



UHI Perth

**Final report to the Audit Committee, the College and the Auditor General for Scotland on the 2023/24 audit
30 April 2025**

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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 UHI Perth (“the College”) for the 2023/24 audit. The report summarises our findings and conclusions made in relation to the 2023/24 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.

We note that we agreed to delay the timing of our audit visit to January 2025. This was a result of changes in the finance team that had led to capacity challenges in servicing the audit.

Our audit was then further delayed in March 2025 due to additional audit procedures being required following the College’s subsidiary, Air Service Training (“AST”), going into administration.

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.

We identified a number of disclosure adjustments within the auditable parts of the Remuneration and Staff report. We have confirmed the adjustments have been made.

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

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

Partner introduction (continued)

The key messages in this report (continued)

Status of the Annual Report and Accounts audit

Our financial statement audit is complete.

Conclusions from our wider scope work

See pages 20 to 29 for detailed conclusions of our wider scope work.

Control findings

Control deficiencies and findings and recommendations are included on page 14 and 15 of this report.

Added value

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

Nicola Wright
Lead Audit Partner

Annual Report and Accounts Audit



Quality indicators

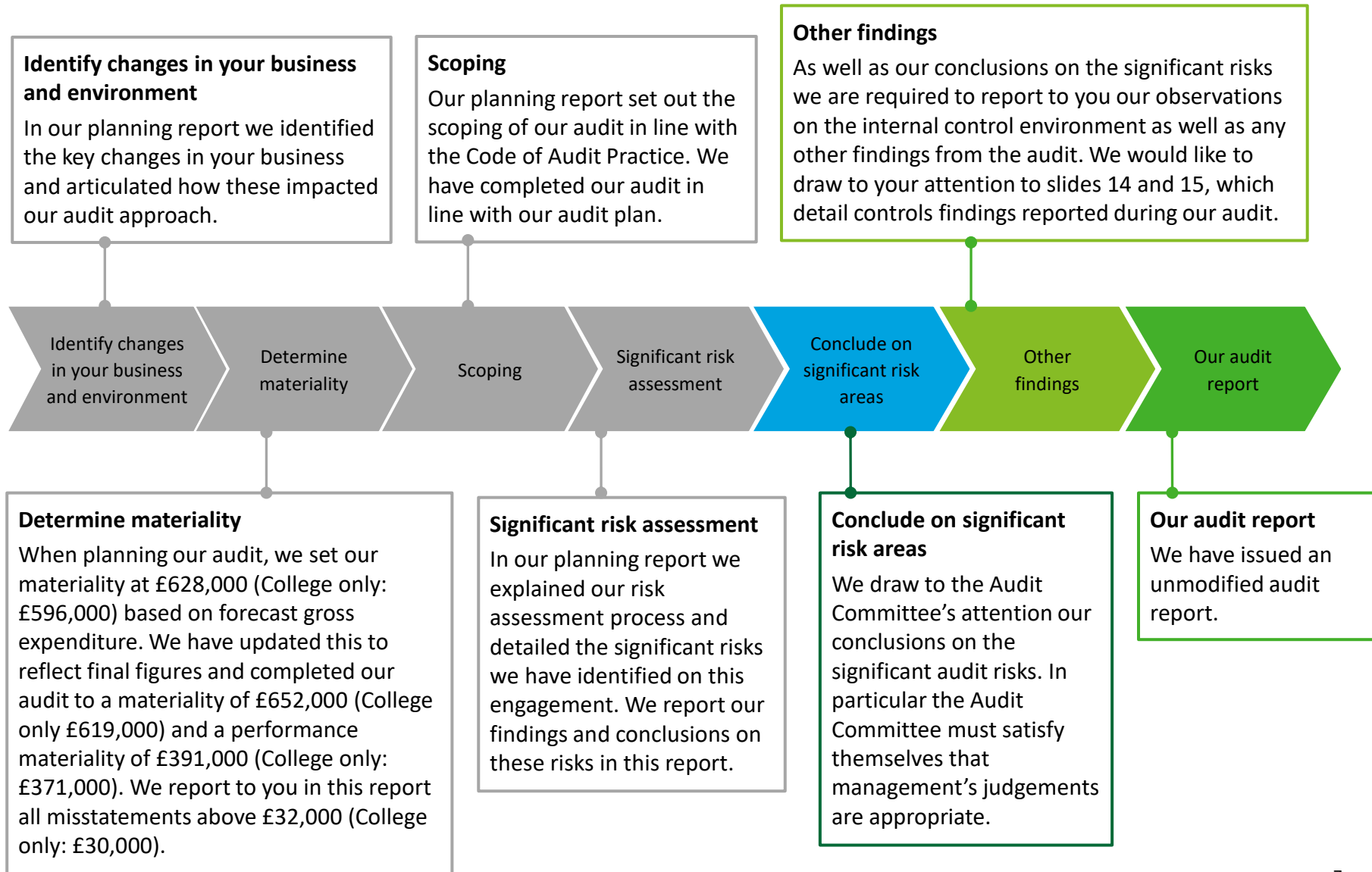
Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide 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. We note that the grading of these indicators has improved between FY23 and FY24.

