



HENDERSON LOGGIE

Chartered Accountants

Aberdeen College

Annual Audit report for 2008/09 to the Board of Management and the Auditor General for Scotland

External Audit Report No: 2009/03

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Contents

	Page	Notice: About this report
1 Executive Summary	1-2	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> .
2 Introduction	3-4	This report is for the benefit of only Aberdeen 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.
3 Corporate Governance	5-9	
4 Performance	10-11	Nothing in this report constitutes a valuation or legal advice.
5 Financial Statements	12-13	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.
Appendix I - Confirmation of Independence	14	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.



Executive Summary

1.1 Corporate Governance

- ❑ The Group has shown a surplus for the year of £0.995 million and an income and expenditure account balance of £18.401 million at 31 July 2009. The College's position is a surplus for the year of £0.884 million and an income and expenditure account balance of £18.247 million at 31 July 2009.
- ❑ The College's Corporate Governance Statement confirms that the College complies with all of the provisions of the 2008 Combined Code on Corporate Governance in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2009.
- ❑ The College Principal and Chief Executive resigned on 11 February 2009 and the Vice Principal and Director of Finance & Administration was appointed to act in his place during the recruitment process. On 1 October 2009 the College's former Director of Learning and Teaching was appointed as the new Principal and Chief Executive.
- ❑ 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.
- ❑ Wylie and Bisset LLP concluded that *'We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes. In our opinion Aberdeen College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work.'*

- ❑ The College has an on-going process for identifying, evaluating and managing its significant risks.

1.2 Performance

- ❑ The College updated its Strategic Development Plan during the year. An Interim Review of Achievements in relation to the Strategic Development Plan 2008/11 was reported to the Board in December 2008. During the year Board members carried out a self-evaluation of performance.
- ❑ The College's risk management policy was reviewed in January 2009 with the Risk Register updated on an on-going basis to account for changes in strategic and operational risks.
- ❑ Regular performance reports are submitted to the Board and Committees during the year. Performance Indicators are established and use of benchmarking focussed on quality improvement is made by the College.
- ❑ The College has a Value for Money (VFM) policy setting out the objectives and responsibilities for securing value for money.



Executive Summary

1.3 *Financial Statements*

- ❑ On 7 December 2009 we plan to issue an audit report expressing an unqualified opinion on the financial statements of the College for the year ended 31 July 2009 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 Statement of Recommended Practice (SORP) on Accounting for Further and Higher Education.
- ❑ Based on the results for the year to 31 July 2009 the College meets the requirements of the Funding Council to be classed as financially secure.
- ❑ The College made progress in implementing its Estates Development Strategy during the year with the approval of its business case by SFC and the award of capital funding for phase 1 works. Work commenced during the year on the new Altens construction facility.
- ❑ Seven 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. These mainly affected the balance sheet and increased the surplus for the year by £0.098 million.
- ❑ In 2008/09 the College accounted for its participation in the Aberdeen City Council Pension Fund as if it were a defined contribution scheme. This is consistent with the accounting treatment adopted in previous years and current advice provided by the scheme actuaries.
- ❑ The College has exceeded its SUMS target for 2008/09 by 2.9% (2007/08 – 7.2%).



Introduction

2.1 Background

2.1.1 2008/09 was the third year of our five year appointment as external auditors of Aberdeen 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 2008/09 Annual Audit Plan* issued on 28 April 2009 and considered and approved by the Audit Committee on 19 May 2009. 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;
- fixed assets transactions, including consideration of any impairment; the estates development strategy implementation; on-going estate improvements and maintenance; and compliance with relevant financial reporting standards;
- recoverability of debtors;
- recognition of funding provided for specific purposes and the regularity of corresponding expenditure;
- compliance with Financial Reporting Standard (FRS) 17 *Retirement Benefits* and provision for pension liabilities for early retirees;
- the financial results of the College's subsidiary company and the impact on the Group financial statements; and
- compliance with the 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.

Table 1: Comparison of planned and actual financial results

	2007/08 Actual £000	2008/09 Planned £000	2008/09 Actual £000	2009/10 Planned £000
Financial outturn Surplus/(deficit)	1,834	277	995	64
Income and expenditure reserves	17,134	18,225	18,401	18,289
Cash balances	18,262	19,090	18,629	20,261

Source: Audited financial statements and budgets

3.1.3 Based on the results for the year to 31 July 2009 the College meets the requirements of the Funding Council to be classed as financially secure.

