



Annual Audit Report

Fife College

Year ended 31 July 2024

18 December 2024

Private and confidential



The Audit and Risk Committee
Fife College
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18 December 2024

Dear Committee Members 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 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

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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 Fife 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:

- Pension assets
- Management override of controls; and
- Revenue recognition.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £621k 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 the following conclusions:



Audit opinion

We have issued an unqualified opinion, without modification, on the financial statements subject to finalising the matters set out in section 2 of this report. 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 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 no College specific risks in arrangements to report 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 no specific 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.

Status of the audit

Status of our audit

Our audit work is complete.

Audit Approach

Audit Approach

Changes to our audit approach

With the exception of the impact of the Amendment to the Accounts Direction altering the accounting treatment of the job evaluation scheme and creating a new areas of management judgement, there have been no 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 £1,006k using a benchmark of 1.75% of total income. Our Performance materiality was set at £754k. These were based on the 2023 financial statement figures.

Based on the final 2024 financial statement figures and due to the adjustment posted to remove the accrued income associated with the job evaluation scheme, reducing total income, the final overall rounded materiality we applied was £930k (using a benchmark of 1.75% of income), final performance materiality: £697k; final clearly trivial threshold: £28k.

Use of experts

We have used our internal experts to assist us to obtain sufficient appropriate audit evidence over the defined benefit pension scheme liability and associated disclosures. There have been no changes to the planned approach as outlined in the Annual Audit Plan.

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 20 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 further significant matters discussed with management; and
- any 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

From the work performed over journal entries and accounting estimates, we have not identified any issues in respect of management override of controls or in any of the assumptions used within accounting estimates.

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 grant income should be recognised and if clawback conditions apply to the funding.

This risk only applies to the non-grant income generated by the College. The risk has been rebutted in relation to grant income received by the College, given the highly regulated nature, and therefore the low inherent risk of this income

How we addressed this risk

We addressed this risk through performing audit work over:

- The design and implementation of controls management has in place to ensure income is recognised in the correct period;
- Cash receipts around year end to ensure they have been recognised in the appropriate year;
- The judgements made by management in determining when non-grant income is recognised; and
- For major grant income, obtaining counterparty confirmation.

Audit conclusion

Satisfactory assurance has been gained in respect of the presumed risk of error in revenue recognition. We have no matters to report.

Significant findings (continued)

**Defined benefit pension
scheme assets**

Description of the risk

There is a significant asset value used in calculating the Fife Council Pension Fund (FCPF) 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 we addressed this risk

We have undertaken a range of substantive procedures including:

- 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.
- Reviewing this confirmation and considering if the information provided is sufficient and challenge any inconsistencies noted.

Audit conclusion

Satisfactory assurance has been gained in respect of the risk of error in expenditure recognition. We have no matters to report.

Significant findings (continued)

Valuation of Pension obligations	Description of the management judgement The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Fife Council Pension Fund (FCPF). 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 and it is therefore accounted for as a defined contribution scheme. The College’s share of the FCPF’s underlying assets and liabilities is identifiable and is recognised in the accounts. Given the scale of the liability recognised, a misstatement in the reported position could be material to the financial statements.
	How our audit addressed this area of management judgement We have addressed the risk by: • Considering the arrangements put in place, including existence of any relevant controls, for making estimates in relation to pension entries within the financial statements. • Considering the reasonableness of the actuary's assumptions used in providing the College with information in the financial statements through the use of our internal experts.
	Audit conclusion There have been no significant findings arising from our review of the defined benefit liabilities and associated disclosures in the financial statements.

Significant findings (continued)

Valuation of land and buildings

Description of the management judgement

The College’s property, plant and equipment (PPE) portfolio totals over £161.7 million of assets (2023: £111.0 million). The valuation of these assets requires expertise and significant estimation.

To meet the requirements of the accounting framework, the College values its property, plant and equipment on at annually. For 2023/24, the College obtained a desktop valuation from their external valuer.

The College’s PPE totals £161.7 million, an increase of £50.7 million from 2022/23. This movement includes additions of £52.0 million of which £51.7 million relates to the new Dunfermline Learning Campus, depreciation of £3.8 million, and no disposals in the year and a revaluation of £4.8 million.

Given the significance of the balance within the financial statements, the number of assumptions that are made in the valuation and the additional capital activity occurring as part of the ongoing development of the Dunfermline Learning Campus, we assigned a significant risk to property, plant and equipment.

