Perth College

Report to the Audit Committee, the College and the Auditor General for Scotland on the 2022/23 audit

Issued on 23rd September 2024 for the meeting on the 26th September 2024

Contents

Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our report to the Audit Committee (“the Committee”) of Perth College (“the College”) for the 2022/23 audit. The report summarises our findings and conclusions made to date in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in May 2023.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date, and the satisfactory resolution of the outstanding matters noted on page 4 of this report, we expect to issue an unmodified audit report.

We have provided management with comments and suggested changes based on review of the first draft of the Annual Report and Accounts. These have been corrected in the updated version provided by management.

The auditable parts of the Remuneration and Staff report were not originally prepared in accordance with the relevant regulations. We have provided management with comments and these disclosures have been corrected in the updated Annual Report and Accounts , including the correction of a prior year reporting error.

A summary of our work on the significant risks is provided in the dashboard on page 10.

12 misstatement in excess of our reporting threshold of £29,000 have been identified up to the date of this report which are included within pages 40-44 of this report.

Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Outstanding matters to conclude the audit include:

- Conclusion of our pension prior year adjustment consultation;
- Completion of internal quality control procedures;
- Receipt of final Annual Report and Accounts;
- Receipt of signed management representation letter; and
- Our review of events since 31 July 2023.

Conclusions from wider scope audit work

Financial management – Budget setting and monitoring arrangements are in place. We have noted that the 22/23 outturn differed significantly from the originally budget but the explanations were understood and presented at committee for scrutiny. The finance team continues to be significantly stretched. We have noted a large number of errors within our audit which is evidence that effective review controls are not in place. We will continue to monitor progress with this during our appointment.

Financial sustainability – The college has already started to implement savings plans through the approval of severance schemes and reshaping their estates strategy, curriculum reform, student services reform, and other cost savings measures. Future funding is uncertain and further cuts may be introduced in future years. Given rising staff costs after the recent pay award and the non staff costs suffering from an inflated costs base in recent years, the college must deliver savings plans or change operating models to achieve financial sustainability.

Partner introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (continued)

Vision, leadership and governance – From our conversations held through and review of meeting minutes throughout the year, we have confirmed that there is an appropriate level of scrutiny and challenge made at committee level and senior managers have a culture of cooperation and working constructively in partnership.

We note that management make effective use of internal audit at the College. We have evidenced this through our review of internal audit reports and findings during the year, in addition to our attendance at audit committee meetings where internal audit present their papers to the committee.

Use of resources to improve outcomes – Perth College has received favourable student feedback which is well ahead of the national HE average for 2022/23. Despite the high satisfaction figures, HE FTEs have declined the past two years gradually from 2,115 in 2020/21 to 1,545 in 2022/23.

Declining HE figures is providing a significant financial challenge which is coupled with reductions in funding and rising cost bases. As identified within our financial sustainability procedures, alternative operating models should continue to be investigated to deliver the intended outcomes for students within the restricted financial environment.

Climate change – The College does not have an established Climate Change Strategy but there are carbon emissions reporting processes in place. It is essential that as detailed strategy plans are developed, the College is transparent about the gaps and challenges that exist in achieving climate targets.

Partner introduction (continued)

The key messages in this report (continued)

Next steps

An agreed Action Plan is included on pages 38-39 of this report.

Added value

Our aim is to add value to the College by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the College promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

We have also included our “sector developments” on pages 34-37 where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the College sector.

Pat Kenny
Lead Audit Partner


Annual Report and Accounts Audit

Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This page summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements	Mature	Prompt delivery of working papers regarding management judgements.	N/A
Adherence to deliverables timetable	! (Developing)	Some delays on the delivery of information was experienced throughout our audit. 68% of our requests were delivered on time.	N/A
Access to finance team and other key personnel	Mature	Active involvement of the finance team throughout the course of the audit process.	N/A
Quality and accuracy of management working papers	! (Developing)	We have identified instances where management working papers had quality issues. Particularly in relation to property valuations and remuneration disclosures.	N/A
Quality of draft Annual Report and Accounts	! (Developing)	The draft version of the Annual Report and Accounts had multiple mandatory disclosures that were missing. These related to requirements set out within the FReM and the Accounts Direction from the SFC.	Page 20
Response to control deficiencies identified	! (Developing)	Four control deficiencies identified to date. Further details can be found on pages 16-17.	Pages 16-17
Volume and magnitude of identified errors	! (Lagging)	Multiple material adjustments were required throughout the audit, including two that related to 2021/22.	Pages 41-43

! Lagging   ! Developing   Mature

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to pages 16 and 17, which detail controls findings reported during our audit.

Determine materiality

When planning our audit, we set our materiality at £587,000 (College only: £551,000) based on forecast gross expenditure. We have updated this to reflect final figures and completed our audit to a materiality of £627,000 (College only £595,000) and a performance materiality of £376,000 (College only: £357,000). We report to you in this report all misstatements above £31,000 (College only: £29,000).

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Audit Committee's attention our conclusions on the significant audit risks. In particular the Audit Committee must satisfy themselves that management's judgements are appropriate.

