



Annual Audit Report  
Fife College – year ended 31 July 2025

15 December 2025

The Audit and Risk Committee  
Fife College  
Dunfermline City Campus  
Calaiswood Crescent  
Dunfermline  
KY11 8SJ

15 December 2025

Dear Committee Members and the Auditor General for Scotland,

### **Annual Audit Report – Year ended 31 July 2025**

We are pleased to present our Annual Audit Report for the year ended 31 July 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code"). This report is intended solely for The Audit and Risk Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. 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.

We appreciate the courtesy and co-operation extended to us by Fife College throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully

Michael Speight

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This document is to be regarded as confidential to Fife College. It has been prepared for the sole use of the Audit and Risk Committee as the appropriate sub-committee charged with governance by the Board of Governors. 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.

01

Executive Summary

## Executive summary

### Scope

We have been engaged to audit the financial statements of Fife College for the year ended 31 July 2025 which are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) 2019 edition and the Government Financial Reporting Manual (FReM) 2024-25.

We have conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs'), relevant ethical and professional standards, and the requirements set out in the Audit Scotland's Code of Audit Practice 2021. Our responsibilities and powers are derived from our appointment by the Auditor General under the Public Finance and Accountability (Scotland) Act 2000.

### Audit status

Our audit procedures are complete for the year ended 31 July 2025.

### Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to Board of Governors in our Annual Audit Plan.

### Significant control deficiencies

We did not identify any significant deficiencies in internal control.

### Audit misstatements

A summary of the adjusted and unadjusted misstatements above our reporting threshold we have identified to date is set out in the '*Summary of misstatements*' section.

## Executive summary (continued)

### Audit opinion

We have issued an unqualified opinion, without modification, as set out in Appendix C.

### Wider scope

We have no significant wider scope risks to report in relation to the financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes arrangements that the College has in place. Further details have been provided in section 'Wider scope and Best Value' of this report.

### Best Value

We have no risks in arrangements to report in relation to the vision and leadership; governance and accountability; effective use of resources; partnerships and collaborative working; working with communities; sustainability; and fairness and equality arrangements that the College has in place.

Further details have been provided in section 'Wider scope and Best Value' of this report.

### Regularity opinion

We have issued an unqualified regularity opinion, meaning that in our opinion, in all material respects the expenditure and income recognised in the financial statements have been applied or incurred in accordance with any applicable enactments and guidance issued by the Scottish Ministers. Our regularity opinion is included in the draft auditor's report in Appendix C.

### Performance Report and Governance Statement opinion

We have no matters to report in respect of the Annual Governance Statement or the Performance Report preparation as it is consistent with the financial statements and has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council. Our Performance Report and Governance Statement opinion is included in the draft auditor's report in Appendix C.

### Matters on which we report by exception

We are required by the Auditor General for Scotland to report to you if, during the course of our audit, we have found that adequate accounting records have not been kept; the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.

### Other information

We are required to report on whether the other information (comprising of the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report), is materially inconsistent with the financial statements; is materially inconsistent with our knowledge obtained in the course of the audit; or is materially misstated. No inconsistencies have been identified and we have issued an unmodified opinion in this respect.

### Audited parts of the Remuneration and Staff Report

We are required to provide an opinion on the audited parts of the Remuneration and Staff Report to confirm that have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We have issued an unqualified opinion, without modification. Our proposed audit opinion is included in the draft auditor's report in Appendix C.

## Executive summary (continued)

### Qualitative aspects of the College's accounting practices

We have reviewed the College's accounting policies and disclosures and conclude that they comply with the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) 2019 edition and the Government Financial Reporting Manual (FRM) 2024/25, appropriately tailored to the College's circumstances.

Draft accounts were received from the College on 17 October 2025 and were of a good quality.

### Significant matters discussed with management

During our audit, we communicated one significant matter to management:

#### Retention accrual

During the course of the audit, it was identified that the construction costs of the Dunfermline City Campus needed to be more clearly presented in the annual accounts. This change results in the inclusion of construction-related retentions being shown within the tangible fixed assets and creditors.

Therefore, construction related retentions of £1,362k are shown in the financial statements for 2024/25 and retentions of £1,866k are shown for the 2023/24 financial statements.

The overall impact of this change is a £nil net effect on the College's financial statements in respect of result for the year and net assets. It is however reported in this section of the audit report as the value puts it above the College's materiality threshold of £1,118k and because it required an amendment to the 2024/25 draft figures prepared by the College and the treatment in the previous year's audited and approved annual accounts.

## Executive summary (continued)

### **Significant difficulties during the audit**

We have not encountered any significant difficulties and we have had the full co-operation of management.

### **Other matters of significance**

We encountered no significant difficulties during our audit and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and The Board of Governors during our audit. All requested information and explanations were provided to us.

Other matters we are required by ISA (UK) 260 *Communication with Those Charged with Governance* to communicate to you have been set out in Appendix E.

02

Status of our audit

## Status of our audit

Our audit work is complete.

# 03

Audit approach and risk summary

## Audit approach and risk summary

### Changes to our audit approach

There have been no changes to the audit approach we communicated in our Annual Audit Plan, issued on 23 May 2025.

### Materiality

Our provisional materiality at the planning stage of our audit was set at £930k using a benchmark of 1.75% as per the Annual Audit Plan. We have undertaken a stand-back reassessment of risk and concluded that using 2.0% of revenue is an acceptable materiality level and reflects the inherent risk level. Using this percentage, the final financial statement materiality level is £1,118k.