How our audit addressed this area of management judgement

We have undertaken a range of substantive procedures including:

- Examining the professional qualifications of the valuer;
- Challenging and substantiating the assumptions and the appropriateness of the date of the valuation used by management’s valuer in completing the valuations;
- Considering the impact of any uncertainty arising from the professional valuation of college land and buildings, assessing against third party benchmark information where appropriate.
- Ensuring that valuations and impairments have been completed on the correct basis for each item and that movements are in line with expectation; and
- Assessing whether the report produced by the valuer has been correctly reflected in the accounts.

Audit conclusion

Satisfactory assurance has been gained in respect of the valuation risk of land and buildings.

Significant findings (continued)

Early Retirement Provision

Description of the management judgement

The College includes a provision in their financial statements in respect of staff who receive an enhanced pension for accepting early retirement.
The calculation of the value of this provision uses a model which incorporates actuarial assumptions.

How our audit addressed this area of management judgement

We have addressed the risk by:

- We considered the actuarial assumptions used by the actuary when calculating the provision value.

Audit conclusion

There have been no significant findings arising from our review of the early retirement provisions and associated disclosures in 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 7 October 2024 during the audit fieldwork. Both draft financial statements and draft annual report were of a good quality

Producing quality supporting working papers is a crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. Working papers provided for audit were of a good standard and staff were responsive to our requests during the audit.

Significant matters discussed with management

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

Job evaluation accrual

As set out in section 2 we have concluded upon the treatment of the job evaluation debtor and accrual subject to finalisation of our internal consultation process. The treatment was clarified in an amendment to the 2023/24 Accounts Direction released on 13 November 2024.

In a change in treatment from previous Accounts Directions the 2023/24 Accounts Direction (including the Amendment) concluded that both the debtor and creditor are removed from the 2024 financial statements and that only the estimated future cost is shown on the Statement of Financial Position but classified as a provision.

There was challenge from both Forvis Mazars and other auditors within the sector together with College Finance Directors that the original treatment within the 2023/24 Accounts Direction may not be compliant with the SORP prompting the SFC reconsideration.

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 (presentation on face of SOCI).

Feedback on the audit process

We completed our audit in a hybrid manner with two onsite visits to the college and remotely. During the course of the audit, there were no significant difficulties and we have had the full co-operation of management. The draft accounts, working papers and annual report were all provided in line with the agreed timetable. We would like to express our thanks to management and officers for their co-operation throughout the audit.

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 Audit and Risk Committee 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 Audit and Risk Committee.

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.

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 £31k.

The 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.

There have been no misstatements identified in the audit that have been adjusted by management.

Due to the release of the Amendment to the 2023/24 Accounts Direction in November 2024, management have updated the financial statements with these requirements.

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: Estimated academic pay rise accrual			621k	
Cr: Staff costs				621k
Being the error within the academic back pay accrual calculation due to the late announcements of pay settlements				
Aggregate effect of unadjusted misstatements				

We have obtained written representations confirming that, after considering the unadjusted misstatement in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements (continued)

Disclosure misstatements

We have not identified any disclosure misstatements as at the date of this report.

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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	30	No	No	No
	Financial sustainability	34	Yes – see risk on page 35	No	No
	Vision, leadership and governance	38	No	No	No
	Use of resources to improve outcomes	40	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

Dimension

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

Our conclusion

Fife College has effective arrangements, including budgetary control, that help Board of Management members scrutinise finances

Financial Performance

The College is required to report financial performance under the HE/FE SORP, resulting in the reported deficit of £5.6m in the Statement of Comprehensive Income. This is due to the job evaluation income reversal of £6.1m in the year. However, as a central government body, the College is also required under the Accounts Direction from the Scottish Funding Council to report financial performance as an ‘adjusted operating position’. We set out these required positions below.

FE/HE SORP position

Area	2023/24 £'000	2022/23 £'000
Operating income	53,144	57,486
Staff costs	(40,577)	(42,824)
Operating expenditure	(18,210)	(16,789)
Operating Surplus/ (Deficit) for the year (FE/HE SORP basis)	(5,643)	(2,127)

The income in the year decreased by £4.3m. This is mainly due to the reversal of £6.1m of grant funding relating to the job evaluation scheme partially offset by an increase in other grant income and tuition income in the year.

