



# Annual Audit Plan

## **Fife College – Year ending 31 July 2025**

23 May 2025

The Board of Management  
Fife College  
Pittsburgh Road  
Dunfermline  
KY11 8DY

23 May 2025

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

Dear Members,

### **Annual Audit Plan – Year ending 31 July 2025**

We are pleased to present our Annual Audit Plan for Fife College for the year ending 31 July 2025. This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Fife College which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

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### Annual Audit Plan – Year ending 31 July 2025 (continued)

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you. Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me.

This document will be presented at the Audit and Risk Committee meeting on 3 June 2025. If you would like to discuss any matters in more detail, please contact me on 07881 283 571.

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code") and for the sole benefit of Audit and Risk Committee. Except where required by law or regulation, it should not be used, quoted or made available to any other parties without our prior written consent.

Yours faithfully,  
Signed:

Michael Speight

Forvis Mazars

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This document is to be regarded as confidential to Fife College. It has been prepared for the sole use of Audit and Risk Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

## Engagement and responsibilities summary

# Engagement and responsibilities summary

We are appointed to perform the external audit of Fife College for the year to 31 July 2025. The scope of our engagement is set out in the Code of Audit Practice, issued by the Auditor General and the Accounts Commission available from the Audit Scotland website: [Code of audit practice | Audit Scotland \(audit-scotland.gov.uk\)](#). Our responsibilities are principally derived from the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council and the Code of Audit Practice, as outlined below and overleaf.

## Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Our audit does not relieve management or Audit and Risk Committee, as Those Charged With Governance, of their responsibilities.

The Board of Management is responsible for the assessment of Fife College's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists, and
- b) the appropriateness of the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements.

## Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel include internal audit, other key individuals, where relevant, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

# Engagement and responsibilities summary (continued)



## Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We are responsible for obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fife College's internal control.



## Wider scope and Best Value

We are also responsible for reviewing and reporting on the wider scope arrangements that the Fife College has in place and its arrangements to secure Best Value. We discuss our approach to wider scope and Best Value work further in the '*Wider scope and Best Value*' section of this report.

Your audit engagement team



Your audit team



**Michael Speight**  
**Engagement Director**

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**Gio Guillermo**  
**Engagement Assistant Manager**

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**07977 761219**

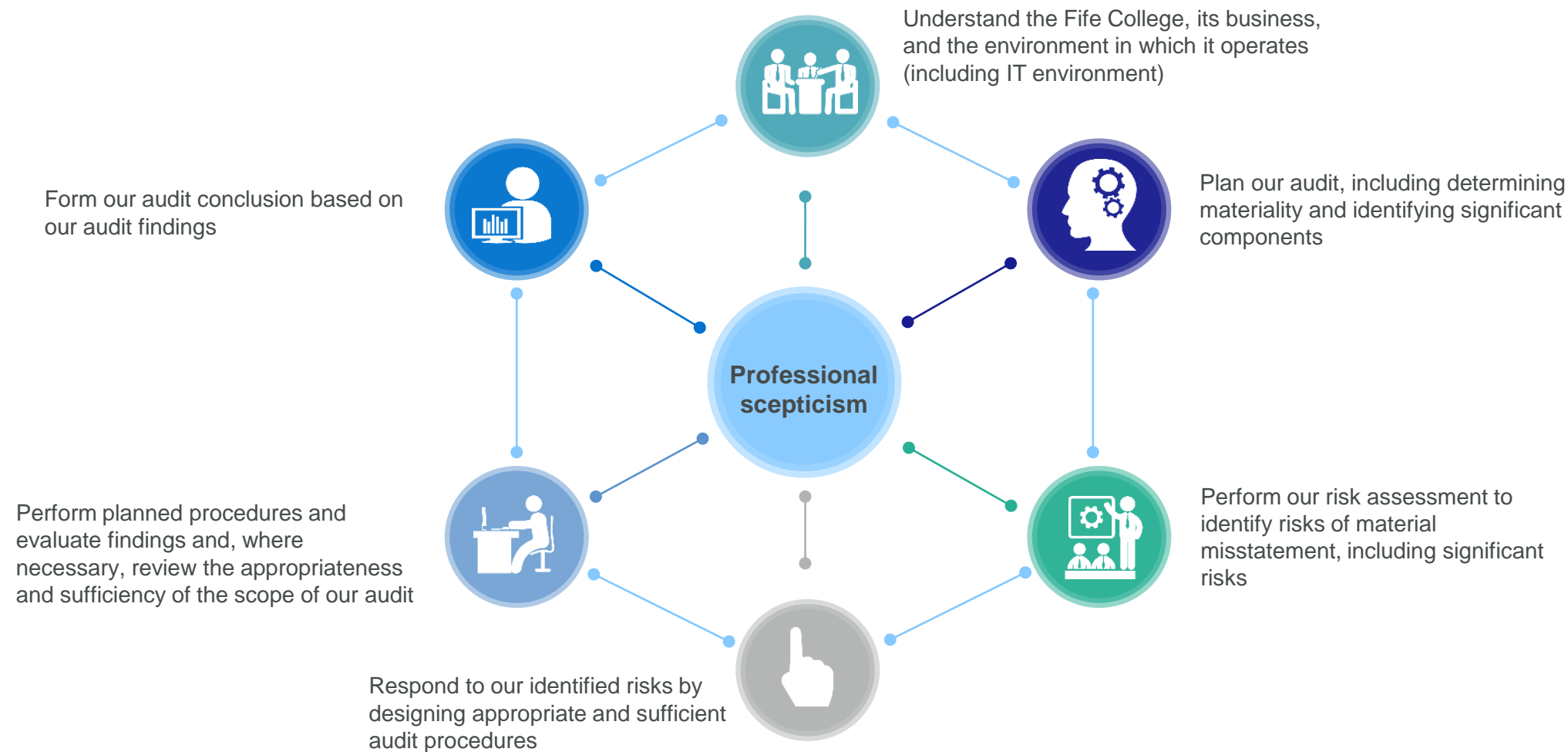
We will utilise internal experts on this engagement in the following areas: Pension Assumption valuation