### Reliance on internal audit

Where possible we utilised the work performed by internal audit to modify the nature, extent and timing of our audit procedures.

### Use of experts

Management makes use of experts relating to the Defined Benefit Pension Liability and the associated accounting entries and disclosure requirements under FRS 102, with the Actuary Hymans Robertson being their expert.

Management makes use of experts relating to the valuation of land and buildings with F G Burnett being their expert.

### Going concern

Our audit testing has not highlighted any issues regarding the going concern nature of Fife College.

### Disclosures

Our reviews of the disclosures of the college have not highlighted any issues.

### Risks

We have not identified any changes to our significant risks and key judgement areas highlighted in our Annual Audit Plan.

### Audit approach and risk summary (continued)

Significant risks	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatement identified	Control recommendations	Conclusion	Page ref to finding
Revenue recognition	Yes	Yes	No	Yes	No	No	No	Risk satisfactorily addressed	16
Management override of controls	Yes	No	Yes	Yes	No	No	No	Risk satisfactorily addressed	17
Defined benefit pension scheme assets	No	Yes	Yes	Yes	No	No	No	Risk satisfactorily addressed	18

## Audit approach and risk summary (continued)

Other key areas of judgement, and enhanced risks	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatements identified	Control recommendations	Conclusion	Page ref to finding
Defined benefit pension scheme assumptions	No	Yes	Yes	Yes	No	No	No	Risk satisfactorily addressed	20
Early Retirement Provision	No	Yes	Yes	Yes	No	No	No	Risk is satisfactorily addressed	21
Valuation of land and buildings	No	Yes	Yes	Yes	No	No	No	Risk is satisfactorily addressed. Please refer to page 19 for more details	19
Accounting treatment of Job Evaluation Scheme	No	Yes	Yes	Yes	No	No	No	Risk is satisfactorily addressed	22

Significant findings

## Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

### Significant risks

#### Management override of controls

#### Description of the risk

In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

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#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.

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#### Audit conclusion

Satisfactory assurance has been gained in respect of the presumed risk of management override of controls. We have no matters to report.

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## Significant findings

### Revenue recognition

#### Description of the risk

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.

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.

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#### How we addressed this risk

We addressed this risk through performing audit work over:

- the design and implementation of the controls management has in place to ensure income is recognised in the correct period;
- cash receipts around the year end to ensure they have been recognised in the right year;
- the judgements made by management in determining when non-grant income is recognised;
- for major grant income, obtaining counterparty confirmation; and
- expected credit loss provisions applied to receivables at the year end, considering the appropriateness of judgements made by management

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#### Audit conclusion

From the work performed, we have identified no misstatements in respect of revenue recognition.

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## Significant findings (continued)

### Defined benefit pension scheme assets

#### Description of the risk

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.

The complexity is created by factors such as:

- The types of assets held by the pension scheme and their valuation bases; and
- The calculation of the College's share of the overall

Scheme assets requiring the rolling forward of quarter end valuations.

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#### How we addressed this risk

We have undertaken a range of substantive procedures including:

- 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.
- Reviewing this confirmation and considering if the information provided is sufficient and challenge any inconsistencies noted..

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#### Audit conclusion

Our audit testing has not highlighted any issues with the Defined Benefit pension scheme assets.

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## Significant findings (continued)

### Other key areas of management judgement/enhanced risks

#### Valuation of land and buildings

##### Description of the management judgement

The College's property, plant and equipment (PPE) portfolio totals over £214.3 million of assets (2024: £161.6million). The valuation of these assets requires expertise and significant estimation.

To meet the requirements of the accounting framework, the College values its property, plant and equipment on at annually. For 2024/25, the College obtained a desktop valuation from their external valuer.

The College's PPE totals £214.3 million, an increase of £52 million from 2023/24. This movement includes additions of £56.8 million of which £56.2 million relates to the new Dunfermline City Campus, depreciation of £3.9 million, and disposals of £574k in the year and a revaluation loss of £3.70 million.

Given the significance of the balance within the financial statements, the number of assumptions that are made in the valuation and the additional capital activity occurring as part of the ongoing development of the Dunfermline City Campus, we assigned a significant risk to property, plant and equipment.

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##### How our audit addressed this area of management judgement

We have undertaken a range of substantive procedures including:

- Examining the professional qualifications of the valuer;
- Challenge and substantiate the assumptions and the appropriateness of the date of the valuation used by management's valuer in completing the valuations;
- Considering the impact of any uncertainty arising from the professional valuation of college land and buildings, assessing against third party benchmark information where appropriate.
- Ensuring that valuations and impairments have been completed on the correct basis for each item and that movements are in line with expectation; and
- Assessing whether the report produced by the valuer has been correctly reflected in the accounts.

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##### Audit conclusion

We obtained satisfactory assurance over the valuation risk relating to land and buildings. During our review, we noted that the Halbeath Campus was assigned a remaining useful life of 6 months, based on the expected sale completion date. We challenged this assumption because the majority of operations moved to the Dunfermline City Campus (DCC) in October 2025, which is 3 months after year-end. Management have explained that certain elements of the campus (such as the car park) are expected to remain in operational use for a further three months. We have therefore concluded that any potential judgemental misstatement is immaterial.

## Significant findings (continued)

### Other key areas of management judgement/ enhanced risks

<b>Valuation of Pension liabilities</b>	<b>Description of the management judgement</b>
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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 and it is therefore accounted for as a defined contribution scheme.

