



HENDERSON LOGGIE
Chartered Accountants

Stevenson College Edinburgh

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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2 Introduction	3 - 4	This report is for the benefit of only Stevenson College Edinburgh 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.
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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 College has shown a surplus for the year of £0.356 million, which includes a net £0.028 million (2007/08: £0.223 million) adjustment for movements arising from the Lothian Pension Fund (LPF) actuarial report as at 31 July 2009. The income and expenditure account balance at 31 July 2009 was £9.055 million.
- ❑ 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 Stevenson College Edinburgh 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's Corporate Governance Statement confirms that the College has complied with the requirements of the 2008 Combined Code on Corporate Governance, in so far as they apply to the further education sector, for the year to 31 July 2009.
- ❑ During the year the College's Board of Management Membership Committee considered appointment to the Board of Ms Lesley Glen, who was previously employed with the College as Vice Principal, Finance and Resources, within the last five years. This gave rise to 'independence' issues under the Combined Code. From the reports and minutes of meetings we have seen we are satisfied this issue was fully considered prior to the appointment and it has been disclosed in the financial statements.

- ❑ We identified no significant control weaknesses during our audit. In general, the College's key systems of internal control appear, from our review of them, 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 College has developed a new Strategic Plan 2009-2014 which sets out four themed strategic aims and objectives, each being supported by a range of strategies. Progress against the aims and objectives is measured through a set of 14 key performance indicators (KPIs).
- ❑ Risk management arrangements include the on-going assessment of the College's Risk Register to reflect current strategic and operational risks.
- ❑ Regular performance reports including benchmarking information are submitted to the Board of Management and its committees during the year.
- ❑ Financial management arrangements ensure appropriate and timely financial reporting at strategic and operational levels.
- ❑ The Learning and Teaching Committee receives KPIs on student retention and student achievement.



Executive Summary

1.3 Financial Statements

- ❑ On 11 December 2009 we plan to issue an audit report expressing an unqualified opinion on the financial settlements 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.
- ❑ Two audit adjustments, together with a number of minor disclosure adjustments, were made to the financial statements. A separate report to those charged with governance has been issued which explains the nature of these adjustments. These affected the balance sheet only and had no impact on the reported surplus for the year.
- ❑ The implementation of the College's estates strategy has progressed further in 2008/09 with the completion of Phase 4 of the refurbishment project. The College's Estates Master Plan was reviewed during the year and this sets out development options in seven discrete phases.
- ❑ The College made a successful application to HM Revenue & Customs (HMRC) to have the Lennartz mechanism applied to the VAT on construction costs of the Music Box building. The College received £0.825 million from HMRC during the year and repaid £0.024 million. The balance is shown within short term and long term creditors.
- ❑ The College has exceeded its WSUMS target for 2008/09 by 1,433 WSUMs (1.6%); (2007/08 1,120 WSUMs, exceeded by 1.2%).



Introduction

2.1 Background

2.1.1 2008/09 was the third year of our five year appointment as external auditors of Stevenson College Edinburgh ('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 15 April 2009 and considered and approved by the Audit Committee on 29 April 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 treatment of refurbishment works; application of the capitalisation threshold and compliance with relevant financial reporting standards;
- recoverability of debtors;
- achievement of SUMs and commercial income targets;
- 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. 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 based on the formal Financial Forecast Return (FFR) submitted by the College to the Funding Council.

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	738	320	356	300
Surplus (excl. net return on pension assets and liabilities)	508	320	384	300
Income and expenditure reserves (excl. pension reserve)	8,425	9,222	9,055	9,621
Income and expenditure reserves (incl. pension reserve)	7,495	9,222	4,777	8,691
Cash balances	5,119	5,073	6,352	7,050