Area	Grading	Reason	Further detail
Timing of key accounting judgements	!	Some delays on the delivery of information were experienced throughout our audit.	N/A
Adherence to deliverables timetable	!	Some delays on the delivery of information were experienced throughout our audit.	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 working papers	!	We have identified instances where management working papers had quality issues.	N/A
Quality of draft Annual Report and Accounts	!	Numerous presentational and disclosure points raised on the draft version of the Annual Report and Accounts.	Slide 18
Response to control deficiencies identified	!	Six control deficiencies identified during our 2023/24 audit. Further details can be found on slides 14 and 15.	Slides 14 and 15
Volume and magnitude of identified errors	!	Higher than expected volume of misstatements identified during the audit.	N/A










Our audit explained

We tailor our audit to your business and your strategy






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			Control findings raised – see slide 14	
Operating within the funding provided			Control finding raised – see slide 14	
Completeness of Income			Satisfactory	

Consistency of judgements with Deloitte's expectations

-  Inconsistent
-  Improvement required
-  Consistent

Controls approach adopted

-  Assess design & implementation

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA (UK) 240, management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Report and Financial Statements as well as the potential to override the College's controls for specific transactions.

The key judgments in the Report and Financial Statements are those which we have selected to be the significant audit risks – income recognition and operating within the funding provided. These are inherently the areas in which management has the potential to use their judgment to influence the Annual Report and Accounts.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have considered the overall control environment and 'tone at the top'
- We have tested the design and implementation of controls in relation 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 used our Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

- We have reviewed accounting estimates for biases that could result in material misstatements due to fraud.
- We have not identified any material unusual transactions outside the normal course of business of the College.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We identified control weaknesses in relation to the lack of authorisation of journal postings prior to entry into the general ledger system, and lack of evidence of review of the quarterly management accounts. See page 14 for more details.

Significant risks (continued)

Operating within the funding provided



Risk identified and key judgements

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.

We consider this fraud risk to be focused on how management operate within the funding available. The risk is that the College could materially misstate expenditure in relation to year end transactions, in an attempt to align with its tolerance target or achieve a breakeven position.

The significant risk is therefore pinpointed to the completeness of accruals 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.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the achievement of the limits set by the Scottish Funding Council. Our work in this area included the following:

- Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals made at the year-end;
- Obtaining independent confirmation of the funding allocated to UHI Perth by the Scottish Funding Council (SFC) and the University of Highlands and Islands (UHI);
- Performing focused testing on a sample of accruals made at the year-end; and
- Performing focused cut-off testing of invoices received and paid around the year-end.

Significant risks (continued)

Operating within the funding provided (continued)



Deloitte view

Our work on this risk is complete. We have two items to report to the Audit Committee in relation to this significant risk.

Included within the 2023/24 Accounts Direction were details of a change in the funding arrangements for the national job evaluation exercise. The updated Accounts Direction instructed colleges to remove the accrued income being recognised in relation to the job evaluation scheme and reclassify the liability from accruals to provisions.

This change was communicated in the Accounts Direction issued by the Scottish Funding Council on 18th September 2024. As this was before the 2022/23 Annual Report and Accounts had been signed, this should have been treated as an adjusting post balance sheet event in 2022/23. This has therefore been corrected through a prior year restatement.

Management have posted this adjustment in the updated accounts. The in-year impact for accounting for the Job Evaluation Scheme liability is £495k. We note that £2,704k of Job Evaluation Scheme liability has been reclassified from accruals to provisions.

We have identified one adjustment which remains uncorrected by management in relation to our testing of post year end invoices and payments. See page 32 for more details.