The College's share of the FCPF's underlying assets and liabilities is identifiable and is recognised in the accounts.

Given the scale of the liability recognised, a misstatement in the reported position could be material to the financial statements.

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#### How our audit addressed this area of management judgement

We have addressed the risk by:

- Considering the arrangements put in place, including existence of any relevant controls, for making estimates in relation to pension entries within the financial statements.
- Considering the reasonableness of the actuary's assumptions used in providing the College with information in the financial statements through the use of our internal experts.

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#### Audit conclusion

Our audit testing has not highlighted any issues with the Defined Benefit pension scheme assumptions. We have completed our draft review of the assumptions using our internal actuarial team and are awaiting their final review of the assumptions.

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# Significant findings (continued)

## Other key areas of management judgement/ enhanced risks

### Early Retirement Provision

#### Description of the management judgement

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.

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#### How our audit addressed this area of management judgement

We have addressed the risk by:

- Considering the actuarial assumptions used by the actuary when calculating the provision value.

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#### Audit conclusion

There have been no significant findings arising from our review of the early retirement provisions and associated disclosures in the financial statements.

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## Significant findings (continued)

### Other key areas of management judgement/ enhanced risks

#### Accounting treatment of Job Evaluation Scheme

#### Description of the management judgement

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.

The 2024/25 Accounts Direction requires the Colleges to account for the Scheme in an equivalent manner.

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.

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#### How our audit addressed this area of management judgement

We considered a range of substantive procedures including:

- Considering the proposed treatment against the requirements of the 2024/25 Accounts Direction;
- Considering the consistency between the proposed treatment and FRS 102;
- Considering the appropriateness of the basis of calculation of the provision; and
- Considering whether the computation of the job evaluation provision appropriately takes account of all relevant considerations

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#### Audit conclusion

Our audit testing has concluded that the treatment is in line with the 2024/25 Accounts Direction and FRS 102.

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# 05

Significant control deficiencies

## Significant control deficiencies

As part of our audit, we obtained an understanding of the College's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the College's internal controls, we are required to communicate to The Audit and Risk Committee any significant deficiencies in internal controls that we identified in during our audit.

### Deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- A control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the College's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

### Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of The Audit and Risk Committee.

We have not identified any deficiencies in the College's internal controls as at the date of this report.

### Other observations

We also record our observations on the College's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We have not identified any such control deficiencies as at the date of this report.

## Summary of misstatements

## Summary of misstatements

We have identified the following adjusted misstatements as at the date of this report:

<b>Adjusted misstatements 2025</b>					
		<b>SOCIE</b>		<b>Balance Sheet</b>	
		Dr	Cr	Dr	Cr
		£'000	£'000	£'000	£'000
1	Dr Tangible assets			1,866	
	Cr Creditors				1,866
	Being impact of including 2023/24 retentions for Dunfermline City Campus as prior year adjustment				
2	Dr Tangible assets			1,362	
	Cr Creditors				1,362
	Being impact of including 2024/25 retentions for Dunfermline City Campus				
<b>Total adjusted misstatements</b>		-	-	3,228	3,228

We have not identified any unadjusted misstatements as at the date of this report.

### Disclosure misstatements

We have not identified any disclosure misstatements as at the date of this report.

07

Fraud considerations

## Fraud considerations

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

### Your responsibilities

Management has primary responsibility for the prevention and detection of fraud. It is important that management, with your oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by your active oversight.

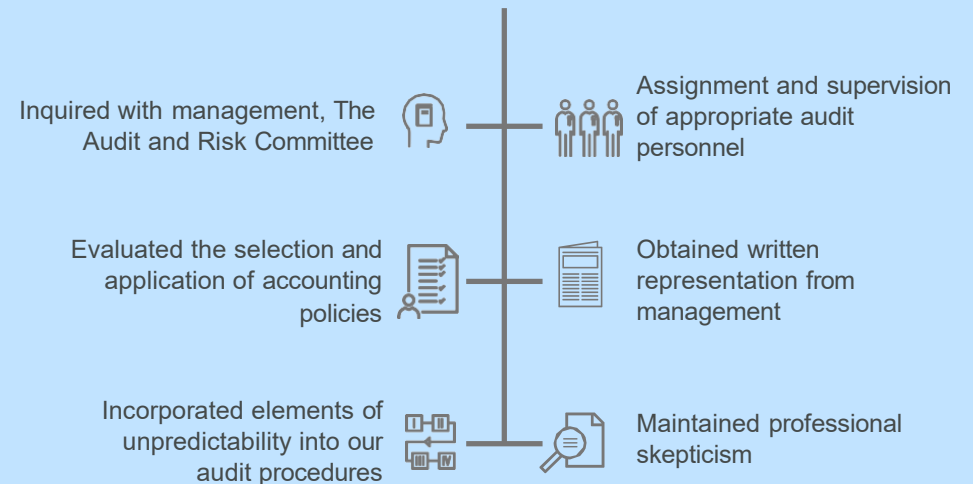
### Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

### ISA presumed fraud risks

As set out in the 'Audit approach and risk summary' section, the risks of fraud in revenue recognition and management override of controls were identified as significant risks.