The financial performance table is subject to amendment in respect of the treatment of the job evaluation exercise.

Staff costs decreased due to a reduction in the headcount in the year due to the uptake of voluntary severance in the year.

Operating expenditure has increased by £1.3m from the previous year. This is mainly explained by the impact of inflationary increases.

The college achieved a surplus for the year prior to the change in accounting treatment for the job evaluation scheme.

We further highlight that the College achieved 98.6% of its student credit target confirming the level of funding in the financial statements; and the College achieved its financial targets in line with its plan.

Financial management

Adjusted operating position

The table below 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
Surplus/(Deficit) before other gains and losses	(5,643)	(2,127)
Add back:	3,043	2,117
Depreciation (net of deferred capital grant release)		
Non-cash pension adjustments – net service costs	(585)	1,262
Non-cash pension adjustments – net interest cost	(1,450)	(427)
Costs of middle management job evaluation exercise not matched by revenue	6,129	0
Deduct:	(574)	(542)
Cash budget for priorities allocated to loan repayments and other capital items		
SFC declared adjusted operating (deficit)/surplus	920	283

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 has a surplus in the year.

The Amendment to the 2023/24 Accounts Direction requests that Colleges include an additional line item in the above table to add back the “costs of middle management job exercise not matched by revenue”.

Financial management (continued)

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 Governors 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 quarterly forecasts and budgets considering the ongoing impact of the recovery from the Covid-19 pandemic.

The Financial, Commercial and Estates Committee considers the management accounting pack regularly, reporting to the Board of Governors. 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.

Prevention and detection of fraud and irregularity

Management and the Audit and Risk 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

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 outlined below the significant risks in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Dimension

Financial sustainability extends the going concern assumption from the financial statements, looking forward two to five years, reviewing and assessing arrangements for financial planning and affordable and sustainable service delivery in this timescale.

Our conclusion

Fife College has adequate financial planning arrangements in place, including budgetary control, that help the Board members scrutinise finances. We considered the College’s ability to remain financially sustainable over the medium to longer term and we have concluded that there are no College-specific issues with financial sustainability.

	Significant Risk in Arrangements Identified	Work undertaken and the results of our work
1	Financial Sustainability We are aware that the overall College Sector in Scotland is having to respond to the financial pressures of inflating costs in a period when core grant income is flat. We have been made aware that the College is projecting a full-year position deficit and this position remains until FY26/27. The above position means that the College will have to make decisions in order to appropriately balance finances. Given the level of sector wide uncertainties around the sufficient of future funding and of the general economic environment that has arisen there is a risk the timing of the future funding gap could be accelerated and / or additional funding not being made available from the SFC.	Work undertaken We have addressed the risk by: • Reviewing the forecast financial position in the financial plans submitted to the SFC; and • 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; and Results of our work During 2023/24 the College prepared a three-year forecast which highlights the future funding gap. The College has taken steps to identify areas where savings can be made to mitigate the funding gap in the FFR. Given the level of sector wide uncertainties around future funding there is a risk the timing of the future funding gap could be accelerated or made greater without the plans identified by the College being fully implemented and/or additional funding not being made available from the SFC. Despite the above, the college has adequate financial planning in place and we consider the College’s ability to remain financially sustainable over the medium to longer term . We have further concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.	(2,310)	(1,256)	(1,786)

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	52,458	53,423	53,765
Staff costs	(31,939)	(31,886)	(32,537)
Total other expenditure	(22,919)	(22,793)	(23,015)
Operating deficit before other gains and losses	(2,310)	(1,256)	(1,786)
Total depreciation	2,788	2,796	2,796
Notional Staff cost savings	-	-	-
NPD payments	-	-	-
Adjusted operating result	(639)	57	154

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

The Scottish Funding Council issued their grant offer letter formally to Fife College on 12th January 2023 confirming capital grant funding of £130.9 million for the construction of the Dunfermline Learning Campus (DLC). Fife College executed the design and build contract with Balfour Beatty Construction Limited on 20th January 2023.