Our audit report

Based on the current status of our audit work, and satisfactory completion of the outstanding matters detailed on page 4, we envisage issuing an unmodified audit report.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls	✓	DI	Ineffective – see pages 16 & 17	Consistent
Property valuations	✗	DI	Ineffective – see page 16	Improvement required
Operating within the funding provided	✓	DI	Satisfactory	Improvement required
Completeness of Income	✓	DI	Satisfactory	Improvement required

Consistency of judgements with Deloitte's expectations

- Inconsistent
- Improvement required
- Consistent

Controls approach adopted

DI Assess design & implementation

Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have considered the overall control environment and 'tone at the top'
- We have tested the design and implementation of controls in relation to journals and accounting estimates.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used our Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.
- We have reviewed accounting estimates for biases that could result in material misstatements due to fraud.
- We have not identified any material unusual transactions outside the normal course of business of the College.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We identified a control weakness in relation to the lack of authorisation of journal postings prior to entry into the general ledger system. See page 16 for more details.

Significant risks (continued)

Property valuations

Risk identified and key judgements

The College held £39.910m of property assets (land and buildings) at 31 July 2021 which increased to £43.113m as at 31 July 2022, due to upwards revaluations as a result of the College undertaking an interim valuation in the year. In 2022/23 the College will perform a full independent valuation of its estate as at 31 July 2023.

The College is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.

Perth College's land and buildings are revalued every 5 years for the purposes of the financial statements with an interim valuation after 3 years. Land and buildings were valued as at 31 July 2022 (interim valuation) on the basis of depreciated replacement cost by the College's appointed external valuer. Due to the significance of the balance and reliance on assumptions, we have identified a significant risk in relation to property valuation.

Deloitte response and challenge

We have tested the design and implementation of key controls in place around the property valuation and impairment analysis.

We have reviewed and tested the valuation disclosures made in the Annual Report and Accounts.

We have engaged with the College, using our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the College's Land and Buildings.

We have tested the inputs to the valuation and the key asset information provided by the College to the valuer back to supporting documentation.

Deloitte view

Based on audit work performed we identified a control weakness in relation to the lack of review of the instructions provided to the external valuer and lack of review of the postings post valuation. See page 16 for more details.

We also identified two adjustments which have been corrected by management in relation to the valuation of Surplus Land and the accounting treatment for the impairment of the Student Residences. See page 42 for more details.

Significant risks (continued)

Operating within the funding provided

Risk identified and key judgements

In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should consider the risk of fraud and error on expenditure.

We therefore considered the fraud risk to be focused on how management operate within the funding limits set by the Scottish Funding Council. There is a risk that Perth College could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year-end and invoices processed around the year-end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year-end.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Funding Council. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end;
- Obtaining independent confirmation of the funding allocated to Perth College by the Scottish Funding Council (SFC) and the University of Highlands and Islands (UHI);
- Performing focused testing of accruals and prepayments made at the year-end; and
- Performing focused cut-off testing of invoices received and paid around the year-end.

Deloitte view

We identified two adjustments which remain uncorrected by management in relation to the Brahan redecoration accrual and the pay award accrual made in year. See page 40 and 41 for more details.

We also identified a control weakness which we believe contributes to the errors identified. See page 16 for more details regarding the lack of effective review of journal postings prior to entry into the general ledger system.

Significant risks (continued)

Completeness of Income

Risk identified and key judgements

ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

We have assessed the income streams for Perth College and concluded that the risk of a material misstatement due to fraud can be pinpointed to the non-recurrent funding as there is no judgement in respect of the recurrent grants from the SFC and UHI. We have pinpointed the non-recurrent funding risk to be in relation to:

- Incorrect income cut-off recognition, as there is a risk that the College can manipulate its financial position around the year-end;
- Incorrect recognition applied to grant income with conditions attached; and
- Incorrect recognition where performance conditions are in place.

Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the completeness of income. Our work in this area included the following:

- Evaluating the design and implementation of controls around recognition of non-recurrent income;
- Performing focused cut-off testing of a sample of invoices raised and income received around the year-end;
- Performing focused testing of grant income where there are conditions of entitlement including clawback clauses; and
- Performing focused testing of income with performance conditions attached.

Deloitte view

We identified two adjustments which remain uncorrected by management in relation to the Mountain Studies income accrual and the deferral of tuition fee income. See page 40 for more details.

We also identified a control weakness which we believe contributes to the errors identified. See page 16 for more details regarding the lack of effective review of journal postings prior to entry into the general ledger system.

Other Areas of Audit Focus

Defined benefits pension scheme

Background

Retirement benefits to employees of the College are provided by the Tayside Pension Fund (TPF), which administers the Local Government Pension Scheme (LGPS) and is managed by the Dundee City Council, and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA).

The defined benefit pension scheme was in a surplus position of £3,552k at 31 July 2022 with £41,416k of assets and £37,864k of liabilities.

Barnett Waddingham are the College's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk.

Deloitte response

We have evaluated the results of our audit testing in respect of the pensions testing. Our work in this area included the following:

- Assess the independence and expertise of the actuary supporting the basis of reliance upon their work;
- Review and challenge the assumptions made by Barnett Waddingham;
- Obtain assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- Assess the reasonableness of the College's share of the total assets of the scheme with the Pension Fund annual accounts and the Funds estimated asset position at 31 July 2023;
- Review and challenge the calculation of the impact of the McCloud and Goodwin cases on pension liabilities;
- Review the disclosures within the accounts against the FE SORP; and
- Engage Deloitte's internal pensions experts to assist with the above procedures.

Deloitte view

We identified a material misstatement in relation to the recognition of the pension surpluses in the 2021/22 financial year. See slide 43 for further details.

