



Moray College

Final report to the Audit Committee on the 2023/24 audit
19 December 2024

Contents

01 Final report

Partner introduction [3](#)

Annual Report and Accounts

Quality indicators [6](#)

Our audit explained [7](#)

Significant risks [8](#)

Deficiencies in internal control [14](#)

Other significant findings [15](#)

Our audit report [16](#)

Your Annual Report and Accounts [17](#)

Wider scope audit

Wider scope requirements [19](#)

Purpose of our report and responsibility statement [26](#)

03 Appendices

Control findings [28](#)

Audit adjustments [29](#)

Our other responsibilities explained [32](#)

Independence and fees [33](#)

1.1 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 Moray 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 October 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.

Our review of the Remuneration and Staff report identified an omitted disclosure in relation to off payroll engagements. We have confirmed that management have now included sufficient disclosure in relation to this.

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.

1.2 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 wider scope audit work

As noted in our audit report for 2022/23, Moray College has been facing financial sustainability challenges. Moray College has a Financial Recovery Plan (FRP) in place which documents several schemes the College is pursuing to improve their financial sustainability. We note that the College has made progress in achieving the savings targets set out in the FRP during 2023/24. See pages 19 to 25 for details of our wider scope work.

Control findings

Control deficiencies and findings identified from our 2023/24 audit are included on page 14 and 28, respectively.

