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UHI INVERNESS

Inverness College

Final report to the Audit Committee on the 2023/24 audit
31 January 2025

Contents

Partner introduction

The key messages in this report

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

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

I have pleasure in presenting our final report to the Audit Committee (“the Committee”) of Inverness College (“the College”) for the 2023/24 audit. The report summarises our findings and conclusions made in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in September 2024.

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

Conclusions from our testing

Our financial statement audit is complete. We have issued an unmodified audit report.

We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed that all necessary changes have been made.

A summary of our work on the significant risks is provided in the dashboard on page 8.

A summary of the corrected and uncorrected misstatements identified are included in the appendix to this report.

Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Our financial statement audit is complete.

Conclusions from our wider scope work

See pages 19 to 25 for detailed conclusions of our wider scope work.

Control findings

Control deficiencies and findings and recommendations are included on page 28 of this report.

Added value

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

Nicola Wright
Audit partner

Annual Report and Accounts Audit

Quality indicators

Impact on the execution of our audit

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

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Prompt delivery of working papers regarding management judgements.	N/A
Adherence to deliverables timetable		No issues to raise regarding adherence to deliverables timetable.	N/A
Access to finance team and other key personnel		Active involvement of the finance team throughout the course of the audit process.	N/A
Quality and accuracy of management accounting papers		Management accounting papers prepared to the expected quality and accuracy.	N/A
Quality of draft Annual Report and Accounts		Low volume of comments and suggested changes following review of the draft Annual Report and Accounts.	N/A
Response to control deficiencies identified		Four control findings identified; further details can be found on page 28.	page 28.
Volume and magnitude of identified errors		Two unadjusted misstatements identified during the audit, both immaterial.	page 29.

! Lagging ! Developing Mature

Our audit explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

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

Scoping

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

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to page 28, which details controls findings reported during our audit.

Identify changes in your business and environment → Determine materiality → Scoping → Significant risk assessment → Conclude on significant risk areas → Other findings → Our audit report

Determine materiality

When planning our audit, we set our materiality at £562,000 based on forecast gross expenditure. We have updated this to reflect final figures and completed our audit to a materiality of £566,000 and a performance materiality of £396,000. We report to you in this report all misstatements above £28,000.

Significant risk assessment

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

Conclude on significant risk areas

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

Our audit report

We have issued an unmodified audit report.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls	✓	DI	Satisfactory	⚠
Property valuations	✗	DI	Findings raised, see page 28	⚠
Operating within the funding provided	✓	DI	Satisfactory	⚠
Completeness of income	✓	DI	Finding raised, see page 28	⚠

Consistency of judgements with Deloitte's expectations

⚠ Inconsistent

⚠ Improvement required

⚠ Consistent

Controls approach adopted

DI Assess design & implementation

Significant risks (continued)

Risk 1 – Management override of controls

Risk identified	In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Report and Financial Statements as well as the potential to override the College's controls for specific transactions. The key judgments in the Report and Financial Statements are those which we have selected to be the significant audit risks – income recognition and operating within the funding provided. These are inherently the areas in which management has the potential to use their judgment to influence the Report and Financial Statements.
Our response	In considering the risk of management override, we have performed the following audit procedures that directly address this risk: • We have considered the overall control environment and 'tone at the top'; • We have tested the design and implementation of controls relating to journals and accounting estimates; • We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; • We have tested the appropriateness of journals and adjustments made in the preparation of the Report and Financial Statements. We have used Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest; • We have reviewed accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above; • We have obtained an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
Conclusion	Our work on this risk is complete. We have no control findings to raise in relation to this significant risk.

Significant risks (continued)
Risk 2 – Property Valuation

Risk identified	The College held £56.23m of property assets (land and buildings) at 31 July 2023 which increased to £57.87m as at 31 July 2024. In 2023/24 the College has performed a full independent valuation of its estate as at 31 July 2024. The College is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value. The College's land and buildings are revalued every 5 years for the purposes of the financial statements with an interim valuation after 3 years. Land and buildings have been valued as at 31 July 2024 (full valuation) on the basis of depreciated replacement cost by the Colleges appointed external valuer.
Our response	• We have tested the design and implementation of key controls in place around the property valuation; • We have engaged early with the College, using our valuation specialists to challenge the assumptions applied by management in the valuations; • We have tested the inputs to the valuation and the key asset information provided by the College to the valuer back to supporting documentation; • We have used our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the College's Land and Buildings.
Conclusion	Our work on this significant risk is complete. We have identified two control findings which we report to Committee. Details of both of these findings are included on page 28.