### Our overall approach to fraud



### Our overall conclusion

**We did not identify any actual or suspected fraud involving management, employees with significant roles in internal control or others, where the fraud resulted in a material misstatement in the financial statements.**

## Wider Scope and Best Value

Commentary on Wider Scope

Overall Summary



# Commentary on Wider Scope

## Wider Scope summary

As auditors appointed by the Auditor General of Scotland, our Wider Scope responsibilities are set out in the Code of Audit Practice 2021. The Code requirements broaden the scope of the 2024/25 audit and allow us to use a risk-based approach to report on our consideration of the College's performance and make recommendations for improvement and, where appropriate, conclude on the College's performance.

The Code's Wider Scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

## Overall summary by reporting criteria

We have the following conclusions:

Reporting criteria	Commentary page reference	Possible significant risks?	Significant risks identified?	Other recommendations made?
Financial management	32	No	No	No
Financial sustainability	37	Yes – see risk on page 38	Yes	No
Vision, leadership and governance	42	No	No	No
Use of resources to improve outcomes	45	No	No	No

## 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.

The table below outlines the wider scope audit risks that we have identified to date from our discussions with management and knowledge of previous years engagements.

Description	Financial management	Financial sustainability	Vision, leadership and governance	Use of resources to improve outcomes	Planned procedures
<p>1 <b>Financial sustainability</b></p> <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 have been made aware that the College is projecting a full-year position for 2025/26 with a significant adjusted operating deficit of £0.5m and are expecting a breakeven adjusted operating position in 2027 after remedial actions.</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>	Yes	No	Yes	Yes	<p>We intend to consider:</p> <ul style="list-style-type: none"> <li>the monitoring of the effectiveness of internal control arrangements;</li> <li>Whether the College's budgetary control system is timely and accurate; and</li> <li>whether and how the College has assessed their financial capacity and skills.</li> </ul>

# Commentary on Wider Scope

## Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



# Financial management

## Significant risks

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

## Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Financial management culture	Overall there is a good culture of financial management. From our review of monthly management accounts, to reviewing the FFR and other forecasts, there is a clear plan and oversight within the college.	The FFR was prepared on time and to a good quality.	No significant risks have been identified.
Accountability	We have seen that quarterly management accounts are prepared and reported to the Finance, Commercial and Estates Committee. These have been challenged in their meetings, which we have seen evidence of through our review of meeting minutes.	We reviewed all meeting minutes and noted that the results were discussed in each meeting of Finance Commercial and Estates Committee.	No significant risks have been identified.
Arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption	<p>Management and the Audit &amp; Risk Assurance Committee, as those charged with governance, also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.</p> <p>We have a responsibility to review the College's arrangements for the prevention and detection of fraud. Our audit work was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity.</p>	Our review has not highlighted any issues relating to the College's arrangements and procedures for the prevention and detection of fraud, error and other irregularities.	No significant risks have been identified.

# Financial management

## Significant risks

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

## Overall commentary on the financial management reporting criteria

### FE/HE SORP position

Area	2024/25 £'000	2023/24 £'000
Operating income	55,939	53,144
Staff costs	(42,381)	(40,577)
Operating expenditure	(14,820)	(18,210)
<b>Operating Deficit for the year (FE/HE SORP basis)</b>	<b>(1,262)</b>	<b>(5,643)</b>

The above table shows the financial performance of the college for 2024/25 and 2023/24 under the FE/HE SORP. Despite a deficit being shown in both years:

- The College achieved its financial targets and spending was in line with the plan;
- There were no significant changes to the reported position during the year; and
- The student credit target was met confirming the level of funding in the financial statements.

### Adjusted operating position

The table right sets out the financial position in accordance with SORP requirements. The table reflects the 'adjusted operating position' as required by the Accounts Direction issued by the Scottish Funding Council. The adjusted operating position removes more volatile accounting entries, such as the valuation of pensions. Full details of the adjustments included are shown, as required, in the Performance Report within the Annual Report and Financial Statements.

Area	2024/25 £'000	2023/24 £'000
Deficit before other gains and losses	(1,262)	(5,643)
Add back:	3,145	3,043
Depreciation (net of deferred capital grant release)		
Impairment	-	-
Non-cash pension adjustments – net service costs	(194)	(585)
Non-cash pension adjustments – net interest cost	(1,615)	(1,450)
Costs of job evaluation exercise not matched by revenue	1,325	6,129
Deduct:	-	-
Non-government capital grants from ACF		
CBP allocated to loan repayments and other capital items	(563)	(574)
<b>SFC declared adjusted operating surplus</b>	<b>836</b>	<b>920</b>

The Accounts Direction issued by the SFC for 2024/25 requires Colleges to submit the adjusted operating position calculation with draft accounts to the SFC for review before the accounts are signed off. The table above shows that excluding the non-cash and other applicable adjustments, the College has a surplus in the year, under the SORP basis.

## Financial management (continued)

### Impact of depreciation budget

The Statement of Comprehensive Income and Expenditure is prepared under the FE/HE SORP, which does not permit the inclusion of the non-cash budget for depreciation. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules.

Area	2024/25 £'000	2023/24 £'000
<b>Operating Deficit for the year (FE/HE SORP basis)</b>	(1,262)	(5,643)
<b>Add:</b>		
<b>Depreciation budget for government funded assets (net of deferred capital grant) for the academic year</b>	3,145	3,043
<b>Operating Surplus/(Deficit) on Central Government accounting basis</b>	<b>1,883</b>	<b>(2,600)</b>

The table above shows a surplus when the impact of the depreciation budget is taken as the only adjusting factor to the financial position for 2024/25.

