplus of £1.312 million (excluding Pension Reserve of £3.239 million deficit).
- ❑ The College's internal auditors have concluded that: *'we have identified no major internal control weaknesses during our 2007/08 internal audit activity. In our opinion Borders College has a framework of controls in place, in areas which we have reviewed, that provides reasonable assurance regarding the effective and efficient achievement of the College's objectives and the management of key risks.'*
- ❑ The College's internal auditors also concluded that *'in our opinion, corporate governance and risk management arrangements at Borders College are adequate and appropriate.'*
- ❑ The College's Corporate Governance Statement confirms that the College has applied the principles set out in the 2006 Combined Code on Corporate Governance.
- ❑ We identified no significant control weaknesses during our audit. In general, the College's key systems of internal control appear to be adequate, well designed and operating effectively.
- ❑ The College has an on-going process for identifying, evaluating and managing its significant risks.

## 1.2 Performance

- ❑ The latest Strategic Plan, for 2007-2010, was approved by the Board of Management in June 2007. The plan is reviewed and updated annually and an update was published in August 2008.
- ❑ Regular performance reports are submitted to the Board and Committees during the year. Key Performance Indicators (KPIs) have been set to coincide with the Strategic Plan over the period to 2010.
- ❑ During the year a new set of reports was introduced to update the Finance and General Purposes Committee on College financial performance.
- ❑ In September 2007 the College, together with Heriot-Watt University, was successful in its bid to the SFC Strategic Initiative Fund for funds to support ongoing changes associated with the Co-Location Project.
- ❑ The College's subsidiary company, BC Business Consultants Limited, is seen as playing an important role in achieving income growth. The profit for the year from the subsidiary increased by 46% to £0.247 million.



# Executive Summary

## 1.2 Performance (Cont'd)

- ❑ The College submitted updated Efficient Government Initiative (EGI) information schedules to the SFC in November 2008. The first showed that the College has delivered savings totalling £0.064 million over the period 2006/07 to 2007/08. The College also submitted a forecast for the period 2008/09 to 2010/11 showing total projected savings of £0.397 million.

## 1.3 Financial Statements

- ❑ On 11 December 2008 we plan to issue an audit report expressing an unqualified opinion on the financial statements of the College for the year ended 31 July 2008 and on the regularity of the financial transactions reflected in those financial statements.
- ❑ The annual financial statements of the College comply with the Accounts Direction issued by SFC and the new Statement of Recommended Practice on Accounting for Further and Higher Education.
- ❑ Based on the results for the year to 31 July 2008 the College meets the requirements of the Funding Council to be classed as financially secure.

- ❑ Three audit adjustments together with a number of disclosure adjustments were made to the financial statements. A separate report to those charged with governance has been issued which explains the nature of the adjusted misstatements.
- ❑ The College has exceeded its SUMs target for 2007/08 by 1,608 WSUMs (4.6%) (2006/07 – 655 WSUMs, 1.9%).
- ❑ The implementation of the College Estate Strategy resulted in a material movement in the fixed asset profile during the year. Work on the New Technology Building and Phase 1 at Netherdale was completed during the year and construction work is continuing on all areas of the Phase 2 works, with a revised completion date of February 2009. Work on the new Hawick Campus project is also nearing completion.



# Introduction

## 2.1 Background

2.1.1 2007/08 was the second year of our five-year appointment as external auditors of Borders College ('the College'). This report summarises our opinion and conclusions and highlights significant issues arising from our work.

2.1.2 The framework under which we operate under appointment by Audit Scotland is as outlined in our *Strategic Planning Memorandum and 2007/08 Annual Audit Plan* issued on 3 June 2008 and considered and approved by the Audit Committee on 19 June 2008. The scope of the audit was to:

- provide an opinion on, to the extent required by the relevant authorities, the financial statements and the regularity of transactions in accordance with the standards and guidance issued by the Auditing Practices Board;
- review and report on the College's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, and prevention and detection of corruption; and the College's financial position; and
- review and report on the College's arrangements to manage its performance, as they relate to the economy, efficiency and effectiveness in the use of resources.