Significant risks (continued)

Risk 3 – Operating within the funding provided

Risk identified	In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition. We consider this fraud risk to be focused on how management operate within the funding available. The risk is that Inverness College could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position. The significant risk is therefore pinpointed to the completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.
Our response	We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Funding Council (SFC). Our work in this area has included the following: • Evaluated the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end; • Obtained independent confirmation of the funding allocated to the College by the SFC and UHI; • Performed focused testing of a sample of accruals and prepayments made at the year-end; and • Performed focused testing of a sample of invoices received and paid around the year end.

Significant risks (continued)

Risk 3 – Operating within the funding provided (continued)

Conclusion	Our work on this risk is complete. We have one item to report to the Audit Committee in relation to this significant risk. This is in relation to the Job Evaluation Scheme. Included within the 2023/24 Accounts Direction were details of a change in the funding arrangements for the national job evaluation exercise. The updated Accounts Direction instructed colleges to remove the accrued income being recognised in relation to the job evaluation scheme and reclassify the liability from accruals to provisions. This change was communicated in the Accounts Direction issued by the Scottish Funding Council on 18th September 2024. As this was before the 2022/23 Annual Report and Accounts had been signed, this should have been treated as an adjusting post balance sheet event in 2022/23. This has therefore been corrected through a prior year restatement. Management have posted this adjustment in the updated accounts. The in-year impact for accounting for the Job Evaluation Scheme liability is £367k. We note that £2.02m of Job Evaluation Scheme liability has been reclassified from accruals to provisions.

Significant risks (continued)

Risk 4 – Completeness of income

Risk identified	ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks. We have assessed the income streams for the College and concluded that the risk of a material misstatement due to fraud can be pinpointed to the non-recurrent funding as there is no judgement in respect of the recurrent grants from the SFC and UHI. We have pinpointed the non-recurrent funding risk to be in relation to: • Incorrect recognition applied to grant income with conditions attached; and • Incorrect recognition where performance conditions are in place.
Our response	We have performed the following procedures: • Tested the design and implementation of key controls in place around the recognition of non-recurrent funding; • Tested a sample of grants for any evidence of clawback of income where conditions of entitlement have not been met; and • Tested a sample of grants with performance conditions to ensure income is recognised correctly in line with the outlined requirements.
Conclusion	Our work on this significant risk is complete. We have one control finding to report to the Audit Committee on this significant risk regarding retention of grant agreements. See page 28 for further details.

2.5 Other areas of audit focus

We have identified the below areas of audit interest, although do not consider these to be significant risks

Risk identified	Pension Liability
Summary	Retirement benefits to employees of the College are provided by the Highland Council Pension Fund (HCPF), which administers the Local Government Pension Scheme (LGPS) and managed by Highland Council, and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). The pension balance has remained in an asset position between financial years 2022/23 and 2023/24. Hymans Robertson LLP are the College's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk.
Deloitte response	We have performed the following procedures to address the risk: • Engaged with the Pension Fund Auditor to ensure timetables are aligned to provide the required assurances; • Assessed the independence and expertise of the actuary supporting the basis of reliance upon their work; • Reviewed and challenged the assumptions made by Hymans Robertson; • We have obtained assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary; • We have assessed the reasonableness of the College's share of the total assets of the scheme with the Pension Fund annual accounts and the Funds estimated asset position at 31 July 2024; • Reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities; • Reviewed the disclosures within the accounts against the FE SORP; and • Engaged Deloitte's internal pensions experts to assist with the above procedures.
Conclusion	Our work on this area of audit focus is complete. Our pension specialists have raised one finding which requires reporting to the Audit Committee: • A judgemental adjustment in relation to allowance for the Goodwin case. The total value of this adjustment is £34k. See details on page 29.

Other significant findings

Financial reporting findings

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

Qualitative aspects of your accounting practices:

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

Liaison with internal audit

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

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

Our audit report

Other matters relating to the form and content of our report

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

Our opinion on the Annual Report and Accounts

We have issued an unmodified audit report.

