Annual Audit Report

Edinburgh College – year ended 31 July 2024

11 December 2024

The Board of Management

Edinburgh College
24 Milton Rd East
Edinburgh
EH15 2PQ

Forvis Mazars
5th Floor
3 Wellington Place
Leeds
LS1 4AP

11 December 2024

Dear Board of Management and the Auditor General for Scotland,

Annual Audit Report – Year ended 31 July 2024

We are pleased to present our Annual Audit Report for the year ended 31 July 2024. The purpose of this document is to summarise our audit conclusions and findings from our considerations of the Wider Scope audit specified in the Code of Audit Practice 2021 namely, financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Annual Audit Plan, which we presented to you in May 2024.

We have reviewed our Annual Audit Plan and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07881 283 571.

Yours faithfully

Michael Speight

Forvis Mazars LLP

Contents

Our reports are prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 18 May 2022 through which the Auditor General for Scotland has appointed us as external auditor of Edinburgh College (the College) for financial years 2022/23 to 2026/27. We undertake our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000, as amended; and our responsibilities as set out within Audit Scotland's Code of Audit Practice 2021.

Reports and letters prepared by appointed auditors and addressed to the College are prepared for the sole use of the College and made available to Audit Scotland and the Auditor General for Scotland. We take no responsibility to any member or officer in their individual capacity or to any other third party.

01

Executive Summary

Executive summary

Audit conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 is set out in Audit Scotland's Code of Audit Practice 2021. Our responsibilities and powers are derived from our appointment by the Auditor General under the Public Finance and Accountability (Scotland) Act 2000 and as outlined in our Annual Audit Plan, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Annual Audit Plan, which include:

- Management override of controls;
- Revenue recognition;
- Defined benefit pension scheme assets;
- Defined benefit pension scheme assumptions;
- Early Retirement Provision;
- Job evaluation scheme accounting; and
- Valuation of land and buildings

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £371,000. Section 7 outlines our work on the College's arrangements in respect of Best Value and Wider Scope.

Status and audit opinion

We have completed our audit in respect of the financial statements for the year ended 31 July 2024.

We have concluded the following:

Audit opinion
We have issued an unqualified opinion, without modification, on the financial statements. Our audit opinion is included in the draft auditor's report in Appendix B.

Regularity
We have issued an unqualified opinion, without modification, that in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. Our audit opinion is included in the draft auditor's report in Appendix B.

Executive summary (continued)

Conclusions from our audit testing and audit opinion (continued)

Audited parts of the Remuneration and Staff Report
We are required to provide an opinion on the audited parts of the Remuneration and Staff Report to confirm that they have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.
We have issued an unqualified opinion, without modification. Our audit opinion is included in the draft auditor's report in Appendix B.

Matters on which we report by exception
We are required by the Auditor General for Scotland to report to you if, during the course of our audit, we have found that adequate accounting records have not been kept; the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.

Governance Statement and Performance Report
We are required to provide an opinion on the information given in the Performance Report and the Governance Statement, to confirm whether they are consistent with the financial statements; and have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council and directions made thereunder by the Scottish Ministers.
We have issued an unqualified opinion, without modification. Our audit opinion is included in the draft auditor's report in Appendix B.

Other information
We are required to read all the other information (comprising of the Performance Report and the Accountability Report and the unaudited parts of the Remuneration and Staff Report) and consider whether it is materially consistent with the financial statements and our knowledge obtained in the course of the audit. We have nothing to report in respect of these matters.

Executive summary (continued)

Wider Scope conclusions

As auditors appointed by the Auditor General of Scotland, our Wider Scope responsibilities are set out in Audit Scotland's Code of Audit Practice 2021. The Code requirements broaden the scope of the 2023/24 audit and allows us to use a risk-based approach to report on our consideration of the College's performance and make recommendations for improvement and, where appropriate, conclude on the College's performance.

Wider Scope

We have not identified any issues in relation to the financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes arrangements that the College has in place.

Further detail on our Wider Scope work is provided in section 7 of this report including any significant risks identified.

Best Value conclusions

As auditors appointed by the Auditor General of Scotland, our Best Value responsibilities are set out in Audit Scotland's Code of Audit Practice 2021 and the Scottish Public Finance Manual (SPFM).