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



2. Quality indicators

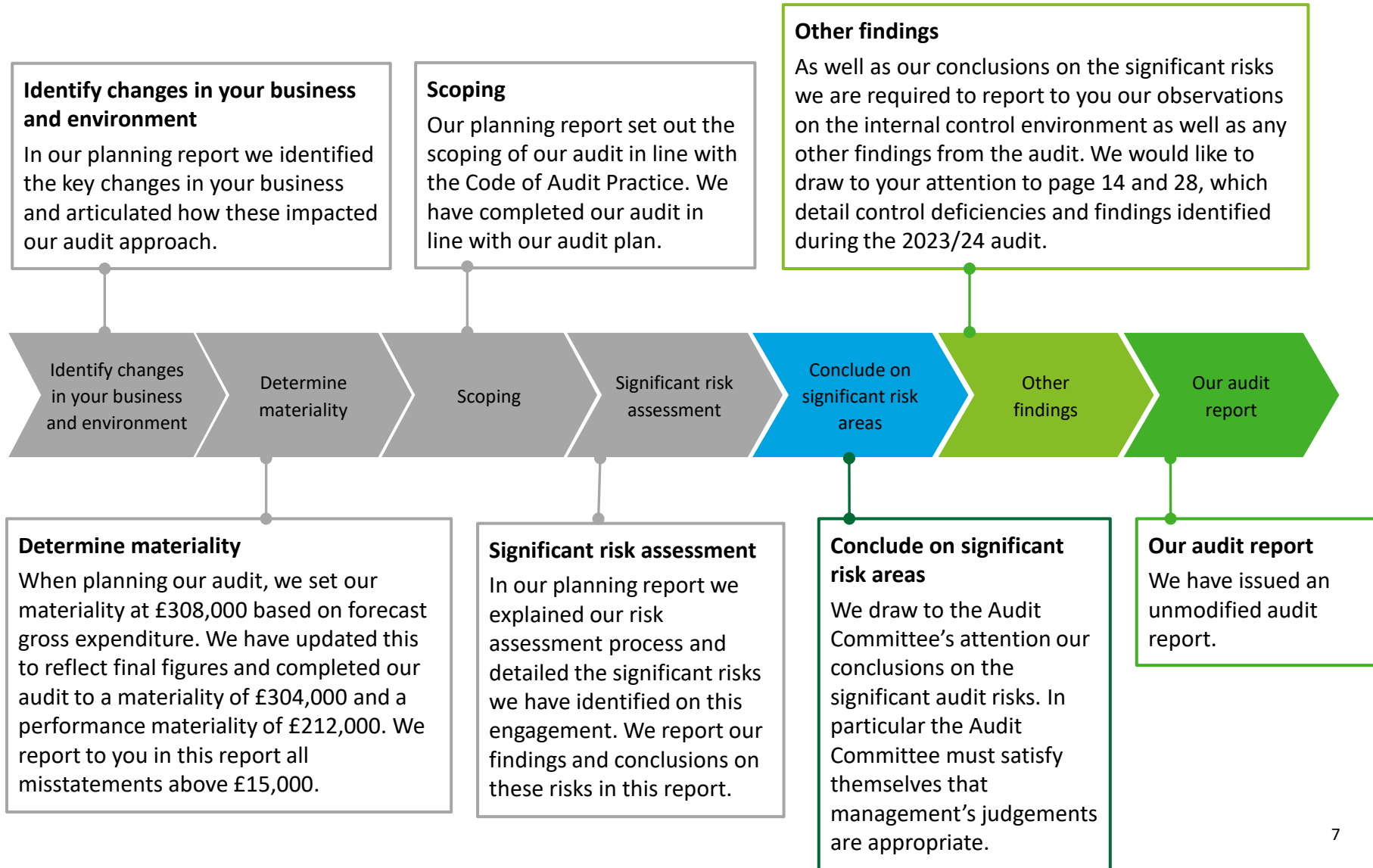
Impact on the execution of our audit

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	!	Posting of key judgement in relation to valuation of property assets provided to the audit team on 28 November.	N/A
Adherence to deliverables timetable	●	No issues to raise regarding adherence to deliverables timetable, except for the supporting information provided for our wider scope audit work, which was delayed by 2-4 weeks.	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	!	A high number of presentational and disclosure points raised on the draft version of the Annual Report and Accounts.	Page 17.
Response to control deficiencies identified	!	Two control deficiencies identified during our audit; further details can be found on page 14.	Page 14.
Volume and magnitude of identified errors	!	Material adjustment posted in relation to property valuation during the audit. Immaterial corrected misstatement identified in relation to accrued income.	N/A









3. Our audit explained

We tailor our audit to your business and your strategy



4.1 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	See control deficiency raised on page 14.	
Property valuations		DI	See control deficiency raised on page 14.	
Operating within the funding provided		DI	Satisfactory	
Completeness of income		DI	Satisfactory	

Consistency of judgements with Deloitte's expectations



Inconsistent



Improvement required



Consistent

Controls approach adopted



Assess design & implementation

4.2 Significant risks (continued)

Risk 1 – Management override of controls

Risk identified	<p>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 Annual Report and Financial Statements as well as the potential to override the College's controls for specific transactions.</p> <p>The key judgments in the Annual 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 Annual Report and Accounts.</p>
Our response	<p>In considering the risk of management override, we have performed the following audit procedures that directly address this risk:</p> <ul style="list-style-type: none">• 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 Annual 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 performed testing on key accounting estimates as discussed above; and• 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	<p>Our work on this risk is complete. We have identified one deficiency in internal control. See page 14 for details. We have no other issues to report to the Committee.</p>

4.3 Significant risks (continued)

Risk 2 – Property valuations

Risk identified

The College held £30.3m of property assets (land and buildings) at 31 July 2022 which decreased to £29.5m as at 31 July 2023. In 2023/24 the College will perform 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 five years for the purposes of the financial statements with an interim valuation after three years. Land and buildings were valued as at 31 July 2022 (interim valuation) on the basis of depreciated replacement cost by the College's appointed external valuer.

Our response

- We have tested the design and implementation of key controls in place around the property valuations and impairment assessment performed by management.
- We have tested the inputs to the valuations 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.
- We have agreed the accounting entries made to the financial statements for the movements in valuation.

Conclusion

Our work on this risk is complete. We have identified one material adjustment and one deficiency in internal control. The initial valuation report received by the College was exclusive of VAT. The exclusion of VAT was challenged by the Deloitte valuation specialist. An updated report was requested by management from Shepherd Commercial. The updated valuation report included VAT of 15%. We have concluded from our audit testing that the VAT percentage applied to the valuation should be 19%. Details of the adjustment and control deficiency are included on page 14 and 29, respectively. We note that this has been adjusted by management in the updated financial statements.