The increase to a surplus position is considered to be as a result of the decrease in the operating deficit and an increase in the non cash item of depreciation in the year. Whilst income allocated from the Scottish Funding Council remains in line with 2023/24, this has not been sufficient enough to fund the increase in national insurance costs, the cost of pay awards and the inflationary increase of operating costs.

### Budgetary process

We have reviewed and considered the budgetary processes and controls and budget monitoring arrangements in place at the College. Our work consisted of a review of budget monitoring reports and committee papers along with attendance at committees. Overall, we consider that

the Board of Governors obtains regular and timely financial information that reflects the actual financial position.

We note that budget reports are produced on a timely basis and considered by the appropriate committee throughout the year. Budget reports and forecasts were appropriately updated based on prudent assumptions, there was considered to be no unreasonable movements throughout the forecasts and budgets.

The Finance, Commercial and Estates Committee considers the management accounting pack regularly alongside reporting to the Board of Governors at Fife College. Minutes of the meetings document the level of challenge to the financial performance.

### Internal Controls

As part of our audit, we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have also considered the work of internal audit, from individual reviews of financial systems and their annual audit opinion on the control framework in place at the College.

We conclude that the processes and controls in place at the College are operating effectively. The College has all the expected control, risk, performance and financial arrangements in place. There are a series of regularity documents including standing orders, articles of governance, code of conduct, and financial regulations intended to ensure regularity of transactions.

# Financial management (continued)

## **Prevention and detection of fraud and irregularity**

Management and the Audit Committee, as those charged with governance, also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

We have a responsibility to review the College's arrangements for the prevention and detection of fraud. Our audit work was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity.

# Commentary on Wider Scope

## Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



# Financial sustainability (continued)

## Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Financial planning	<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>The College has prepared a three year Financial Forecast Return (FFR) to the SFC which shows positive projected cash balance to 2027 which turn negative during 2027/28. Through the June 2025 FFR process and other financial reporting throughout the year, the College and its Board have a clear view of the financial challenges and long-term risks faced. FFR planning assumptions, as advised by the SFC, have been considered fully before use.</p> <p>Looking ahead to the upcoming years, Management and the Board are fully committed to exploring all efficiency saving possibilities, new sources of commercial income and other cost saving measures such as voluntary severance. However, until such time as either additional funding is made available or the College is able to identify and implement additional cost efficiencies, we therefore consider there to be concerns over the financial sustainability of the College. We note that this conclusion is consistent with the findings of the sector-wide outlook set out in the 'Scotland's Colleges 2025' briefing and in the 'Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26' issued by Audit Scotland and SFC.</p>	<p>Our assessment has replicated that of management. They have shown an adjusted operating deficit in their forecasts for 2025/26 to 2027/28, but have focused on preparing an accurate forecast to show their true position.</p>	<p>As shown to the left, the FFR shows a project cash shortfall during 2027/28.</p>

# Financial sustainability

## Significant risks

We have outlined below the significant risks in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

	Significant Risk in Arrangements Identified	Work undertaken and the results of our work
1	<p><b>Financial Sustainability</b>            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 have been made aware that the College is projecting a deficit position of £4.7m (prior to the inclusion of depreciation) and are expecting a significant deficit in both 2026 and 2027 of £4,827k and £5,701k respectively without remedial actions.</p> <p>The above position means that the College will have to make decisions in order to appropriately balance finances. 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 significant risk to the financial sustainability of the College.</p>	<p><b>Work undertaken</b>            We have addressed the risk by:</p> <ul style="list-style-type: none"> <li>• Reviewing the forecast financial position in the financial plans submitted to the SFC; and</li> <li>• Considering alternative plans being considered by the College to ensure a balanced budget is achieved; and</li> <li>• Reviewing the financial reporting arrangements in place at the college.</li> </ul> <p><b>Results of our work</b>            During 2024/25 the College prepared a three-year forecast cover to 2027/28 which highlights the future funding gap. The College has already implemented various cost saving action to identify further areas where savings can be made to mitigate the funding gap in the FFR. One such example is the voluntary severance scheme that is currently underway and further exploring any other measure that they can take to save costs. Even with any proposed changes, given the sector wide challenges around future funding (as set out in the ‘Scotland’s College 2025’ briefing and in the ‘Financial Sustainability of Colleges in Scotland 2020-21 to 2025-26’ issued by Audit Scotland and SFC respectively) there is a risk to financial sustainability without the further cost savings being identified and implemented by the College and additional funding not being made available from the SFC.</p> <p>As a result, we consider that there remains a risk that the College will not remain financially sustainable in medium to longer term.</p>

# Financial sustainability

## Overall commentary on the financial sustainability reporting criteria

### Financial Planning

This year the College has been requested to produce a three-year Financial Forecast Return (FFR) to the SFC.

SFC's FFR Call for Information set out two scenarios for colleges to consider.

The first scenario is the planning assumptions which are based on the Scottish Government's Spending Review. The income and expenditure projections using SFC's planning assumptions result in the following in-year SOCI operating deficits including depreciation.

Area	Forecast 2025-26 £000	Forecast 2026-27 £000	Forecast 2027-28 £000
<b>SOCI operating surplus /(deficits) including depreciation.</b>	(4,761)	(4,827)	(5,701)

Through the June 2025 FFR process and other financial reporting throughout the year, the College and its Board have a clear view of the financial challenges and long-term risks faced. FFR planning assumptions, as advised by the SFC, have been considered fully before use.

