



Inverness College

Final report to the Audit Committee on the 2024/25 audit
19th December 2025

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Partner introduction

The key messages in this report

Introduction

I have pleasure in presenting our report to the Audit Committee (“the Committee”) of Inverness College (“the College”) for the 2024/25 audit. The report summarises our findings and certain conclusions in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report issued to the Committee in May 2025.

Conclusions from our testing

Our financial statement audit is complete. We have issued an unmodified audit report.

The Performance Report and Accountability Report comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of the College.

The auditable parts of the Remuneration and Staff report have been prepared in accordance with the relevant regulation.

Significant risks

In our planning report we identified operating within funding provided, property valuations and management override of controls as significant risks, a summary of our work is presented on [page 6](#).

A summary of the uncorrected misstatements identified are included in the appendix to this report, as set out on page 26.

We have identified five control observations in the current year and concluded findings from the prior year have been closed.

Areas of audit focus

In our planning report we identified pensions liability as an area of focus, a summary of our work is presented on page 10.

We have identified control observations in the current year, as set out on page 22.

Wider scope

Against rising costs Inverness College faces financial sustainability challenges, the position is well understood and managed by the College, operating from a sound financial management platform and budgetary process.

Added value

Our aim is to add value to the Board 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 Board promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.



Sarah McGavin
Audit Partner

Quality indicators

 Lagging
  Developing
  Mature

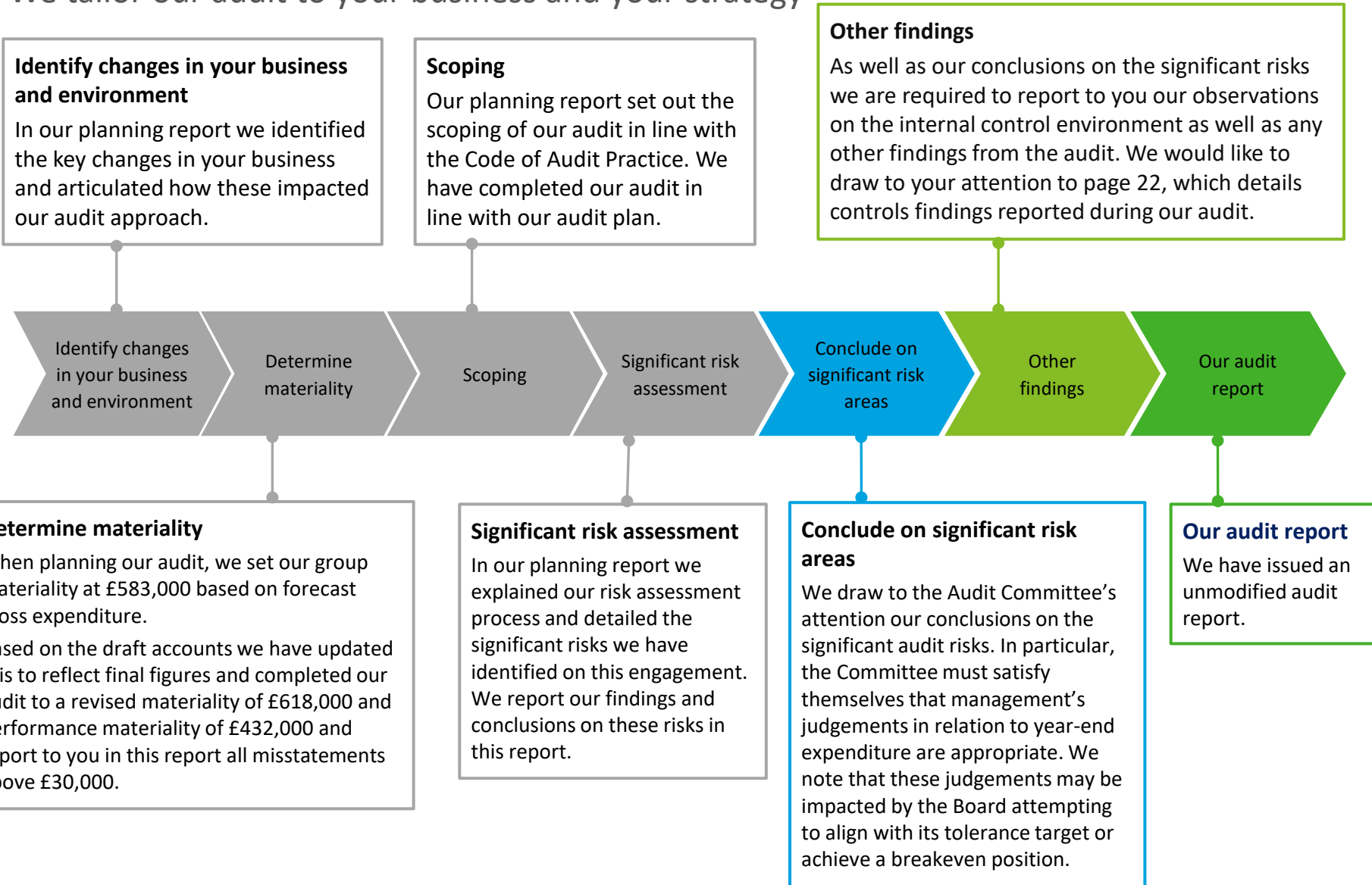
Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This page summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Prompt delivery of working papers regarding management judgements.	N/A
Adherence to deliverables timetable		We noted delays in some planning deliverables, impacting the timely completion of our planning. However, all other deliverables for testing were received within the agreed timetable. We acknowledge that the delays were due to unaligned timing which we, alongside management, are actively reviewing to ensure efficiency and adherence to the timetable going forward.	N/A
Access to finance team and other key personnel		Active involvement of the finance team throughout the course of the audit process.	N/A
Quality and accuracy of management accounting papers		Management accounting papers prepared to the expected quality and accuracy.	N/A
Quality and timing of audit committee papers		Quality and timing of audit committee papers was of a high standard.	N/A
Quality of draft Annual Report and Accounts		Based on initial reviews we have noted a low volume of comments and suggested changes following review of the draft Annual Report and Accounts.	N/A
Response to control deficiencies identified		Based on our audit procedures we have identified five control deficiencies; we have also noted that all the finding raised in the prior period which have been closed in the current year; further details can be found on page 22 onwards.	Page 22 onwards
Volume and magnitude of identified errors		Based on our audit procedures we have identified three uncorrected misstatements.	Page 26 4