# 03

Audit scope, approach, and timeline

# Audit scope, approach, and timeline

## Risk-based approach



# Audit scope, approach, and timeline (continued)

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

## Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit. We have also provided, later in this report, a table setting out the procedures we perform for the significant financial statement areas.

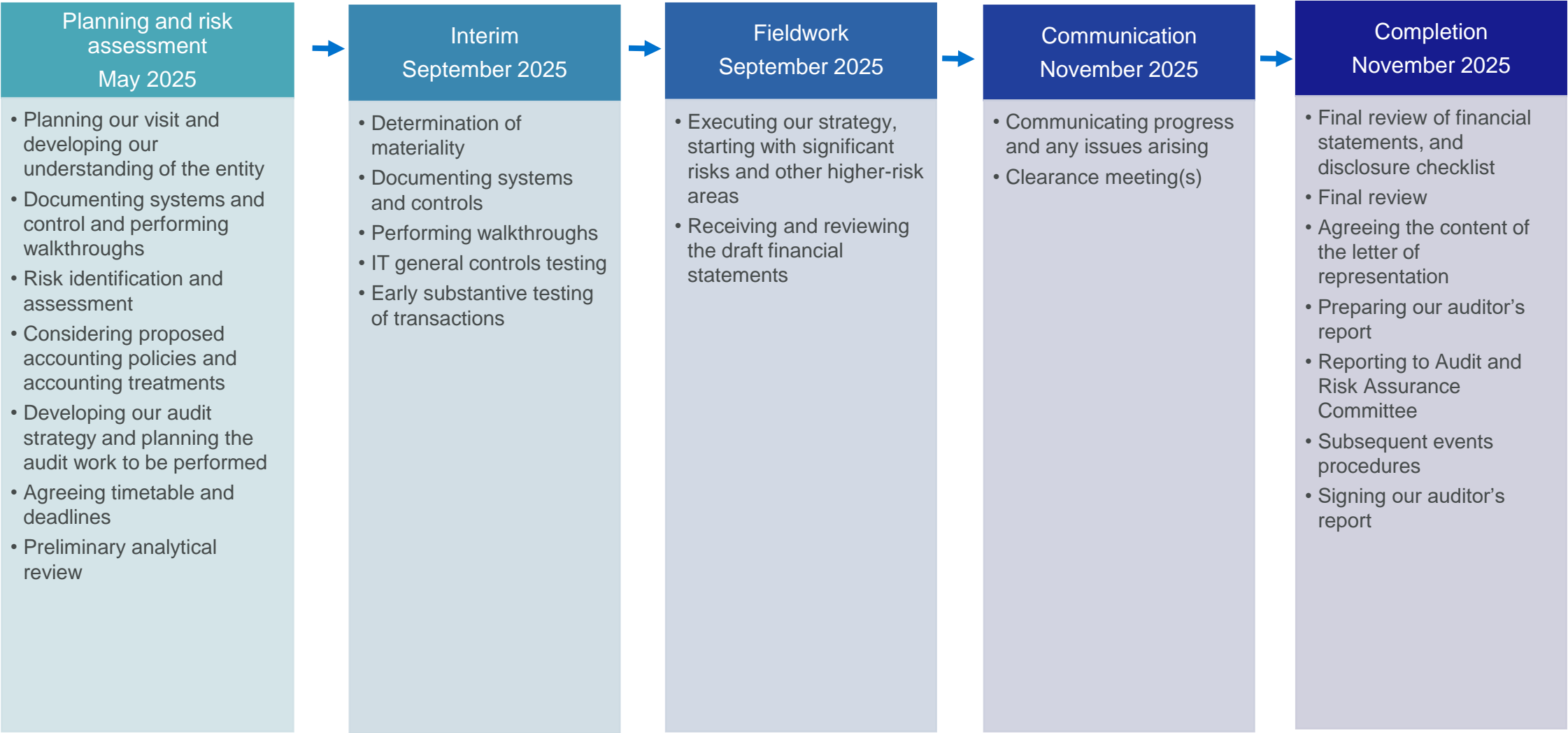
# Audit scope, approach, and timeline (continued)