The FFR for this period includes providing for the expected cost of implementing the support staff and middle managers job evaluation. The outcome of this remains uncertain, and if negotiations result in higher levels than expected, this will have a further negative impact on the budget for 2025-26.

Further detail on the College's forecast is included in the table to the right:

Area	Forecast 2025-26 £000	Forecast 2026-27 £000	Forecast 2027-28 £000
<b>Total income</b>	48,694	49,110	49,490
<b>Staff costs</b>	(39,988)	(40,206)	(41,460)
<b>Total other expenditure</b>	(13,467)	(13,731)	(13,731)
<b>Operating deficit before other gains and losses</b>	<b>(4,761)</b>	<b>(4,827)</b>	<b>(5,701)</b>
<b>Total depreciation</b>	3,129	3,129	3,129
<b>Cost of job evaluation exercise not matched by revenue</b>	967	997	1,028
<b>Loan repayments</b>	(555)	(555)	(555)
<b>Adjusted operating result</b>	<b>(1,220)</b>	<b>(1,256)</b>	<b>(2,099)</b>

These results are based on the assumptions provided by the SFC and are not deemed to be a fixed forecast or strategic plan. The College is actively considering a range of options in relation to the coming years and will continue to work to updated the projected income and costs reflected in their financial plans to better reflect actual expectations.

The forecasts have been completed based on the assumptions provided by the SFC on their website.

Looking ahead to the upcoming years, Management and the Board are fully committed to exploring all efficiency saving possibilities, new sources of commercial income and consideration of changes to working practices. However, until such time as either additional funding is made available or the College is able to identify and implement additional cost efficiencies, we therefore consider there to be concerns over the financial sustainability of the College.

# Financial sustainability (continued)

## Overall commentary on the financial sustainability reporting criteria

### Asset management and estates strategy

Capital grant funding provided to the college by the SFC is used in order to maintain the longevity of the current assets.

We consider that appropriate attention is given to the estate and assets and their continued development and improvement, and that their maintenance continues to be factored into long term plans and discussions.

# Commentary on Wider Scope

## Vision, leadership and governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



# Vision, leadership and governance (continued)

## Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Clarity of plans to implement the vision	The College has a financial strategy based on the challenges to financial sustainability, with a focus on cost saving measures as well as being in communication with the SFC regarding funding.	Our judgement is that management have clear leadership and plans for the future and are actively looking to implement these.	No significant risks have been identified.
Strategy and priorities		Our judgement is that management have clear leadership and plans for the future and are actively looking to implement these.	No significant risks have been identified.
Governance arrangements	We have seen that regular Board and appropriate sub committee meetings have taken place during the year, and that these have been well attended and items discussed.	Our review has deemed the governance structure for the College to be appropriate.	No significant risks have been identified.
Financial and performance information	Monthly management accounts are prepared and circulated, with these being of a good quality and prepared in a timely nature.	Our review has deemed this to be appropriate.	No significant risks have been identified.

# Vision, leadership and governance

## Significant risks

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

## Overall commentary on the vision, leadership and governance reporting criteria

### Governance arrangements

Our work in this area has considered the overall governance arrangements in place at the College, reviewed the financial and performance reporting to the Board of Governors, and reviewed the minutes of committees to inform our assessment of the appropriateness of the governance structure. We have also attended Audit Committees during the year.

Financial papers submitted to committees are relevant and timely. Each paper has a summary setting out the purpose of the paper and the action required by the members. Minutes are understandable and contain detail of discussions and rationale for decision making.

At 31 July 2025, the Board consisted of 19 members, 10 female and 9 male (including the Principal). The Board continues to maintain a gender balance that meets with the objective of the Gender Representation on Public Boards (Scotland) Bill which was introduced by the Scottish Parliament in June 2017 with an implementation date of 2022.

The key committees' membership comprises of, and are chaired by Board members, with each also containing the Principal. Appropriate College officers attend committees and present reports as required.

### Governance Statement

As part of our audit we have read the governance statement included in the annual report. The governance statement sets out the corporate governance framework in place throughout the reporting year, the internal controls in operation, the work of internal audit and the overall efficiency and effectiveness of the governance framework.

The governance statement confirms the College's compliance with the 2022 Code of Good Governance for Scotland's Colleges except where the code states "The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time". As noted within the 'Assessment of corporate governance' in the financial statements this arrangement will change in 2025-26 and we have verified the College is currently in the process of identifying a suitable candidate.

We note the disclosure within the "Assessment of the effectiveness of internal controls" segment in respect of an issue in respect of demonstrating regularity within a College project.

We are required to read and provide an opinion on the governance statement. In our opinion, the information contained within is consistent with the financial statements. We also consider that the governance statement has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and further directions made by the Scottish Funding Council.

### Internal audit

An effective internal audit service is an important element of any organisation's governance arrangements. Internal audit provide the College with independent assurance on internal control and corporate governance processes. The internal audit function at the College has been provided by WBG to 31 July 2025. Internal audit has attended Audit Committees throughout the year and have produced reports to support the overall Internal Audit Opinion.

### Transparency

Transparency means that service users and the public have access to understandable information about how the College is making decisions and using its resources. There is a commitment to transparency, with the minutes and papers of the Board of Governors and key committees being available on the website.