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			See Control deficiency raised on page 22	
Property valuations			See Control deficiency raised on page 22	
Operating within the funding provided			See Control deficiency raised on page 22	

Consistency of judgements with Deloitte's expectations

-  Inconsistent
-  Improvement required
-  Consistent

Controls approach adopted

-  Assess design & implementation

Significant risks

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 Report and Financial Statements.



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 tested the appropriateness of journal entries recorded in the general ledger. In designing and performing audit procedures for such tests:

- We have considered the overall control environment and 'tone at the top';
- We have tested the design and implementation of controls relating to journals and accounting estimates;
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- We have tested the appropriateness of journals and adjustments made in the preparation of the Report and Financial Statements. We have used Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest.

Accounting Estimates

Pension: The defined benefit pension scheme represents a significant accounting estimate, characterised by inherent complexity and the need for considerable judgement in determining the pension asset or liability. Management responded to this by engaging an independent third-party actuary to provide the valuation.

Our audit procedures included a specific focus on management's judgements and the potential for bias and include confirming that the pension figures recorded by management are consistent with the independent actuary's valuation and involving our specialists to audit key assumptions.

Property valuation: Based on our audit procedures we have not identified management bias in the valuation of college property, further details can be found on page 8.

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

Our work on this risk is complete, we have identified one control deficiency, page 22, concerning the approval of journal entries.

Significant risks (continued)

Property valuations



Risk identified

The College held £57.56m of property assets (land and buildings) at 31 July 2024 which has decreased to £56.62m as at 31 July 2025.

The College is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing the asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.

The College's land and buildings are revalued every five years for the purposes of the financial statements with an interim valuation after three years. Land and buildings were valued as at 31 July 2024 on the basis of depreciated replacement cost by the College's appointed external valuer. In the current year management have performed an impairment assessment.



Management's assessment

Management concluded no indicators of impairment based on market conditions, the state of the buildings, utilisation and operational plans.

Deloitte response and challenge

Our work in this area includes the following:

- We have tested the design and implementation of key controls in place around the property valuation and impairment assessment performed by management.
- We have engaged with the College, using our valuation specialists to challenge and assessed the assumptions applied by management in the valuations.