3.1.4 Overall, College income in 2008/09 has increased by £2.161 million (5.2%) over 2007/08 to £43.410 million. The main reason for this is a significant increase of £1.448 million (5.6%) in the SFC recurrent grant; £0.809 million (97.6%) increase in the release of deferred capital grants; and an increase of £0.992 million (9.3%) in tuition fees and education contracts income. These increases have been offset by a £0.307 million (24.0%) decrease in other income and a £0.549 million (53.4%) decrease in investment income, reflecting a fall in bank interest rates during the year. The increase in tuition fees and education contracts income is largely due to a £1.255 million (24.0%) increase in education contracts (other funded tuition). Other income was particularly high last year due to a one-off £0.350 million non-refundable deposit recognised by the College for a proposed land sale, which did not proceed.

3.1.5 Expenditure in 2008/09 rose by £3.062 million (7.8%) over 2007/08 to £42.465 million, primarily due to other operating expenses increasing by £3.337 million (20.4%) and an increase in staff costs of £0.439 million (2.2%). These cost increases have been offset by a £0.575 million decrease in the charge to the income and expenditure account in relation to the movement on the provision for future pension costs. The increase in other operating expenses partly relates to a £1.405 million increase in consultancy costs, due to the College’s IT managed services being outsourced from 1 September 2008 following a decision by the Board of Management to market these services. This action provides a strong platform to support new approaches to the delivery of College services using new technologies. The remainder of the increase in other operating expenses largely relates to sub-contracting costs and an exceptional bad debt incurred by the College’s subsidiary company ASET Ltd.

Corporate Governance

3.1 Financial Position (Cont'd)

3.1.6 Staff costs have increased due to a pay award of 5% being implemented on 1 August 2008 although this has been offset by a decrease in staff numbers (FTEs) from 593 last year to 563 in 2008/09. Staff numbers have fallen as many posts that became vacant during the year were not replaced and 20 posts were transferred under the Transfer of Undertakings (TUPE) regulations on the outsourcing of the IT managed services.

3.1.7 The College's cash balance at 31 July 2009 was £18.629 million, an increase of £0.367 million (2.0%) on the previous year. The level of build up in cash balances is in part linked to the College's Estate Development Strategy. The College has reviewed its treasury management arrangements during the year to ensure that the maximum possible return is achieved on these bank deposits while minimising the level of risk.

2008/09 SUMs outturn

3.1.8 The College's outturn against its 2008/09 SUMs target is shown in table 2.

Table 2: 2008/09 SUMs outturn

	2007/08	2008/09
SUMs target	151,214	151,214
SUMs actual	162,045	155,604
Excess	10,831	4,390

Source: Audited SUMs returns

3.1.9 As the College's external auditor we carried out the audit of the SUMs return for 2008/09. We concluded that the student data returns have been compiled in accordance with all relevant guidance, that adequate procedures are in place to ensure the accurate collection and recording of data; and, on the basis of testing, reasonable assurance can be taken that the FES return contained no material mis-statement.

FRS 17 Retirement Benefits

3.1.10 In 2008/09 the College accounted for its participation in the local government pension scheme as if it were a defined contribution scheme. This is consistent with the accounting treatment adopted in previous years.

3.1.11 Audit Scotland's sector overview report highlighted that the variation in accounting treatment adopted by colleges in relation to FRS 17 makes it difficult to perform a like-for-like comparison. Audit Scotland recommended that the SFC should consider whether to prescribe a specific approach in accounting treatment where UK accounting standards allow more than one approach to be taken.

3.1.12 In a letter to all College Principals, dated 13 November 2008, SFC concluded that: 'Given the direction of travel, SFC strongly advises all colleges in the Strathclyde Pension Fund, as well as the Aberdeen and Tayside schemes which have similar characteristics, to consider accounting for the scheme as a defined benefit scheme. However, we fully acknowledge that there is scope within the FRS 17 standard, as currently worded, to account for the scheme as a defined contribution scheme and it is ultimately for colleges and auditors to determine the accounting treatment.' The College should review compliance with any future direction by SFC.

