West Lothian College

2023/24 Annual Audit Report

AUDIT SCOTLAND

Prepared for West Lothian College and the Auditor General for Scotland

March 2025

Contents

Key messages

2023/24 annual report and accounts

1 Audit opinions on the annual report and accounts are unmodified, i.e. the financial statements and related reports are free from material misstatement.

2 Key risks arising from the audit of West Lothian College's accounts reported in our Annual Audit Plan were presented to the Audit Committee in June 2024. There are a number of significant matters from that work to draw to the attention of the Board in Exhibit 2.

3 There were a number of factors that impacted the provision of a full set of unaudited accounts including the late provision of pension reports from the actuary, the late provision of guidance on adjustments to the middle management and support staff job evaluation disclosures and the absence of the key finance contact during the accounts audit process.

Wider Scope

4 The college reported a deficit of £3.033 million for 2023/24 with an Adjusted Operating Position of £0.532 million.

5 West Lothian College projected a deficit in their agreed 2024/25 Annual Budget but subsequent actions have resulted in a projected surplus at 31 July 2025.

6 The college had appropriate and effective financial management in place with regular budget monitoring reports provided to the Finance and General Purposes committee.

7 We are satisfied that the college has arrangements in place to secure Best Value. There is scope to enhance arrangements through completion of an annual self-assessment.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of West Lothian College (the college). The scope of the audit was set out in an Annual Audit Plan presented to the June 2024 meeting of the Audit Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of West Lothian College's annual report and accounts
- wider scope areas that frame public audit as set out in the Code of Audit Practice, for which less complex bodies includes conclusions on financial sustainability

2. This report is addressed to the Board of West Lothian College and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. Brian Battison was appointed by the Auditor General as auditor of West Lothian College for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second of our five-year appointment.

4. The team would like to thank the staff of the college, particularly those in finance, for their cooperation and assistance in this year's audit, and we look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

5. West Lothian College has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the account's direction from the Scottish Funding Council. West Lothian College is also responsible for establishing appropriate and effective arrangements for governance, propriety, and regularity.

6. The responsibilities as the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000, the Code of Audit Practice and supplementary guidance, and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to attention during our team's normal audit work and may not be all that exist. Communicating these does not absolve management of West Lothian College from its responsibility to address the issues raised and to maintain adequate systems of control.

8. This report contains an agreed action plan at Appendix 1. It sets out specific recommendations, the responsible officers, and dates for implementation.

Communication of fraud or suspected fraud

9. In line with ISA 240, in presenting this report to the Audit Committee we seek confirmation from members of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members of the Audit Committee have any such knowledge or concerns relating to the risk of fraud within the college, we invite them to communicate this to the appointed auditor for consideration.

Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. I can also confirm that my team and I have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £26,200 as set out in my 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. The annual audit adds value to West Lothian College by:

- identifying and providing insight on significant risks and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual reports and accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Audit opinions on the annual report and accounts are unmodified.

There were a number of misstatements identified during the audit which resulted in adjustments to the primary statements, including prior year adjustments.

There were a number of factors that impacted the provision of a full set of unaudited accounts including the late provision of pension reports from the actuary, the late provision of guidance on adjustments to the job evaluation disclosures and the absence of the key finance contact during the accounts audit process.

Audit opinions on the annual report and accounts are unmodified

12. The Audit Committee considered the annual report and accounts for West Lothian College for the year ended 31 July 2024 at their meeting on the 3 December 2024. The Audit Committee recommended these statements to the college's Board for approval on the 3 December 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor, the financial statements:

- give a true and fair view of the state of the college's affairs as at 31 July 2024 and if its deficit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- 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).

Overall materiality was assessed on receipt of the unaudited annual report and accounts as £424,000

13. The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

14. My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£424,000
Performance materiality	£318,000
Reporting threshold	£21,000

Source: Audit Scotland

15. The overall materiality threshold was set with reference to gross expenditure, which was judged as the figure most relevant to the users of the financial statements.

16. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a low level of errors in prior years.

17. It is my responsibility to request that all misstatements, other than those below our reporting threshold are corrected. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

18. Under International Standard on Auditing (UK) 260, I communicate significant findings from the audit to the Board, including my view about the qualitative aspects of West Lothian College's accounting practices.

19. The Code of Audit Practice also requires me to highlight key audit matters which are defined in ISA (UK) 701 as those matters judged to be of most significance. The significant findings are summarised in Exhibit 2.

Exhibit 2

Significant findings and key audit matters from the audit of the annual report and accounts

Issue	Resolution
1. Middle management and support staff job evaluation exercise The national middle management and support staff job evaluation scheme is an ongoing exercise whereby roles and responsibilities are being reviewed for support staff across the college sector. This evaluation process has been ongoing since 2018. In previous years, the Scottish Funding Council held in reserve grant funding provided by the Scottish Government that relates to the middle management and support staff job evaluation exercise. The 2023/24 Accounts Direction issued by the Scottish Funding Council confirmed that these funds were returned to the Scottish Government in 2022/23. It also confirmed that the Scottish Government now considers that no valid expectation has been determined regarding whether a liability exists at the reporting date. Consequently, it advised colleges to disclose a contingent liability for the exercise. Scottish colleges have been including both an accrual for the costs involved once the evaluation exercise has concluded, and a debtor for the amount the Scottish Funding Council would pay to the colleges to support the costs involved. The overall accounting impact each year since 2018 in the Statement of Comprehensive Income and Balance Sheet was a net effect of nil. The Scottish Funding Council subsequently issued an addendum to the Accounts Direction on the 13 November 2024, advising the costs of the exercise should be recognised and a liability provided for the total cost of the exercise to date. Given the timing of the outflow of benefits remains uncertain, a provision was deemed the most appropriate accounting treatment.	It was agreed with West Lothian College that the adjustments indicated in the Scottish Funding Council addendum to the 2023/24 Accounts Direction, provided on the 13 November 2024, should be included in the 2023/24 accounts. These included: • Derecognising the college's 2023/24 accumulated accrual of £1.5 million and instead recognise this value as a provision. • Adding an accrual of £0.3 million to the 2023/24 provision total which represents the estimated costs incurred for the current year in relation to the job evaluation exercise. • Removal of the 2023/24 £1.5 million debtor for funding that would be provided by the Scottish Funding Council on conclusion of the exercise. This derecognition impacts the deficit in the Statement of Comprehensive Income. The addendum to the 2023/24 Accounts Direction allows the reversal of £1.8 million (£1.5 million debtor reversal and current year estimated cost of £0.3 million through the Adjusted Operating Position. The adjustments were actioned in 2023/24 with no changes made to 2022/23 accounts as official notification of changes in funding status was not received by the college until April 2024.

Issue	Resolution
2. Valuation of land and buildings The college obtained a valuation of the college's full estate as at 31 July 2024 as part of the college's prescribed approach which requires a full valuation of land and buildings every five years. The valuation report provided a total valuation of £28.727 million. The college's unaudited accounts and Fixed Assets Register (FAR) contained an additional value of £1.695 million at 31 July 2024 across land and buildings. The variance related to assets identified by the college which did not correlate with the valuer's report as these were enhancements to existing buildings as opposed to new assets. These items were included in the unaudited accounts in addition to the valuation total of £28.727 million. The audit team requested that the college confirm with the valuer if the additional assets in the FAR and unaudited accounts formed part of the valuer's assessment in the valuation report at 31 July 2024. This was confirmed by the valuer. Further investigation identified that the £1.695 million related to four assets and that these had been included in the prior year.	The college finance team updated the accounts to remove the duplicated value of £1.695 million from the prior year balances, which reduced the opening gross value for land and building in the current year and an adjustment to account for depreciation on these assets. We reviewed and confirmed that the prior year adjustments made were appropriate. **Recommendation 1** (Refer Appendix 1, action plan) The college should ensure there is a clear reconciliation between any valuation report figures and the amounts included in the FAR which feed the annual accounts. Any anomalies should be queried with the valuer and resolved prior to provision of accounts for audit.
3. Asset additions and disposals In 2022/23 and 2023/24, West Lothian College received two grant awards from the Scottish Government under the ***'Low Carbon Retrofit from Green Public Sector Estate Decarbonisation Scheme'*** for the completion of a low carbon retrofit of building three and energy efficiency upgrades at building four within the West Lothian College campus. The audit identified that the college unaudited accounts did not contain any additions for the costs incurred on the building three project in 2023/24. As project costs were incurred in 2023/24, these should be recognised within capital additions for 2023/24. Further, as part of our work on fixed assets, we identified that the disposals included under 'Fixed plant' (cost and depreciation) were incorrectly included.	We confirmed that the accounts were updated to include additions of £2.435 million relating to the decarbonisation project on building three. The adjustments made were appropriate, based on our understanding. We confirmed that the accounts were updated to remove £243,000 from both the fixed plant disposals lines for cost and depreciation.

