



Moray College

Final report to the Audit Committee on the 2024/25 External Audit
19th of 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 Moray College (“the College”) for the 2024/25 audit. The report summarises our status, 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 presented to the Committee in June 2025.

Conclusions from our testing

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

The Performance 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 corrected and uncorrected misstatements identified are included in the appendix to this report, as set out on pages 24 – 25.

We have identified three disclosure deficiencies, as set out on page 27.

Areas of audit focus

In our planning report, we identified the pension liability as an area of focus.

Consistent with the prior year we have identified a misstatement in relation to the Goodwin Ruling, estimated to be £22,000, and a disclosure deficiency in the region of £15,000 with regards to administration expenses.

Wider scope

Moray College completed a Financial Recovery Plan (FRP) during 2024/25. Whilst the College has made progress in improving its financial position, the College continues to face financial challenges. Despite the recent resignations of key management personnel, the College has successfully maintained its robust governance framework.

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

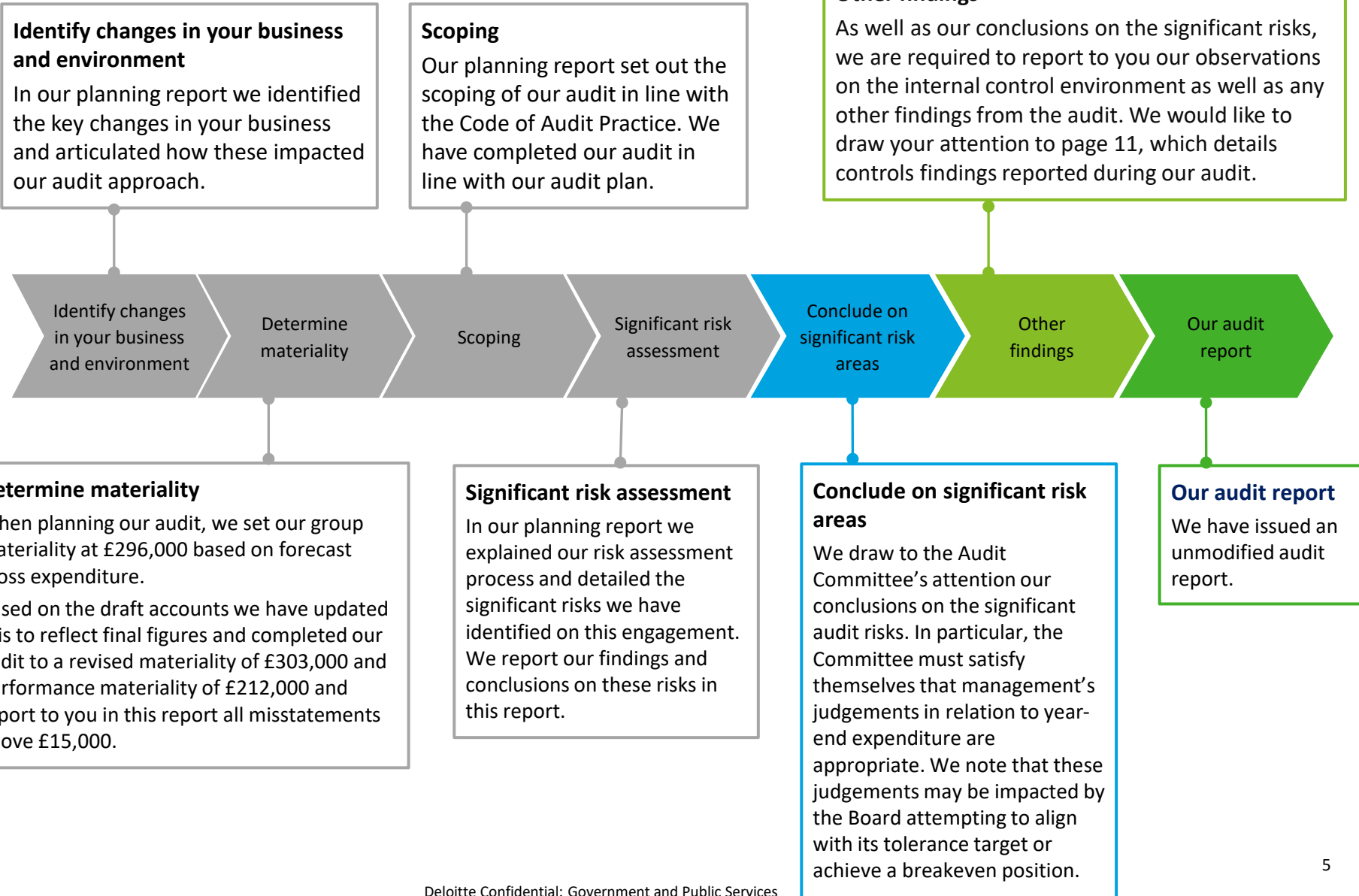
Impact on the execution of our audit

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

Area	Grading	Reason	Further detail
Timing of key accounting judgements		Receipt of Management's impairment assessment provided to the audit team on 26 September, as per page 11 we have included a recommendation outlining the improvement required to the approach to this matter.	N/A
Adherence to deliverables timetable		The initial draft of the financial statements was delivered on 28 October, which was later than the agreed early October target. This resulted in a delay to our review timetable and completion of relevant disclosure checklists.	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		Other than the impairment paper finding, see above, management accounting paper have been 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		Moderate number of presentational and disclosure points raised on the draft version of the Annual Report and Accounts.	N/A
Response to control deficiencies identified		Based on our audit work to date we have identified two control deficiencies; further details can be found on page 11.	Page 11
Volume and magnitude of identified errors		Based on our audit work to date we have identified four uncorrected misstatements.	Page 24










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 11	
Property Valuation			See control deficiency raised on 11	
Operating within the funding provided			Satisfactory	

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 in all audits. Management is 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.

Although management is responsible for safeguarding the assets of the body, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the financial statements and accounting records.



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:

- Tested the design and implementation of controls over journals and accounting estimates;
- 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;
- Selected journal entries made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

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

Based on our audit work, 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 is complete. We have identified one control deficiency, page 11, concerning the approval of journal entries. We have identified two misstatements in relation to pensions, pages 24 and 27.

Significant risks (continued)

Property valuations



Risk identified