Best Value

We have not identified any risks in arrangements to report in relation to the vision and leadership; governance and accountability; effective use of resources; partnerships and collaborative working; working with communities; sustainability; and fairness and equality arrangements that the College has in place.

Further detail on our Best Value work is provided in section 7 of this report including any significant risks identified.

It remains the responsibility of the College to ensure it has made arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance; and to have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development. These arrangements should be proportionate to the size and type of the College, appropriate to the nature of the College and the services and functions that it has been created to deliver.

02

Status of the audit

Status of our audit

Our audit work is complete and there are no matters of which we are aware that would require modification of our audit opinion.

03

Audit Approach

Audit Approach

Changes to our audit approach

At the time of the submission of our Annual Audit Plan the 2023/24 Accounts Direction had not been published and therefore the recent changes to the Job Evaluation Scheme accounting occurred subsequently. This has necessitated a change to our audit approach on the affected areas.

There have been no other changes to the audit approach we communicated in our Annual Audit Plan, issued in May 2024.

Materiality

Our provisional materiality at the planning stage of the audit was set at £1,221,000 using a benchmark of 2% of total income. Our Performance materiality was set at £915,000.

We have not changed our benchmarks for our materiality assessment during the audit. However, due to the revised accounts direction we have removed income relating to the Job Evaluation Accrual, and as such we have reduced our materiality to £1,158,000 and our performance materiality to £868,000.

Reliance on internal audit

Where possible we utilised the work performed by internal audit to modify the nature, extent and timing of our audit procedures.

Use of experts

Management makes use of experts relating to the Defined Benefit Pension Liability and the associated accounting entries and disclosure requirements under FRS 102, with the Actuary Hymans Robertson being their expert.

We considered the reasonableness of their actuarial assumptions with support from our internal actuarial team, and confirmed their assumptions are reasonable.

Going concern

Our audit testing has not highlighted any issues regarding the going concern nature of Edinburgh College.

Disclosures

Our reviews of the disclosures of the college have not highlighted any issues.

Risks

We have not identified any changes to our significant risks and key judgement areas highlighted in our Annual Audit Plan.

04

Significant findings

Significant findings

Significant findings including key areas of management judgement

The significant findings from our audit include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Annual Audit Plan;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 19 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any significant difficulties we experienced during the audit.

Significant findings

Management override of controls	**Description of the risk** In all entities, management at various levels within an organisation are 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. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements
	Audit conclusion Our audit testing has not highlighted any issues that would suggest issues related to management override of controls.

Significant findings (continued)

Revenue recognition

Description of the risk

There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when certain income streams should be recognised and if clawback conditions apply to any funding.

The risk above applies only to the non-core grant income and other non-grant income generated by the College. The risk has been rebutted in relation to the core grant income received by the College, given the highly regulated nature of this income, and therefore the lower inherent and fraud risks associated with it.

How we addressed this risk

We addressed this risk by performing work over:

- the design and implementation of the controls management has in place to ensure income is recognised in the correct period;
- testing the cash receipts around the year end to ensure they have been recognised in the right year;
- reviewing the judgements made by management in determining when non-grant income is recognised;
- for major grant income, obtaining counterparty confirmation; and
- reviewing expected credit loss provisions applied to receivables at the year end, considering the appropriateness of judgements made by management.

Audit conclusion

Our audit testing has not highlighted any issues regarding the cut off of revenue.

Significant findings (continued)

Defined benefit pension scheme assets

Description of the risk

There is a significant asset value used in calculating the Lothian Pension Fund (LPF) position as at 31st July 2024 and due to the nature of the pension scheme there is significant complexity in identifying the College's share of the assets.

The complexity is created by factors such as:

- The types of assets held by the pension scheme and their valuation bases; and
- The calculation of the College's share of the overall Scheme assets requiring the rolling forward of quarter-end valuations.

How our audit addressed this area of management judgement

We addressed this risk by obtaining confirmation from the pension fund of the total value submitted to the actuary and details of how the College's share of assets has been calculated.

We then reviewed this confirmation and considered if the information provided is sufficient and challenge any inconsistencies noted.

Audit conclusion

Our audit testing has not highlighted any issues with the Defined Benefit pension scheme assets.