4.4 Significant risks (continued)

Risk 3 – Operating within the funding provided

Risk identified	<p>In accordance with Practice Note 10 (Audit of Financial Statements of Public Sector Bodies in the UK), 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 the 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.</p> <p>We consider this fraud risk to be focused on how management operate within the funding available. The risk is that Moray 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.</p> <p>The significant risk is therefore pinpointed to the completeness of accruals 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 around year end.</p>
Our response	<p>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 included the following:</p> <ul style="list-style-type: none">• Evaluated the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals made at the year-end;• Obtained independent confirmation of the funding allocated to the College by the SFC and University of the Highlands and Islands ("UHI");• Performed focused testing of a sample of accruals made at the year end to address the risk that accruals are understated; and• Performed focused cut-off testing of a sample of invoices received and paid post year end as a search for unrecorded liabilities in 2023/24.
Conclusion	<p>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. In line with the initial Accounts Direction, the College had correctly removed the accrued income and associated accrual in relation to the Job Evaluation Scheme. Per the updated Accounts Direction issued by the Scottish Funding Council, the College are required to include the liability for the Job Evaluation Scheme on the balance sheet as a provision. Management have posted this adjustment in the updated draft accounts. The in-year impact for accounting for the Job Evaluation Scheme liability is £242k. We note that £1.2m of Job Evaluation Scheme liability has been reclassified from accruals to provisions.</p>

4.5 Significant risks (continued)

Risk 4 – Completeness of income

Risk identified	<p>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.</p> <p>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:</p> <ul style="list-style-type: none">• Incorrect income cut-off recognition, as there is a risk that the College can manipulate its financial position around the year-end;• Incorrect recognition applied to grant income with conditions attached; and• Incorrect recognition where performance conditions are in place.
Our response	<p>We have performed the following procedures:</p> <ul style="list-style-type: none">• Tested the design and implementation of key controls in place around the recognition of non-recurrent funding;• Performed focused cut-off testing of a sample of invoices raised and income received around the year-end;• 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	<p>Our work on this risk is complete. From our testing on non-recurrent grant income, we have identified two grant income samples that relates to 2022/23 that have been recognised in 2023/24. We note that this finding is a result of the way in which the funding mechanism with UHI works, with late adjustments to funding notified too late for inclusion in the appropriate accounting period. The total value of income recognised in 2023/24 which related to 2022/23 is £49k. We have also raised one control finding in relation to the work performed on non-recurrent grant income. Further details are included on page 28.</p>

5. Other areas of audit focus

Risk identified	Pension liability
Summary	<p>Retirement benefits to employees of the College are provided by the North-East Scotland Pension Fund (“NESPF”), which administers the Local Government Pension Scheme (“LGPS”) and is managed by Aberdeen City 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 the financial years 2022/23 and 2023/24.</p> <p>Mercer Limited 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 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.</p>
Deloitte response	<p>We have performed the following procedures to address the risk:</p> <ul style="list-style-type: none"> • 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 the actuary; • We are obtaining assurance from the auditor of the Pension Fund over the controls for providing accurate data to the actuary; • We are assessing the reasonableness of the College’s share of the total assets of the scheme within the Pension Fund annual accounts and the Fund’s 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 SORP; and • Engaged Deloitte’s internal pensions experts to assist with the above procedures.
Conclusion	<p>Per our review of the draft Annual Report and Financial Statements, we identified that the pension asset needed to be restricted. An asset ceiling applies with the pension asset being restricted to nil. The total impact of this adjustment was £7,398k.</p> <p>Our pension specialists have raised two findings which require reporting to the Audit Committee:</p> <ul style="list-style-type: none"> • A judgemental adjustment in relation to allowance for the Goodwin case. The total value of this adjustment is £22k. See details on page 30; and • A reclassification of the interest on the restricted pension surplus currently shown within the remeasurement of the pension asset within other comprehensive income. The total value of this reclassification adjustment is £321k. See details on page 31.