The College held £33.4m of property assets (land and buildings) 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 local market conditions, the state of the buildings, utilisation and operational plans, noting the valuation performed in the prior year included remediation costs associated with the RAAC related roof problem in one wing of the main campus.

Deloitte response and challenge

In addition to the factors noted by management, our assessment also considered the movement in BCIS rates following discussion with Deloitte's internal valuation specialists, taking into account obsolescence and change in location factor concluding no material change in the valuation of Moray College property assets in the year.

Deloitte View

Whilst we agree with management's conclusion regarding the valuation of property, we have challenged the level of documentation included in the memo and would recommend this is extended to capture the full considerations undertaken by management.

We would also recommend the impairment assessment is peer reviewed and presented to the Audit Committee for review and approval.

Significant risks (continued)

Operating within the funding provided



Risk identified

In accordance with Practice Note 10 (Audit of Financial Statements of Public Sector Bodies in the UK), auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

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

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 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

Our work on this risk is complete. We identified an immaterial misstatement where a liability was recorded in the incorrect financial year. Whilst the amount was less than our reporting threshold, upon extrapolation the potential misstatement would be £15k, page 24. 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.

No findings have come from our design and implementation of controls work.

Other areas of audit focus

Pension Liability



Risk identified

Retirement benefits to employees of the College are provided by the North-East Scotland Pension Fund (NESPF), which administers the Local Government Pension Scheme (LGPS) and managed by the Aberdeen City 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 are the College's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year.



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, therefore the surplus continues to be restricted to £nil.

Deloitte view

We concur with the asset restriction, noting two findings which require reporting to the Audit Committee:

- We have concluded that no allowance has been made for administration expenses, resulting in the DBO and asset value being overstated. We have estimated the expenses to be £15k, however due to the asset restriction in place, this would be a disclosure matter only.
- A judgemental finding in relation to allowance for the Goodwin ruling, estimated to be £22k.

Your control environment and findings

Control deficiencies and areas for management focus

Observation	Year first communicated, component of internal control	Severity	Deloitte recommendation	Management response and remediation plan
Review and approval of journal postings	2023/24	High	We recommend that all journals posted by the Financial Accountant are reviewed and approved by a more senior member of the finance function.	Noted and accepted.
Review and challenge of property impairment assessment. Management's memo did not capture the extent of procedures undertaken and was not reviewed.	2024/25	High	We recommend the following actions to enhance the impairment assessment process: <ul style="list-style-type: none"> • Management's impairment assessment should fully capture the extent of procedures undertaken. • To facilitate appropriate review and challenge, the impairment assessment should be peer reviewed. • The completed impairment assessment paper should be presented to the Audit Committee for review and approval. 	Noted.