In addition to the factors noted by management, our assessment also considered the movement in BCIS rates, taking into account obsolescence and change in location factor concluding no material change in the valuation of Inverness College property assets in the year.

Deloitte View

We would recommend the impairment assessment review paper is presented to the Audit Committee for review and approval, this has been included as a control finding, page 22.

Significant risks (continued)

Operating within the funding provided



Risk identified

In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), 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 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 Inverness 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 and the existence of prepayments 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 and prepayments 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 (“SFC”). Our work in this area included the following:

- Evaluated the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end;
- Obtained independent confirmation of the funding allocated to the College by the SFC and University of the Highlands and Islands (“UHI”);
- Performed focused testing of a sample of accruals and prepayments made at the year end to address the risk that accruals are understated; and
- Performed focused cut-off testing of a sample of invoices received and paid post year end as a search for unrecorded liabilities in the financial year.

Deloitte view

Based on the testing performed we identified two uncorrected misstatement where the related liabilities were recorded in the incorrect financial year. Whilst the amounts were less than our reporting threshold, upon extrapolation the potential misstatement would be £58,600, page 26.

The testing in relation to cut off identified that management were recording materials based on usage as opposed to delivery. Working alongside management we have determined that the financial impact is below the reporting threshold, based on the opening and closing values. That said a control finding has been raised.

The rest of our testing would conclude that expenditure and receipts were incurred or applied in accordance with the applicable enactments and guidance issued by the Scottish Funding Council.

Other areas of audit focus

Pension Liability



Risk identified

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

The STSS scheme is accounted for as if it were a defined contribution scheme, as the College is unable to identify its share of the underlying assets and liabilities of the scheme.

Hymans Robertson LLP 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 for HCPF. 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 have been experienced in the current year.



Deloitte response and challenge

We have performed the following procedures to address the risk:

- Obtained assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- Assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- Reviewed and challenged the assumptions made by Hymans Robertson;
- Assessed the reasonableness of the College's share of the total assets of the scheme with the Pension Fund annual accounts and the Funds estimated asset position at 31 July 2025;
- Reviewed the disclosures within the accounts against the FE SORP; and
- Engaged Deloitte's internal pensions experts to assist with the above procedures.

Recognition of surplus

FRS 102 limits the recognition of a pension scheme surplus on the balance sheet to that which the employer can recover. An employer should recognise a surplus, where:

- the employer could recover all of the surplus through reduced future employer contributions in respect of the current population of active members; or
- the employer could recover the surplus, via a return of employer contributions (noting that the refund route is not applicable to the Employer as it is a Scheduled Body).

In the current year, the present value of the College's future service cost is less than the present value of the College's future contributions, the surplus of £13,015k is therefore required to be restricted to nil. In the prior year, the service cost was greater than the contributions, allowing the recognition of the surplus.

Deloitte view

Our work on this area of audit focus is complete and we have concurred with the asset restriction. Our pension specialists have raised two findings which requires reporting to the Audit Committee:

- A corrected adjustment in relation to the restriction of plan assets under the requirements of FRS102. The total adjustment was £ 13,015k. See details on page 27.
- In the prior year a judgemental finding in relation to allowance for the Goodwin case was reported. This adjustment remains valid in the current year, page 26.
- We would concur with the reclassification of the pension asset in the prior year, page 27.

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Other findings

Financial reporting and control findings

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

Qualitative aspects of your accounting practices:

Inverness College's Annual Report and Accounts have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Regulations 2006 (as amended), and the Government Financial Reporting Manual (the "FReM"). Following our audit work, we are satisfied that the accounting policies are appropriate.

Significant matters discussed with management

Matters relating to our significant risks have been assessed as set out on pages 6 to 9.

Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. No reliance was placed on the work of internal audit and we performed all work ourselves.

Your control environment and findings

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Our observations are summarised on page 22 to 25.

We have obtained written representations from the Board on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist.

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.

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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 have reported 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.

Our opinion on matters prescribed by the Auditor General for Scotland are discussed further on page 13.