We also identified a control weakness in relation to review of post year end invoices and payments. See page 14 for more details.

Significant risks (continued)

Completeness of income



Risk identified and key judgements

ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

We have assessed the income streams for the College and concluded that the risk of a material misstatement due to fraud can be pinpointed to the non-recurrent funding as there is no judgement in respect of the recurrent grants from the SFC and UHI. We have pinpointed the non-recurrent funding risk to be in relation to:

- Incorrect 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.



Deloitte response and challenge

We have evaluated the results of our audit testing in the context of the completeness of income. Our work in this area included the following:

- Evaluating the design and implementation of controls around recognition of non-recurrent income;
- Performing focused cut-off testing of a sample of invoices raised and income received around the year-end;
- Performing focused testing of grant income where there are conditions of entitlement including clawback clauses; and
- Performing focused testing of income with performance conditions attached.

Deloitte view

Our work on this significant risk is complete. We have no control findings or adjustments to report to the Audit Committee.

Other Areas of Audit Focus

Defined benefits pension scheme

Background

Retirement benefits to employees of the College are provided by the Tayside Pension Fund, which administers the Local Government Pension Scheme (LGPS) and managed by Dundee City Council, and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA).

The net pension asset decreased from £3,552k in 2021/22 to become an £876k liability in 2022/23. The decrease is a combination of a fair value assets movement, changing demographics for the liabilities assumptions, and the calculation of the asset ceiling. The liability also continues to be affected by the McCloud and Goodwin legal cases.

Barnett Waddingham are the College's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk.

Deloitte response

We have evaluated the results of our audit testing in respect of the pensions testing. Our work in this area included the following:

- Assess the independence and expertise of the actuary supporting the basis of reliance upon their work;
- Review and challenge the assumptions made by Barnett Waddingham;
- Obtain assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- Assess the reasonableness of the College's share of the total assets of the scheme with the Pension Fund annual accounts and the Funds asset position at 31 July 2024;
- Review and challenge the calculation of the impact of the McCloud and Goodwin cases on pension liabilities;
- Review the disclosures within the accounts against the FE SORP; and
- Engage Deloitte's internal pensions experts to assist with the above procedures.

Deloitte view

Our work on this area of audit focus is complete. Our pension specialists have raised one finding which requires reporting to the Audit Committee. This is a judgemental adjustment in relation to allowance for the Goodwin case. The total value of this adjustment is £34k. See details on page 32.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Authorisation of Journal Entries</p> <p>Journal entries are not approved before being posted into the general ledger, thereby increasing the risk of fraudulent postings being made.</p>	<p>We recommend that a process of journal authorisation be put in place. All journal entries should be authorised by someone other than the one preparing the posting after reviewing any supporting documentation to assess the accuracy and appropriateness of the posting. Evidence of preparation and authorisation should be documented against the journal.</p>	<p>The recommendation is accepted subject to an acceptable value of journal authorisation being agreed with Deloitte. Director of Finance to ensure completion by 30 April 2025.</p>
<p>No documentation of review of Management Accounts</p> <p>Management accounts are prepared and reviewed on a quarterly basis before being presented to the board. There is no documentation kept to evidence this review taking place prior to presentation to board.</p>	<p>We recommend that minutes are taken, documenting issues raised during the review of the quarterly management accounts.</p>	<p>Recommendation accepted. Director of Finance to ensure completion by 31 March 2025.</p>
<p>Search for unrecorded liabilities</p> <p>We note a lack of effective review of post year end invoices received and payments made in the search for liabilities that existed at year end that should have been accrued for.</p>	<p>We recommend that a process is put in place that documents the review of post year end invoices received and payments made in the search for unrecorded liabilities.</p>	<p>Recommendation accepted. Director of Finance to ensure completion in preparing the financial statements from 2024/25 on.</p>