6. Deficiencies in internal control

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Review and approval of journal postings</p> <p>We note that journals posted by the Financial Accountant during the year have been reviewed and approved by more junior members of the finance function.</p> <p>This creates a risk that journals which contain management estimates and judgements are not being appropriately reviewed by individuals with the required knowledge and experience of the accounting requirements.</p>	<p>We recommend that all journals posted by the Financial Accountant are reviewed and approved by a more senior member of the finance function.</p> <p>We note that during 2022/23, all journals posted by the Financial Accountant were reviewed and approved by the Director of Finance.</p>	<p>Noted and accepted.</p>
<p>Review and challenge of property valuation report</p> <p>We have noted a lack of review and challenge by management of the external valuation report provided by Shepherd Commercial. This breakdown in internal control resulted in the material corrected misstatement regarding the exclusion of VAT from the initial valuation report.</p>	<p>We recommend that management review and challenge the valuation report provided by Shepherd Commercial.</p> <p>It is recommended that this process is formally documented by the College.</p>	<p>Noted, although the College has limited expertise with which to challenge an independent professional report</p>

7. Other significant findings

Financial reporting findings

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

Qualitative aspects of your accounting practices:

Moray 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 reports 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.

8. 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 Accounts not being incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

9. 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.	<p>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.</p> <p>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.</p>
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.	<p>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.</p> <p>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.</p> <p>Our review of the Remuneration and Staff report identified an omitted disclosure in relation to off payroll engagements. We have confirmed that management have now included sufficient disclosure in relation to this.</p>

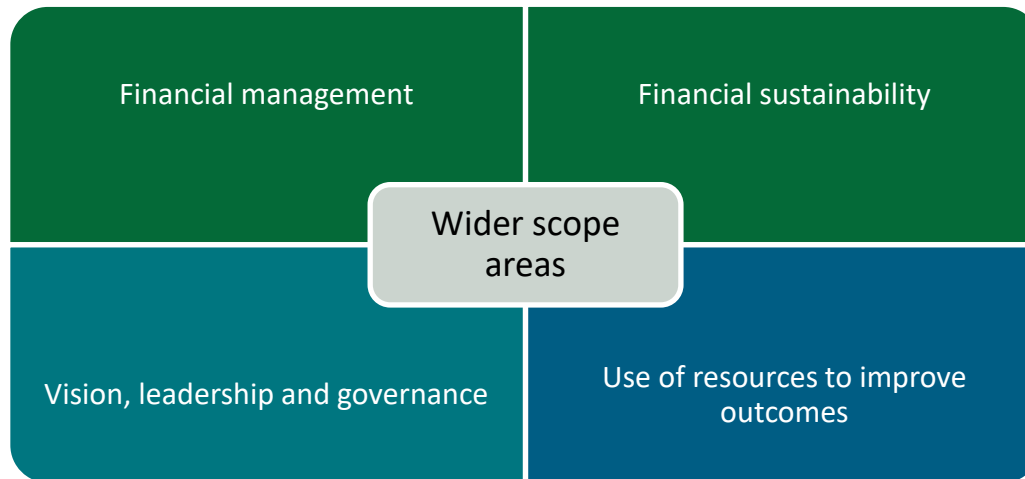
Wider scope audit



10.1 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 Moray College is addressing these risks. Our responsibilities in relation to Best Value ('BV') have been incorporated into this audit work.

10.2 Wider scope requirements (continued)

Financial management



Risk identified

Moray College has been facing financial sustainability challenges across recent years. We note that the Director of Finance left the College in March 2024, with no permanent replacement being appointed. This creates a risk of knowledge gaps and lack of appropriate financial expertise and experience at the College.