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:

Moray College's Annual Report and Accounts have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and the Government Financial Reporting Manual (the "FRM"). 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 11.

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.



Our opinion on the financial statements

We have issued an unmodified audit opinion.



Going concern

We have not identified a material uncertainty relating 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 than 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

In our opinion in all material respects the expenditure and income in the Annual Report and Accounts were 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 14.

Your Annual Report and Accounts

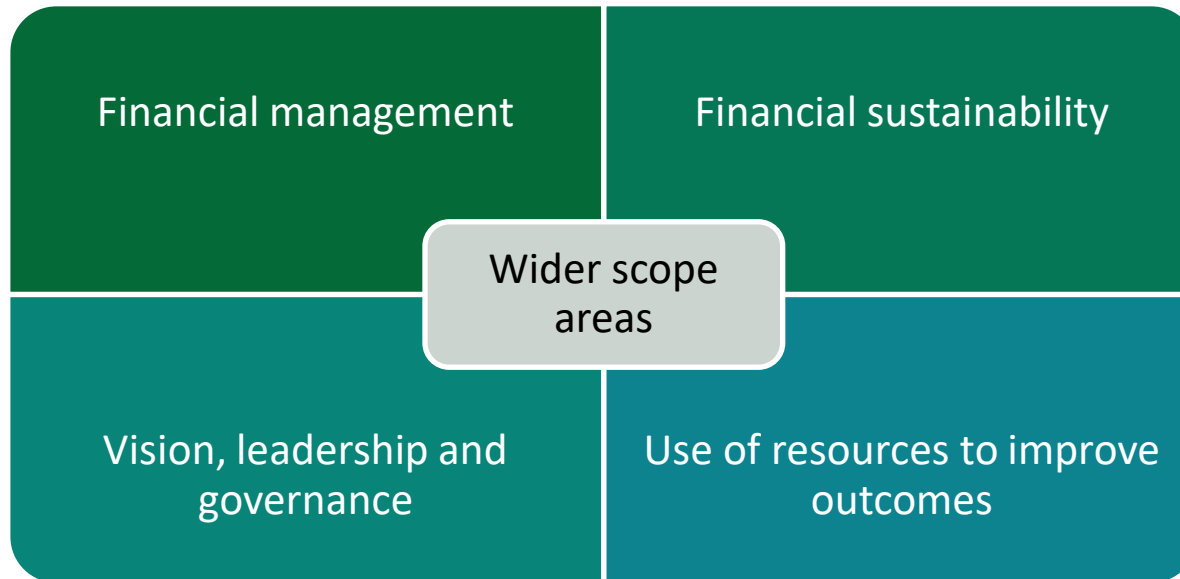
We are required to provide an opinion on the auditable parts of the Remuneration and Staff report, the Annual Governance Statement and whether the Performance Report is consistent with the disclosures in the accounts.

	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 confirm 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 which management have updated in the final version.</p> <p>Our audit concerning the auditable parts of the Remuneration and Staff Report is complete.</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

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

Current year financial performance

Following the College's completion of its Financial Recovery Plan (FRP), the College is reporting an Underlying Operating Position (AOP) deficit of £833k for 2024/25 against its original forecast deficit of £725k.

Budgeting Process

There are clear governance arrangements in place regarding the setting and approval of the College budget. The 2024/25 budget was approved by the Board in June 2024. This was updated throughout the year to include in-year movements such as additional income received. We note from our review of meeting minutes that there are appropriate levels of review and challenge of the budget at both the Finance Committee and Board level.

Finance capacity

We have not identified any significant risks (with the exception of the control deficiency documented earlier) with the team's capacity that has an impact on the operational financial management of Moray College.

Deloitte view – financial management

We have not noted any issues with the financial management and budgetary processes at the College.

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 Scottish Colleges (including Moray College) operate is challenging with the impact of inflationary pressures and flat funding from the SFC.