2.1.3 Our audit approach focused on the identification of the significant risks areas facing the College and the significant classes of transactions, estimates, other account balances and disclosures impacting upon the financial statements. These include;

- compliance with legislation and financial regulations;
- estates capital expenditure and the appropriateness of the accounting entries;
- achievement of commercial income target;
- compliance with Financial Reporting Standard (FRS) 17 *Retirement Benefits* and provision for pension liabilities for early retirees;
- recognition of funding provided for specific purposes and the regularity of corresponding expenditure;
- the financial results of the College's subsidiary company and the impact on the Group financial statements; and
- compliance with the new SORP on Accounting for Further and Higher Education.



# Introduction

## 2.2 Basis of Information

- 2.2.1 External auditors do not act as a substitute for the College's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 2.2.2 To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff of the College. Except to the extent necessary for the purposes of the audit, this information has not been independently verified. The contents of this report should not be taken as reflecting the views of Henderson Loggie CA except where explicitly stated as being so.
- 2.2.3 As our audit is designed primarily to enable us to form an opinion on the financial statements taken as a whole, our report cannot be expected to include all the possible comments and recommendations that a more extensive special examination would bring to light.

## 2.3 Acknowledgement

- 2.3.1 Our audit has brought us in contact with a range of College staff. We wish to place on record our appreciation of the co-operation and assistance extended to us by staff in the discharge of our responsibilities.



# Corporate Governance

## 3.1 Financial Position

- 3.1.1 Funding Council circular FE/54/02, issued on 20 December 2002 defines a college that is financially secure as one that ‘*on a continuing basis, is able to generate operating surpluses reliably and as planned, and through that accumulate a reasonable level of financial reserve. The college must also generate sufficient cash to finance its operations and meets its liabilities; regular operating surpluses would ensure this.*’
- 3.1.2 Table 1 provides a summary of the College’s planned and actual financial results, based on the formal returns submitted, by the College, to the Funding Council. A number of factors contributed to the variance between the forecast and outturn for 2007/08, although this mainly related to significantly lower than forecast staff costs.

**Table 1: Comparison of planned and actual financial results**

	2006/07 Actual £000	2007/08 Planned £000	2007/08 Actual £000	2008/09 Planned £000
Financial outturn: Surplus	252	108	588	210
Income and expenditure reserves (excl. pension reserve)	643	790	1,312	2,552
Cash balances	2,969	6,239	6,059	3,325

Source: Audited financial statements and 2008 FFR

- 3.1.3 Based on the results for the year to 31 July 2008 the College meets the requirements of the Funding Council to be classed as financially secure.
- 3.1.4 Overall, the College income in 2007/08 has increased by £0.905 million (10.1%) over 2006/07. The main reason is due to a significant increase of £0.853 (12.5%) in Funding Council grants. The SFC recurrent grant increased from £6.407 million in 2006/07 to £6.929 million in 2007/08 an increase of £0.522 million (8.1%) and the Strategic Initiatives grant / Widening Access funds (including other SFC grants) increased by £0.323 million (158%) from £0.205 million in 2006/07 to £0.528 million in 2007/08, which is matched by related expenditure. Tuition fees and educational contracts, at £1.515 million, show an increase of £0.110 million (7.8 %) over the previous year. Investment income also increased significantly from £0.156 million in 2006/07 to £0.246 million in 2007/08, an increase of 57.7% .
- 3.1.5 Within other grant income there has been a fall of £0.190 million (49.6%) in European grant income. Audit Scotland’s *Financial overview of Scotland’s colleges 2006/07*, published in April 2008, highlighted this as a sector wide issue with a forecast reduction of 50% over the period 2006/07 to 2009/10. The Board of Management should continue to monitor the College’s plans to minimise the impact of this reduction on current activities.



# Corporate Governance

## 3.1 Financial Position (Cont'd)

3.1.6 Expenditure in 2007/08 increased by £0.569 million (6.5%) over 2006/07 primarily due to an increase in staff costs of £0.362 million (5.7%) and an increase in other operating expenses of £0.180 million (8.3%). Administrative and support staff received a 3% pay award and lecturing staff received a 3.5% pay award during the year. Although, overall, staff FTEs are relatively consistent with last year at 210, there has been a 28.6% reduction in the number of staff on temporary contracts, from 49 in 2006/07 to 35 in 2007/08.

3.1.7 The increase in other operating expenses mainly relates to administration and central services costs which have risen from £0.945 million in 2006/07 to £1.052 million in 2007/08, an increase of £0.107 million (11.3%), and costs of teaching departments which increased this year by £0.074 million (9.6%) to £0.584 million.