The 2023 Tayside Pension Fund triennial valuation was completed post year end and represents an adjusting post balance sheet event. There has been appropriate disclosure of the circumstances in the financial statements.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
Lack of Valuation Review The instructions provided to the Colleges valuer (JLL) were not reviewed by appropriate personnel. This resulted in incorrect instructions given and a material error relating to surplus assets. No review of the valuation workings were performed which resulted in an error in the revaluation reserve/impairment being undetected.	We recommend that the instructions should be reviewed by the Deputy Principal prior to being given to the valuer. Furthermore, the workings prepared by the colleges finance team post receipt of the valuation report should also be reviewed by appropriate personnel to ensure entries into the ledger are correct.	Recommendation is accepted and will be implemented.

Observation	Deloitte recommendation	Management response and remediation plan
Authorisation of Journal Entries Journal entries are not approved before being posted into the general ledger, thereby increasing the risk of fraudulent postings being made.	We recommend that a process of journal authorisation be put in place. All journal entries should be authorised by someone other than the one preparing the posting after reviewing any supporting documentation to assess the accuracy and appropriateness of the posting. Evidence of preparation and authorisation should be documented against the journal.	Recommendation is accepted. However, there will be a materiality limit set on journal value of authorization.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
Closed Bank Accounts with GL Codes We noted that general ledger codes are still open and have balances attached to them for bank accounts that have now been closed.	We recommend the GL codes are updated so that only active bank accounts are included within the accounts, allowing for more accurate balances to be displayed and reconciliations to be performed.	Recommendation is accepted.

Observation	Deloitte recommendation	Management response and remediation plan
No documentation of VP Ops review of Management Accounts VP Operations conducts a review of the management book on a quarterly basis before presenting to the board - this includes a discussion held with the finance team. There is no documentation kept to record the content of this meeting. Therefore, there is no record of VP Ops review prior to board level review.	We recommend that minutes are taken, documenting issues raised during VP Ops meeting with the Finance Team to discuss Management Accounts.	Recommendation is not accepted. The VP Ops was responsible for submitting the management accounts to the Finance & Resources Committee and Board after this discussion took place. This practice will continue with the Director of Finance.

Other significant findings
Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

Perth College's Annual Report and Accounts have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Following our audit work, we are satisfied that the accounting policies are appropriate.

Significant matters discussed with management:

Significant matters discussed with management include management override of controls (page 11) and operating within the funding provided (page 13).

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal auditor and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

We will obtain written representations from the College on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter will be circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

Our opinion on the Annual Report and Accounts

Based on the current status of our audit work, and satisfactory completion of the outstanding matters detailed on page 4, we envisage issuing an unmodified audit report.

Going concern

At the time of writing this report, we have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment that the continued existence of a particular body.

Emphasis of matter and other matter paragraphs

At the time of writing this report, there are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.

Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Opinion on regularity

At the time of writing this report, we have no matters to bring to the attention of the Committee in relation to expenditure and income in the Annual Report and Account not being incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Your Annual Report and Accounts

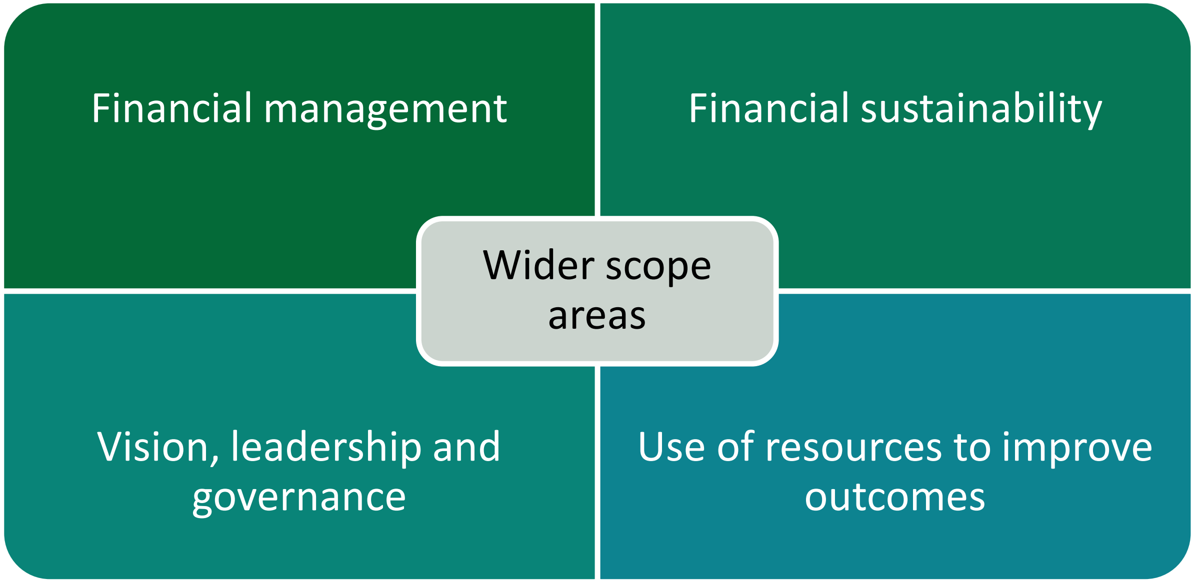
We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines the College's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the College.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. The auditable parts of the Remuneration and Staff report were not originally prepared in accordance with the relevant regulations. These disclosures have been corrected in the updated Annual Report and Accounts , including the correction of a prior year reporting error. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the accounts direction. No exceptions noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading. We have also audited the auditable parts of the Remuneration and Staff Report and have noted that it had not been prepared in accordance with the FReM in respect of pension disclosure both in 2022/23 and in 2021/22. We have provided management with comments and the disclosures have been corrected in the updated financial statements.