2025/26 budget setting

The 2025/26 annual Financial Forecast Return was submitted to the SFC by 30 June 2025. For this forecast, the 2025/26 funding allocations have a slight increase relative to 2024/25 (£1,665k for 2024/25 vs. £1,695k for 2025/26). However, the increase in funds does not fully cover the cost of the salary and national insurance increases with the staff costs increasing from £10,685k in 2024/25 to a forecasted £11,067k in 2025/26.

In 2025/26, the college's key aim is to grow Higher Education student numbers and secure further commercial income to counteract significant payroll cost pressures. Specific to payroll cost pressures, the budget assumed an unfunded pay increase of 3% across both support staff and academic staff.

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

The liquidity facility of £2,000k put in place as part of the Financial Recovery Plan (FRP) was fully drawn down in the year and remains outstanding as at 31 July 2025.

Whilst the College does not anticipate any solvency issues in 2025/26, the latest forecast demonstrates a negative cash balance of £(60)k, a reduction of £500k from initial estimates of (£560)k in 2026/27.

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

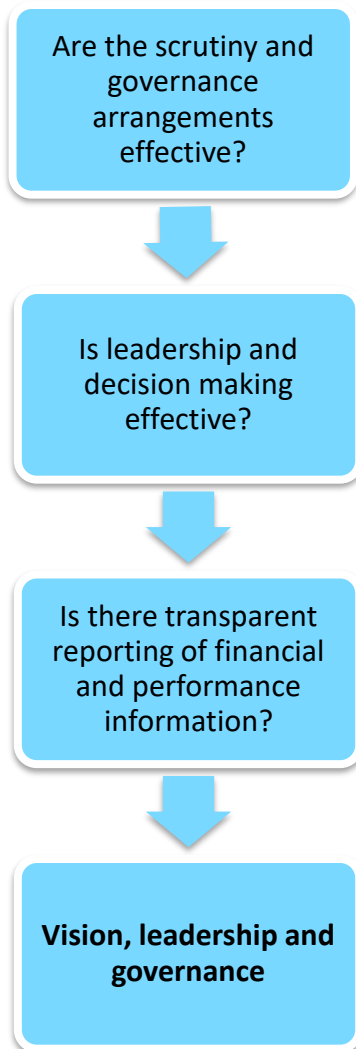
Deloitte view – financial sustainability

We note that Moray College continues to face financial sustainability challenges as are other colleges in Scotland. The College has completed its FRP in the first half of 2024/25 and continues to be reliant on liquidity support provided from the Scottish Funding Council (SFC). This support has been obtained in the form of a working capital facility and is repayable to the SFC when the College is in a financial position to do so.

Financial Sustainability

Wider scope requirements (continued)

Vision, leadership and governance



Significant risks identified in Audit Plan

Significant instability has been noted in key governance and leadership positions during the 2024/25 period. The Chair of the UHI Moray Board, appointed in December 2024, departed in September 2025, resulting in a tenure of less than one year. Furthermore, the interim Audit Committee Chair also departed in June 2025 following a short tenure.

These vacancies have necessitated individuals holding dual roles across committees. This arrangement presents a risk to the independence and objectivity of governance oversight, potentially blurring lines of responsibility and impacting the effectiveness of internal controls and strategic decision-making. Recruitment processes are currently underway for these critical positions.

Performance Management Framework

Despite recent leadership instability, the College maintains a robust performance management framework. It systematically monitors and reports against strategic performance indicators directly linked to its Strategic Plan. A comprehensive suite of performance information, encompassing the Risk Register and key strategic metrics, is regularly reviewed and discussed at committee meetings.

Vision and Strategy

Our review of the College's Strategic Plan confirms a clear vision and well-defined strategic priorities, providing a coherent framework for its future direction.

Deloitte view- Vision, leadership and governance

Our Wider Scope work performed during the 2024/25 financial year, alongside attendance at Audit Committee meetings, indicates that effective governance and scrutiny arrangements are in place at the College.

Wider scope requirements (continued)

Use of resources to improve outcomes



Significant risks identified in Audit Plan

As discussed under financial sustainability, there is a risk that the College does not have plans in place to manage its finance sustainably.

Use of resources to improve outcomes

The College successfully completed its Financial Recovery Plan (FRP) in the first half of 2024/25. This plan led to a substantial reduction in the deficit, from £2,522k in the prior year to £1,582k in 2024/25 (before funding repayments). Key savings were realised through a Voluntary Severance Scheme (VSS) and a strategic re-modelling of the curriculum.