Significant findings (continued)

Defined benefit pension scheme assumptions

Description of the management judgement

The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Lothian Pension Fund (LPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS scheme and it is therefore accounted for as a defined contribution scheme.

The College's share of the LPF's underlying assets and liabilities is identifiable and the net position is recognised in the accounts.

There are significant assumptions used in calculating the value of the liability element of the year-end position of the LPF.

How our audit addressed this area of management judgement

We considered the actuarial assumptions used by the actuary when calculating the liability element of the year-end position of the LPF.

We utilised our internal Actuarial Valuations team in order to assess the validity of these assumptions, both individually and in combination with each other.

We obtained information from management to support the membership numbers included in the Actuarial report and understand how management have gained comfort that the data is correct.

Audit conclusion

Our audit testing has not highlighted any issues with the Defined Benefit pension scheme assumptions.

Significant findings (continued)

Valuation of land and buildings

Description of the management judgement

The College held land and buildings with a net book value of £172m as at 31 July 2023.

In line with the requirements of the Government Financial Reporting Manual, the College has adopted a formal revaluation policy of an external valuation every five years, with a desktop, interim valuation performed during the five year period. For the 2021, 2022 and 2023 year-ends an indexation factor has been applied as advised by the external valuers, Avison Young. For the 2024 year-end Avison Young will provide the College with an additional indexation advice regarding the valuation which will be used to update the carrying values.

The College policy meets the requirement of the FE SORP that assets are valued sufficiently regularly so that the carrying value of the asset is not materially different from its fair value.

Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.

How our audit addressed this area of management judgement

We undertook a range of substantive procedures including:

- completing a review of management's assessment as to whether the interim valuation sufficiently takes account of changes to land and buildings since the most recent full valuation undertaken at July 2020;
- completing a review of the reconciliation between the College's asset register and general ledger; and
- considering the College's impairment review process for land and buildings.

Audit conclusion

Our audit testing has not highlighted any issues with the valuation of land and buildings. We have considered specifically the impact of RAAC on these, and have concluded any impairment would be immaterial to the financial statements.

Significant findings (continued)

Accounting treatment of Job Evaluation Scheme

Description of the management judgement

The Amendment to the 2023/24 Accounts Direction has necessitated a change in accounting treatment in comparison to the prior year treatment.

In summary this treatment involves:

- Retaining the funding debtor in the comparative figures (on the basis the College was not aware of any information at the time the 2023 financial statements were signed to inform them that the funding had been returned by the Scottish Funding Council to Central Government);
- Removing the funding debtor in the current year figures and instead include narrative of the situation as a note disclosed contingent asset;
- Retaining the obligation created creditor in the comparative figures (on the basis the College was not aware of any information at the time the 2023 financial statements were signed to inform them that the funding had been returned by the Scottish Funding Council to Central Government);
- Including the obligation as a provision rather than a creditor in the current year figures reflecting the uncertainty over timing and/or amount; and
- Include an additional line item in the Adjusted Operation Position summary table.

How our audit addressed this area of management judgement

We undertook a range of substantive procedures including:

- Considering the proposed treatment against the requirements of the Amendment to the 2023/24 Accounts Direction;
- Considering the consistency between the proposed treatment and FRS 102;
- Considering the appropriateness of the basis of calculation of the provision; and
- Reviewing the associated disclosures.

Audit conclusion

Our audit testing has concluded that the treatment is in line with the Amendment to the 2023/24 Accounts Direction and FRS 102.

Significant findings (continued)

Qualitative aspects of the College's accounting practices

We have reviewed the College's accounting policies and disclosures and concluded they comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) 2019 edition and the Government Financial Reporting Manual (FReM) 2023/24, appropriately tailored to the College's circumstances.