Wider scope audit

Wider scope requirements
Overview

As set out in our audit plan, Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In its planning guidance, Audit Scotland has also highlighted that climate change is also a national or sectoral risk that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits

Our audit work has considered how the College is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions.

Financial management

Was financial balance achieved (or if before end of financial year is it expected to be achieved)?

Is there sound budgetary processes in place?

Is the control environment and internal controls operating effectively?

Financial Management

Significant risks identified in Audit Plan

The College's finance team has faced ongoing resourcing challenges. Staffing changes pose a risk to the continued effectiveness of the finance function, and the previous auditors highlighted that the team had insufficient knowledge and experience.

Furthermore, the previous auditors noted that an improvement to the finance team capacity could enable an improvement to financial controls.

Current year financial performance

We note that Perth College is facing significant financial challenges during 2022/23, which are projected to increase across future years. From a financial management perspective, we note that the final outturn position was significantly different to the 2022/23 budget set at the beginning of the year.

The forecast outturn position for Perth College in 2022/23 was an adjusted operating deficit position of £1.1m. This was made up of total income of £26.0m and total expenditure of £27.1m.

The final outturn position achieved was an adjusted operating deficit of £1.6m.

The Board approved the 2022/23 budget on 16th June 2022. The budget was set with a focus on priorities and outcomes. The SMT and Board members regularly review progress against budget throughout the year, with quarterly reporting to the Board and the Finance Committee. From review of the reporting throughout the year, variances are clearly reported and explained, including the reasons for the financial performance differing from the original budget. There is also a clear link between the financial information reported in the year and the Annual Accounts through a clear reconciliation within the Performance Report.

Financial management (continued)

Finance team structure

The finance team has remained consistent throughout the year, Previous auditors highlighted that the team had insufficient knowledge and experience. The finance team has remained relatively consistent throughout the year although we do note the departures of the Head of Finance and the Vice Principal (operations) post year end.

We have noted a number of findings in our substantive testing as a result of errors in financial accounting and the absence of effective review controls. We believe there are still issues with capacity and appropriate knowledge and experience within the finance team.

Internal controls and internal audit

The Board has comprehensive financial regulations in place which are available to all staff and regularly reviewed.

We have assessed the internal audit function, including its nature, organisational status and activities.

We have analysed the work performed by internal audit, including the number of recommendations made in the year compared to previous years and how promptly recommendations have been addressed.

The Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Deloitte view – financial management

We have not noted any issues with the budgetary processes at the College. Management should consider staffing capacity and implement additional review controls to reduce the risk of errors within financial reporting.

Financial Sustainability

Have any short term financial challenges been identified and addressed through a financial recovery plan?

How appropriate are the arrangements put in place to address any identified funding gaps?

Are there plans in place to support how efficiency targets are to be met?

Financial Sustainability

Key risk identified

The financial environment in which the College operates is challenging, with the impact of declining student numbers, together with inflationary pressures and national pay negotiations continuing to exacerbate an already challenging financial position. This creates a risk that the College will not be able to develop viable and sustainable financial plans. The College submitted a 5 year Financial Forecast Return (FFR) in October 2022 to the Scottish Funding Council which outlines a cumulative underlying operating deficit position over the five years to 2026/27 of £11.1 million. This included a projected £871k deficit for 2022/23.

Financial Recovery Plan

The key element of the Financial Recovery Plan is the proposed Voluntary Severance Scheme (VSS). It is proposed that this will reduce headcount by 60 and achieve £2.7m recurring savings. This is in addition to the headcount reduction of 10 and £299k already saved through the 2022/23 scheme. If the VSS does not achieve the required take-up, then this may need to be achieved through compulsory redundancy.

Based on the income and expenditure assumptions, the planned responses will turn the 24/25 forecasted deficit of £2.7m in the June 2023 FFR into a surplus of £0.5m if the actions are delivered. The board has approved the planned actions including the severance scheme exceptional charges as they see it as the only route currently available to restore financial sustainability to Perth College. The board recognises that borrowing money from the SFC, or seeking advances on future years' funding will effectively deepen the extent of the college's financial crisis and lengthen the period needed to recover to a balanced budget position. We deem this to be the key risk facing the college over the next 3 years.

Financial Sustainability (continued)

Medium to Long-term financial planning

Funding is being sought from the Regional Strategic Body (RSB) and SFC in relation to costs as a failure to reduce staff costs will lead to an unsustainable deficit and place the college at risk.

Plans to address funding gaps

Perth College has operated within significant financial pressures for some time and a number of steps have already been taken to reduce and manage staffing costs. These have included scrutiny of vacancies/restricting recruitment, review of evening opening hours, review of estates strategy and student services.

A saving of £3m to the end 24/25 was targeted in the June 2023 FFR following completion of the restructuring staff costs. Further cost saving strategies include a reduction of course teaching materials driven by the restructuring in curriculum areas and a reduction in overhead costs as the campus is rationalized. The Board has approved this plan as the only route currently available to restore financial sustainability in the absence of any significant changes to UHI HE enrolments in Perth, or the operating and funding model.