During the construction, it was however noted that the college required additional funding to complete the project. On 10 July 2024, the SFC agreed to increase the project budget from £130.9m to £154.5m. SFC agreed to fund £23.6m and the additional £4m to be met by Fife College. The additional grant however was issued on two principal conditions, these being:

- Fife College should seek SFC approval for any changes to the project that are likely to impact the total project cost, the programme timescales or change its scope significantly.
- Fife College will contribute £4m (£1.5m in FY 2024-25, £1.5m in FY 2025-26 and £1m in FY 2026-27) over the remaining years of the project and any further increases to the project budget above £154.5m, including any delay penalties, will be met by Fife College.

The DLC build continues to proceed to schedule with the new funding in place. The College has further entered into a fixed price contract with BBCL and has incorporated the variation agreement into this. The College continues to monitor the project through the New Build Project Board. The Board meets monthly to review the build progress and to monitor the financial pressures. The College projects that the build will complete in early 2025 with a phased occupation taking place before the campus is fully operational from August 2025.

We consider that appropriate risk management is undertaken in respect of the College's estate and assets and their continued development and improvement, and that their ongoing 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 Governors, and reviewed the minutes of committees to inform our assessment of the appropriateness of the governance structure. We have also attended Audit & Risk 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 21 members, (including the Principal). The College does aim to have equality and diversity in their board representation, and this is considered actively at each round of recruitment alongside the strengths and skills required for the role to ensure the Board has sufficiently qualified and skilled members. It can be difficult to ensure an equal gender split of members depending on the applications for the vacancies the Board receive at the time of vacancy

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

The key committees' membership comprises of, and are chaired by Board members, with each also containing the principal, with the exception of the Audit & Risk Committee. In addition, the Chair of the Board is also not permitted to be a member of the Audit & Risk Committee. Appropriate College officers attend committees and present reports as required.

During the year to 31 July 2024, Board and Committee meetings were held physically with the ability for attendees to dial in remotely. The Committees of the board were predominantly held online.

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 note the disclosure within the "Assessment of the effectiveness of internal controls" segment in respect of an issue in respect of demonstrating regularity within a College project.

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 Azets 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. Although a financial surplus was incurred in the year this is due to the 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 98.5% 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 operational 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

LETTER OF REPRESENTATION

This representation letter is provided in connection with your audit of the financial statements of Fife College (the College) for the year ended 31 July 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 the Companies Act 2006 and relevant legislation and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

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

Responsibility for the financial statements and accounting information

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.

Internal Audit information

Azets acted as Internal Auditors to the College during the year to 31 July 2024. All reports issued to the College and our responses to them have been made available to you.

Internal control systems

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.

Appendix A: Draft management representation letter

Contingencies

Aside from those disclosed in the financial statements, there are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the relevant legislation and United Kingdom Accounting Standards.

Claims and Litigation

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

Subsequent events

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.

Related party transactions

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.

Future commitments

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

Appendix A: Draft management representation letter

Charges on assets

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.

Fraud and error

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 Constitution and Articles of Government which might result in the College suffering significant penalties or other loss that we have not already disclosed to you. No allegations of such irregularities, including fraud, or such breaches have come to our attention.

Laws and regulations

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.

Going Concern

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 no less than 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.

Impairment review

To the best of our knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the fixed assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with Section 10 of Financial Reporting Standard 102 and consider these policies appropriate to faithfully represent the effects of transactions, other events or conditions on the company's financial position, financial performance and cash flows.

Appendix A: Draft management representation letter

Accounting estimates

We confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Unadjusted misstatements

We have included the unadjusted misstatements below

Job Evaluation

We confirm that, in respect of the job evaluation scheme, we were unaware of the change in funding provider 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.

Other Representations

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.

Appendix B: Draft audit report

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Fife 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, and 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 in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council 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. Our period of appointment is five years, covering 2022/23 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 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:

Appendix B: Draft audit report

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal [add any other officer] concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussion among our team on 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 in respect of irregularities explained in the audit of the financial statements section of our report, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited part 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.

Appendix B: Draft audit report

Other information

The Board of Management is responsible for other information in the annual report and accounts. The 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 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 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.

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 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.

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.

Appendix B: Draft 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.

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 and Risk Committee in May 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	54,500	51,420
Pooled costs	(5,810)	(7,540)
Audit support costs	0	1,320
Sectoral cap adjustment	6,860	7,200
Total fees	55,500	52,400

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 that Fife 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 [not] sufficiently designed and implemented. We will obtain written representations from management, and where appropriate the Audit and risk 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

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