## Management’s and our experts

Management makes use of experts in specific areas when preparing the Fife College’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Pension assumptions	Hymans Robertsons	We will consider the reasonableness of the actuarial assumptions made, referring to our in-house pension scheme experts
Property valuation	FG Burnett	We will consider the reasonableness of their valuation method and the assumptions made during this valuation

# Audit scope, approach, and timeline



## Materiality and misstatements

# Materiality and misstatements

## Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

## Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit and Risk Assurance Committee .

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable

diligence;

- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.



# Materiality and misstatements (continued)

## Materiality (continued)

We consider that Revenue is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using Revenue as the benchmark.

We expect to set a materiality threshold of 1.75% of Revenue .

As set out in the table below, based on currently available information prior year signed financial statements we anticipate overall materiality for the year ended 31 July 2025 to be in the region of £930k (£930k in the prior year), and performance materiality to be in the region of £697k (£697k in the prior year).

We will continue to update materiality throughout our audit to ensure it is set at an appropriate level.

## Fife College’s financial statements

	2024/25 £'000s	2023/24 £'000s
Overall materiality	£930k	£930k
Performance materiality	£698k	£698k
Clearly trivial	£27k	£27k

# Materiality and misstatements (continued)

## Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to Audit and Risk Assurance Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £35k, based on 3% of overall materiality. If you have any queries about this, please raise these with Michael Speight.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to Audit and Risk Assurance Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

## Reporting

In summary, we will categorize and report misstatements above the reporting threshold to Audit and Risk Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Significant risks and other key judgement areas

# Significant risks and other key judgement areas

## Definitions

Following the risk assessment approach set out in the ‘*Audit scope, approach, and timeline*’ section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Risk Level	Definition
Significant	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.
Enhanced	An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to: <ul style="list-style-type: none"><li>• Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and</li><li>• Risks relating to other assertions and arising from significant events or transactions that occurred during the period.</li></ul>
Standard	A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

# Significant risks and other key judgement areas (continued)

## Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to Audit and Risk Committee.

## Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Management override of controls	Yes	No	No	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.	In line with our methodology, we plan to address the management override of controls risk through performing audit work over: <ul style="list-style-type: none"><li>• accounting estimates;</li><li>• journal entries; and</li><li>• significant transactions outside the normal course of business or otherwise unusual.</li></ul>

## Significant risks and other key judgement areas (continued)

### Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Risk of fraud in revenue recognition	Yes	No	No	<p>There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when certain income streams should be recognised and if clawback conditions apply to any funding.</p> <p>The risk above applies only to the non-core grant income and other non-grant income generated by the College. The risk has been rebutted in relation to the core grant income received by the College, given the highly regulated nature of this income, and therefore the lower inherent and fraud risks associated with it.</p>	<p>We will address this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>the design and implementation of the controls management has in place to ensure income is recognised in the correct period;</li> <li>cash receipts around the year end to ensure they have been recognised in the right year;</li> <li>the judgements made by management in determining when non-grant income is recognised;</li> <li>for major grant income, obtaining counterparty confirmation; and</li> <li>expected credit loss provisions applied to receivables at the year end, considering the appropriateness of judgements made by management.</li> </ul>
3	Defined benefit pension scheme assets	No	Yes	Yes	<p>There is a significant asset value used in calculating the Fife Council Pension Fund (FCPF) position as at 31st July 2025 and due to the nature of the pension scheme there is significant complexity in identifying the College's share of the assets.</p> <p>The complexity is created by factors such as:</p> <ul style="list-style-type: none"> <li>The types of assets held by the pension scheme and their valuation bases; and</li> <li>The calculation of the College's share of the overall Scheme assets requiring the rolling forward of quarter-end valuations.</li> </ul>	<p>We will address this risk by obtaining confirmation from the pension fund of the total value submitted to the actuary and details of how the College's share of assets has been calculated.</p> <p>We will then review this confirmation and consider if the information provided is sufficient and challenge any inconsistencies noted.</p>

# Significant risks and other key judgement areas (continued)

## Other key areas of management judgement and enhanced risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
4	Defined benefit pension scheme assumptions	No	Yes	Yes	<p>The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Fife Council Pension Fund (FCPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS scheme and it is therefore accounted for as a defined contribution scheme.</p> <p>The College's share of the FCPF's underlying assets and liabilities is identifiable and the net position is recognised in the accounts.</p> <p>There are significant assumptions used in calculating the value of the liability element of the year-end position of the FCPF. Given the significance in the assumptions made, there is a risk of error due to the judgements used in the computation of the pension values.</p> <p>Additionally, at 31 July 2024 the College did not recognise the notional surplus of assets above liabilities in respect of the FCPF.</p>	<p>We will consider the actuarial assumptions used by the actuary when calculating the liability element of the year-end position of the FCPF.</p> <p>We will utilise our internal Actuarial Valuations team in order to assess the validity of these assumptions, both individually and in combination with each other.</p> <p>We will seek from management information to support the membership numbers included in the Actuarial report and understand how management have gained comfort that the data is correct.</p> <p>We will consider the accounting treatment in respect of the recognition, or otherwise, of the notional surplus to ensure it is consistent with the applicable accounting standards.</p>
5	Early Retirement Provision	No	Yes	Yes	<p>The College includes a provision in their financial statements in respect of staff who receive an enhanced pension for accepting early retirement. The calculation of the value of this provision uses a model which incorporates actuarial assumptions.</p>	<p>We will consider the actuarial assumptions used by the actuary when calculating the provision value.</p>
6	Valuation of land and buildings	No	Yes	Yes	<p>The College held land and buildings with a net book value of £79.4m as at 31 July 2024.</p> <p>In line with the requirements of the Government Financial Reporting Manual, the College has adopted a revaluation policy of a full valuation every 5 years with a desktop interim valuation in year three and an indexation exercise in other years.. For the 2025 year-end FG Burnett (Chartered Surveyors) will provide the College with a desktop valuation which will be used to update the carrying values and consideration will be given to the new Dunfermline Learning Campus.</p> <p>The College policy meets the requirement of the FE SORP that assets are valued sufficiently regularly so that the carrying value of the asset is not materially different from its fair value.</p> <p>Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.</p>	<p>We will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"> <li>• Undertaking a review of management's assessment as to whether the desktop valuation review takes account of all relevant changes to land and buildings including any associated impact of the new Dunfermline Learning Campus;</li> <li>• Challenging the assumptions within the valuation prepared by management's expert through reference to external sources such as the BCIS average prices index as well as our own understanding of the estate;</li> <li>• review of the reconciliation between the College's asset register and general ledger; and</li> <li>• consider the College's impairment review process for land and buildings.</li> </ul>