3.1.8 The College's cash balance at 31 July 2008 was £6.059 million, an increase of £3.090 million (1.04%) on the previous year. While generating a positive cash position from the operating surplus and working capital management, the majority of the uplift in the cash position is due to a net inflow of funds of £2.515 million from capital expenditure and financing. During the year the College made a final payment of £0.393 million as early repayment of an unsecured bank loan.

### **2007/08 SUMS outturn**

3.1.9 The College's outturn against its 2007/08 SUMS target is shown in table 2.

**Table 2: 2007/08 SUMS outturn**

	2006/07	2007/08
SUMS target	34,205	34,615
SUMS actual	34,860	36,223

*Source: Audited SUMS returns*

3.1.10 The College's internal auditors carried out the audit of the SUMS return for 2007/08. They concluded that: *'controls over the collection of data and the preparation of the SUMS return are adequate and generally appropriate. Assurance can be gained from the audit testing carried out and the internal checking performed by College management that the SUMS count for the College has not been materially misstated.'*

### **FRS 17 Retirement Benefits**

3.1.11 The College accounted for its participation in the local government pension scheme as a defined benefit scheme and accordingly this has resulted in the College's share of the net pension liabilities within the Scottish Borders Council Pension Fund (SBCPF) being shown on the Balance Sheet. This is consistent with the accounting treatment adopted in 2006/07.





# Corporate Governance

## 3.1 Financial Position (Cont'd)

### *FRS 17 Retirement Benefits (Cont'd)*

- 3.1.12 Note 28 to the financial statements highlights the deficit within the SBCPF. A £3.239 million total pension liability has been reported in 2007/08, an increase of £0.871 million from the position in 2006/07. The Note provides the necessary FRS 17 disclosure.
- 3.1.13 With the exception of liabilities arising from early retirees, the College is unable to separately identify its share of assets and liabilities in the Scottish Teachers' Superannuation Scheme as the scheme is notionally funded. The College has applied the concession allowed by FRS 17 and has accounted for the scheme as a defined contribution scheme. This is consistent with the accounting treatment adopted in 2006/07.

### *Capital Income and Expenditure*

- 3.1.14 The College is currently embarking on a major investment in its estate as part of its 'Hub and Spoke' model for the delivery of teaching and learning in the Borders region. This includes the move to one main site co-located with Heriot-Watt University at Netherdale with other projects in Hawick and Newtown St Boswells. Funding has been secured for the budgeted development cost of £32.5 million.
- 3.1.15 Work on the New Technology Building and Phase 1 (workshop and RPG blocks) at Netherdale was completed during the year and construction work is continuing on all areas of the Phase 2 works, with a revised completion date of February 2009 and an entry date of April 2009. Work on the new Hawick Campus project is also nearing completion. The risk profile has increased recently due to actual and potential delays and continuing financial risk caused by the relatively low contingency level remaining for the Netherdale projects.

- 3.1.16 The sale of the old College site at Hawick was completed in September 2008 with sales proceeds significantly above the original estimate and agreement has now been reached for the sale of the 'top' half of the new site. The other old College sites continue to be marketed for sale.
- 3.1.17 In total, expenditure of £16.570 million was added to fixed assets during the year, mainly in relation to the building work on the above projects. Agreement was reached with Her Majesty's Revenue and Customs in March 2008 that the construction services incurred in connection with the new Hawick Campus can be zero-rated.
- 3.1.18 The capital expenditure has been principally funded to date from SFC and European Regional Development Fund grants and Deferred Capital Grants totalling £19.019 million were received during the year.
- 3.1.19 In reviewing the current year's Strategic Plan the College identified the management of transition arrangements for the movement to the new Campus as a high-level risk area. This is mitigated by a number of actions such as a separate Project Financial Risk Register and new performance measures introduced for the Co-Location Project to inform the close monitoring by the College's Senior Management Team and Board of Management. There are also joint inter-institutional project teams in place to ensure that the project finances are managed in accordance with the project plan.
- 3.1.20 In February 2008 the College's internal auditors reported on their review of the Co-Location Project Management and concluded that: *'the College has adequate systems and processes in place to monitor the Scottish Borders Campus Co-location project.'*



# Corporate Governance

## 3.1 Financial Position (Cont'd)

### *Deferred Consideration*

3.1.21 Included in the College's Balance Sheet, under Creditors, is a deferred consideration of £4.750 million on the acquisition of the Netherdale property in 2006/07. The settlement of the liability is in the form of the provision of rent free accommodation to Heriot-Watt University. The liability will commence being discharged over the rent free period of 17.5 years beginning on the date of occupation of the shared campus facility, currently expected to start in February 2009.