Draft accounts were received from the College on 25 September 2024 and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- At 31 July 2024 and 31 July 2023 the College's share of the Lothian Pension Fund was recorded as a notional surplus as the value of the defined benefit obligation was less than the fair value of the plan assets at that date, meaning that the pension liability usually recorded is now a pension asset. We have had discussions with management as to the most appropriate accounting treatment and disclosure of the pension asset.
- Management have amended the surplus recognised at 31 July 2024 to show the asset ceiling cap, excluding the unfunded pension liabilities which should not be offset. As the balance of the unfunded pension liability at 31 July 2023 is immaterial, this has not resulted in a prior year adjustment.
- We have also discussed the presence of reinforced autoclaved aerated concrete (RAAC) which is present in the roof of one building at the Sighthill Campus. We have confirmed that remedial works were performed to ensure the building is safe to use, and that Avison Young have confirmed that this would not impact on their valuation of the building as at 31 July 2024.

Job evaluation accrual

As set out in section 2 and earlier in this section the accounting treatment for the job evaluation accrual has required detailed consideration and has been subject to review very close to College deadlines. We are content that the Amendment to the 2023/24 Accounts Direction is consistent with the requirements of FRS 102. The inclusion of a provision but no corresponding debtor has required careful disclosure in the financial statements – partly mandated by the Accounts Direction (AOP disclosures) and partly following discussions with management and Audit and Risk Committee members..

Communication during the audit

During the course of the audit, with the sector-wide exception of the treatment of the job evaluation scheme, we did not encounter any significant difficulties. We have had the full co-operation of management.

05

Internal control conclusions

Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of the College's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of College's internal controls, we are required to communicate to the board of management any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- A necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the College's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.
Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not identified any deficiencies in the College's internal controls as at the date of this report.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the board of management.

We have not identified any significant deficiencies in the College's internal controls as at the date of this report.

Other observations

We also record our observations on the College's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

Internal control conclusions (continued)

Other observations (continued)

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the board of management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

06

Summary of misstatements

Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £34,000.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Annual Audit Plan, issued in May 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

Summary of misstatements

Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	CIES	CIES	Balance Sheet	Balance Sheet
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
DR 2023 Actuarial Loss In Respect Of Pension Scheme CR 2023 Defined Benefit Pension Liability Being the unadjusted prior year misstatement to accurately reflect the year end present value of unfunded pension obligations that should not be offset as part of the asset ceiling calculations. The equivalent position for 2024 has been adjusted as explained on page 27.	371			(371)
Aggregate effect of unadjusted misstatements	**371**			**(371)**

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements (continued)

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the board of directors should be made aware of.

Details of adjustment	CIES	CIES	Balance Sheet	Balance Sheet
	Dr (£ '000)	**Cr (£ '000)**	**Dr (£ '000)**	**Cr (£ '000)**
DR 2024 Actuarial Loss In Respect Of Pension Scheme CR 2024 Defined Benefit Pension Liability Being the adjustment to accurately reflect the year end present value of unfunded pension obligations that should not be offset as part of the asset ceiling calculations.	363			(363)
Aggregate effect of adjusted misstatements	**363**			**(363)**

The college has amended their financial statements to accurately reflect the requirements of the amendment to the 2023/24 Accounts Direction which was provided by the Scottish Funding Council in November 2024.

Summary of misstatements (continued)

Disclosure misstatements

We have not identified any disclosure misstatements.

07

Wider Scope and Best Value

Commentary on Wider Scope

Overall Summary

Commentary on Wider Scope

Wider Scope summary

As auditors appointed by the Auditor General of Scotland, our Wider Scope responsibilities are set out in the Code of Audit Practice 2021. The Code requirements broaden the scope of the 2023/24 audit and allow us to use a risk-based approach to report on our consideration of the College's performance and make recommendations for improvement and, where appropriate, conclude on the College's performance.

The Code's Wider Scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions:

Reporting criteria	Commentary page reference	Possible significant risks?	Significant risks identified?	Other recommendations made?
Financial management	31	No	No	No
Financial sustainability	35	Yes – see risk on page 36	No	No
Vision, leadership and governance	39	No	No	No
Use of resources to improve outcomes	41	No	No	No

Commentary on Wider Scope

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial management

Significant risks

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

Overall commentary on the financial management reporting criteria

Area	2023/24 £'000	2022/23 £'000
Operating income	66,203	73,661
Staff costs	(43,238)	(53,482)
Operating expenditure	(23,378)	(23,182)
Operating Deficit for the year (FE/HE SORP basis)	(413)	(3,003)

The above table shows the financial performance of the college for 2023/24 and 2022/23 under the FE/HE SORP. Despite a deficit being shown in both years:

- The College achieved its financial targets and spending was in line with the plan;
- There were no significant changes to the reported position during the year; and
- The student credit target threshold of 98% was met confirming the level of funding in the financial statements.