Current year financial performance

As noted above, the College has been facing financial sustainability challenges. 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 the College in 2023/24 was a deficit position of £2,912k per the June 2023 Financial Forecast Return (FFR). This was made up of total income of £13,501k and total expenditure of £16,413k. The final outturn position achieved was a deficit of £2,513k, which was ahead of forecast.

Finance team structure

We note that Shelly McInnes (Director of Finance) left the College in March 2024. Included within our work on leadership and governance is our assessment of changes to the leadership team at Moray College, specifically in relation to the Director of Finance role.

Budget processes

There are clear governance arrangements in place regarding the setting and approval of the College budget. The budget for 2023/24 was approved by the Board in June 2023. We note from our review of meeting minutes that there are appropriate levels of review and challenge of the budget at both Finance Committee and Board level.

Deloitte view – financial management

We have not noted any issues with the financial management and budgetary processes at the College. See conclusion on the Vision, Leadership and Governance slide for our conclusions reached with respect to the Director of Finance role.

10.3 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

Key risk identified

The financial environment in which the College operates is challenging, with the impact of declining student numbers, together with inflationary pressures and national pay negotiations continuing to exacerbate an already challenging financial position. The College is in the process of implementing a Financial Recovery Plan during 2024 to address the significant financial sustainability challenges it is facing.

Current year assessment

In 2023/24 the College recorded a deficit of £2,513k. However, it is noted that the adjusted operating position (AOP) of the College is a deficit of £1,050k. This difference is in relation to the £1,432k of Job Evaluation Scheme costs which have been provided for.

Financial Recovery Plan

The Financial Recovery Plan includes elements associated with natural staff reductions, a Voluntary Severance Scheme (VSS), and reductions in operating costs. For the year ended 31 July 2024, the College had reported savings of £1.8m, which included a reduction in headcount from 236 FTE to 216 FTE. The VSS had been launched by 31 July 2024, with forecast savings in 2024/25 of £1.3m.

During 2023/24 the College has agreed £2.1m of liquidity support with the Scottish Funding Council, with £880k of this being received in 2023/24. This liquidity support is an advance of future grant funding and is not additional funding in 2023/24. We note that this amount is repayable to the Scottish Funding Council when the College is in a financial position to do so.

The College is forecasting a deficit position of £2,035k in 2024/25, with an adjusted operating result, post depreciation adjustment, of £1,420k.

Deloitte view – financial sustainability

We note that Moray College has been facing financial sustainability challenges. The Financial Recovery Plan sets out cost savings, linked mainly to headcount reductions, which are being delivered as noted above. However, as noted in the Plan, the College is reliant on liquidity support from the Scottish Funding Council (SFC). This support has been obtained in the form of an advance on future funding and is repayable to the SFC when the College is in a financial position to do so.

10.4 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

We note the departure of two key senior staff at Moray College in 2024. The Deputy Principal left the College in February 2024, with no current plans in place to appoint a replacement. The Director of Finance left the College in March 2024. There is a risk that changes to the composition of the senior team at the College will create knowledge gaps and have an adverse impact on the culture and working environment of key individuals at the College.

Changes to senior staff

We note the departure of two key senior staff as noted above.

There is currently no permanent Director of Finance in post at Moray College. The College have appointed an individual in an interim financial advisory role until a permanent appointment is made. This appointment is on a part time basis.

The Director of Finance role has been shared between the three remaining members of the Senior Leadership Team. It is noted that these Directors do not have a finance qualification. This creates a risk of knowledge gaps and lack of appropriate financial expertise and experience at the College.