Your Annual Report and Accounts

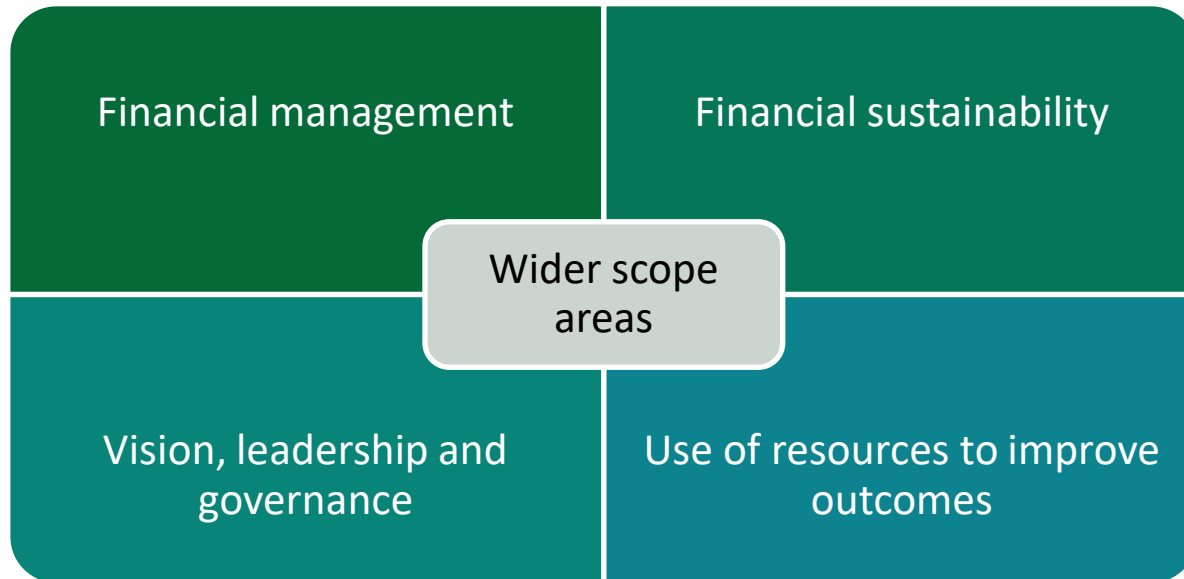
We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
The Performance Report	The report outlines the Board's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Board.	<p>We assess whether the Performance Report has been prepared in accordance with the Accounts Direction. We also read the Performance Report and confirm 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 assess 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.</p> <p>We also read the Accountability Report and confirm 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>

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 the Board is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value (“BV”) have all been incorporated into this audit work.

Wider scope requirements (continued)

Financial management

Is there sufficient financial capacity?



Is there sound budgetary processes in place?



Is the control environment and internal controls operating effectively?



Financial Management

Significant risks identified in Audit Plan

As with 2023/24, the College sector in Scotland is going through a period of financial challenge. There is a risk that Inverness College does not have the financial controls in place to monitor and respond to these challenges.

Current year financial performance

Consistent with the prior year the wider financial landscape in which Inverness College operates is challenging, which in turn creates specific challenges for Inverness College. While we can observe a poorer final outturn position than budgeted, we recognise that the final expenditure was 2.4% higher than forecast indicating effective financial planning arrangements.

The forecast outturn position for Inverness College in 2024/25 was a deficit position of £751k. This was made up of total income of £29,475k and total expenditure of £30,226k.

The final outturn position achieved was a deficit of £843k. This was made up of total income of £30,097k and total expenditure of £30,940k. We note that the final outturn position was an additional overspend of £92k ahead of the planned deficit.

Budgeting Process

In line with the 2023/24 financial year, the Inverness College budget is approved by the College Board annually. The College Management Team and Board members regularly review progress against budget throughout the year, with quarterly reporting to the Board and the Governance and Scrutiny Committee. From review of the reporting throughout the year, variances are clearly reported and explained. There is also a clear link between the financial information reported in the year and the Annual Accounts through a clear reconciliation within the Performance Report. From our work performed in this area, we have not noted any issues with the financial management and budgetary processes at the college. The Board has effective financial planning and management arrangements in place.

Finance capacity

The finance team structure has continued to remain consistent throughout the year. The Board continues to have a sufficiently qualified and experienced finance team to support the financial management of the Board. Included within our work on leadership and governance is our assessment of changes to the leadership team at Inverness College.

Deloitte view – financial management

We have not noted any issues with the financial management and budgetary processes at the College. The Board has effective financial planning and management arrangements in place.

Wider scope requirements (continued)

Financial sustainability

Can short-term (current and next year) financial balance be achieved?