Source: Audited accounts and FFR

- 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 £0.610 million (2.5%) over 2007/08 to £24.922 million. The main reason for this is a significant increase of £0.854 million (4.7%) in SFC grant income, largely made up of an increase in core grant of £1.142 million (7.2%), offset by a reduction in income from the release of estates infrastructure grants to match non-capitalised refurbishment and equipment costs (£0.264 million) and reductions in other SFC grants. Investment income fell by £0.342 million to £0.276 million largely due to a reduction in FRS17 notional interest (£0.215 million) and lower rates of return on cash balances.
- 3.1.5 Expenditure in 2008/09 rose by £1.040 million (4.4%) over 2007/08 to £24.566 million primarily due to staff costs increasing by £0.648 million (3.8%) and an increase in other operating costs of £0.409 million (7.5%). The increase in staff costs is due to the award of a 2.65% salary increase in August 2008 followed by a further 1.8% increase from 1 January 2009. Staff numbers (FTEs) have remained consistent with last year at 479. Operating costs have increased due to higher unit energy costs (£0.134 million); professional advice related to Lennartz VAT and the joint sports facility Full Business Case (£0.149 million); and accommodation expenditure which is recharged to foreign groups (£0.084 million).
- 3.1.6 The College's cash balance at 31 July 2009 was £6.352 million, an increase of £1.223 million (24.1%) on the previous year. The main reason for this increase is the VAT receipt of £0.825 million from HMRC for VAT on the Music Box (refer paragraph 3.1.15 below) as well as cash generated from the operating surplus.



Corporate Governance

3.1 Financial Position (Cont'd)

2008/09 WSUMS outturn

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

Table 2: 2008/09 WSUMs outturn

	2006/07	2007/08	2008/09
WSUMs target	88,670	89,734	89,734
WSUMs actual	89,650	90,854	91,167
Excess	980	1,120	1,433

Source: Audited WSUMs returns.

3.1.8 The College's internal auditors carried out the audit of the WSUMs return for 2008/09. They 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

3.1.9 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 LPF being shown on the Balance Sheet. This is consistent with the accounting treatment adopted in 2007/08.

3.1.10 Note 26 to the financial statements highlights the College's net pension liability position of £4.278 million within the LPF. This has moved significantly in the year from a net pension liability of £0.930 million at 31 July 2008. This change in financial position results from both a fall in the fair value of employer assets as at 31 July 2009 due to a reduction in the long term expected return on assets and a change in the assumptions affecting the actuarially determined liability balance (refer table 3 below). The amount recognised in the income and expenditure account in relation to the LPF includes a net return on pension assets and liabilities of £0.015 million (2007/08 - £0.230 million), which is disclosed under investment income and an expense of £0.043 million within staff costs.

Table 3: LPF financial assumptions

	31 Jul 09 % p.a.	31 Jul 08 % p.a.
Pension increase rate	3.7	3.8
Salary increase rate	5.2	5.3
Expected return on assets	6.9	7.3
Discount rate	6.0	6.7

Source: LPF actuarial valuation for FRS 17 purposes at 31 July 2009

3.1.11 With the exception of liabilities arising from early retirals, 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 2007/08.



Corporate Governance

3.1 Financial Position (Cont'd)

Capital Income and Expenditure

- 3.1.12 The implementation of the College's estates strategy has progressed further in 2008/09 with the completion of Phase 4 of the refurbishment project. In total, expenditure of £0.557 million was added to fixed assets during the year, mainly in relation to the above enhancement works and purchase of computer equipment. Deferred capital grants totalling £0.628 million were used to assist with funding fixed asset additions. The amount added to fixed assets was less than the deferred capital grants due to fixed asset expenditure over-accrued in 2007/08 being reversed.
- 3.1.13 We reported last year that future capital plans included three major capital projects: a new sports facility; refurbishment and reconfiguration of the College engineering facilities; and development of the quadrangle area. Together with Edinburgh Napier University, the College presented a proposal for a joint sports facility to the SFC's Capital Investment Committee (CIC) at its meeting in September 2008. The Committee agreed to recommend to the SFC that the College and University be asked to progress the joint proposal to Full Business Case (FBC), subject to a number of points raised by members being addressed. In October 2008 the SFC requested that a full and final business case be completed for consideration by the CIC in April 2009. However, the College could not meet this tight deadline as issues of affordability had to be considered in more depth and this led to the College deciding not to proceed with the project.
- 3.1.14 Subsequent to deciding not to continue with the joint sports facility it was agreed to review the Estates Master Plan. Consultants were appointed and their report gives development options which are set out in seven discrete phases. The College will be seeking funding from the

SFC to progress this work but it is likely the College will also need to use its own funds. The first stage is the preparation of a business case to support the development of the current quadrangle area into an atrium. The estimated construction cost of this project is £6.2 million.