Adjusted operating position

The table right sets out the financial position in accordance with SORP requirements. The table reflects the 'adjusted operating position' as required by the Accounts Direction issued by the Scottish Funding Council. The adjusted operating position removes more volatile accounting entries, such as the valuation of pensions. Full details of the adjustments included are shown, as required, in the Performance Report within the Annual Report and Financial Statements.

Area	2023/24 £'000	2022/23 £'000
Deficit before other gains and losses	(7,080)	(3,003)
Add back: Depreciation (net of deferred capital grant release)	3,418	3,271
Non-cash pension adjustments – net service costs	(641)	1,418
Non-cash pension adjustments – net interest cost	(2,468)	(849)
Non-cash pension adjustment – Early retirement provision year-end valuation charged to SOCI	4	(161)
Non-cash pension adjustment – Early retirement provision interest	129	102
Unfunded pension costs	363	-
Costs of middle management job evaluation exercise not matched by revenue	6,667	-
Deduct: CBP allocated to loan repayments and other capital items	(887)	(841)
SFC declared adjusted operating (deficit)/surplus	(495)	(63)

The Accounts Direction issued by the SFC for 2023/24 requires Colleges to submit the adjusted operating position calculation with draft accounts to the SFC for review before the accounts are signed off. The table above shows that once the non-cash and other applicable adjustments are made, the College still has a similar deficit to the unadjusted position.

The above table has been updated in 2024 to reflect the changes in the 2023/24 Accounts direction released by the SFC relating to the Job Evaluation exercise.

Financial management (continued)

Impact of depreciation budget

The Statement of Comprehensive Income and Expenditure is prepared under the FE/HE SORP, which does not permit the inclusion of the non-cash budget for depreciation. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules.

Area	2023/24 £'000	2022/23 £'000
Operating Deficit for the year (FE/HE SORP basis)	(413)	(3,003)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for the academic year	3,418	3,271
Operating surplus / deficit on Central Government accounting basis	3,005	268

The table above shows a surplus when the impact of the depreciation budget is taken as the only adjusting factor to the financial position. The operating position table on the previous page shows an operating defecit for 2023/24.

The increase is primarily due to the improved other operating and investment income, including the pension adjustments in the year being significantly higher than in 2023. Staff costs were managed well and other invoiced costs were consistent year on year.

Budgetary process

We have reviewed and considered the budgetary processes and controls and budget monitoring arrangements in place at the College. Our work consisted of a review of budget monitoring reports and committee papers along with attendance at committees. Overall, we consider that the Board of Management obtains regular and timely financial information that reflects the actual financial position.

We note that budget reports are produced on a timely basis and considered by the appropriate committee throughout the year. Budget reports and forecasts were appropriately updated based on prudent assumptions, there was considered to be no unreasonable movements throughout the forecasts and budgets.

The Planning and Resources committee considers the management accounting pack regularly alongside reporting to the Board of Management. Minutes of the meetings document the level of challenge to the financial performance.

Internal Controls

As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have also considered the work of internal audit, from individual reviews of financial systems and their annual audit opinion on the control framework in place at the College.

We conclude that the processes and controls in place at the College are operating effectively. The College has all the expected control, risk, performance and financial arrangements in place. There are a series of regularity documents including standing orders, articles of governance, code of conduct, and financial regulations intended to ensure regularity of transactions.

Financial management (continued)

Prevention and detection of fraud and irregularity

Management and the Audit & Risk Assurance Committee, as those charged with governance, also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

We have a responsibility to review the College's arrangements for the prevention and detection of fraud. Our audit work was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity.

Our audit testing has not highlighted any issues relating to the College's arrangements and procedures for the prevention and detection of fraud.

Commentary on Wider Scope

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial sustainability

Significant risks

We have identified the below significant risk related to financial sustainability.