## 3.2 Corporate Governance Arrangements

3.2.1 The College has continued to develop its corporate governance arrangements over 2007/08 including amendment to the Standing Orders and Administrative Scheme; approval of an annual programme of Board of Management self-evaluation using Association of Scotland's Colleges checklists; succession planning for Board members; review of the recruitment process; and agreement to create a Learning & Teaching Committee. The arrangements were reviewed by the College's internal auditors during the year who concluded that *'in our opinion, corporate governance and risk management arrangements at Borders College are adequate and appropriate. The College has developed sound corporate governance and risk management arrangements at Board and committee level which are reflective of good practice, facilitate strong leadership and direction and support the achievement of business objectives.'*

3.2.2 The internal auditors gave four examples of good practice including the comprehensive information received by Board members that allows them to make an informed and positive contribution to Board and committee business.

3.2.3 The internal auditors also identified some areas with scope for improvement which would further strengthen the control environment including a review of induction procedures for incoming Board members; a review of the register of interests; for Board minutes, except those which are considered in confidence, to be made available on the College's Website; and that reporting of management actions mitigating the key risks in the Risk Register could be further developed to ensure governance duties are fully discharged. The recommendations made have been actioned by College management.

## 3.3 Systems of Internal Control

### *Control environment*

3.3.1 Our work undertaken in relation to the 2007/08 financial statements audit has not identified any control weaknesses in the operation of financial controls and procedures.

### *Internal Audit*

3.3.2 Scott-Moncrieff provided internal audit services to the College in 2007/08. We have reviewed the scope and extent of work performed by internal audit during the year and considered the impact of their findings and conclusions on our work, where appropriate.



# Corporate Governance

## 3.3 Systems of Internal Control (Cont'd)

### *Internal Audit (Cont'd)*

3.3.3 The College's internal auditors have concluded that: *'we have identified no major internal control weaknesses during our 2007/08 internal audit activity. In our opinion Borders College has a framework of controls in place, in areas which we have reviewed, that provides reasonable assurance regarding the effective and efficient achievement of the College's objectives and the management of key risks.'*

## 3.4 Corporate Governance Statement

3.4.1 Colleges are required to include a statement on their corporate governance arrangements within their annual financial statements. The statement describes the ways in which the College has complied with good practice in corporate governance, including the arrangements for risk management. In 2007/08 the College adopted the Combined Code on Corporate Governance issued in June 2006.

3.4.2 The College's financial statements include a Statement of Corporate Governance and Internal Control and the overall conclusion is that: *'in the opinion of the Board, the College complies with all provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2008.'*

3.4.3 We are required to review the statement to assess whether the description of the process adopted in reviewing the effectiveness of the system of internal control appropriately reflects the process. We are not required to provide an opinion on the College's systems of internal controls.

3.4.4 Our audit opinion on the statement is covered by our auditors' report and is unqualified in this respect.

## 3.5 Fraud and irregularity, standards and conduct, and prevention and detection of corruption

3.5.1 During 2007/08 we had regard to Statement of Auditing Standards 110: *Fraud and Error* and International Standards on Auditing 240: *The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements*.

3.5.2 The College has appropriate arrangements in place, including current versions of its Standing Orders, Financial Regulations and a Fraud Policy and Response Plan. These documents are reviewed and updated periodically.

3.5.3 There are no outstanding recommendations from previous reports in relation to prevention and detection of fraud and irregularity, standards of conduct and prevention and detection of corruption.



# Performance

## *Introduction*

- 4.1.1 The terms of appointment by Audit Scotland include a requirement for a proportion of our audit time to be spent on performance audit work. Performance audit work covers a variety of areas, both financial and non-financial, including both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors.
- 4.1.2 No performance audit studies were identified by Audit Scotland for the College during 2007/08.