Long Term Financial Outlook/ Plan

Based on the income funding cuts identified in the June 2023 FFR under the heading "Sector FD Assumptions", the long term future outlook may prove to be even more challenging. The assumptions modelled under this forecast include:

- A reduction in core SFC fund of 5% in 2024-25 with the same level of credit delivery and a 2% reduction in 2025-26 with the same level of credit delivery.
- A reduction in Self Directed Support (SDS) funding of a further 5% in 2024-25 and 2025-26.
- Staff costs rises in 2024-25 and 2025-26 of 5% (consolidated).

The forecasted outcome under these assumptions would be adjusted operating deficits of £3.1m in 24/25 and £4.2m in 25/26. Should these assumptions prove true, the college would require drastic cost reduction plans and operational changes to achieve financial sustainability.

Deloitte view – financial sustainability

We note that FE recruitment levels at Perth College remained strong throughout 2022/23, and the College exceeded their FE target for 2022/23.

Perth College is facing financial sustainability challenges, specifically in relation to flat funding and rising staff costs.

The college must deliver savings plans to achieve financial sustainability.

3.21 Wider scope requirements (continued)

Vision, leadership and governance

Are the scrutiny and governance arrangements effective?

Is leadership and decision making effective?

Is there transparent reporting of financial and performance information?

Vision, leadership and governance

Significant risks identified in Audit Plan

The previous auditor concluded in 2021/22 that the key features of good governance were in place at the College and operating effectively. However, it was noted that the Governance Statement continues to identify weaknesses in internal control. There is an increased risk around the effectiveness of the governance arrangements in place.

Vision and strategy

Perth College has a vision statement included within their strategic plan which states that the vision of the college is: “To empower our learners to achieve their full potential through a transformational student experience”

The strategic plan includes four key strategic pillars which are included with specific aims attached to each one. The pillars are:

- Excellence in Learning and the Learner Experience
- College Growth and Ambition
- Partnerships and Collaboration
- Sustainability

The college review the strategic plans on a regular basis and considerations of the plan are embedded in the governance arrangements in place.

Vision, Leadership and Governance (continued)

Governance arrangements

We note from our review of committee meeting minutes and our attendance at audit committee meetings that the College demonstrates that the governance arrangements in place are operating effectively.

We note that the College was operating without a permanent chair during parts of the year. From our review of committee and board minutes, this did not impact the level of scrutiny and challenge made during meetings. The interim chair was appointed permanently in April 2023.

From our review of meeting minutes throughout the year, we have confirmed that there is an appropriate level of scrutiny and challenge made during meetings.

Relevant staff policies and codes are published on the Perth College website and their own intranet site. We note from our review of meeting minutes throughout the year that these policies are reviewed and refreshed on a timely basis.

Community engagement

The new strategy was developed through extensive consultation with staff, learners and all other key stakeholders.

One of the four key pillars is Partnerships and Collaboration. The strategic objectives within that pillar include: strengthening external relationships; and maximising the benefits of commercial opportunities.

The strategic plan and policies are all published on the Perth College website, evidencing the information is accessible to relevant communities.

Leadership

We note from our review of committee meeting minutes and our attendance at audit committee meetings that the leaders of the College are adapting to a changing environment.

From our review of committee minutes and discussion held with key personnel during the year, we note that members and senior managers have a culture of cooperation and working constructively in partnership.

Deloitte view – Vision, leadership and governance

The College's governance arrangements have operated effectively throughout the year. The board has demonstrated leadership by working collaboratively to adapt to a changing environment.

Wider scope requirements (continued)

Use of Resources to Improve Outcomes

Can the body demonstrate that there is a clear link between money spent and outputs and the outcomes delivered?

Are outcomes improving based on the trend within the organisation and relative to pace of change in comparable organisations?

Does the audited body provide information about how services are improving?

Is the pace of improvement appropriate to the risk and challenges facing the body?

Risks identified in Audit Plan

The 2021/22 audit report highlighted that performance had improved across the majority of Key Performance Indicators. However, it was noted that performance reporting was not made available on the College's website in a timely manner.

As discussed under financial sustainability, there is a significant risk that the College does not have plans in place to manage its finances sustainably. Linked to this, there is a risk that performance management systems are not sufficient to demonstrate how resources are being directed to improve outcomes.

Performance reporting

There is a significant risk that the College does not have plans in place to manage its finances. Linked to this, there is a risk that performance management systems are not sufficient to demonstrate how resources are being directed to improve outcomes.

Perth College is a high performing institution, with student feedback well ahead of the national HE average for 2022/23. Despite the high satisfaction figures, HE FTEs have declined the past two years gradually from 2,115 in 2020/21 to 1,545 in 2022/23.

Despite the falling HE FTEs, Perth have increased demand for Further Education – they are now being held back partly due to the multi-year flat funding settlement by Government but also because of the RSB's high costs and funding distribution mechanism.

Perth College UHI has a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. This was evidenced by Annual Engagement review of Perth College in April 2024 by Education Scotland where they found major strengths in the college's work in relation to Learning, Teaching and Assessment and no major points for action.