	Significant Risk in Arrangements Identified	Work undertaken and the results of our work
1	**Management of future funding shortfalls** During 2023/24, the College prepared a three-year forecast which highlights a future funding gap. The College has taken steps to identify areas where savings can be made to mitigate the funding gap in the FFR.	**Work undertaken** We have completed the below procedures: • Reviewing the forecast financial position in the three-year financial plans submitted to SFC; • Considering alternative plans being considered by the College to ensure a balanced budget is achieved; and • Reviewing the financial reporting arrangements in place at the College. **Results of our work** During 2023/24, the College has prepared a three-year forecast which highlights a future funding gap. The College has taken steps to identify areas where savings can be made to mitigate the funding gap in the FFR.

Financial sustainability

Overall commentary on the financial sustainability reporting criteria

Financial Planning

This year the College has been requested to produce a three-year Financial Forecast Return (FFR) to the SFC.

SFC's FFR Call for Information set out two scenarios for colleges to consider.

The first scenario is the planning assumptions which are based on the Scottish Government's Spending Review. The income and expenditure projections using SFC's planning assumptions result in the following in-year SOCI operating deficits including depreciation.

Area	Forecast 2024-25 £000	Forecast 2025-26 £000	Forecast 2026-27 £000
SOCI operating surplus /(deficits) including depreciation.	(1,907)	(1,854)	(1,853)

Through the June 2024 FFR process and other financial reporting throughout the year, the College and its Board have a clear view of the financial challenges and long-term risks faced. FFR planning assumptions, as advised by the SFC, have been considered fully before use.

The FFR for this period includes providing for the cost of living pay awards in line with public sector pay policy, and for the expected cost of implementing the support staff and middle managers job evaluation. The outcome of this remains uncertain, and if negotiations result in higher levels than expected, this will have a further negative impact on the budget for 2024-25.

Further detail on the College's forecast is included in the table to the right:

Area	Forecast 2024-25 £000	Forecast 2025-26 £000	Forecast 2026-27 £000
Total income	69,036	69,061	69,092
Staff costs	(50,590)	(50,686)	(50,967)
Total other expenditure	(20,353)	(20,229)	(19,978)
Operating deficit before other gains and losses	(1,907)	(1,854)	(1,853)
Total depreciation net of deferred capital grants released	2,838	2,819	2,799
Loan repayments	(931)	(965)	(946)
Notional Staff cost savings	-	-	-
NPD payments	-	-	-
Adjusted operating result	-	-	-

These results are based on the assumptions provided by the SFC and are not deemed to be a fixed forecast or strategic plan. The College is actively considering a range of options in relation to the coming years and will continue to work to refine the income and costs reflected in their financial plans to better reflect actual expectations.

The forecasts have been completed based on the assumptions provided by the SFC on their website.

Looking ahead to the upcoming years, Management and the Board are fully committed to exploring all efficiency saving possibilities, new sources of commercial income and consideration of changes to working practices. However, until such time as either additional funding is made available or the College is able to identify and implement additional cost efficiencies, we therefore consider there to be concerns over the financial sustainability of the College.

Financial sustainability (continued)

Overall commentary on the financial sustainability reporting criteria

Asset management and estates strategy

Capital grant funding provided to the college by the SFC is used in order to maintain the longevity of the current assets.

We consider that appropriate attention is given to the estate and assets and their continued development and improvement, and that their maintenance continues to be factored into long term plans and discussions.

Commentary on Wider Scope

Vision, leadership and governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Vision, leadership and governance

Significant risks

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

Overall commentary on the vision, leadership and governance reporting criteria

Governance arrangements

Our work in this area has considered the overall governance arrangements in place at the College, reviewed the financial and performance reporting to the Board of Management, and reviewed the minutes of committees to inform our assessment of the appropriateness of the governance structure. We have also attended Audit Committees during the year.

Financial papers submitted to committees are relevant and timely. Each paper has a summary setting out the purpose of the paper and the action required by the members. Minutes are understandable and contain detail of discussions and rationale for decision making.

At 31 July 2024, the Board consisted of 16 members, 8 female and 8 male (including the Principal). The Board continues to maintain a gender balance that meets with the objective of the Gender Representation on Public Boards (Scotland) Bill which was introduced by the Scottish Parliament in June 2017 with an implementation date of 2022.

The key committees' membership comprises of, and are chaired by Board members, with some also containing the Principal. Appropriate College officers attend committees and present reports as required.