# Significant risks and other key judgement areas (continued)

## Other key areas of management judgement and enhanced risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
7	Accounting treatment of Job Evaluation Scheme	No	Yes	Yes	<p>Following the release of the final 2023/24 Accounts Direction for Scottish Colleges the accounting treatment for the Job Evaluation Scheme was updated in the 2024 financial statements with the removal of the debtor and reclassification of the creditor to provisions.</p> <p>It is expected that the 2024/25 Accounts Direction, when released in June/July, will require Colleges to account for the Scheme in an equivalent manner.</p> <p>The historic creditor was calculated using figures extracted from the Funding Allocation Letter although in recent years no separate figure has been provided to Colleges. As such the calculation of the provision requires Colleges to exercise judgement as to the quantum of the provision giving consideration to changes to staffing and pay levels since 2018.</p>	<p>We will consider a range of substantive procedures including:</p> <ul style="list-style-type: none"> <li>• Considering the proposed treatment against the requirements of the Amendment to the 2023/24 Accounts Direction;</li> <li>• Considering the consistency between the proposed treatment and FRS 102;</li> <li>• Considering the appropriateness of the basis of calculation of the provision;</li> <li>• We will ensure that the computation of the Job evaluation amount has taken into account all relevant considerations and is compliant with the accounts direction</li> </ul>



# Significant risks and other key judgement areas (continued)

## Other considerations

In consideration of ISA (UK) 260 Communication with Those Charged with Governance, we would like to seek Audit and Risk Assurance Committee's views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Fife College and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

## Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

## Internal audit function

Based on our assessment of the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control, we do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

Wider scope and Best Value

# Wider scope and Best Value

## The framework for wider scope work

The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. We are required to form a view on the adequacy of the Fife College’s arrangements in four areas:

- 1. Financial management
- 2. Financial sustainability
- 3. Vision, leadership, and governance
- 4. Use of resources to improve outcomes

Financial management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.  
Auditors consider whether the body has effective arrangements to secure sound financial management.

Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.  
Auditors consider the extent to which audited bodies have shown regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so that it can continue to deliver services.

Vision, leadership and governance

Audited bodies must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.  
Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. They also consider the effectiveness of governance arrangements for delivery.

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.  
Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

## Wider scope and Best Value (continued)

### Our approach

Our planned audit work against the four wider scope areas is risk based and proportionate. We need to gather sufficient evidence to support our commentary on the Fife College's arrangements and to identify and report on any significant weaknesses. We will carry out more detailed work where we identify significant risks. Where significant weaknesses are identified we will report these to the Fife College and make recommendations for improvement. In addition to local risks, we consider challenges that are affecting the public sector as a whole.

### Best Value

Ministerial Guidance to Accountable Officers and the Scottish Public Finance Manual explain that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value including consideration of the seven Best Value characteristics. We will consider the arrangements put in place by the Accountable Officer to meet their Best Value obligations as part of the wider scope audit work.

We are required to report on the fairness and equality characteristic once during the audit appointment. We are planning on reporting on these characteristics in the 2024/25 Annual Audit Report

# Wider scope and Best Value (continued)

## Wider scope risks

The Code of Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the wider scope audit.

Although we have not fully completed our planning and risk assessment work, the table below outlines the wider scope audit risks that we have identified to date. We will report any further identified risks to the Audit and Risk Committee on completion of our planning and risk identification work.

Description		Financial management	Financial sustainability	Vision, leadership and governance	Use of resources to improve outcomes	Planned procedures
1	<p>We are aware that the overall College Sector in Scotland is having to respond to the financial pressures of inflating costs in a period when core grant income is flat.</p> <p>We are aware that the College incurred some cost slippage on the building of the Dunfermline Learning Centre in a previous financial period. The College obtained additional funding for the build from the Scottish Government. The build is ongoing and is expected to complete in the summer of 2025 and a move into the new campus in autumn of 2025. There is continued monitoring of the costs to ensure that they remain within the current funding budget.</p> <p>Given the level of sector wide uncertainties around the sufficient of future funding and of the general economic environment that has arisen there is a risk the timing of the future funding gap could be accelerated and / or additional funding not being made available from the SFC.</p>	No	Yes	No	No	<p>We intend to consider:</p> <ul style="list-style-type: none"><li>the forecast financial position in the financial plans submitted to SFC;</li><li>alternative plans being considered by the College to ensure a balanced budget is achieved;</li><li>the financial reporting arrangements in place at the College</li></ul>

07

Audit fees and other services

# Audit fees and other services

Our fees ((inclusive of VAT but exclusive of disbursements) for the audit of Fife College’s financial statements for the year ended 31 July 2025, are outlined below.