Issue	Resolution
4. Revaluation Reserve asset lives During our testing of movements in the revaluation reserve it was identified that the asset lives used to calculate the release from the reserve for the excess depreciation charged on revalued assets was based on a straight-line depreciation method in line with accounting policies agreed by the Board of Governors. FRS (Financial Reporting Standard) 102 requires that where the useful life has changed (such as from a valuers report) this information should be used to update the calculation of the release from the revaluation reserve. The college were asked to carry out an exercise to quantify the impact of using the valuers estimation of remaining economic life rather than the straight-line method. The quantified movement was above our materiality level. The college updated the prior year closing balance for the revaluation reserve to reflect the corrected position.	We reviewed the updated working papers and accounts to ensure the accounts had been updated correctly. We were content with the adjustments made to the prior year balances for the misstatement identified are appropriate. **Recommendation 2** (Refer Appendix 1, action plan) The college should review and update their workbook relating to the release of reserves to offset the excess depreciation charged on revalued assets to ensure going forward there is a clear and consistent process relating to the application of asset lives from valuation reports.

Source: Audit Scotland

Audit work responded to the risks of material misstatement identified in the annual report and accounts

20. The team obtained audit assurances over the identified significant risks of material misstatement in the annual report and accounts. Exhibit 3 sets out the significant risks of material misstatement to the annual report and accounts identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3
Significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance results and conclusions
Risk of material misstatement due to fraud caused by management override of controls As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud	**Controls** • Assessed the design and implementation of controls over journal entry processing. • Assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. **Methodology and assumptions**

Audit risk	Assurance results and conclusions
because of management's ability to override controls that otherwise appear to be operating effectively.	• Assessed any changes to the methods and underlying assumptions used by management to prepare accounting estimates compared to the prior year. **Testing** • Made inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and substantively testing journal entries throughout the year. • Tested sample of journals at the year end and post-closing entries with focus on significant risk areas. • Evaluated any significant transactions outside the normal course of business. • Confirmed through substantive testing that income and expenditure transactions around the year-end have been accounted for in the correct financial year. • Tested samples of accruals and prepayments. • Confirmed related party disclosures were appropriate. **Results:** We are satisfied that there is no material misstatement due to management override of controls.
Estimation in the valuation of land and buildings There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions, and changes in these can result in material changes to valuations. Due to the inherent complexity and subjectivity risks regarding land and building valuations, a significant risk of material misstatement in the 2023/24 valuations has been identified.	**Management Experts** • Evaluated the competence, capabilities and objectivity of the professional valuers. **Methodology and assumptions** • Assessed the methodology used by the valuers by considering whether valuations were conducted in accordance with the RICS Valuation Professional Standards 'the Red Book'. • Assessed the reasonableness of valuations conducted by the professional valuers, including the use of any assumptions. **Testing** • Substantively testing the reconciliation between the financial ledger and the asset register, including a sample of land and building assets revalued in the year. **Disclosures** • Assessed the adequacy of the college's disclosures regarding the assumptions in relation to the valuation of land and buildings. **Results:** We are satisfied the current valuation of land and buildings is not materially misstated.