Corporate Governance

3.1 Financial Position (Cont'd)

3.1.13 The Auditing Practices Board Practice Note 22 *The Auditors' Consideration of FRS17 'Retirement Benefits' – Defined Benefit Schemes* requires auditors of entities accounting for multi-employer defined benefit schemes as if they were defined contribution to make enquiries of the directors regarding the basis for their conclusion that the entity's share of the scheme assets and liabilities cannot be identified. Auditors should also consider any relevant professional advice (for example actuarial or legal advice) that the directors may have obtained on this issue. Such enquiries were made via the Vice Principal and Director of Finance & Administration and we also considered advice provided to the College by the Aberdeen City Council Pension Fund actuaries to support the current accounting treatment.

Capital Income and Expenditure

3.1.14 The College purchased assets with a value of £1.883 million in the year relating to land and buildings, equipment and ICT. These have been funded from the College's own funds together with deferred capital grants.

3.1.15 Estate expenditure will remain a high area of spend for the College over the coming years with a capital programme in the region of £110m funded via a mix of College reserves, borrowings, SFC capital grant and land sales (although these are not now anticipated for the next four years). Estate improvement will be important in ensuring that corporate objectives and aims around the physical environment necessary to deliver a high standard of learning and teaching are met. In that regard the College has an agreed Estate Development Strategy.

3.1.16 The College presented a supplementary Outline Business Case (OBC) for estates development to the SFC's Capital Investment Committee (CIC) at its meeting in December 2008 and the Committee agreed that the College be asked to submit a Full Business Case (FBC) for phase 1 of its master plan, focussing on the Altens construction facility, for consideration at its meeting in April 2009. In addition to Altens, phase 1 works consist of a new teaching facility at the Gordon Centre (for Performance Arts and Sport); satellite centres at Ellon and Stonehaven; pre-construction costs for a new teaching facility at Tillydrone; and a new engineering facility for ASET Ltd. At its meeting in April 2009 the CIC agreed capital funding of £12 million to cover part of these works.

3.1.17 The Altens Centre main building has now been erected and the building is scheduled for completion in summer 2010. The budgeted cost for constructing and equipping this facility is £15 million. Capital expenditure incurred during 2008/09 on this project amounted to £0.955 million.

3.1.18 The College Board of Management has been fully involved in the capital investment appraisal process to date and the Investment and Project Committee was established in February 2008 with responsibilities relating to the control, progression and fulfilment of the Estates Development Strategy. The work of this Committee is reported to the full Board. At its meeting on 8 June 2009 the Board considered and noted the contents of a paper aimed at assisting members to review the Estates Development Strategy and establish priorities for the way forward in fulfilment of this strategy.

Corporate Governance

3.1 Financial Position (Cont'd)

Designated Reserves

3.1.19 The College has for a number of years held a designated reserve representing proceeds from the sale of property subsequently reinvested in new property. This was being released to the income and expenditure account reserve in line with the depreciation on the related assets. The balance on the reserve at 31 July 2008 was £5.325 million. It is appropriate that proceeds from the sale of College property be applied to the designated reserve pending reinvestment in new property. The SFC Accounts Direction Guidance Notes however state that the designated reserve should be released in full to the general reserve when the proceeds are reinvested. In addition, in line with the latest SORP on Accounting for Further and Higher Education, the Accounts Direction Guidance Notes make clear that designation of elements of the income and expenditure account for specific purposes is considered to be an internal matter for each institution and therefore should not be disclosed in the primary statements or notes to the accounts. On this basis a prior period adjustment was agreed during our audit to transfer the balance on the designated reserve to the income and expenditure account reserve.

Provisions

3.1.20 The College has a provision in its balance sheet for £5.472 million relating to pension costs from early retirements awarded to former employees. The provision has decreased by £0.242 million in the year to reflect the actuarially assessed pension liability.

3.2 Systems of Internal Control

Control environment

3.2.1 Our work undertaken in relation to the 2008/09 financial statements audit has not identified any control weaknesses in the operation of financial controls and procedures.

Internal Audit

3.2.2 Audit Scotland's *Code of Audit Practice* directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. Wylie and Bisset LLP provided internal audit services to the College in 2008/09. 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.