Governance Statement

As part of our audit we have read the governance statement included in the annual report. The governance statement sets out the corporate governance framework in place throughout the reporting year, the internal controls in operation, the work of internal audit and the overall efficiency and effectiveness of the governance framework.

The governance statement confirms the College's compliance with the 2022 Code of Good Governance for Scotland's Colleges.

We are required to read and provide an opinion on the governance statement. In our opinion, the information contained within is consistent with the financial statements. We also consider that the governance statement has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and further directions made by the Scottish Funding Council.

Internal audit

An effective internal audit service is an important element of any organisation's governance arrangements. Internal audit provide the College with independent assurance on internal control and corporate governance processes. The internal audit function at the College has been provided by BDO to 31 July 2024. Internal audit has attended Audit Committees throughout the year and have produced reports to support the overall Internal Audit Opinion.

Transparency

Transparency means that service users and the public have access to understandable information about how the College is making decisions and using its resources. There is a commitment to transparency, with the minutes and papers of the Board of Management and key committees being available on the website.

Commentary on Wider Scope

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Use of resources to improve outcomes

Significant risks

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

Overall commentary on the use of resources to improve outcomes reporting criteria

Performance management

The College delivered its Regional Outcome Agreement (ROA) baseline target credits. A financial deficit was incurred in the year due to the release of Job Evaluation Accrued income and unrealised gain on the revaluation of building. Excluding other comprehensive income the college made a deficit before other gains and losses highlighting the continued financial difficulties the College faces. There is close monitoring of the delivery of the ROA and financial performance reports provide sufficient information to allow members to understand performance. Budget monitoring information provides a detailed analysis of variances allowing budget to be appropriately managed. Through this management of the 2024/25 budget there is clear evidence that the College understands cost drivers and is in control of costs as far as can be reasonably expected.

Regularity

As part of our audit of the College’s financial statements, we are required by the Public Finance and Accountability (Scotland) Act 2000 to give an opinion on the regularity of expenditure and receipts shown in the financial statements. Regular expenditure and income is that which has been incurred / obtained in line with guidance issued by the Scottish Ministers and the terms and conditions of funding of the Scottish Funding Council.

The College has arrangements to monitor the requirements of the Scottish Funding Council, Audit Scotland and other regulatory or advisory bodies to ensure it complies with the terms and conditions of funding including regular reporting of financial and operational performance to the Board of Management and its committees.

Our review found an effective control environment exists over regularity of expenditure and receipts. No instances of non-compliance with Scottish Funding Council terms and conditions were noted.

Commentary on Best Value

Best Value

Best Value

Best Value in colleges

The Scottish Public Finance Manual (SPFM) explains that accountable officers have a specific responsibility to ensure that arrangements have been made to meet their Best Value obligations. The duty of Best Value as set out in the SPFM is:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance; and
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development.

Ministerial guidance for Accountable Officers in public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

The seven Best Value characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve Best Value:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

We have used a risk-based approach that is proportionate to the size and type of the body, to assess whether the College has made proper arrangements for securing Best Value. We have also followed up on previously reported Best Value findings, where applicable, and have assessed the pace and depth of improvement implemented by the College.

Best Value in colleges – overall conclusion

The College delivered over 98% of its credit target (resulting in no clawback of core funding).

The College can point to achievement of financial targets, management of costs and income and a number of improvements in performance in 2023/24. The College has summarised their key performance indicators in the performance analysis within the financial statements. The College has arrangements to analyse cost and performance. Through delivery of the 2023/24 budget there is clear evidence that the college understands cost drivers and is controlling costs.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

E: Wider Scope ratings

Appendix A: Draft management representation letter

Dear Michael,

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the college's accounts for the period ended 31 July 2024.

We acknowledge as members of the Board of Management our responsibility for ensuring:

a) the financial statements are free of material misstatements including omissions;

b) that the financial statements give a true and fair view of the state of affairs of the college as at 31st July 2024;

c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the college have been properly reflected and recorded in the accounting records;

d) all other records and related information, including minutes of all management meetings, have been made available to you;

e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and

f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

BDO acted as Internal Auditors to the college during the year. All reports issued to the college and our responses to them have been made available to you.