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Closed Bank Accounts with GL Codes</p> <p>We noted that general ledger codes are still open and have balances attached to them for bank accounts that have now been closed.</p>	<p>We recommend the GL codes are updated so that only active bank accounts are included within the accounts, allowing for more accurate balances to be displayed and reconciliations to be performed.</p>	<p>Recommendation accepted. Director of Finance to ensure completion by 31 March 2025.</p>
<p>Review of bad debt provision</p> <p>We noted that there were duplicate items and items included in error within the bad debt provision as at 31 July 2024. This indicates a lack of review of the provision at year end.</p>	<p>We recommend that management perform a detailed review of their bad debt provision at year end to ensure the amounts being provided for are correct.</p>	<p>Recommendation accepted. Director of Finance to ensure completion in preparing the financial statements from 2024/25 on.</p>
<p>Review of Remuneration Report</p> <p>Our testing of the Remuneration Report identified a number of disclosure adjustments, highlighting a lack of effective review of the report by management.</p>	<p>We recommend that management perform a detailed review of the Remuneration Report, including confirming that the disclosures within the draft financial statements meet the requirements set out in the Financial Reporting Manual (FReM).</p>	<p>Recommendation accepted. College to ensure completion in preparing the 2024/25 financial statements.</p>

Other significant findings

Financial reporting findings

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

Qualitative aspects of your accounting practices:

UHI Perth'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 auditor and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

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

Our audit report

Other matters relating to the form and content of our report

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



Our opinion on the Annual Report and Accounts

We have issued an unmodified audit report.



Going concern

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

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



Emphasis of matter and other matter paragraphs

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

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



Other reporting responsibilities

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

Opinion on regularity

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

Your Annual Report and Accounts

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

	Requirement	Deloitte response
The Performance Report	The report outlines the College's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the College.	<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>

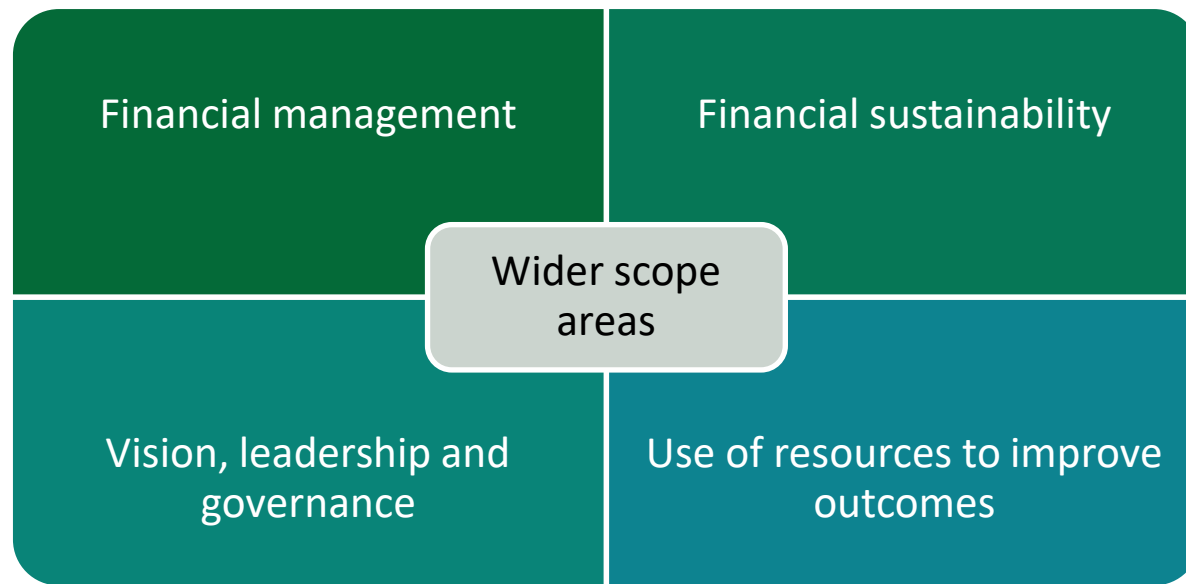
Wider scope audit



Wider scope requirements

Overview

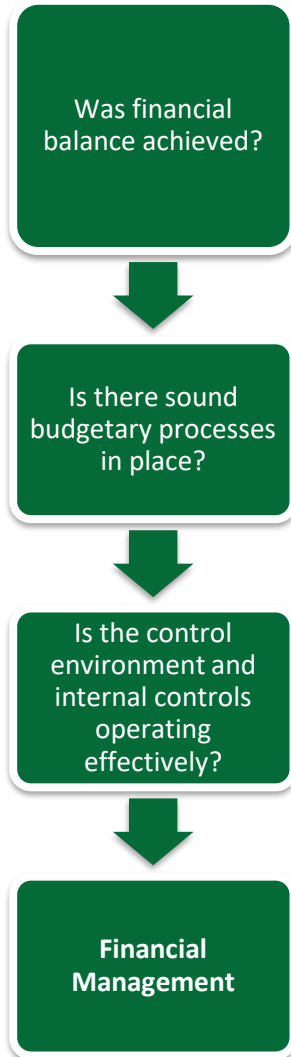
As set out in our audit plan, Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional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



Our audit work has considered how UHI Perth is addressing these risks.