Significant risks identified in Audit Plan

The financial environment in which the College operates continues to be challenging, with the impact of inflationary pressures, pay rises, and real terms flat cash settlements 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

The wider financial landscape in which Inverness College operates is challenging. In 2024/25 the college recorded a deficit of £843k which was £92k higher than what was originally budgeted. In 2025/26 the budgeted deficit is £791k, which is forecast to decrease to £675k in 2026/27 and £463k in 2027/28. Note that these forecasts do not account for the Job Evaluation impact, which is expected to be an additional £401k in 2025/26 and £413k in 2026/27.

Is there a medium and longer-term plan in place?

Medium to Long Term Planning

Whilst Further Education (FE) activity exceeded its target for a second year in a row, Higher Education continued to experienced a downward trend, with the college continuing to explore curriculum options.

Is the body planning effectively to continue to deliver its services or the way in which they should be delivered?

As with 2023/24, the key issue in the college sector is the five-year projected public sector financial outlook which sees flat funding for the college sector and reduced capital funding.

Currently, there is no recovery plan in place with the focus of the college being on improving both HE and FE activity as well as continuing to receive the necessary funding. A savings plan is being developed which will be produced in June 2026. We recommend that this considers all available options within the confines of SG policy and College deliverables.

Financial Sustainability

Deloitte view – financial sustainability

We note that Inverness College is facing financial sustainability challenges, specifically in relation to flat funding and rising staff costs. We note that student recruitment levels at Inverness College have improved in recent years and the College exceeded their FE target for 2024/25. The College recognises the financial challenge that it is facing and is developing a financial plan which is expected to be finalised in June 2026. We recommend that this plan explore all available savings options and be brought forward if possible as we note that there is not currently a savings plan in place.

Wider scope requirements (continued)

Vision, leadership and governance

Are the scrutiny and governance arrangements effective?



Is leadership and decision making effective?



Is there transparent reporting of financial and performance information?



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

Inverness College has a Strategic Plan for 2022-2026 published on their website. In the prior year we reviewed the Strategic Plan in place noting that the college had a clear vision and strategy which included a clear set of priorities. In addition to this, a key focus placed on sustainability which is embedded within the governance arrangements at the College. We recognise that the current strategic plan was implemented in 2022, and there are now additional challenges in the wider operating environment such as the impact of inflationary pressures, real terms flat cash settlements, and higher pay increases. We therefore recommend that the next strategic plan builds on this and is updated to account for the challenges the College is currently facing.

The strategic plan has remained consistent from 2024/25 and includes 5 key strategic pillars which are included with specific aims attached to each one. Each of these pillars includes a strategic aim, and four to six key strategic objectives. 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 Inverness College 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 continue to adapt to a changing environment. This includes regular reviews of financial performance, and discussions on curriculum reviews as noted on the following slide.

Deloitte view – Vision, leadership and governance

We note from our wider scope work performed that during the 2024/25 financial year there were governance arrangements in place at the College which showed the leadership team working collaboratively to adapt to a changing environment. It is important that the new strategic plan from 2026 – 2030 is updated to account for the new challenges being faced and builds on the work already achieved under the outgoing plan.

Wider scope requirements (continued)

Use of resources to improve outcomes

Are resources being used effectively to meet outcomes and improvement objectives?



Is there effective planning and working with strategic partners and communities?



Is Best Value demonstrated, including economy, efficiency and effectiveness?



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. In line with the 2023/24 audit, 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

Inverness College continues to have a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. A student satisfaction survey conducted in the 2024/25 academic year showed a student satisfaction level of 95%, which is 1% higher than targeted. The National Student Survey saw Inverness College student satisfaction increase 5% from the 2023/24 academic year to 87%, evidencing a positive trend against this performance metric.

Student recruitment

One of the key KPIs in place at the College continues to relate to student recruitment. This is monitored and reported on the monthly basis to the College Board, with the key metrics being HE and FE recruitment. In 2024/25, the College exceeded its target for FE credits, delivering 26,886 against a target of 26,442. Inverness College delivered a total full-time equivalent (FTE) HE students of 1,309 FTE against a target of 1,319 FTE, equivalent to 99% of the target.

There is an acknowledgement of the challenges facing HE recruitment arising from the cost-of-living crisis, competition from other institutions, and increasing unemployment levels, and a strategy has been put in place to address this via development of graduate apprenticeship programmes in 2025/26.