# Commentary on Wider Scope

## 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. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.



## Use of resources to improve outcomes (continued)

### Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Performance management	<p>The College delivered its Outcome Framework &amp; Assurance Model (OFAM) baseline target credits. The college made a deficit highlighting the continued financial difficulties the College faces. There is close monitoring of the delivery of the OFAM and financial performance reports provide sufficient information to allow members to understand performance. Budget monitoring information provides a detailed analysis of variances allowing budget to be appropriately managed. Through this management of the 2024/25 budget there is clear evidence that the College understands cost drivers and is in control of costs as far as can be reasonably expected.</p>	<p>Our judgement is that the College is performing in requirements with its situation.</p>	<p>No significant risks have been identified.</p>
Regularity	<p>As part of our audit of the College's financial statements, we are required by the Public Finance and Accountability (Scotland) Act 2000 to give an opinion on the regularity of expenditure and receipts shown in the financial statements. Regular expenditure and income is that which has been incurred / obtained in line with guidance issued by the Scottish Ministers and the terms and conditions of funding of the Scottish Funding Council.</p> <p>The College has arrangements to monitor the requirements of the Scottish Funding Council, Audit Scotland and other regulatory or advisory bodies to ensure it complies with the terms and conditions of funding including regular reporting of financial and operational performance to the Board of Governors and its committees.</p>	<p>Our review found an effective control environment exists over regularity of expenditure and receipts. No instances of non-compliance with Scottish Funding Council terms and conditions were noted.</p>	<p>No significant risks have been identified.</p>

# Use of resources to improve outcomes

## Significant risks

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

## Overall commentary on the use of resources to improve outcomes reporting criteria

### Performance management

The College delivered its Regional Outcome Agreement (ROA) baseline target credits. Excluding other comprehensive income the college made a deficit before other gains and losses highlighting the continued financial difficulties the College faces. There is close monitoring of the delivery of the ROA and financial performance reports provide sufficient information to allow members to understand performance. Budget monitoring information provides a detailed analysis of variances allowing budget to be appropriately managed. Through this management of the 2024/25 budget there is clear evidence that the College understands cost drivers and is in control of costs as far as can be reasonably expected.

### Regularity

As part of our audit of the College's financial statements, we are required by the Public Finance and Accountability (Scotland) Act 2000 to give an opinion on the regularity of expenditure and receipts shown in the financial statements. Regular expenditure and income is that which has been incurred / obtained in line with guidance issued by the Scottish Ministers and the terms and conditions of funding of the Scottish Funding Council.

The College has arrangements to monitor the requirements of the Scottish Funding Council, Audit Scotland and other regulatory or advisory bodies to ensure it complies with the terms and conditions of funding including regular reporting of financial and operational performance to the Board of Governors and its committees.

Our review found an effective control environment exists over regularity of expenditure and receipts. No instances of non-compliance with Scottish Funding Council terms and conditions were noted.

# Commentary on Best Value

Best Value



# Best Value

## Best Value in Colleges

The Scottish Public Finance Manual (SPFM) explains that accountable officers have a specific responsibility to ensure that arrangements have been made to meet their Best Value obligations. The duty of Best Value as set out in the SPFM is:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and, in making those arrangements and securing that balance; and
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements and to contribute to the achievement of sustainable development.

Ministerial guidance for Accountable Officers in public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

The seven Best Value characteristics have been recently regrouped to reflect the key themes which will support the development of an effective organisational context from which public services can deliver key outcomes and ultimately achieve Best Value:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

We have used a risk-based approach that is proportionate to the size and type of the body, to assess whether the College has made proper arrangements for securing Best Value. We have also followed up on previously reported Best Value findings, where applicable, and have assessed the pace and depth of improvement implemented by the College.

# Best Value (continued)

## Best Value in colleges – overall conclusion

The College delivered over 100% of its credit target (resulting in no clawback of core funding).

The College can point to achievement of financial targets, management of costs and income and a number of improvements in performance in 2024/25. The College has summarised their key performance indicators in the performance analysis within the financial statements. The College has arrangements to analyse cost and performance. Through delivery of the 2024/25 budget there is clear evidence that the college understands cost drivers and is controlling costs.



# Appendices

- A: Internal control conclusions
- B: Draft management representation letter
- C: Draft audit report
- D: Confirmation of our independence
- E: Other communications
- F: Wider scope ratings

# Appendix A: Internal control conclusions

## Other deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- A control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Fife College's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fife College's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not identified any internal control observations as at the date of this report.

# Appendix B: Draft management representation letter

## LETTER OF REPRESENTATION

This representation letter is provided in connection with your audit of the financial statements of Fife College (the College) for the year ended 31 July 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 the Companies Act 2006 and relevant legislation and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the College's accounts for the period ended 31 July 2025.

### **Responsibility for the financial statements and accounting information**

We acknowledge as members of the Board of Governors our responsibility for ensuring:

- the financial statements are free of material misstatements including omissions;
- that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2025;
- all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- all other records and related information, including minutes of all management meetings, have been made available to you;
- the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council;
- (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- compliance with the terms and conditions of the Financial Memorandum issued to the Board of Governors by the SFC.

### **Internal Audit information**

WBG acted as Internal Auditors to the College during the year. All reports issued to the College and our responses to them have been made available to you.

# Appendix B: Draft management representation letter

## **Internal control systems**

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

## **Contingencies**

Aside from those disclosed in the financial statements, there are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and the amount of the loss can be reasonably estimated.
- There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no contingent gains which should be disclosed. All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the relevant legislation and United Kingdom Accounting Standards.

## **Claims and Litigation**

All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.

## **Subsequent events**

There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

## **Loan Agreements**

The College has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for the Board of Governors nor to guarantee or provide security for such matters.