Wider scope requirements (continued)

Financial management



Risk identified

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

Current year financial performance

We note that the wider financial landscape in which UHI Perth operates is challenging, which in turn creates specific challenges for UHI Perth.

We note that there was no budget produced for 2023/24 due to the restructuring that took place during FY24. The final outturn position achieved was a deficit of £2,988k. This was made up of total income of £26,063k and total expenditure of £29,051k. UHI Perth is forecasting a deficit of £1.8m for 2024/25.

Finance team structure

There have been changes to the finance team during 2023/24. A new Director of Finance and Depute Principal - Operations were appointed in February 2024. There had also been changes to the remainder of the finance function during 2023/24. We note that a new finance manager has been appointed during 2024/25.

We note that the Director of Finance has resigned and left the College in April 2025.

Audit process

We note that due to changes within the finance team and capacity challenges, UHI Perth were unable to service the audit during the planned months of October to December 2024. The decision was made to delay the audit until January 2025.

Our audit was then further delayed in March 2025 due to additional audit procedures being required following the resignation of a number of Board members (detailed on the leadership and governance slides), as well as AST entering into administration.

Budget setting

As noted on the previous slide, there was no budget produced during 2023/24 due to the restructuring process being carried out at the College.

Wider scope requirements (continued)

Financial management (continued)



Budget setting (continued)

We have confirmed that the budget setting process has been re-implemented in 2024/25, with reporting on progress against budget to the Board. However, we have noted that errors were identified in the 2024/25 UHI Perth budget, which led to an additional £1m in liquidity support being required. This has been requested from the Scottish Funding Council ("SFC"). This is in addition to the £1.5m of liquidity support already agreed with the SFC.

Financial Recovery Plan

UHI Perth are in the process of creating a Board approved Financial Recovery Plan which is to include detailed actions and timescales to address the current cashflow pressures, risks and recovery planning. The recovery plan is to also make clear where additional SFC funding is required.

Once approved by Board, the Financial Recovery Plan will then be approved by both the Regional Strategic Body ("RSB") and the SFC.

This Financial Recovery Plan was part of a request made by the Regional Strategic Body in a letter sent to UHI Perth on 2nd April 2025.

We also note that Executive Office have appointed a consultant to support UHI Perth on the Recovery Plan. In addition to this, the Finance and Resources Committee have requested that internal audit perform a review of the budgeting process, which Executive Office have requested be expanded to include financial processes and key controls.

Deloitte view – financial management

We note that there was no budget produced for 2023/24. The preparation and monitoring of a budget is a crucial element of monitoring the financial position of the College. We recommend that the College produce and monitor a budget each financial year.

We have also noted the errors identified in the 2024/25 budget that has led to an additional need for liquidity support from the Scottish Funding Council. We recommend that controls are implemented during the process of reviewing and approving the budget to identify any errors on a more timely basis.

The high degree of turnover within the finance function during 2023/24 and into 2024/25 creates a risk that knowledge gaps appear, particularly following the recent resignation of the Director of Finance.

Wider scope requirements (continued)

Financial sustainability

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



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



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



Financial Sustainability

Risk identified

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

Current year assessment

As noted above, the wider financial landscape in which UHI Perth operates is challenging. In 2023/24 the College recorded a deficit of £2,988k. We note this was impacted by a change in the Accounts Direction in 2023/24 which resulted in the College no longer being able to accrue income in relation to the Job Evaluation Scheme. This has had an adverse impact of £2,704k on the deficit position.

Medium to long term planning

UHI Perth has operated within significant financial pressures for some time and a number of steps have already been taken to reduce and manage staffing costs. These have included scrutiny of vacancies/restricting recruitment, review of evening opening hours, review of estates strategy and student services. In 2023/24, the College launched a Voluntary Severance Scheme ("VSS"). These measures have led to a reduction of 74 FTE by the end of 2023/24.

Despite the above measures, the College are still in a position where they are forecasting a deficit position for the next two financial years. This is primarily due to a reduction in student numbers, and the phased costs of the VSS.