Deloitte view – Use of resources to improve outcomes

The College has performed well in student satisfaction surveys and delivered against its targets for FE credits in the year. While there is a minor shortfall in HE student targets, this is being actively monitored by the board. We note from our work performed on financial sustainability that the College has governance arrangements in place to demonstrate the best use of available resources to improve outcomes.

Wider scope requirements (continued)

Best value

Requirements

The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value (BV).

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we have considered whether there are organisational arrangements in place in this regard.

The duty of BV in Public Services is as follows:

- 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.
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.
- BV 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:
 - Vision and Leadership
 - Governance and Accountability
 - Use of resources
 - Partnership and collaborative working
 - Working with Communities
 - Sustainability
 - Fairness and equality

Deloitte view – Best Value

Inverness College has sufficient arrangements in place to secure best value. It has a clear understanding of areas which require further development. Financial sustainability remains a key risk, as is the case across the public sector.

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

Aberdeen | 19th December 2025

Appendices



Your control environment and findings

Control deficiencies and areas for management focus

Finding	Year first communicated, component of internal control	Severity	Deloitte recommendation	Management response and remediation plan
1. Lack of journals review: UHI Inverness does not have evidence of review of journals posted. This creates a risk that College journals are not being correctly reviewed and recorded or accounted for.	2024/25	High	It is recommended that the college implement a review process for journals which includes evidence of the reviews performed.	The College will implement review process on a monthly basis signed by DOF&E
2. Review of property impairment assessment: We note that there is no official impairment review process at the College during the years where a full revaluation does not take place. The creates a risk that the value of the College is overstated.	2024/25	High	We recommend that the completed impairment assessment paper should be presented to the Audit Committee for review and approval.	The College will present the impairment assessment for review to the Audit committee at its next meeting.
3. Lack of expenditure cut off control: We noted instances where the College records expenditure when it is used rather than when it is delivered. This creates a risk of understatement of expenditure and under accrual.	2024/25	Medium	We recommend that the College implements a control that ensures all expenditure is recorded when it is delivery rather than when the goods are used.	The College will ensure expenditure is recorded correctly as noted in the recommendation.

Your control environment and findings (continued)

Control deficiencies and areas for management focus

Finding	Year first communicated, component of internal control	Severity	Deloitte recommendation	Management response and remediation plan
4. Lack of Income completeness review: UHI Inverness have a budget review process to ensure that all non recurrent income is included in the actual monthly results, however there is no process to ensure that all unbudgeted non-recurrent income is included. This creates a risk that non-recurrent income may be understated.	2024/25	Medium	We recommend the College clearly document its existing process for engaging budget holders during monthly/quarterly reviews to identify additional or unbudgeted non-recurrent income.	The College will document the existing process for budget holders to identify non-recurrent income and ensure it is claimed by the year-end.
5. Lack of Accrual completeness review: We noted that there is no formal review of the year-end accruals file which includes manually prepared schedules such as "PECOS order accruals". No formal independent review can be evidenced to show preparer or sign off for these manual entries before they are input into the financial statements working paper. This creates a risk of omissions from accruals.	2024/25	Medium	We recommend the College implements a formal review control for the year-end accrual file and clearly documents the preparer and approval sign-off of the manual entries before they are inputted into the financial statements.	TBC

Your control environment and findings (continued)

2023/24 Action Plan Follow-Up

We have followed up the recommendations made in 2023/24. We note that all 4 of the recommendations have been fully implemented as documented below.

Finding	Deloitte recommendation	Severity	Management Update 2023/24	Management Update 2024/25
<p>1. No fixed asset register: UHI Inverness does not hold and maintain a Fixed Asset Register. This creates a risk that College assets are not being correctly recorded or accounted for.</p>	<p>It is recommended that a fixed asset register is created and maintained going forward.</p>	High	<p>The college will update the fixed asset register and continue to keep it up to date going forward.</p>	<p>Complete. A fixed asset register has been created and maintained in 2024/25 and going forward.</p>
<p>2. Information provided to valuer: UHI Inverness does not keep floor plans and site plans of the land and buildings that have been revalued. This prevents the audit team from verifying the inputs that are used in the revaluation calculation. UHI Inverness sent these measurements to Shepard's (external valuer) in 2019 when they were first engaged and have not maintained them since.</p>	<p>It is recommended that floor plans are maintained annually and provided to the College's external valuer ahead of each valuation per the rolling valuation cycle.</p>	Medium	<p>Floor plans will be provided to the college valuer prior to a revaluation exercise.</p>	<p>Complete. The floor area plans will be provided for next valuation in 2 years time.</p>
<p>3. NPD creditor agreement: We noted that the College has not retained the original NPD service concession agreement.</p>	<p>It is recommended that the College seek to source a copy of the original agreement and retain this going forwards.</p>	Medium	<p>The college will attempt to source a copy of the original NPD agreement.</p>	<p>Complete. A copy of the original NPD agreement has been obtained.</p>