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

The college has no liabilities or contingent liabilities other than those disclosed in the accounts.

All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.

There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Appendix A: Draft management representation letter

The college has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for the Board of Management nor to guarantee or provide security for such matters.

We confirm that we have disclosed to you all related party transactions relevant to the college and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of charities legislation, the Statement of Recommended Practice for Further and Higher Education accounts or accounting standards.

The college has not contracted for any capital expenditure other than as disclosed in the accounts.

The college has satisfactory title to all assets and there are no liens or encumbrances on the college's assets, except for those that are disclosed in the financial statements.

We are not aware of any irregularities, including fraud, involving existing management or employees of the college, nor are we aware of any breaches or possible breaches of statute, regulations, contracts, agreements or college's Standing Orders and Scheme of Delegation which might result in the college suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such breaches have come to our attention.

We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the college conducts its business.

We confirm that, in our opinion, the college is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the college's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the college's ability to continue as a going concern need to be made in the financial statements.

We confirm that we agree with the unadjusted misstatements brought to our attention.

We confirm that, in respect of the job evaluation scheme, we were unaware of the change in funder at the time of signature of the 2023 financial statements. We further confirm that the provision included within the 2024 financial statements represents an accurate expectation of the expected economic outflow based on all available information.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

…………………………………………….. Principal

Appendix B: Draft audit report

Independent auditor's report to the Board of Management of Edinburgh College, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements in the annual report and accounts of Edinburgh College for the year ended 31 July 2024 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2024 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and 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).

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. The period of total uninterrupted appointment is five years to 2026/27. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Appendix B: Draft audit report

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue. These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our separate Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the college's operations.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Appendix B: Draft audit report

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Other information

The Board of Management is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the statutory other information and, in doing so consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Corporate Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Corporate Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Appendix B: Draft audit report

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Appendix C: Confirmation of our independence

We communicate any matters which we believe may have a bearing on our independence or the objectivity of Forvis Mazars LLP and the audit team. As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We confirm that no new threats to independence have been identified since issuing our Annual Audit Plan and therefore we remain independent.

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Appendix C: Confirmation of our independence (continued)

Fees for work as the College's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Annual Audit Plan presented to the Audit & Risk Assurance Committee on 27 November 2024. Having substantially completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Auditor remuneration	52,720	52,720
Uplift agreed by Audit Scotland	3,240	nil
Pooled costs	(7,730)	(7,730)
Audit support costs	1,360	1,360
Sectoral cap adjustment	3,180	3,180
Total fees	**£52,770**	**49,530**

Fees for other work We confirm that we have not undertaken any non-audit services for the College in the year.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with Alan Williamson, Chief Operating Officer that Edinburgh College will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications (continued)

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition, we have assessed the adequacy of the College's arrangements for preventing and detecting fraud or other irregularities as part of the Wider Scope audit and concluded that they are sufficiently designed and implemented. We will obtain written representations from management, and where appropriate the Audit and Risk Assurance Committee, confirming that: a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix E: Wider Scope ratings

We need to gather sufficient evidence to support our commentary on the College's arrangements and to identify and report on any risks. We will carry out more detailed work where we identify significant risks. Where significant risks are identified we will report these to the College and make recommendations for improvement. In addition to local risks, we consider challenges that are impacting the public sector as a whole.

We have assigned priority rankings to each of the risks identified to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. The table below describes the meaning behind each rating that we have awarded to each Wider Scope area based on the work we have performed.

Rating	Description
Level 1	The identified risk and/or significant deficiency is critical to the business processes or the achievement of business strategic objectives. There is potential for financial loss, damage to reputation or loss of information. The recommendation should be taken into consideration by management immediately.
Level 2	The identified risk and/or significant deficiency may impact on individual objectives or business processes. The audited body should implement the recommendation to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.
Level 3	The identified risk and/or significant deficiency is an area for improvement or less significant. In our view, the audited body should action the recommendation, but management do not need to prioritise.

Contact

Forvis Mazars

Michael Speight
Audit Director
Tel: +44 (0)7881 283 571
michael.speight@mazars.co.uk

Bridget Mauro
Audit Manager
Tel: +44 (0)7974 124 449
bridget.mauro@mazars.co.uk