Use of Resources to Improve Outcomes (continued)

Service reviews

In September 2022 an extraordinary board meeting was held to consider different operating models or the college which included consideration of three scenarios:

1.Remain in UHI and continue to work on improving the partnership

2.Leave UHI and be a stand-alone College

3.Leave UHI and create a Tayside FE/HE formalised collaboration

A SWOT analysis was performed for each scenario and it was presented at board for scrutiny. Included in scenario one was areas for negotiation with UHI. Ultimately, after examining other service delivery models, the board agreed for Perth to remain in UHI and commit fully to UHI24 – the executive offices future strategy and partnership agreement.

We note that as part of the UHI wide curriculum review, changes may be brought in to improve on their financial position if necessary.

User impacts have been considered through the performance of equality impact assessments which is evidenced on the Perth College website.

Deloitte view – Use of resources to improve outcomes

Despite operating in a financially challenging environment, the College has been able to achieve their target for FE credits during the 2022/23 year and have above national average student satisfaction scores. HE recruitment fell below their target, and we understand actions are already being taken to address this. The Board has demonstrated a commitment to deliver the best outcomes for students by undertaking an evaluation of the operating model for the College.

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below.

Deloitte view – Climate change

As a relatively small sized organisation, the opportunities for emissions reductions are limited. The College reports basic carbon data in the annual report but the impact on the financial statements is minimal given the size of the organisation.

The College has identified opportunities to progress the Net Zero Agenda across the college and steps are being taken through the estates team to reduce the carbon footprint. We recommend that these targets are incorporated into a wider Sustainability Strategy with key performance indicators that are reported to the College Board on a timely basis

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the College discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the College, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the college.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Pat Kenny

Deloitte LLP

Glasgow | 23rd September 2024

Sector developments

Scotland's Colleges 2023

Audit Scotland Briefing Paper

Background and overview

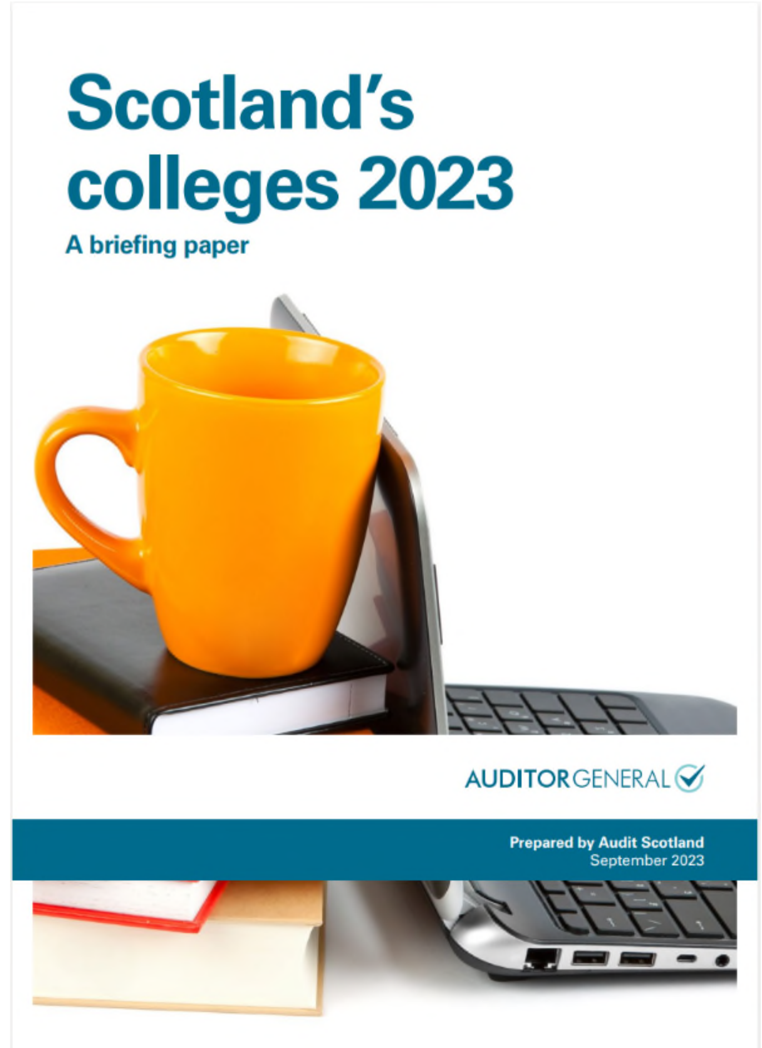
Scotland's Colleges offer academic and vocational courses to develop people's skills and knowledge for work, continued study or general interest. The Scottish Government has a central role in setting policy and funding the college sector.

Key Findings:

1. Scotland's colleges are vital to learners and local communities. Risks to the college sector's financial sustainability have increased since we reported in 2022. Rising staffing costs are colleges' biggest financial pressure.

2. The Scottish Government's funding for the sector has reduced by 8.5% in real terms between 2021/22 and 2023/24, while the sector's costs have increased. Effective, affordable workforce planning is now a greater than ever priority and challenge for colleges.

3. Significant changes to how the college sector operates have been recommended by recent reviews. However, the Scottish Government and the Scottish Funding Council urgently need to build on their ongoing work to help colleges plan for change now, and make best use of available funding so that they are sustainable for the future.



Sector developments

The State of the State Report 2024 – Increased demand and lower funding

Background and overview

The 12th edition of Deloitte and Reform's report on the UK public sector was launched in January 2024. Since 2012, we have aimed to create an annual snapshot of what's happening across government and public services to serve as an evidence base for informed discussion.