Source: Audit Scotland

21. In addition, we identified an “area of audit focus” in our 2023/24 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. This area of specific audit focus was:

- **Estimation in the valuation of pension asset or liability:** The calculation of the pension asset or liability requires the use of an actuarial methodology based on a range of assumptions including financial and demographic assumptions. We assessed the scope, independence and competence of the professionals engaged in providing estimates for pensions and reviewed the appropriateness of actuarial assumptions and results.

  We also confirmed the arrangements for ensuring the reasonableness of the professional estimations and the accuracy of information provided to the actuary by West Lothian College. For 2023/24, the actuary calculated a pension asset. The actuary applied an asset ceiling as required by accounting standards which resulted in a nil balance being recognised in the annual accounts.

  As part of our work, we confirmed that the unfunded pension liabilities had been included as a liability. Unfunded pension liabilities generally relate to provisions for discretionary enhancements to retirement benefits (e.g. payments for early retirement paid by the body rather than the pension fund). IAS 19 treats them as termination benefits. The unfunded liability should therefore be presented separately from the net defined benefit asset or liability. We were content with the presentation of the unfunded liabilities in the accounts and associated narrative information included.

  We reviewed the pension disclosures in the accounts against the actuary reports. It was identified that the presentation of the prior year disclosures required updating to reflect current approach to presenting the asset ceiling and unfunded pension information. A prior year restatement was undertaken to update the presentation of the prior year pension disclosures to bring them in line with the current year.

There were a number of adjustments to the annual report and accounts

22. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

23. The material adjustments made to the financial statements have been documented in our Exhibit 2 table. We undertook some additional checks to understand the nature and cause of these adjustments and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

24. Two uncorrected misstatements were noted during our audit testing. These related to depreciation and impairment adjustment to the revaluation reserve and totalled £0.266 million. These misstatements were not corrected in the financial statements. The impact of these uncorrected misstatements was below our performance materiality level as explained in Exhibit 1. We are satisfied that these unadjusted misstatements do not have a material impact on the financial statements.

25. In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

The unaudited annual report and accounts were received in line with the agreed audit timetable although there were a number of omissions

26. The unaudited financial statements were received as agreed per the audit timetable in the annual audit plan with the annual report being received only two days later than expected. There were a number of omissions which could not be included in the accounts, due to external factors. These were:

- pension disclosures could not be included as the actuary had not provided the required reports prior to the agreed presentation of the unaudited annual report and accounts to the audit team. The actuary reports were provided on 25 October 2024.

- The recommended adjustments in relation to the job evaluation scheme had not been provided by the Scottish Funding Council prior to the accounts being presented to audit. The addendum to the Accounts Direction from the Scottish Funding Council was provided on 13 November 2024. The late nature of the guidance impacted the audit as the changes impacted all the primary statements, narrative disclosures and a number of notes, along with the Adjusted Operating Position (AOP).

27. In addition, there were a number of financial statement disclosures that had not been completed in the unaudited accounts presented for audit, for example, the related parties note, the leases note, the accounts direction and elements of the Remuneration Report. The audit has been able to progress, however, the late nature of the information in relation to pensions and the job evaluation scheme, along with the absence of key finance person, has resulted in an extended timetable to the audit. These issues were clearly not within the control of the college and we are grateful to finance staff and others within the college for their help in completing the audit.

Good progress was made on prior year recommendations

28. West Lothian College has made good progress in implementing the agreed prior year audit recommendations, as set out in Appendix 1.

2. Wider scope

For less complex bodies wider-scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer term

Conclusion

The college reported a deficit of £3.033 million for 2023/24 with an Adjusted Operating Position deficit of £0.532 million.

West Lothian College projected a deficit in their agreed 2024/25 Annual Budget but subsequent actions have resulted in a projected surplus at 31 July 2025.