## *Strategic Plan*

- 4.1.3 The College's approach to the strategic planning process includes the focussed involvement of the Board of Management at a strategic planning event, college-wide staff consultation, stakeholder input, and a structuring of the plan around key activities, markets and policy requirements. The latest Strategic Plan, for 2007-2010, was approved by the Board of Management in June 2007.
- 4.1.4 In August 2008 the College published an update on the current Strategic Plan which identified progress made during 2007/08 and updated priorities for 2008/09.

## *Risk Management*

- 4.1.5 The College has a Risk Management Policy which sets out the College's underlying approach to risk management and the roles and responsibilities of the Board of Management, the College Principal, the College's Risk Management Team and other key parties. The main reporting procedures are also identified.

- 4.1.6 The College has undertaken further work during 2007/08 to develop and embed the system of internal control, including risk management. The Senior Management Team, in its role as the Risk Management Group, undertakes a comprehensive review of risks annually based on the current Strategic Plan. The review looks at the effectiveness of the controls implemented, the progress made with risk mitigation actions and considers any new risks arising. Quarterly updates are presented to Board of Management committees by the Senior Management Team.
- 4.1.7 The Operational Risk Register identifies the key risks facing the College, which are cross-referenced to the Strategic Plan and KPIs. The gross and residual risks are assessed using a scoring system based on the risk likelihood and impact. The register also shows the actions being taken to reduce and mitigate the risks. All risks are assigned to managers responsible for monitoring. The top risks from the Operational Risk Register are recorded on the Strategic Risk Register, which identifies the members of the Senior Management Team and Board committees responsible for monitoring the risks.
- 4.1.8 The College's internal auditors reviewed the College's risk management arrangements during the year and concluded that the systems and arrangements were sound (refer paragraph 3.2.1 above).



# Performance

## *Performance Management*

- 4.1.9 The College has developed a performance management framework that is set out within the Strategic Plan 2007-2010 and includes KPIs covering three main areas: Effectiveness; Efficiency; and Enrolment Targets. 10 KPIs are used with targets set for each year covered by the plan. The targets are reviewed and refined with changes incorporated into the current year's plan.
- 4.1.10 The Board of Management monitors performance against the plan twice each year in January and June and following consideration of the College's performance against its strategic objectives for 2007/08, reviewed and updated the plan for 2008-2010.
- 4.1.11 During 2007/08 there were further performance management initiatives such as the development of KPIs for the Co-location Project and the development of the student record system to provide performance indicator information by department and mode of study.

## *Financial Management*

- 4.1.12 The Finance and General Purposes Committee monitors performance against the College's rolling revenue and capital budgets. During the year the Assistant Principal – Finance and Resources introduced a new set of reports to update the Committee on College performance. The reports summarise the income and expenditure for the year-to-date, with reasons for significant variations and proposed revisions to the outturn budget. Also included are a balance sheet; key statistics (liquidity ratios, cash at bank, YTD income and expenditure % against budget); project monitoring (Strategic Development Fund, Co-Location Project etc); and WSUMs projections.

- 4.1.13 The College Senior Management Team monitor and review progress through monthly reporting and management accounts.
- 4.1.14 The FFR 2008 submitted to the SFC (table 1) shows a planned surplus for 2008/09 of £0.210 million in a year that will be challenging for the College with the move to the new Campus and associated costs of relocation putting a strain on available resources. However the College is committed to making efficiencies in its operations to offset these pressures.
- 4.1.15 In September 2007 the College, together with Heriot-Watt University, was successful in its bid to the SFC Strategic Initiative Fund (Collaborations and Mergers Strand) for funds to support ongoing changes associated with the Co-Location Project. Within the bid were cost estimates for shared services implementation including staff rationalisation.
- 4.1.16 The College's subsidiary company, BC Business Consultants Limited, is seen as playing an important role in achieving income growth. The profit for the year from the subsidiary increased to £0.247 million in 2007/08 from £0.169 million in 2006/07 and increase of £0.078 million (46%).



## Performance

### *Efficient Government Initiative (EGI)*

4.1.17 The College submitted updated EGI information schedules to the SFC in November 2008. The first showed the actual outturn against the 15 potential time releasing and cash releasing savings forecast for the period 2006/07 to 2007/08. This showed that the College delivered savings totalling £0.064 million over the period, with the highest savings resulting from participation in a procurement consortium (£0.018 million) and the introduction of Web registers (£0.019 million). The College also submitted a forecast for the period 2008/09 to 2010/11 showing total projected savings of £0.397 million, mainly arising from the review of curriculum delivery as part of the budget process.