Your control environment and findings (continued)

2023/24 Action Plan Follow-Up

We have followed up the recommendations made in 2023/24. We note that all 4 of the recommendations have been fully implemented as documented below.

Finding	Deloitte recommendation	Severity	Management Update 2023/24	Management Update 2024/25
4. Retention of grant agreements for deferred capital grants: We noted that the College have not retained the original grant agreements for many of the capital grants.	It is recommended that the College looks to source original grant income documentation from the relevant party and moving forward, we would suggest that they retain any relevant documentation.	Medium	Copies of future deferred capital grants will be held on file going forward.	Complete. We now retain a copy of all new deferred grant documents from 2024/25.

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified which we request that you ask management to correct as required by ISAs (UK).

		Debit/(credit) SOC1 £'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						
Expenditure – Under Accrual Error	[1]	34.0	(34.0)	-	-	Page 22
Expenditure – Cut off Error	[2]	24.6	(24.6)	-	-	Page 22
Misstatements identified in prior years						
Carryover of prior year misstatements	[3]		(34.0)	34.0	-	N/A
Total		58.6	(92.6)	34.0	-	

[1] We identified three post year end payments relating to goods which were delivered in 2024/25, however these were not accrued for at year end. The factual error is £5.4k and an extrapolated error of £28.6k with the total impact £34.0k.

[2] We identified two invoices relating to goods which were delivered in 2024/25, however were recorded in 2025/26 and were not accrued in the current period. The factual error is £2.7k and an extrapolated error of £21.9k with the total impact £24.6k.

[3] No allowance has been made in relation to the Goodwin case in the FY25 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 which is consistent with what we reported in 2023/24. 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 which management have corrected as required by ISAs (UK).

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Pensions Surplus Ceiling	[1]	-	(13,015)	-	13,015	Not Applicable
Total		-	(13,015)	-	13,015	
Misstatements identified in current year relating to the prior year						
Pensions Surplus Classification - £6,672k	[2]	-	-	-	-	Not Applicable
Total		-	-	-	-	

[1] The local government pension scheme was a surplus position in 2023/24. In 2024/25 it was assessed that the asset ceiling of £nil is appropriate, and an adjustment has been passed to apply the asset ceiling.

[2] During the current year the members have re-assessed the classification of the defined pension asset, concluding the asset should have been presented separately on the face of the Balance Sheet as a non-current asset. This has the effect of increasing non-current assets by £6,672k and increasing provisions by the same amount, the total net assets are not impacted by this reclassification.

Audit adjustments (continued)

Corrected Disclosure misstatements

The following corrected disclosure misstatements have been identified which management to correct as required by ISAs (UK).

	Summary of disclosure requirement	Quantitative or qualitative consideration	If applicable, control deficiency identified
Disclosure			
Cashflow Presentation Investing and financing activities presented separately	FRS 102 Section 7:7.3	FRS 102 requires Investing and Financing activities to be presented separately	Not Applicable

Disclosure deficiencies: Following our reviews of the financial statements and annual report we have not identified any unadjusted disclosure deficiencies.

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 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.

Concerns:

No issues or concerns have been identified in relation to fraud.

Independence and fees

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

Independence confirmation We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and our objectivity is not compromised.

Fees The expected fee for 2024/25, as communicated by Audit Scotland in December 2025 is analysed below:

	£
Auditor remuneration	51,040
Audit Scotland fixed charges:	
• Pooled costs	(6,440)
• Sectoral cap adjustment	(12,200)
Total expected fee	32,380

There are no non-audit fees.

Non-audit services We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships We have no other relationships with the College, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



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