At this stage of the audit, we are not planning any divergence from the expected fees set by Audit Scotland, which is available on the Audit Scotland website:

Area of work	2024-25 Actual Fees	2023-24 Actual Fee
Auditor remuneration	£56,790	£54,500
Pooled costs	(£7,170)	(£5,810)
Sectoral cap adjustment	£6,990	£6,860
Total fees	£56,610	£55,550

## Confirmation of our independence



# Confirmation of our independence

## Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

## Compliance

We are not aware of any relationship between Forvis Mazars and Fife College that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Fife College and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

## Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to Fife College, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with me in the first instance.

# Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

# Appendix A: Key communication points

We value communication with you, as a two-way feedback process is at the heart of our client service commitment. ISA (UK) 260 Communication with Those Charged with Governance and ISA (UK) 265 Communicating Deficiencies In Internal Control To Those Charged With Governance And Management specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Our Annual Audit Plan in May 2025;
- Our Annual Audit Report in November 2025; and
- Our independent auditor's report in December 2025.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

## Key communication points at the planning stage as included in this Annual Audit Plan

Our responsibilities in relation to the audit of the financial statements;

- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Annual Audit Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

# Appendix A: Key communication points

ISA (UK) 260 Communication with Those Charged with Governance, ISA (UK) 265 Communicating Deficiencies In Internal Control To Those Charged With Governance And Management and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Annual Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Annual Audit Plan
With respect to misstatements: <ul style="list-style-type: none"><li>• Uncorrected misstatements and their effect on our audit opinion;</li><li>• The effect of uncorrected misstatements related to prior periods;</li><li>• A request that any uncorrected misstatement is corrected; and</li><li>• In writing, corrected misstatements that are significant.</li></ul>	Annual Audit Report
With respect to fraud communications: <ul style="list-style-type: none"><li>• Inquiries with Audit and Risk Assurance Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity;</li><li>• Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li><li>• A discussion of any other matters related to fraud.</li></ul>	Annual Audit Report and discussion at Audit and Risk Assurance Committee  Audit planning and clearance meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Annual Audit Report

# Appendix A: Key communication points (continued)

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none"><li>• Non-disclosure by management;</li><li>• Inappropriate authorisation and approval of transactions;</li><li>• Disagreement over disclosures;</li><li>• Non-compliance with laws and regulations; and</li><li>• Difficulty in identifying the party that ultimately controls the entity.</li></ul>	Annual Audit Report
Significant findings from the audit including: <ul style="list-style-type: none"><li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li><li>• Significant difficulties, if any, encountered during the audit;</li><li>• Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li><li>• Written representations that we are seeking;</li><li>• Expected modifications to the audit report; and</li><li>• Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Fife College or Audit and Risk Assurance Committee in the context of fulfilling their responsibilities.</li></ul>	Annual Audit Report
Significant deficiencies in internal controls identified during the audit.	Annual Audit Report

## Appendix A: Key communication points (continued)

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off)} and inquiry of Audit and Risk Assurance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that Audit and Risk Assurance Committee may be aware of.</p>	<p>Annual Audit Report and Audit and Risk Assurance Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty;</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• The adequacy of related disclosures in the financial statements.</li> </ul>	<p>Annual Audit Report</p>
<p>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management:</p> <ul style="list-style-type: none"> <li>• Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership</li> <li>• Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities</li> <li>• Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.)</li> <li>• Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality</li> <li>• Evaluate responses and remediate control gaps or deficiencies</li> </ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website <a href="#">here</a>.</p> <p>The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, will be available in our 2023/24 Transparency Report, which will be available on our website by 31 December 2024.</p>	<p>Annual Audit Plan</p>