3.2.3 Wylie and Bisset LLP concluded that *'We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes. In our opinion Aberdeen College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. Our fieldwork was carried out between January and June 2009 and we have not undertaken any further internal audit assignments at the time of this report.'*

3.3 Corporate Governance Statement

3.3.1 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. The College adopted the Combined Code on Corporate Governance issued in June 2008 for the 2008/09 financial statements.



Corporate Governance

3.3 *Corporate Governance Statement (Cont'd)*

- 3.3.2 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.
- 3.3.3 The College's corporate governance statement for 2008/09 states the College complies with all of the provisions of the 2008 Combined Code on Corporate Governance in so far as they apply to the further education sector, and it has complied throughout the year ended 31 July 2009.
- 3.3.4 Our audit opinion on the statement is covered by our auditor's report and is unqualified in this respect.
- 3.3.5 The College has continued to develop its corporate governance arrangements over 2008/09 including: adoption of more detailed terms of reference for each Committee of the Board of Management; review of the Standing Orders; review and update of the Induction Procedure for New Members; review of the Memorandum of Understanding between the Board and ASET Ltd; and consideration of the governance arrangements for ASET Ltd.
- 3.3.6 The College Principal and Chief Executive resigned on 11 February 2009 and the Vice Principal and Director of Finance & Administration was appointed to act in his place during the recruitment process. An experienced Director of Finance was appointed on a temporary basis to cover the duties of the Vice Principal and Director of Finance & Administration. On 1 October 2009 the College's former Director of Learning and Teaching was appointed as the new Principal and Chief Executive.
- 3.3.7 Six members of the Board of Management retired by rotation at 31 March 2009, three of whom were not eligible for reappointment under the provisions of the Further and Higher Education (Scotland) Act 1992. This included the Chair of the Board. An advertisement was placed in the local press with a view to replacing those leaving the Board at 31 March 2009 and this proved successful with three new members joining the Board at 1 April 2009. At its meeting on 8 December 2008 the Board considered the appointment of office bearers from 1 April 2009. The previous Vice Chair was appointed to serve as Chair of the Board and he shadowed the Chair in the months leading up to the handover.
- 3.3.8 Board training provided during the year included presentations by HM Inspectorate of Education (HMIe) on the new HMIe Quality Arrangements and the outcome of the annual engagement visit; and a presentation by the Vice Principal and Director of Finance & Administration on the financial environment in which the College operates.

3.4 *Fraud and irregularity, standards and conduct, and prevention and detection of corruption*

- 3.4.1 During 2008/09 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*.
- 3.4.2 The College has appropriate arrangements in place, including current versions of its Standing Orders, Financial Regulations and a Prevention of Fraud Policy. These documents are reviewed and updated annually.



Performance

Introduction

- 4.1.1 The terms of appointment from 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 2008/09.

Strategic Plan

- 4.1.3 At its meeting on 20 January 2009 the Board approved a draft Strategic and Business Planning Policy document setting out responsibility for the planning process, delegated responsibility, desired timetable and the suggested content of each document at a high-level.
- 4.1.4 The College's Strategic Development Plan was updated for the period 2009/10 to 2011/12, incorporating strategic aims established by the Board at its meeting on 20 January 2009. Further discussion took place at the Board Residential Event in February 2009 and the plan was adopted at the Board meeting on 8 June 2009. During 2008/09 the College also published a Business Plan 2009, summarising the Strategic Development Plan 2008/11 and providing an overview of the College's strategic aims and main developments over the planning period.
- 4.1.5 The College also prepares an Operational Plan each year. Although the Board of Management has established a clear separation between the Board's governance role and the management role of the College's executive, the Board considered pertinent matters for inclusion in the 2009/10 plan at its meeting in June 2009. These included matters relating to the conduct of business by the Board and its committees;

monitoring of the achievement of aims and objectives; and compliance with obligations set by central authorities.

- 4.1.6 As part of their programme of work for 2008/09 internal audit reviewed the College's strategic and business planning arrangements and concluded that the systems and procedures used by the College are 'strong' in this area. No recommendations were made as a result of the review.

Risk Management

- 4.1.7 The College has a Risk Management Policy in place, which was reviewed by the Finance and General Purposes Committee in January 2009. The College's Risk Register was reviewed by the Senior Management Team in July 2009 and updated to reflect the current assessment of the strategic and operational risks faced by the College.