Going concern

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

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

Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

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

Other reporting responsibilities

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

Opinion on regularity

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

Your Annual Report and Accounts

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

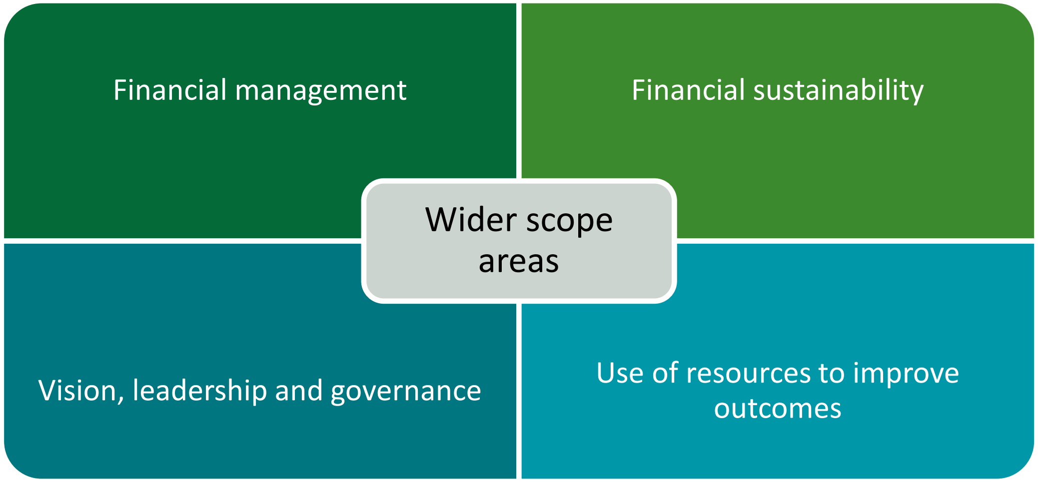
	Requirement	Deloitte response
The Performance Report	The report outlines the College's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the College.	We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed the necessary changes have been made.
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the Accounts Direction. No exceptions noted. We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed the necessary changes have been made.


Wider scope audit

Wider scope requirements

Overview

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



In its planning guidance, Audit Scotland has also highlighted climate change as a national and sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2023/24 audits.

Our audit work has considered how Inverness College is addressing these risks. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

Wider scope requirements (continued)

Financial management

Was financial balance achieved?

Is there sound budgetary processes in place?

Is the control environment and internal controls operating effectively?

Financial Management

Risk identified

The College sector in Scotland is going through a period of financial challenge. There is a risk that Inverness College does not have the financial controls in place to monitor and respond to these challenges.

Current year financial performance

We note that the wider financial landscape in which Inverness College operates is challenging, which in turn creates specific challenges for Inverness College. However, from a financial management perspective, we note that the final outturn position was in line with the 2023/24 budget set at the beginning of the year.

The forecast outturn position for Inverness College in 2023/24 was a deficit position of £739k. This was made up of total income of £28,384k and total expenditure of £29,123k.

The final outturn position achieved was a deficit of £310k. This was made up of total income of £30,509k and total expenditure of £30,819k. We note that the final outturn position was £429k ahead of the planned deficit.

Finance team structure

The finance team structure has remained consistent throughout the year. The Board continues to have a sufficiently qualified and experienced finance team to support the financial management of the Board. Included within our work on leadership and governance is our assessment of changes to the leadership team at Inverness College.

Budget processes

The Inverness College budget is approved by the College Board annually. The College Management Team and Board members regularly review progress against budget throughout the year, with quarterly reporting to the Board and the Governance and Scrutiny Committee. From review of the reporting throughout the year, variances are clearly reported and explained. There is also a clear link between the financial information reported in the year and the Annual Accounts through a clear reconciliation within the Performance Report. From our work performed in this area, we have not noted any issues with the financial management and budgetary processes at the college. The Board has effective financial planning and management arrangements in place

Deloitte view – financial management

We have not noted any issues with the financial management and budgetary processes at the College. The Board has effective financial planning and management arrangements in place.

Wider scope requirements (continued)

Financial sustainability

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

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

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

Financial Sustainability

Risk identified

The financial environment in which the College operates is challenging, with the impact of declining student numbers, together with inflationary pressures and national pay negotiations continuing to exacerbate an already challenging financial position. This creates a risk that the College will not be able to develop viable and sustainable financial plans.

Current year assessment

As noted above, the wider financial landscape in which Inverness College operates is challenging. In 2023/24 the college recorded a deficit of £310k. Although this was primarily impacted by a one-off loss on disposal of fixed assets of £467k in the year. In 2024/25 the forecast deficit is £751k, which is forecast to decrease to £220k in 2025/26 and £13k in 2026/27.