# Appendix B: Current year updates, forthcoming accounting & other issues

## Applicable for UK GAAP Reporters

### Current and forthcoming accounting issues

#### New standards and amendments

#### Effective for accounting periods beginning on or after 1 January 2023

##### *Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Pillar Two model rules (Issued May 2023)*

- The amendments introduce changes to Section 29 *Income Taxes* to provide temporary relief from accounting for deferred taxes arising from the implementation of UK tax legislation that is based on the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD). The rules aim to address the tax challenges arising from the digitalisation of the economy and set out an income inclusion rule (multinational top-up tax) and a qualified domestic minimum top-up tax that aim to ensure a minimum corporate tax rate of 15% for large multinational groups.
- In the UK, the tax reform will apply for accounting periods beginning on or after 31 December 2023; effectively therefore for most entities from 1 January 2024. The qualified domestic minimum top-up tax will apply not only to multinational groups but also to UK domestic groups and UK standalone entities that meet the size threshold of having annual revenues of more than €750 million. The tax legislation became substantively enacted on 20 June 2023.

The amendments introduce a temporary exception (with no specified end date) to the recognition of deferred taxes resulting from the implementation of the Pillar Two legislation and to consider the effects of the legislation when measuring recognised deferred tax assets and liabilities, as well as requiring the disclosure of specified information, including:

- If an entity is or expects, based on known or reasonably estimable information, to be within the scope of the Pillar Two legislation, it shall disclose that fact;
- To disclose separately the current tax expense related to Pillar Two income taxes; and
- When such legislation has been enacted or substantively enacted (substantive enactment was on 20 June 2023) by the reporting date but is not yet in effect for the entity, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income tax arising from that legislation.

This shall include disclosure of qualitative and quantitative information about its exposure to Pillar Two income tax at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure.

The temporary exception to the accounting of deferred taxes is applicable retrospectively and immediately on publication of the amendments, being May 2023. The disclosure requirements are applicable for accounting periods beginning on or after 1 January 2023.

# Appendix B: Current year updates, forthcoming accounting & other issues (continued)

## Applicable for UK GAAP Reporters

### Current and forthcoming accounting issues (continued)

#### New standards and amendments (continued)

#### Effective for accounting periods beginning on or after 1 January 2025/2026

#### Amendments to FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* and other FRSs – Periodic Review 2024 (Issued July 2024)

##### Overview

These amendments finalise the FRC's periodic review of the UK's accounting standards consulted on in FRED 82 *Draft amendments to FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland and other FRSs - Periodic Review 2024* and FRED 84 *Draft amendments to FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland - Supplier finance arrangements*.

##### What are the key changes?

**Section 23 *Revenue from Contracts with Customers*** – The revenue accounting requirements have been completely replaced with a new section that is based on IFRS 15 *Revenue from Contracts with Customers*.

The amendments set out a five-step model to be applied to all contracts with customers, with some practical simplifications, requiring revenue to be recognised to depict the transfer of promised goods or services (a promise being an obligation to transfer a good or service (or bundle of goods or services) that is distinct) to customers, with the amount to reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The requirements will ensure that more useful information is reported about the nature, amount and timing of revenue and cash flows arising from contracts with customers.

The amendments include considerably more extensive requirements and guidance than

the current requirements of Section 23, including areas of revenue accounting that were not previously specifically dealt with or were limited. These new, or revised, areas include warranties, non-refundable upfront fees, principal versus agent considerations, customer options for additional goods or services, variable consideration, refund liabilities, repurchase agreements, licensing, and contract balances.

**Section 20 *Leases*** – The lease accounting requirements have been completely replaced with a new section that is based on IFRS 16 *Leases*.

The amendments require all lease arrangements to be recognised on-balance sheet, with some exemptions and practical simplifications, and therefore removing the distinction between operating and finance lease arrangements. The exemptions allow short-term leases and leases of low-value assets to remain off-balance sheet.

The practical simplifications, which are when compared to IFRS reporting, are in relation to:

- Introducing a lessee's obtainable borrowing rate as an alternative to the lessee's incremental borrowing rate;
- Reducing the number of situations in which a lease modification requires the determination of a revised discount rate;
- Offering the option of a simpler approach to recognising gains and losses on sale and leaseback transactions; and
- Providing a higher threshold when determining low-value assets.

**Section 2 *Concepts and Pervasive Principles*** – The section is revised to align the principles with the 2018 Conceptual Framework for reporting under IFRS.