Despite the curriculum changes, the College achieved strong performance in key areas:

- Student Enrolment: Higher Education (HE) enrolment exceeded forecasts, with actual FTE of 581.7 recorded in 2024/25 against a target of 560 FTE.
- Student Satisfaction: Overall student satisfaction remained high at 97% (2023/24: 96%), indicating successful curriculum adaptation without compromising student experience.

Future initiatives

The College is actively assessing further potential savings through estate rationalisation initiatives and ongoing curriculum optimisation efforts. Research Grants and contracts increased significantly in the year, driven by new projects secured with Multiply, Scottish Property Fund, and Active Campus. The College continues to pursue diversification of income streams, with a target to increase non-SFC income in 2025/26.

Deloitte view – Use of resources to improve outcomes

While the College has implemented measures to manage its performance and address financial risks, and is aware of the considerable hurdles that remain, the sustainability of its financial position continues to require close monitoring. The progress made in deficit reduction while a positive indicator, does not fully mitigate the underlying financial pressures.

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

Moray 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 Board 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 Board, 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 board.

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



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) SOCIE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	If applicable, control deficiency identified
Misstatements identified in current year					
Overstatement of YE payables balance	[1]	(15)	15	-	N/A
Reclassification of additions not received	[2]	-	-	-	N/A
Misstatements identified in prior years					
Goodwin Ruling	[3]	-	(22)	22	N/A
Carryover of prior year misstatements (Deferred Capital Grant)	[4]	-	(19)	19	N/A
Total		(15)	(26)	41	

[1] From our testing of the trade payables balance, we identified invoices dated 1-11 August being included within the Trade Creditors listing as at 31 July 2025. We identified £3.4k of a liability which should have been recognised in 2025/26 and not in 2024/25. When extrapolated over the remainder of the population, this gives an extrapolated adjustment of £15.2k.

[2] From our PPE additions testing, we identified £90k of purchases made in July 2025 from one supplier that had not been delivered by 31 July 2025 which signifies that these items should not have been capitalised as PPE, but should have been recognised as Prepayments/Other current assets until delivered.

[3] No explicit allowance has been made in relation to the Goodwin case, we would estimate this to be circa £22k.

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

Audit adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Equity £'000	If applicable, control deficiency identified
Job Analysis Deferred Income	[1]	(18.8)	18.8	-	-	n/a

[1] The audit team identified a creditor that had remained unchanged since 2019 relating to job analysis income which was received in 2019, but was deemed to be deferred in the year and subsequently deferred since. However, upon challenge from Deloitte, it was determined that this amount should have been released in 2019. Management have posted a correction in the 2024/25 accounts.

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	FRS 102 Section 7:7.3	FRS 102 requires Investing and Financing activities to be presented separately	Not Applicable

Audit adjustments (continued)

Uncorrected Disclosure misstatements

The following uncorrected disclosure misstatements have been identified as required by ISAs (UK).

	Summary of disclosure requirement	Quantitative or qualitative consideration	If applicable, control deficiency identified
Disclosure			
Pension – No allowance has been made for administration expenses. The DBO and asset value are both overstated at 31 July 2025.	Not applicable	Based on information provided, the best estimate of the administration expenses is £15k which should be disclosed in a separate line in the disclosure note. Due to the asset ceiling restriction, this does not alter the carrying value of the pension asset.	Not Applicable
Fair pay – average percentage change from the previous financial year in respect of employees.	FReM 6.5.19(b)	This is a requirement of the FReM; however, the disclosure is not materially misstated as the 2024/25 figures and prior comparative are disclosed.	Not Applicable
Cashflow statement – presentation of borrowing cash flows	FRS102: Section 7	Management have netted off the original loan amount and the repayment in the year leaving a net figure within the cash flow statement. This is inconsistent with the requirements of FRS102 where the netting of balances is only permitted in specific circumstances.	Not Applicable

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 Moray 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 Moray 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.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit Committee on the process for identifying, evaluating and managing the system of internal financial control. We will explain in our audit report (for all entities subject to audit) 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 reconfirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Board and our objectivity is not compromised.

Fees

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

	£
Auditor remuneration	48,080
Audit Scotland fixed charges:	
• Pooled costs	(6,070)
• Sectoral cap adjustment	(10,100)
Total expected fee	31,910

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 Board, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



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