Medium to Long Term Planning

Recruitment for Higher Education (HE) saw a downward trend in the year with the college identifying that more HE part time offerings are required. The college is working with UHI partners to review the curriculum offered. Further Education (FE) activity over exceeded its target for the second year in a row.

The key issue in the college sector is the five-year projected public sector financial outlook which sees flat funding for the college sector and reduced capital funding.

Currently, there is no recovery plan in place with the focus of the college being on improving both HE and FE activity as well as continuing to receive the necessary funding.

Deloitte view – financial sustainability

We note that Inverness College is facing financial sustainability challenges, specifically in relation to flat funding and rising staff costs. We note that student recruitment levels at Inverness College have improved in recent years and the College exceeded their FE target for 2023/24. We note that the College is currently forecasting that it is financially sustainable, with actions being taken to address financial challenges seen across the College sector.

Wider scope requirements (continued)

Vision, leadership and governance

Does the body have a clear vision and strategy?

Is there evidence that leaders are adaptable to a changing environment?

Do members and senior managers have a culture of cooperation and working constructively in partnership?

Vision, leadership and governance

Risk Identified

There is a risk around the effectiveness of the governance arrangements in place to ensure there is effective scrutiny, challenge and informed decision making.

Strategic Plan

We note that Inverness College has a Strategic Plan for 2022-2026 published on their website. From our review of the Strategic Plan in place at Inverness, we note that the college has a clear vision and strategy which included a clear set of priorities. In addition to this, a key focus is being placed on sustainability which is embedded within the governance arrangements at the College.

The strategic plan includes 5 key strategic pillars which are included with specific aims attached to each one. Each of these pillars includes a strategic aim, and four to six key strategic objectives. These objectives are in place to ensure the priorities are aligned with the needs of the communities and individuals. The strategic plan and policies are all published on the Inverness College website, evidencing the information is accessible to relevant communities.

Adapting to a changing environment

We note from our review of committee meeting minutes and our attendance at Audit Committee meetings that the leaders of the College are adapting to a changing environment. This includes regular reviews of financial performance, and discussions on curriculum reviews as noted on the following slide.

Deloitte view – Vision, leadership and governance

We note from our wider scope work performed that during the 2023/24 financial year there were governance arrangement in place at the College which showed the leadership team working collaboratively to adapt to a changing environment.

Wider scope requirements (continued)

Use of resources to improve outcomes

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

Have alternate models of delivery been considered?

Are user needs and views included in the evaluation of service delivery and quality?

Use of resources to improve outcomes

Risk identified

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

Use of resources to improve outcomes

Inverness College has a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. The most recent inspection report, published by Education Scotland in July 2024, notes major strengths in the College's approach to assuring and enhancing the quality of learning and teaching, including learner engagement.

Student recruitment

One of the key KPIs in place at the College is in relation to student recruitment. This is monitored and reported on the monthly basis to the College Board. We note that the key metrics are HE and FE student recruitment. In 2023/24, the College delivered 26,454 FE credits against a target of 26,442 credits, equivalent to 100% of the target. Inverness College delivered a total full-time equivalent (FTE) HE students of 1,259 FTE against a target of 1,418 FTE, equivalent to 89% of the target.

There is an acknowledgement of the lower than budget HE activity in the year and the College have plans in place to improve upon this going forward. A curriculum review is due to take place in order to improve on these targets.

Deloitte view – Use of resources to improve outcomes

We note that the College has received a positive inspection report from Education Scotland in 2023/24, noting major strengths in relation to quality of learning and engagement. We note from our work performed on financial sustainability that the College has governance arrangements in place to demonstrate the best use of available resources to improve outcomes.

Wider scope requirements (continued)

Climate change

Risks identified in Audit Plan

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

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Question	Inverness College position
1. What targets has the body set for reducing emissions in its own organisation or in Its local area?	Inverness College has an Environmental Sustainability Strategy in place. This includes targets that the College has set to achieve net carbon zero emissions by 2040. However, we note that this does not include interim targets to measure progress. We recommend that these are incorporated into the Strategy and are reported to the College Board on a timely basis.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	Inverness College has a Carbon Management Plan in place. This management plan sets out the College's strategy and how it intends to achieve its targets.
3. How does the body monitor and report progress towards meeting its emission targets internally and publicly?	We note that Inverness College have a Carbon Management Team which meets on a regular basis to monitor how the College can reduce its carbon footprint through all its operations. This includes reviewing the progress of current projects and monitoring key emissions statistics over time. We note that the College has not set interim targets to measure progress against is Sustainability Strategy. See recommendation above in relation to monitoring progress against emissions targets.