This year's State of the State finds public attitudes are concerned with NHS waiting lists, immigration and the country's infrastructure – alongside the increased cost of living crisis from prior years.

After years of reacting to crises, the latest State of the State report finds officials across the public sector eager for reform and calling for bold decisions about the future of government and public services.

Some key findings:

- The public expects big government to continue – but could be in for a shock
- Government needs to prioritise, so its aspirations match its resources
- People want public services they can access and complain to when things go wrong
- Digital maturity comes with mature digital problems

Next steps

Full report is available at: [The State of the State 2024 | Deloitte UK]

Good Practice in Annual Reporting

National Audit Office (NAO)

Background and overview

Effective annual reporting in the public sector is more important than ever. The COVID-19 pandemic and, more recently, the energy price crisis have resulted in extraordinary public spending interventions by the government to support the public and the economy. Making government spending transparent and understandable to those who fund it – taxpayers – is therefore critical. Annual reports must clearly tell the 'story' of how these monies have been spent and what has been achieved. Crucially, annual reports and accounts must give assurance on how effective outcomes are being secured and how the risk of fraud and loss to the public purse is being
appropriately managed and controlled.

Good reporting equips stakeholders with information they can use to hold organisations to account. This is why high-quality annual reports and accounts are fundamental to effective accountability.

The NAO has published a guide setting out good practice principles that it believes underpin good annual reporting. These principles are grouped under: Supporting accountability, Transparency, Accessibility, and the need for the report to be Understandable.

Against these principles, the guide highlights examples which demonstrate attributes of good-practice reporting, including:

- Joined-up reporting.
- A frank and balanced assessment of risks and opportunities facing an organisation.
- Understandable non-financial information.
- Linkage between financial and non-financial information.
- Accessibility considerations.

Appendices

Action Plan

The following recommendations have arisen from our 2022/23 audit work performed to date:

Recommendation	Management Response	Priority	Responsible Person	Target Date
1. Lack of Valuation Review We recommend that the instructions should be reviewed by the Deputy Principal prior to being given to the valuer. Furthermore, the workings prepared by the colleges finance team post receipt of the valuation report should also be reviewed by appropriate personnel to ensure entries into the ledger are correct.	Recommendation is accepted and will be implemented. (1) Review instruction (2) Review workings	Medium	(1) Depute Principal Operations (2) Director of Finance	(1) Next valuation. 2023/24 already completed (2) 2023/24 financial statements
2. Authorisation of Journals We recommend that a process of journal authorisation be put in place. All journal entries should be authorised by someone other than the one preparing the posting after reviewing any supporting documentation to assess the accuracy and appropriateness of the posting. Evidence of preparation and authorisation should be documented against the journal.	Recommendation is accepted. However, there will be a materiality limit set on journal value of authorization.	Medium	Director of Finance	October 2024

Action Plan

The following recommendations have arisen from our 2022/23 audit work performed to date:

Recommendation	Management Response	Priority	Responsible Person	Target Date
3. GL Codes for Closed Bank Accounts We noted that general ledger codes are still open and have balances attached to them for bank accounts that have now been closed. We recommend the GL codes are updated so that only active bank accounts are included within the accounts, allowing for more accurate balances to be displayed.	Recommendation is accepted.	Low	Director of Finance	31 December 2024
4. No documentation of VP Ops review of management accounts We recommend that minutes are taken, documenting issues raised during VP Ops meeting with the Finance Team to discuss Management Accounts.	Recommendation is not accepted. The VP Ops was responsible for submitting the management accounts to the Finance & Resources Committee and Board after this discussion took place. This practice will continue with the Director of Finance.	Low	Director of Finance	N/A

Audit adjustments

Uncorrected misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). The total impact of the 2022/23 uncorrected misstatements (across this page and the next), if corrected, would increase net assets by 97k and decrease the deficit by 97k.

2022/23 Uncorrected misstatements		Debit/(credit) OCI £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Surplus/deficit £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Tuition fee income deferral	[1]		(77.5)		77.5	[Pages 16-17]
Accrued income - Mountain Studies	[2]		(51.5)		51.5	[Pages 16-17]
Brahan redecoration accrual	[3]		62		(62)	

[1] As part of our testing we identified that journal RVJNL99-7467 was posted incorrectly. The value posted to defer tuition fee income was £144k but should have been £221.5k. Income was resultantly overstated and deferred income understated.

[2] Error identified in one of the note 4 samples. The amount was a £50k income accrual, however due to incorrect underlying workings, this was incorrect and should have been a £1.5k income deferral.

[3] An invoice from Pankhurst Decorators Ltd was accrued at year end for decoration to the entrance of the Brahan building. This service was only carried out in October 2023 so should not have been accrued at year end. The total error on this transaction is £6k but extrapolates to £62k across the whole population.

Audit adjustments

Uncorrected misstatements (continued)

2022/23 Uncorrected misstatements (continued)		Debit/(credit) OCI £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Surplus/deficit £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Pay rise accrual	[4]		164		(164)	
Total (continued from previous page)			**97**		**(97)**	

[4] The 6% pay award rate calculated by the College varies to the 5.09% recalculation performed by Deloitte and causes an extrapolated variance of £164k overall. We have recalculated the pay award accrual using different methodology from the Colleges workings – we have applied the £2k pay award as offered by Colleges Scotland to each employee (pro-rated) and performed the recalculation on this basis. Resulted in a nontrivial overstatement against the client's estimation.