The College was forecasting a deficit position of £1,288k in 2024/25, which is made up of total income of £25,313k and total expenditure of £26,601k. However, as noted on the financial management slides, errors were identified in the 2024/25 UHI Perth budget, which led to an additional £1m in liquidity support being required from the Scottish Funding Council (SFC). This is in addition to the £1.5m of liquidity support already agreed with the SFC. The forecast deficit position for 2024/25, as at 31 January 2025, is £1.8m.

This creates additional financial challenges for UHI Perth and has resulted in a Financial Recovery Plan being produced, as detailed in the financial management section of this report.

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

AST administration

UHI Perth's subsidiary, Air Service Training ("AST"), entered into administration on 10 April 2025. This was a result of financial challenges, driven by a reduction in student numbers on a key course run by AST.

We have performed additional procedures to confirm that the administration of AST does not materially impact the UHI Perth 2023/24 financial statements.

We have also confirmed that the required subsequent event disclosures have been added to the 2023/24 financial statements.

Deloitte view – financial sustainability

We note that UHI Perth is facing significant financial sustainability challenges, specifically in relation to flat funding and rising staff costs.

We note that FE student recruitment levels at UHI Perth have improved in recent years and the College exceeded their FE target for 2023/24 sector.

We note that UHI Perth are in the process of creating a Board approved Financial Recovery Plan, at the request of the Regional Strategic Body and the Scottish Funding Council.

Wider scope requirements (continued)

Vision, leadership and governance

Does the body have a clear vision and strategy?



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



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



Vision, leadership and governance

Risk identified

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

Strategic Plan

We note that UHI Perth has a Strategic Plan for 2022-2027 published on their website. From our review of the Strategic Plan in place at Perth, we note that the College has set out a vision and strategy which included a clear set of priorities. In addition to this, a key focus is being placed on sustainability which is embedded within the governance arrangements at the College.

The Strategic Plan includes four key strategies which are included with specific aims attached to each one. Each of these key strategies includes strategic objectives, with Key Performance Indicators (“KPIs”) attached to each one. These objectives are in place to ensure the priorities are aligned with the needs of the communities and individuals. The Strategic Plan and policies are all published on the UHI Perth website, evidencing the information is accessible to relevant communities.

Adapting to a changing environment

We note from our review of Committee meeting minutes and our attendance at Audit Committee meetings that the leaders of the College are adapting to a changing environment.

Changes to senior staff

We note that the Senior Leadership Team (“SLT”) at UHI Perth has changed during 2023/24. The SLT has reduced from five posts to three in 2024. This was a result of the business efficiencies exercise the College performed during the year.

We note that the Director of Finance has resigned and left the College in April 2025.

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

Changes to Board Composition

In April 2025 there were a number of changes to the composition of the UHI Perth Board. These were as follows:

- The Chair of the Board resigned on 3rd April 2025.
- The Chair of the Audit Committee resigned on 11th April.
- Two other independent members resigned on 3rd and 8th April.

We have held discussions with key personnel at the College regarding the reasons for the above resignations and are satisfied that there are no circumstances present that impact our 2023/24 financial statements audit opinion.

Governance arrangements with AST

As noted on our financial sustainability slides, UHI Perth's subsidiary, Air Service Training ("AST"), entered administration in April 2025.

Our discussions with key College personnel noted that the same individual was Chair of both the UHI Perth and AST Board. It was also highlighted that the levels of communication between the AST Board and the UHI Perth Board could be improved.

Deloitte view – Vision, leadership and governance

The departures of key members of the UHI Perth Board creates a risk of instability at the College going forward.

In addition to this, the departure of key members of the finance function creates a risk that knowledge gaps appear, specifically regarding the resignation of the Director of Finance.

Wider scope requirements (continued)

Use of resources to improve outcomes

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



Have alternate models of delivery been considered?



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



Use of resources to improve outcomes

Risk identified

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

Use of resources to improve outcomes

UHI Perth has a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. The most recent inspection report, published by Education Scotland in April 2024, notes major strengths in the College's rate of successful completion for learners on full-time FE programmes has been consistently above sector average for the last five years.