Wider scope requirements (continued)

Climate change (continued)

Question	Inverness College position
4. Has the body considered the impact of climate change on its financial statements?	No specific consideration has been given to the impact of climate change on the financial statements. Given the size of the organisation, the expected impact on the financial statements is minimal.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	Included with the Inverness College financial statements is a section on "Sustainability Strategy". Included within this section are details of the College's Carbon Management Plan, Sustainability Strategy Implementation Group, and the Sustainability Strategy itself.

Deloitte view – Climate change

We note that Inverness College have a sustainability target to achieve net carbon zero emissions by 2040. This does not include interim targets to measure progress. We recommend that these are incorporated into the Sustainability Strategy and are reported to the College Board on a timely basis.

Inverness College has a Carbon Management Plan in place. This management plan sets out the College's strategy and how it intends to achieve its targets.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

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

The scope of our work

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

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

Use of this report

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

What we don't report

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

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

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

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

Deloitte LLP

Deloitte LLP

Newcastle | 31 January 2025

Appendices

Control findings

The following recommendations have arisen from our 2023/24 audit work performed to date:

Finding	Recommendation	Priority	Management Response
No fixed asset register: UHI Inverness does not hold and maintain a Fixed Asset Register. This creates a risk that College assets are not being correctly recorded or accounted for.	It is recommended that a fixed asset register is created and maintained going forward.		The college will update the fixed asset register and continue to keep it up to date going forward.
Information provided to valuer: UHI Inverness does not keep floor plans and site plans of the land and buildings that have been revalued. This prevents the audit team from verifying the inputs that are used in the revaluation calculation. UHI Inverness sent these measurements to Shepard's (external valuer) in 2019 when they were first engaged and have not maintained them since.	It is recommended that floor plans are maintained annually and provided to the College's external valuer ahead of each valuation per the rolling valuation cycle.		Floor plans will be provided to the college valuer prior to a revaluation exercise.
NPD creditor agreement: We noted that the College has not retained the original NPD service concession agreement.	It is recommended that the College seek to source a copy of the original agreement and retain this going forwards.		The college will attempt to source a copy of the original NPD agreement.
Retention of grant agreements for deferred capital grants: We noted that the College have not retained the original grant agreements for many of the capital grants.	It is recommended that the College looks to source original grant income documentation from the relevant party and moving forward, we would suggest that they retain any relevant documentation.		Copies of future deferred capital grants will be held on file going forward.

High Medium Low

Audit adjustments

Unadjusted misstatements

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

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Overstatement of revaluation surplus	[1]	300	-	(300)	-	
No allowance has been made in relation to the Goodwin case.	[2]	-	(34)	-	34	N/A
Total		**300**	**(34)**	**(300)**	**34**	

[1] Deloitte note that the Longman Site was classified as held for sale in 2022/23. The site had an upwards revaluation in 2021/22 of £300k, and in 2022/23 the asset was impaired by £1,060k. UHI Inverness wrote off the entire amount to the I&E without debiting the Revaluation Surplus of £300k. In addition, the asset was sold in 2023/24 and revaluation surplus of £300k still remains signifying that the Revaluation Surplus is overstated by £300k.

[2] No allowance has been made in relation to the Goodwin case in the FY24 liability value. In our view an allowance should be made, as a past service cost. Based on available information, we believe the cost of this would be £34k. We note that this is a judgemental misstatement based on assumptions used by actuarial specialists.

Disclosures

Disclosure misstatements

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

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
None noted.		

Other disclosure recommendations

Although the omission of the following disclosures does not materially impact the financial statements, we are drawing the omitted disclosures to your attention because we believe it would improve the financial statements to include them or because you could be subject to challenge from regulators or other stakeholders as to why they were not included.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
None noted.		

Our other responsibilities explained

Fraud responsibilities and representations

Responsibilities:

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

Required representations:

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

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

Audit work performed:

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

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

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

Independence and fees

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

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and our objectivity is not compromised.
Fees	The expected fee for 2023/24, as communicated by Audit Scotland in December 2022 is analysed below:

	£
Auditor remuneration	48,890
Audit Scotland fixed charges:	
• Pooled costs	(5,220)
• Sectoral cap adjustment	(11,990)
Total expected fee	**31,770**

There are no non-audit fees.

Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the College's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the College, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.