- 3.1.15 The College made a successful application to HMRC to have the Lennartz mechanism applied to the VAT on construction costs of the Music Box building, which were incurred in previous years. As a result the College has been able to reclaim the input VAT incurred on the construction of the Music Box but is now liable for output VAT on the non-business use of the asset which is repayable to HMRC over a period of 10 years. The College received £0.825 million from HMRC during the year and repaid £0.024 million. The balance is shown within short term and long term creditors in the financial statements at 31 July 2009.

Provisions

- 3.1.16 The College has a provision in its Balance Sheet for £1.333 million relating to pension costs from early retirements awarded to former teaching staff. The College's approach to the valuation of the provision has been to apply SFC actuarial tables on a consistent basis. The net interest applied was 2.5% in line with SFC guidance.

3.2 Corporate Governance Arrangements

- 3.2.1 The College has established corporate governance arrangements, with committees operating within a culture of risk management. The College corporate governance arrangements are described in its Statement of Corporate Governance and Internal Control contained within the financial statements. The terms of reference of Board committees were reviewed during the year.



Corporate Governance

3.3 Systems of Internal Control

Control environment

- 3.3.1 Our work undertaken in relation to the 2008/09 financial statements audit has not identified any significant control weaknesses in the operation of financial controls and procedures although a few minor matters were discussed with the Finance Team during the year.

Internal Audit

- 3.3.2 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.
- 3.3.3 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 Stevenson College Edinburgh 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 October 2008 and April 2009 and we have not undertaken any further internal audit assignments at the time of this report.'*

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. The College applied the revised Combined Code on Corporate Governance issued in June 2008 for the 2008/09 financial statements.
- 3.4.2 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.
- 3.4.3 The College's Statement of Corporate Governance and Internal Control confirms that the College has complied with the requirements of the 2008 Combined Code on Corporate Governance, in so far as they apply to the Further Education sector, for the year to 31 July 2009.
- 3.4.4 Our audit opinion on the statement is covered by our auditors' report and is unqualified in this respect although one issue required consideration during our audit as detailed below.



Corporate Governance

3.4 Corporate Governance Statement (Cont'd)

3.4.5 The Combined Code on Corporate Governance states that: *'The board should identify in the annual report each non-executive director it considers to be independent. The board should determine whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. The board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director has been an employee of the company or group within the last five years'*.

3.4.6 During the year the College's Board of Management Membership Committee considered appointment to the Board of Ms Lesley Glen, who was previously employed with the College as Vice Principal, Finance and Resources, within the last five years.

3.4.7 From the reports and minutes of meetings we have seen we are satisfied this issue was fully considered prior to the appointment and it has been disclosed in the financial statements (page 3): *'In making her appointment, the Membership Committee considered her to be independent of mind and determined that, as all key personnel and auditors with whom she worked during her employment with the College have changed since then, there are no relationships or circumstances which could affect her judgement'*.

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

3.5.1 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*.

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



Performance

4.1 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 2008/09 was the last year of the College's Strategic Plan 2006-09 and a major review of the strategic aims of the College was initiated by the College Principal on his appointment in September 2008. There has been wide-ranging consultation on the new strategic purpose and aims for the period 2009-14 and the finalised plan was approved by the Board of Management at its September 2009 meeting. There are four strategic aims which are supported by strategic objectives, strategies and KPIs.

Risk Management

4.1.4 The College has an approved Risk Management Policy and Risk Register. The Risk Register is categorised by function and is updated to reflect on-going assessment of the strategic and operational risks faced by the College. Risks, controls and control responsibility are assigned to appropriate officers.