The college had appropriate and effective financial management in place with regular budget monitoring reports provided to the Finance and General Purposes committee.

We are satisfied that the college has arrangements in place to secure Best Value. There is scope to enhance arrangements through completion of an annual self-assessment.

West Lothian College reported a deficit in 2023/24

29. West Lothian College reports its financial performance over the academic year to 31 July. It must meet the resource expenditure limits set by the Scottish Government Lifelong Learning Directorate through the Scottish Funding Council.

30. The adjusted operating position is used by the Scottish Funding Council to measure colleges' financial sustainability. It is intended to reflect the financial performance of the college after allowing for material one-off or distorting items. The college's 2023/24 budget had forecast an adjusted operating position (AOP) deficit of £0.467 million. As can be seen in Exhibit 4 below the college reported an AOP deficit of £0.532 million. The increase was largely attributed to the additional cost of the increased national pay offer and the costs of running a voluntary severance scheme, both of which were agreed after the Board of Governors approved the 2023/24 budget. This overall position shows a significant improvement over the 2022/23 position.

Exhibit 4
Adjusted Operating Position in 2023/24

	2023/24 £m	2022/23 (restated) £m	2021/22 £m
Deficit before other gains and losses	(3,033)	(2,585)	(2,636)
Depreciation (net of deferred capital grant)	523	644	409
Pension adjustments	252	625	2,336
Adjustment for Middle Management and Support Staff scheme	1,811	-	-
Cash Budget for Priorities (CBP) allocated to Early Retirement payments	(190)	(190)	(190)
Exceptional impairment Loss	105	-	-
Total cash requirement	**(532)**	**(1,506)**	**(81)**

Source: West Lothian College Annual Report and Accounts 2023/24

West Lothian College set a forecast deficit position for 2024/25 but the latest management accounts show an improved projected position for year end 31 July 2025

31. The college presented the 2024/25 annual budget to the Finance and General Purposes committee after scrutiny by the executive leadership, before being approved by the Board of Governors in June 2024. The 2024/25 budget was set based on a flat cash settlement by the Scottish Funding Council and built in pay awards and inflationary increases to non-staff costs, resulting in a projected trading deficit of £0.304 million and forecast Adjusted Operating Position of £0.495 million.

32. In recent committee meeting papers, the college's cash position has been highlighted as concerning. To help improve the cash position, the Board agreed at their meeting in September 2024 that the college's financial strategy going forward would be to budget for trading surpluses in order to improve the cash position.

33. Although the Board had agreed the trading deficit for 2024/25, the Executive Leadership Team (ELT) agreed to take action to return the college to either break-even or surplus on a trading basis for 2024/25 and future years. To achieve this, the ELT has taken the following actions:

- only filling vacancies in student facing roles, with all other vacancies requiring executive leadership team approval.

- requesting extension to the college's current loan break from the Scottish Funding Council and permission to offset this against running costs. Discussions are ongoing with the Scottish Funding Council.
- Moving to a smaller management cohort
- Not continuing with a number of fixed term posts beyond July 2025 and not back filling all roles when postholders leave e.g. through retirement.

34. The management accounts from October 2024 for 2024/25 are forecasting a trading surplus of £0.390 million for year ended 31 July 2025. Overall the forecast represents a significant improvement compared to the deficit budget of £0.304 million approved by the Board of Governors in June 2024.

35. The college has also considered an additional voluntary severance exercise on top of the actions above. The Scottish Funding Council has indicated that it may be possible to provide the college with an interest free loan to fund the voluntary severance scheme.

36. Overall, the college continues to take actions to return the college to trading surplus which would help with the cash position. We have concluded that the college has appropriate and effective financial management in place with regular budget meeting held by the ELT and monitoring reports provided to the Finance and General Purposes committee.