Performance management

- 4.1.8 The Board of Management receives regular reports on its performance in the form of Performance Indicators, covering a number of areas, including course provision and HR. Regular reports are presented to the Course Provision and Student Service Committee and the Human Resources Committee. Use is made of benchmarking data available for the Further Education sector in assessing the College's performance.
- 4.1.9 An Interim Review of Achievements in relation to the Strategic Development Plan 2008/11 was reported to the Board in December 2008 to enable the Board to consider progress made with Strategic Aim A relating to governance and management. A comprehensive Annual Review was published during the year summarising the progress made by, and the achievements and successes of, the College during 2007/08.

Performance

Performance management (Cont'd)

- 4.1.10 As part of their programme of work for 2008/09 internal audit reviewed the College's performance management and review arrangements and concluded that the systems and procedures used by the College are 'strong' in this area. No recommendations were made as a result of the review.

Self Evaluation

- 4.1.11 The College's Board carried out a self-evaluation in 2008/09 following an established framework to evaluate its performance in three key areas: governance, strategic planning and monitoring. Group discussions in each of these areas were held at the Board's Residential Event in February 2009. The records of discussions that took place in the groups were consolidated into a final draft for consideration by the Board. The Chair of the Board also held meeting with members on an individual basis.

Financial management

- 4.1.12 The Senior Management Team is fully briefed on the position against budget. The format of the monthly management accounts includes a commentary on variances against budget for income and expenditure account, balance sheet and cash flow figures.
- 4.1.13 The Finance and General Purposes Committee monitor performance against the College's approved annual revenue and capital budgets. The Committee receives a paper at each meeting providing a commentary on the forecast financial outturn position for the College for the financial year in the format used for the management accounts.

- 4.1.14 The Finance and General Purposes Committee also receives a report at each meeting providing information on the initial projection of the level of student activity in the academic year. Forecast WSUMs figures are provided for each Academic Sector and Non-Sector Teams.

Efficient Government Initiative (EGI)

- 4.1.15 As reported last year, the College submitted updated EGI information schedules to the SFC in November 2008. This included a forecast for the period 2008/09 to 2010/11 showing total projected savings of £4.929 million, the main element being generated from anticipated increased efficiency in deployment of permanent teaching staff; and lower temporary teaching staff costs arising from increasing use of new technologies and approaches. At the date of this report the quantification of actual savings for 2008/09 was not available. This information will be included on a return to SFC, due to be submitted in January 2010.

Value for Money

- 4.1.16 The College has a VFM policy setting out the objectives and responsibilities for securing value for money. SFC benchmarking has confirmed the College has low unit costs of operation. The College's benchmarking activities help identify possible areas for improvement action.
- 4.1.17 One specific VFM review was carried out by the College's internal auditors during the year:

VFM – Teacher Utilisation

- ❑ The internal auditors concluded that the systems and procedures used by the College are 'strong' in this area although made one medium priority recommendation, which has been actioned by management.



Financial Statements

5.1 Audit Opinion

- 5.1.1 On 7 December 2009 we plan to issue an audit report expressing an unqualified opinion on the financial statements of the College for the year ended 31 July 2009 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 and accounting adjustments to the financial statements made by management following the audit process.

Table 4: Audit adjustments

Description	I&E DR £'000	I&E CR £'000	B/Sheet DR £'000	B/Sheet CR £'000
Land & buildings - cost			955	
Prepayments				955
Accrued income			955	
Deferred capital grants				955
Finance lease liability			95	
Irrecoverable VAT		14		
Accrued income				81
Accrued income			110	
SFC grant income		110		
VAT interest	26			
Accruals				26
Income & expenditure reserve			11	
Revaluation reserve				11
Designated reserve			5,094	
Income & expenditure reserve				5,094
	=====	=====	=====	=====
	26	124	7,220	7,122
	=====	=====	=====	=====



Financial Statements

5.3 Audit Adjustments and Confirmation (Cont'd)

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.

Confirmations and Representations

5.3.2 We confirm that as at 11 November 2009, 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.

5.3.3 In accordance with auditing standards, we obtained representations from the College on material issues.



Appendix I - Confirmation of Independence

To: Aberdeen 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 11 November 2009, 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 Aberdeen College and should not be used for any other purposes.

Yours faithfully

Henderson Loggie