Student recruitment

One of the key KPIs in place at the College is in relation to student recruitment. This is monitored and reported on the monthly basis to the College Board. We note that the key metrics are HE and FE student recruitment. In 2023/24, the College delivered 23,461 FE credits against a target of 22,050 credits, equivalent to 106% of the target. UHI Perth delivered a total full-time equivalent ("FTE") HE students of 1,564 FTE against a target of 1,674 FTE, equivalent to 93% of the target.

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

Deloitte view – Use of resources to improve outcomes

We note that the College has received a positive inspection report from Education Scotland in 2023/24, noting major strengths in relation to rate of successful completion for learners on full-time FE programme.

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	UHI Perth position
1. What targets has the body set for reducing emissions in its own organisation or in its local area?	<p>UHI Perth have aligned themselves with the Sustainability Strategy in place at the University of Highlands and Islands (UHI). This includes targets that the College has set to achieve net carbon zero emissions by 2040.</p> <p>However, we note that this does not include interim targets to measure progress. We recommend that these are incorporated and are reported to the College Board on a timely basis.</p>
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	<p>There is currently no specific climate change action plan which sets out how the College intends to achieve its targets. It is recommended that this is established and included in Board reporting.</p>
3. How does the body monitor and report progress towards meeting its emission targets internally and publicly?	<p>We note that the College has not set interim targets to measure progress against its Sustainability Strategy. See recommendation above in relation to monitoring progress against emissions targets.</p>

Wider scope requirements (continued)

Climate change (continued)

Question	UHI Perth 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 UHI Perth financial statements is a section on Climate Change. Included within this section are details of the College's carbon reduction strategy, including details of their carbon emissions.

Deloitte view – Climate change

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

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 Upon Tyne | 30 April 2025

Appendices



Audit adjustments

Uncorrected 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).

2023/24 Uncorrected misstatements		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						
Post year end invoices and payments	[1]	-	(79)	-	79	Page 13
Allowance in relation to the Goodwin case	[2]	-	(34)	-	34	N/A
Total			(113)		113	

[1] As part of our testing of post year end invoices and payments, we identified a number of samples that related to 2023/24 but had not been included within liabilities as at 31 July 2024. The total error identified is £63k, with an extrapolated difference of £79k.

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

Audit adjustments (continued)

Corrected misstatements

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

		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						
Bad debt provision	[1]		289		(289)	Page 14
Total			289		(289)	

[1] We noted that there were duplicate items and items included in error within the bad debt provision as at 31 July 2024. Management performed an exercise to review the full bad debt provision listing and remove any items included in error. The total adjustment made is £289k.

Audit adjustments (continued)

Prior period adjustments

The following misstatements identified during our 2023/24 audit have been corrected as a prior period adjustment.

	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					
Job Evaluation Scheme – accrued income	[1]	(2,209)		2,209	
Job Evaluation Scheme – accruals	[1]	2,209		(2,209)	
Job Evaluation Scheme – provisions	[1]	(2,209)		2,209	
Total		(2,209)		2,209	

[1] Included within the 2023/24 Accounts Direction were details of a change in the funding arrangements for the national job evaluation exercise. The updated Accounts Direction instructed colleges to remove the accrued income being recognised in relation to the job evaluation scheme and reclassify the liability from accruals to provisions.

This change was communicated in the Accounts Direction issued by the Scottish Funding Council on 18th September 2024. As this was before the 2022/23 Annual Report and Accounts had been signed, this should have been treated as an adjusting post balance sheet event in 2022/23. This has therefore been corrected through a prior year restatement.

Management have posted this adjustment in the updated accounts. The in-year impact for accounting for the Job Evaluation Scheme liability is £495k. We note that £2.21m of Job Evaluation Scheme liability has been reclassified from accruals to provisions.

Audit adjustments

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatement have been identified during our 2023/24 audit which we request that you ask management to correct as required by ISAs (UK).

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

Other disclosure recommendations

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

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

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

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

Required representations:

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

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



Audit work performed:

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

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

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

Independence and fees

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

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 July 2024 in our final report to the Audit Committee.
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Fees	The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:
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	£
Auditor remuneration	47,320
Audit Scotland fixed charges:	
• Pooled costs	(5,050)
• Sectoral cap adjustment	(6,670)
Total expected fee	35,600

There are no non-audit fees.

*During the audit in 2023/24, we have been required to perform additional procedures in relation to the prior period adjustment regarding the Job Evaluation Scheme. These procedures resulted in additional senior time being required on the audit. In addition to this, we have also experienced delays in the flow of information during the audit process. 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.
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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.
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