2021/22 Uncorrected misstatements		Debit/(credit) OCI £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Surplus/deficit £'000	If applicable, control deficiency identified
Misstatements identified in current year						
2022: Job Evaluation Accrual	[5]		205		55.6	
			(205)		(55.6)	
Total			**Nil**		**Nil**	

[5] Colleges Scotland have been leading an initiative to standardise the pay scales for College support staff for numerous years going back to 2018. Each year since then, Perth College have been accruing both income and expenditure in equal amounts for costs relating to the job evaluation scheme and we have found errors in the Perth College accruals since they do not line up with UHI allocations. The two errors in this tab are the errors relating to 2021/22 and have not been corrected by management. Balances affected are accrued income and accrued expenditure on the balance sheet and the income and expenditure in the income statement. See page 43 for the 2022/23 errors relating to the same issue which were corrected in the current period.

Audit adjustments
Corrected misstatements

The following corrected misstatements have been identified up to the date of this report.

2022/23 Corrected misstatements		Debit/(credit) OCI £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Surplus/deficit £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Student Residences asset impairment	[1]		(219)		219	[Pages 16-17]
Surplus Land valuation	[2]		1,050		(1,050)	[Pages 16-17]
Reduction in bad debt Provision	[3]		40		(40)	

[1] The student residences have been impaired in the year by an amount in excess of the available revaluation reserve, therefore, the excess needs to be expensed through the income statement. (£219,000)

[2] Perth College initially provided incorrect instructions to the property valuation specialist (JLL). The College told the valuers that the land was not surplus when in fact it was. JLL updated their valuation report and Deloitte real estate specialists have reviewed the updated report and concluded the revised valuation was materially correct.

Original balance: £0 Updated valuation: £1,050,000

[3] Perth College has made a bad debt provision in full for an invoice disputed by Perth & Kinross Council for the delivery of courses. However, the council have offered to pay £40k, therefore the bad debt provision should be reduced by the amount of the offer. Total amount on the invoice is £149k.

Audit adjustments

Corrected misstatements (continued)

The following corrected misstatements have been identified up to the date of this report.

		Debit/(credit) OCI £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Surplus/deficit £'000	If applicable, control deficiency identified
Misstatements identified in current year						
2023: SOCI Job Evaluation Accrual	[4]		283.5		78.5	
			(283.5)		(78.5)	
Total (continued from previous page)			**871**		**(871)**	

[4] Colleges Scotland have been leading an initiative to standardise the pay scales for College support staff for numerous years going back to 2018. Each year since then, Perth College have been accruing both income and expenditure in equal amounts for costs relating to the job evaluation scheme and we have found errors in the Perth College accruals since they do not line up with UHI allocations.

2021/22 Corrected misstatements		Debit/(credit) OCI £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Surplus/deficit £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Pension surplus	[5]	(4,283)	4,283			
Total		**(4,283)**	**4,283**			

[1] The Local Government Pension Scheme in 2021/22 was in a surplus position and this surplus was incorrectly restricted to nil in the signed 2021/22 accounts. A prior year adjustment is required to correct the prior year treatment, and this amends the balance sheet adding in the £3.552m pension asset and reducing the pension provision from £731k to £nil. The pension reserves are increased by £4.283m from £(731k) to £3.552m and in the SOCI the actuarial gain in respect of pension schemes increases from £7.649m to £11.932m.

Audit adjustments

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatement have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
No uncorrected disclosure misstatements.	N/A	N/A

The following corrected disclosure misstatement have been identified up to the date of this report.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Incorrect FTE Disclosure During our audit we identified that the staff full time equivalent disclosure was originally prepared at a point in time instead of the average across the full year. Management agreed that the initial disclosure presented was incorrect.	Note 8	Quantitative Originally stated – 354 FTE Corrected disclosure – 370 FTE
Pensions disclosures for key management personnel We identified that pension disclosures had been incorrectly presented in the current and prior year. This had occurred due to only one part of the scheme being included and not the total pension amounts. This has affected both the pension values table and the single total figure of remuneration table presented within the annual report and accounts. The values adjusted were in excess of our materiality level.	FReM 6.5	Qualitative (important to the user of the annual report and accounts) and Quantitative (disclosure adjustments exceeding materiality)

Our other responsibilities explained

Fraud responsibilities and representations

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the College to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the College to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.

Audit work performed:

In our planning we identified the risk of fraud in operating within the funding provided, completeness of income and management override of controls as key audit risks.

During course of our audit, we have had discussions with management and those charged with governance.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 July 2023 in our final report to the Audit Committee.
Fees	The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below: Auditor remuneration — £44,640 Audit Scotland fixed charges: • Pooled costs — £(6,550) • Audit support costs — £1,150 • Sectoral cap adjustment — £(5,660) **Total expected fee — £33,580** There are no non-audit fees. During the 2022/23 audit, we have been required to perform additional procedures relating to the material adjustments required to correct the prior year accounts and current year property valuation errors. These procedures resulted in significant additional Manager and Partner time being required on the audit. Following the completion of the audit, we will commence conversations with the Finance team regarding additional fees for this work. After agreement of any additional fees with the Finance team we will report back the final position to the Audit Committee.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the College's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the College, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.