**Section 2A *Fair Value Measurement*** – The section is revised, replacing the existing Appendix to Section 2, to align the key requirements with IFRS 13 *Fair Value Measurement*. The amendments aim to provide additional guidance to help ensure consistency of conclusions reached when determining fair values.



# Appendix B: Current year updates, forthcoming accounting & other issues (continued)

## Applicable for UK GAAP Reporters

### Current and forthcoming accounting issues (continued)

#### New standards and amendments (continued)

#### Effective for accounting periods beginning on or after 1 January 2025/2026 (continued)

#### Amendments to FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* and other FRSs – Periodic Review 2024 (Issued July 2024) (continued)

**Section 7 *Statement of Cash Flows*** – The amendments introduce new disclosure requirements about supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements). The amendments aim to provide users of financial statements with additional information about an entity's use of supplier finance arrangements and the effect of such arrangements on the entity's financial position and cash flows. The additional disclosure requirements relate to the specific terms and conditions of the arrangement and quantitative information about changes in carrying amounts of financial liabilities that are part of the supplier financing arrangement, including both cash and non-cash changes.

**Section 8 *Notes to the Financial Statements*** – Amendments are added to require entities to disclose 'material accounting policy information' instead of 'significant accounting policies' such that the requirements become aligned with IAS 1 *Presentation of Financial Statements*.

**Section 10 *Accounting Policies, Estimates and Errors*** – Amendments are added to introduce the definition of an accounting estimate to help entities distinguish changes in accounting estimates from changes in accounting policies.

#### Section 11 *Financial Instruments* and Section 12 *Other Financial Instruments Issues*

– There is the removal of the option to newly adopt the recognition and measurement requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, in preparation for the eventual removal of this option, with the exception of allowing entities to do so solely to make the entity's accounting policies consistent with those adopted in the consolidated financial statements in which the entity is included.

The proposals do not bring in the requirements under IFRS 9 *Financial Instruments* (IFRS 9) to apply an expected loss model for impairment of financial assets. However, where an entity chooses to apply the recognition and measurement requirements of IFRS 9 (as an accounting policy option under FRS 102), then new disclosure requirements relating to the expected credit loss model are included.

**Section 29 *Income Tax*** – Amendments are added to align with the requirements of IFRIC 23 *Uncertainty over Income Tax Treatments* on how to reflect the effects of uncertainty in the accounting for income taxes.

#### Who is it applicable to?

The amendments from this periodic review are applicable to all FRS 102 reporters. The impact for each UK business will vary depending upon the nature of the entity's operations and activities. Care is required to ensure that a full impact assessment is carried out early to allow for adequate implementation of any new accounting requirements, particularly where full retrospective application is required.

#### When is it effective?

The amendments are applicable to accounting periods beginning on or after 1 January 2026, with early application permitted provided all amendments are applied at the same time. There is an exception for the new disclosure requirements relating to supplier finance arrangements that are applicable to accounting periods beginning on and after 1 January 2025.

## Appendix B: Current year updates, forthcoming accounting & other issues (continued)

### International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA UK 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

#### Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over 'significant components' of a group, i.e., a 'full scope' audit of a significant component's financial information relevant to the group financial statements was required. Forvis Mazars defined a 'significant component' as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group's reported profit before tax would be classified as a significant component and a 'full scope' audit would be performed over that component's financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component's financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component's financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a 'non-significant' component's financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

# Appendix B: Current year updates, forthcoming accounting & other issues (continued)

## International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

### Key changes (continued)

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non-material component
<p>Any component:</p> <p>i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or</p> <p>ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).</p>	<p>Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.</p>	<p>A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.</p>

# Appendix B: Current year updates, forthcoming accounting & other issues (continued)

## International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

### Key changes (continued)

**Definition of ‘component’** - The definition of ‘component’ has been revised to “an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit”.

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

**Common controls** - The definition of ‘group-wide’ controls has been removed and we are instead required to consider ‘common controls’, being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

**Definition of ‘engagement team’** - The definition of ‘engagement team’ has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

**Calculation of component materiality** - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

**Other changes** - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

**Scope of audit work to be performed over a component’s financial information** - Forvis Mazars will, going forward, determine the scope of work to be performed over a component’s financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

# Contact

## Forvis Mazars

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