### *Value for Money*

4.1.18 The College has a Value for Money Policy which was updated in June 2007. This sets out the scope, responsibilities, concept and means of measuring the achievement of VFM. The Policy is clear and makes appropriate links to the wider benefits of promoting VFM in terms of clarification of objectives, planning, openness and accountability, compliance and risk assessment. The Policy promotes the following of VFM principles in planning and implementing activity to aid the demonstration of VFM in the use of resources.

4.1.19 The internal auditors considered value for money issues during the Co-Location Project review carried out during 2007/08 (refer paragraph 3.1.20 above). The internal audit programme for 2008/09 includes a VFM review considering Momentum – change management.

4.1.20 Other initiatives undertaken by the College during the year include an analysis of the composition of its supplier database to identify opportunities for more efficient procurement. The College also makes good use of National and Advanced Procurement for Universities and Colleges (APUC) contracts.



# Financial Statements

## 5.1 Audit Opinion

- 5.1.1 On 11 December 2008, we plan to issue an audit report expressing an unqualified opinion on the financial statements of the College for the year ended 31 July 2008 and on the regularity of the financial transactions reflected in those financial statements.

## 5.2 Audit Completion

- 5.2.1 An important measure of proper financial control and accountability is the timely closure and publication of audited financial statements. We have summarised in table 3 the three key elements of the audit process.

**Table 3: Key elements of the audit process**

### Completeness of draft financial statements

A set of draft financial statements was received at the start of the final audit visit. These were of a high standard and required minimal presentational changes as part of the audit process.

### Quality of supporting working papers

In accordance with our normal practice, we issued a 'prepared by client' request that set out a number of documents required for our audit of the financial statements. A full set of supporting working papers were provided in line with this list from the outset of the audit and were of a suitably high standard.

### Response to audit queries

We are pleased to note that all audit queries were dealt with in a timely manner.

## 5.3 Audit Adjustments and Confirmation

- 5.3.1 In table 4 we draw attention to the agreed audit adjustments to the financial statements made by management following the audit process, followed by confirmation of our independence.

**Table 4: Audit adjustments**

Description	I&E DR £'000	I&E CR £'000	B/Sheet DR £'000	B/Sheet CR £'000
Assets under Construction			378	
to Accruals				378
Other Debtors			472	
to Assets under Construction				472
Other creditors (>1 yr)			136	
to Other creditors (< 1 yr)				136
	-----	-----	-----	-----
	-	-	986	986
	=====	=====	=====	=====

- 5.3.2 In addition, a number of disclosure and clarification adjustments were made to the financial statements to ensure SORP and Accounts Direction compliance and improve the overall presentation of the financial statements.



# Financial Statements

## 5.3 Audit Adjustments and Confirmation (Cont'd)

### *Confirmations and Representations*

- 5.3.3 We confirm that as at 20 November 2008, in our professional judgement, Henderson Loggie CA was independent within the meaning of regulatory and professional requirements and the objectivity of audit staff was not impaired. Appendix I provides a copy of the letter issued to the audit committee.
- 5.3.4 In accordance with auditing standards, we obtained representations from the College on material issues.





## Appendix I - Confirmation of Independence

### To: Borders College and the Auditor General for Scotland

Professional ethical standards require us to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on Henderson Loggie's independence and the objectivity of the audit team. This statement is intended to comply with this obligation.

We have considered the fees paid to us by Audit Scotland and the College for professional services provided by us during the reporting period.

We are satisfied that our general procedures support our independence and objectivity.

### General procedures to safeguard independence and objectivity

Henderson Loggie is committed to being and being seen to be independent. As part of our ethics and independence policies, all Henderson Loggie staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings or interests. Our Ethics and independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through:

- instilling professional values;
- communications;
- internal accountability;

risk management; and

independent reviews.

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the College / audit committee.

### Confirmation of Audit Independence

We confirm that as at 20 November 2008, in our professional judgement, Henderson Loggie is independent within the meaning of regulatory and professional requirements and the objectivity of the audit partner and audit staff is not impaired.

This report is intended solely for the information of the College and audit committee of Borders College and should not be used for any other purposes.

Yours faithfully

Henderson Loggie