4.1.5 There are separate risk registers produced for each of the capital projects and these are regularly updated. The risk registers, along with the finance risks are presented regularly to the Finance, Property and General Purposes Committee for its review.

Performance Management

4.1.6 The Board of Management and its committees regularly consider the College's performance in implementing its strategic objectives. The Principal presents a report to each Board meeting outlining activities and achievement.

4.1.7 In December 2007 the Board of Management approved a set of performance measures, structured against the EFQM (European Framework for Quality Management) model, covering People Results, Customer Results, Society Results and Key Performance Results. During 2008/09 four working groups were formed to self-evaluate progress against the four strategic objectives for 2009-14: Curriculum; Learning and Teaching; Infrastructure; and Management and Governance. The groups used some of the above performance measures to assess progress against the objectives and to identify strengths and areas of concern.

4.1.8 Annually, accounting ratios and benchmarking data are brought to the attention of the Finance, Property and General Purposes Committee where the College's performance is benchmarked against the sector.



Performance

4.1 Performance (Cont'd)

Financial Management

4.1.9 Monthly management accounts are prepared and reviewed by the Finance Team and the Head of Finance. Financial Monitoring Statements are presented at each meeting of the College's Finance, Property and General Purposes Committee for consideration. The Committee met on six occasions during 2008/09. Our review confirms that appropriate and timely financial reporting is made at operational and strategic levels.

4.1.10 Financial risks included in the corporate Risk Register are reviewed periodically and reported to the Board of Management and its committees.

Efficient Government Initiative (EGI)

4.1.11 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 £1.483 million, the main element being generated from: implementation of a new Virtual Learning Environment and the revision of blended learning provision; increased centralisation of customer relationship management facilities; implementation of an online payment system for student fees and suppliers; implementation of an online resulting facility for student achievement; online approval of temporary staffing contracts; and implementation of a Web register system and enhancement of the electronic timetabling system. The College is in the process of quantifying actual savings for 2008/09, which will be included on a return to SFC due to be submitted in January 2010.

Value for Money

4.1.12 The College has a Value for Money Strategy which sets out the scope, responsibilities, concept and means of measuring the achievement of VFM.

4.1.13 The College considers best value in the context of its wider planning and operational procedures and business processes.

4.1.14 Aspects of value for money are considered by internal audit in all of their reviews. In addition, an internal audit review of course delivery hours specifically focussing on value for money was undertaken during 2008/09. The internal auditors concluded that the systems used by the College are 'strong' in this area although made one medium priority recommendation, which has been actioned by management. The internal audit plan for 2009/10 includes time for a value for money review.



Financial Statements

5.1 Audit Opinion

5.1.1 On 11 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 4 the three key elements of the audit process.

Table 4: 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 and Accounting Adjustments and Confirmation

5.3.1 In table 5 we draw attention to the agreed audit and accounting adjustments to the financial statements made by management following the audit process.

Table 5: Audit adjustments – impact on the financial statements

Description	I&E DR £'000	I&E CR £'000	B/Sheet DR £'000	B/Sheet CR £'000
Lennartz VAT repayable >1year			9	
Lennartz VAT repayable <1year				9
Accrued income - EMA			23	
Student support funds creditor				23
	-----	-----	-----	-----
	-	-	32	32
	=====	=====	=====	=====

As shown above, these adjustments did not have any impact on the surplus for the year as they only affected the College's balance sheet.

5.3.2 In addition, a number of minor disclosure and clarification adjustments were made to the financial statements.

5.3.3 Our ISA 260 Report: *Report to those charged with Governance on the Audit of Stevenson College Edinburgh*, setting out key matters relating to the audit of the financial statements will also be presented to the College's Audit Committee on 2 December 2009.



Financial Statements

Confirmations and Representations

- 5.3.4 We confirm that as at 19 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.
- 5.3.5 In accordance with auditing standards, we obtained representations from the College on material issues.



Appendix I - Confirmation of Independence

To: Stevenson College Edinburgh 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 19 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 Stevenson College Edinburgh and should not be used for any other purposes.

Yours faithfully

Henderson Loggie