The college received capital grant awards of £5.7 million to support decarbonisation of the estate

37. The Scottish Government awarded West Lothian College two grants in 2022/23 and 2023/24 under the ***'Low Carbon Retrofit from Green Public Sector Estate Decarbonisation Scheme'*** for the completion of a low carbon retrofit and energy efficiency upgrades to buildings three and four within the West Lothian College campus. The work under the first project was completed in the year to 31 July and the cost of £2 million included in the accounts to 31 July 2024. Work began on the second project during 2023/24 and an amount of £2.435 million (total grant award £3.785 million) was included within capital additions at the 31 July 2024. A correction was required in the accounts to ensure the inclusion of the £2.435 million capital costs, details of which are include under 'significant findings' in Exhibit 2. Through the use of the Scottish Government grant awards, the college has made enhancements to buildings which help reduce carbon emissions which also extend the life of these assets.

West Lothian College has appropriate financial control arrangements in place

38. From a review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we did not identify any significant internal control weaknesses which could affect West Lothian College's ability to record, process, summarise, and report financial and other relevant data and result in a material misstatement in the financial statements.

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

39. In the public sector there are specific fraud risks, including those relating to grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

40. The college has adequate arrangements in place to prevent and detect fraud or other irregularities.

Cyber Security

41. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. As in 2022/23, we have considered the college's arrangements for managing and mitigating cyber security risks. It is important to note that cyber-attacks are designed to circumvent existing controls and recent attacks on public bodies have occurred despite a robust control environment.

42. Elements of digital infrastructure are provided by West Lothian Council under a shared service agreement, but the college has its own digital infrastructure team responsible for the oversight of the information technology environment and delivery of the college's Digital Strategy.

43. Infrastructure and cyber security updates are provided at each Audit Committee meeting and the risks associated with cyber security are included and monitored as part of the College's Strategic Risk Register. We note the confirmation that Cyber Essential plus accreditation was achieved again in October 2024 along with a new contract with a supplier to extend email security arrangements. We have concluded that West Lothian College has adequate arrangements for cyber security and mitigation of cyber security risks.

Governance arrangements are appropriate

44. The college's governance arrangements have been set out in the Corporate Governance Report in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate and effective.

45. We have reviewed the Board, the Finance and General Purposes Committee and Audit Committee minutes and papers as part of our audit work. We are satisfied that papers are sufficiently detailed to allow for effective decision making and scrutiny of performance. We attend the Audit Committee and we have concluded that members are engaged during meetings and provide effective scrutiny and challenge.

46. As part of our review we consider openness and transparency and we are pleased to report that key corporate documents such as strategies, policies and procedures are easily accessible on the website. Minutes for the Board are published on the college website which is in line with requirements.

West Lothian College has appropriate arrangements in place for securing Best Value

47. Ministerial guidance for public bodies and the Scottish Public Finance Manual (SPFM) sets out management's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

48. We consider whether the college management have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. There is evidence of best value being demonstrated by the college across a range of areas including strategic planning, performance monitoring and delivery. From our discussions with officers, review of board and committee papers and attendance at committee meetings, we concluded that West Lothian College has satisfactory best value arrangements.

49. Although arrangements were overall considered to be appropriate, they could be further strengthened by incorporating the completion of an annual Best Value self-assessment, the results of which would be presented to the Audit Committee and Board.

Recommendation 3

Arrangements for securing Best Value could be further strengthened by incorporating an annual self-assessment in the organisation's governance procedures as a point of good practice.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Reconciliation between valuation report and Fixed Assets Register (FAR) The valuation report provided a total valuation of £28.727 million. The college's unaudited accounts and Fixed Assets Register (FAR) contained an additional value of £1.695 million at 31 July 2024 across land and buildings. The variance related to assets identified by the college which did not correlate with the valuer's report. These items were included in the unaudited accounts in addition to the valuation total of £28.727 million. **Risk** – There may be a material error if the identification of any anomalies between the college's records and the valuation report are not investigated and actioned.	The college should ensure there is a clear reconciliation between any valuation report values and the amounts included in the FAR which feed the annual accounts. Any anomalies should be queried with the valuer and cleared prior to presentation of unaudited accounts to audit. Exhibit 2	**Accepted** College will review FAR and valuation reconciliation processes including any actions required in relation to incorporating future additions to land, building and plant. **Responsible officer:** Head of Finance, Procurement and Student Funding **Agreed date:** 31 July 2025