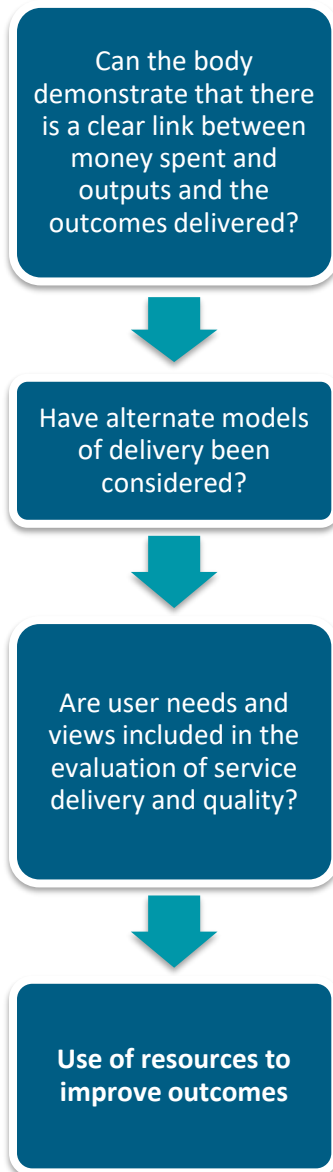
We note that Moray College operated with an interim Chair of the Board for most of 2023/24. A permanent chair was announced in November 2024. Eilidh Kennedy McLean MBE will take up a position as Chair of the UHI Moray Board starting in December 2024.

Deloitte view – Vision, leadership and governance

The departures of two key members of the leadership team at the beginning of 2024 and the use of interim arrangements in key roles presents a risk that knowledge gaps will be created, most notably with the lack of a permanent Director of Finance with appropriate qualifications and experience.

10.5 Wider scope requirements (continued)

Use of resources to improve outcomes



Risks identified in Audit Plan

As discussed under financial sustainability, there is a risk that the College does not have plans in place to manage its finances sustainably. The College is in the process of implementing a financial recovery plan during 2024 to address the significant financial sustainability challenges it is facing. Linked to this, there is 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

As noted in the financial sustainability section of our report, the College has implemented a Financial Recovery Plan (FRP) during 2023/24. This plan has achieved savings through the running of a Voluntary Severance Scheme (VSS) to reduce headcount, and other targeted reductions in other operating expenditure.

Moray College is going through a period of financial challenge. However, we note that there are plans in place which look to protect the education and training needs of both present and future students.

There is an acknowledgement of the impact the curriculum changes and redundancies may have on both staff and students going forward from the Board; however, it is noted these were essential reductions to improve the financial position of the College going forward.

Student recruitment

One of the key KPIs in place at the College is in relation to student recruitment. This is monitored and reported on a monthly basis to the College Board. We note that the key metrics are HE and FE student recruitment. In 2023/24, the College delivered 19,103 FE credits against a target of 17,100 SFC grant-funded credits, equivalent to 111.7% of the target.

Deloitte view – Use of resources to improve outcomes

We note that the College is going through a period of financial challenge. This challenge is being responded to by the College in the form of a Financial Recovery Plan, which has achieved savings through a reduction in headcount and a re-modelling of the curriculum. We note from our work performed on financial sustainability and the Financial Recovery Plan that the College has governance arrangements in place to support the best use of available resources to improve outcomes.

10.6 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	Moray College position
1. What targets has the body set for reducing emissions in its own organisation or in its local area?	Included within the Strategic Plan of Moray College is a section on sustainability. This includes targets that the College has set to achieve net carbon zero emissions by 2045. However, we note that this does not include interim targets to measure progress. We recommend that these are incorporated into the sustainability section of the Strategic Plan.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	Moray 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?	See recommendation above in relation to monitoring progress against emissions targets.

10.7 Wider scope requirements (continued)

Climate change (continued)

Question	Moray 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 Moray College Annual Report is a section on environmental sustainability. 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 Moray College has a sustainability target to achieve net carbon zero emissions by 2045. This does not include interim targets to measure progress. We recommend that these are incorporated into the sustainability section of the Strategic Plan.

Moray 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.