## **Related party transactions**

We confirm that we have disclosed to you all related party transactions relevant to the College and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of charities legislation, the Statement of Recommended Practice for Further and Higher Education accounts or accounting standards.

# Appendix B: Draft management representation letter

## **Future commitments**

The College has not contracted for any capital expenditure other than as disclosed in the accounts.

## **Charges on assets**

The College has satisfactory title to all assets and there are no liens or encumbrances on the College's assets, except for those that are disclosed in the financial statements.

## **Fraud and error**

We are not aware of any irregularities, including fraud, involving existing management or employees of the College, nor are we aware of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such breaches have come to our attention.

## **Laws and regulations**

We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the College conducts its business.

## **Going Concern**

We confirm that, in our opinion, the College is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the College's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the College's ability to continue as a going concern need to be made in the financial statements.

## **Accounting estimates**

We confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

## **Unadjusted misstatements**

We are not aware of any unadjusted misstatements.

## **Prior year adjustment**

We confirm that the prior year adjustment disclosed in the financial statements in respect of the accrual of retention obligations. The adjustment has been made in accordance with applicable accounting standards and reflects accurate and complete information. All relevant details, including the nature of the adjustment, its financial impact, and the reasons for the correction, have been fully disclosed in the notes to the financial statements

## **Other Representations**

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

# Appendix C: Draft audit report

Independent auditor's report to the Board of Governors of Fife College, the Auditor General for Scotland and the Scottish Parliament

## Reporting on the audit of the financial statements

### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Fife College for the year ended 31 July 2025 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is 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).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2025 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website

# Appendix C: Draft audit report

## **Risks of material misstatement**

We report in our separate Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## **Responsibilities of the Board of Governors for the financial statements**

As explained more fully in the Statement of the Board of Governors' Responsibilities, the Board of Governors is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Governors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Governors is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the college's operations.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal [add any other officer] concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussion among our team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

# Appendix C: Draft audit report

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Reporting on regularity of expenditure and income

### Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### Responsibilities for regularity

The Board of Governors is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Reporting on other requirements

### Opinion prescribed by the Auditor General for Scotland on the audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

### Other information

The Board of Governors is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and

# Appendix C: Draft audit report

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

## **Matters on which we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations [I/we] require for [my/our] audit.

We have nothing to report in respect of these matters.

## **Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

## **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Appendix D: Confirmation of our independence

We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We confirm that no new threats to independence have been identified since issuing our Annual Audit Plan and therefore we remain independent.






## Appendix D: Confirmation of our independence (continued)

### Fees for work as the College's auditor



We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Annual Audit Plan presented to the Audit Committee in May 2025. Having substantially completed our work for the 2024/25 financial year, we can confirm that our fees are as follows:

Area of work	2024/25 fees (VAT inc)	2023/24 fees (VAT inc)
Auditor remuneration	£56,790	£54,500
Pooled costs	-£7,170	-£5,810
Contribution to PABV costs	£0	£0
Sectoral cap adjustment	£6,990	£6,860
Total fees	<b>£56,610</b>	<b>£55,550</b>



## Appendix E: Other communications

Other communication	Response
 <b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li>they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol>
  <b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with management that Fife College will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

## Appendix E: Other communications (continued)

Other communication	Response
 <b>Subsequent events</b>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 <b>Matters related to fraud</b>	<p>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled '<i>Fraud considerations</i>' for our fraud considerations and conclusion.</p> <p>We will obtain written representations from management and, where appropriate, The Audit and Risk Committee, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ol style="list-style-type: none"> <li>i. management;</li> <li>ii. employees who have significant roles in internal control; or</li> <li>iii. others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

## Appendix E: Other communications (continued)

Other communication	Response
 <p><b>System of Quality Management</b></p>	<p>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, including:</p> <ul style="list-style-type: none"> <li>• Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership</li> <li>• Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities</li> <li>• Identifying, reviewing, and updating quality risks each quarter, taking into consideration a 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>• Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal control environment and overall quality</li> <li>• Evaluating responses and remediating control gaps or deficiencies</li> </ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website <a href="#">here</a>.</p>
 <p><b>National Fraud Initiative</b></p>	<p>The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland and overseen by the UK's Cabinet Office, designed to prevent and detect fraud. The NFI uses data analytics to compare information held on individual by different public bodies to highlight the existence of fraud or error.</p>

# Appendix F: Wider scope ratings

We need to gather sufficient evidence to support our commentary on the College's arrangements and to identify and report on any risks. We will carry out more detailed work where we identify significant risks. Where significant risks are identified we will report these to the College and make recommendations for improvement. In addition to local risks, we consider challenges that are impacting the public sector as a whole.

We have assigned priority rankings to each of the risks identified to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. The table below describes the meaning behind each rating that we have awarded to each wider scope area based on the work we have performed.

Rating	Description
<b>Level 1</b>	The identified risk and/or significant deficiency is critical to the business processes or the achievement of business strategic objectives. There is potential for financial loss, damage to reputation or loss of information. The recommendation should be taken into consideration by management immediately.
<b>Level 2</b>	The identified risk and/or significant deficiency may impact on individual objectives or business processes. The audited body should implement the recommendation to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.
<b>Level 3</b>	The identified risk and/or significant deficiency is an area for improvement or less significant. In our view, the audited body should action the recommendation, but management do not need to prioritise.

# Contact

## Forvis Mazars

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