Issue/risk	Recommendation	Agreed management action/timing
2. Revaluations reserve assets lives During our testing of movements in the revaluation reserve it was identified that the asset lives used to calculate the release from the reserve for the excess depreciation charged on revalued assets was based on a straight-line depreciation method in line with accounting policies agreed by the Board of Governors. FRS (Financial Reporting Standard) 102 requires that where the useful life has changed (such as from a valuers report) this information should be used to update the calculation of the release from the revaluation reserve. The college were asked to carry out an exercise to quantify the impact of using the valuers estimation of remaining economic life rather than the straight-line method. The quantified movement was above our materiality level. The college updated the prior year closing balance for the revaluation reserve to reflect the corrected position. **Risk** – There may be a material misstatement of revaluation reserve if the appropriate asset lives are not applied.	The college should review and update their workbook relating to the release of reserves to offset the excess depreciation charged on revalued assets to ensure going forward there is a clear and consistent process relating to the application of asset lives from valuation reports. Exhibit 2	**Accepted** The college will review the working paper and process for updating the revaluation reserve to ensure appropriate asset lives are used to although appropriate release of reserves for excess depreciation over revalued assets. **Responsible officer:** Head of Finance, Procurement and Student Funding **Agreed date:** 31 July 2025

Issue/risk	Recommendation	Agreed management action/timing
3. Best Value Self-assessment Ministerial guidance for Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The college's arrangements for securing Best Value have been assessed as part of the 2023/24 audit and judged to be appropriate. An annual self-assessment will further strengthen these arrangements and be a point of good practice.	Arrangements for securing Best Value could be further strengthened by incorporating an annual self-assessment in the college's governance procedures as a point of good practice. Paragraph 49	**Partially Accepted** While current arrangements are appropriate, West Lothian College will consider conducting an annual Best Value self-assessment to enhance these arrangements as a point of good practice. **Responsible officer:** Board Governance Advisor **Agreed date:** 31 July 2025

Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
b/f 1. Revaluation reserve During the audit it was identified that appropriate adjustments were not made in 2021/22 and 2022/23 to transfer excess depreciation on revalued assets to the income and expenditure account which required a material adjustment to the 2022/23 financial statements and a prior year restatement of the 2021/22 reserves. Risk – Material misstatement of reserves.	Recommendation We recommend that an annual review is completed of the revaluation reserve to ensure the appropriate adjustments are included for excess depreciation on revaluated assets. Agreed Action Annual review to be carried out.	**Implemented** **Responsible Officer:** Vice Principal for Finance and Estates **Implementation Date:** November 2024
b/f 2. Approval of journals Through discussions with management and our review of internal controls relating to journal entries we identified that there is no approval of journals processed. **Risk** – There is an increased risk of fraud or error where a secondary review of journals is not undertaken.	Recommendation We recommend that a review of the systems of internal control relating to the approval of journals is completed. As a minimum there should be a formal documented independent review/approval of journals processed as part of the management accounts process. Agreed Action As discussed, majority of journals are system processed. Agree a review of manual journals annually as part of the financial statements review, not monthly management accounts.	**Implemented** **Responsible Officer:** Vice Principal for Finance and Estates **Implementation Date:** November 2024
b/f 3. Maintenance of documents on College's website During our audit we identified that information, polices, and	Recommendation A regular review should be conducted of the corporate governance information and documents included on the	**Implemented** **Responsible Officer:** Vice Principal for Finance and Estates

Issue/risk	Recommendation and agreed action	Progress
committee papers included within the College's website were not up to date and included information and documents which have been superseded.	College's website to ensure that these are appropriate and reflect the current information available. Agreed Action The website has now been updated and going forward Senior Team will agree a process to ensure information is current.	

West Lothian College

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