11. 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

Newcastle | 19 December 2024

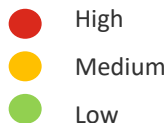
Appendices



12. Control findings

The following control findings have been identified during our 2023/24 audit:

Finding	Recommendation	Priority	Management Response
Grant income controls Deloitte note that there is no official process for the budget holders to communicate to the finance team when new grants have been awarded. The finance team is dependent on the budget holders communicating this via email. We also note that there is no documented process for the review and monitoring of grant performance obligations to ensure grant income is being recognised in line with the conditions of the grant.	Deloitte recommend that a process be put in place that will ensure that when a new grant has been awarded there is a specific control that ensures the budget holders report this to the finance team, as well as ensuring the conditions associated with the grant are reviewed and monitored	●	Noted and accepted.
Review of contract information regarding accrued income Deloitte note a lack of review of contract information, specifically in relation to CITB income, during 2023/24. This resulted in a corrected misstatement due to income being incorrectly accrued during 2023/24.	Deloitte recommend that when accruing income into a financial year, management review the terms and conditions set out in the relevant contracts to ensure that any criteria have been met to recognise the income.	●	Noted, although the basis of the initial accrual booked in 2023/24 was in line with existing policy which has been previously accepted in prior audits.



13.1 Audit adjustments

Adjusted misstatements

The following corrected misstatements have been identified during the 2023/24 audit which have been corrected by management.

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) OCI £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Corrected misstatements identified in current year						
Accrued income - CITB	[1]	-	(202)	-	202	Page 14
Accrued income – PG CERT	[2]	-	(12)	-	12	Page 14
Property valuations	[3]	(5,097)	5,097	-	-	Page 14
Total		(5,097)	4,883	-	214	

[1] Accrued income – CITB:

We note £202k of accrued income was recognised in 2023/24. Per review of the relevant contracts, specific milestones need to be achieved to recognise the income. These milestones had not been achieved during 2023/24; therefore, this income had been accrued in error.

[2] Accrued income – PG CERT:

We note £12k of accrued income in relation to PG Cert which had been accrued in 2022/23 and 2023/24. Upon follow up, it was confirmed to Moray College that this income would not be received and had therefore been incorrectly accrued.

[3] Property valuations – exclusion of VAT:

We note a material adjustment regarding property valuations. The initial valuation report issued by Shepherd Commercial excluded VAT in error. Our audit testing has confirmed that VAT should have been included on the valuation at 19%. The adjustment included above reflects this. The audit team will review the updated disclosures in the financial statements once posted by management.

13.2 Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified during our 2023/24 audit 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						
Deferred capital grant	[1]	19	(19)	-	-	N/A
Admin expenses	[2]	-	-	2	(2)	N/A
No allowance has been made in relation to the Goodwin case.	[3]	-	(22)	-	22	N/A
Total		19	(41)	2	20	

[1] From our testing of deferred capital grants, we note that the amount recognised in the Annual Report and Accounts does not agree to the amount per the supporting information provided by management. We note an under-deferral of capital grant funding of £19k.

[2] From our testing of admin expenses, we identified £2k of energy costs incorrectly recognised in FY24 which related to FY23. When extrapolated over the remainder of the population, this gives an extrapolated adjustment of £48k.

[3] 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 £22k. We note that this is a judgemental misstatement based on assumptions used by actuarial specialists.

13.3 Audit adjustments

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified during our 2023/24 audit.

Disclosure	Quantitative or qualitative consideration
A reclassification of the interest on the restricted pension surplus currently shown within the remeasurement of the pension asset within other comprehensive income. The total value of this reclassification adjustment is £321k.	£321k

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	Quantitative or qualitative consideration
None noted.	

14. 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.

15. 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 2023 is analysed below:

	£
Auditor remuneration	46,140
Audit of College – additional fees*	TBC
Audit Scotland fixed charges:	
• Pooled costs	(4,920)
• Sectoral cap adjustment	(9,910)
Total expected fee	31,310

There are no non-audit fees.

*During the audit in 2023/24, we have been required to perform additional procedures to respond to errors identified in our work on property valuations, accrued income and pensions. These procedures resulted in additional senior time being required on the audit. Following the completion of the audit, we will commence conversations with the Finance team regarding additional fees for this work. After agreement of any additional fees with the Finance team we will report back the final position to the Audit Committee.

Non-audit services

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.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.