

North East Scotland College

2024/25 Annual Audit Report



Prepared for North East Scotland College and the Auditor General for Scotland
December 2025

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Key messages

Audit of the annual report and accounts

- 1** Our audit opinions on the annual report and accounts of North East Scotland College are unmodified and confirm that the accounts are free from material misstatement.
- 2** There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements have been properly reflected in the audited annual report and accounts

Wider scope and Best Value audit

- 3** The college has broadly effective and appropriate arrangements in place to secure best value and cover the wider scope audit areas i.e. Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of North East Scotland College's annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to North East Scotland College, hereafter referred to as 'the college', and the Auditor General for Scotland. It will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. We have been appointed by the Auditor General for Scotland as auditors of the college for the 5-year period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, we are independent of the college in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on our continued independence from the college.

Acknowledgements

4. We would like to thank the college and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on the college's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the college's arrangements for securing Best Value.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the college and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on the college's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the college from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The college's responsibilities

10. The college has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective

arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements for the college and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual report and accounts

Main judgements

Our audit opinions on the annual report and accounts of North East Scotland College are unmodified and confirm that the accounts are free from material misstatement.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements have been properly reflected in the audited annual report and accounts.

Audit opinions on the annual report and accounts

11. The college's annual report and accounts were approved by the Regional Board on 10 December 2025 and signed by the auditor thereafter. As reported in the Independent Auditor's Report, the financial statements give a true and fair view and, in our opinion, are free from material misstatement.

Audit timetable

12. An extension of one week was agreed to enable the college to reflect the outcome of the property revaluation in the draft accounts and update the working papers supporting fixed assets. We received the accounts for audit on 10 October 2025, a further week beyond the extension. Excluding fixed assets, the working paper package due on 29 September 2025 was slow in arriving. The lost time put pressure on the delivery of the audit but finance and payroll staff promptly dealt with audit queries which assisted us in keeping the delivery of the audit largely to schedule.

Audit Fee

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £64,870. There have been no developments that impacted on our planned audit work required, therefore the audit fee remains unchanged.

Materiality

14. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

15. Materiality levels for the audit of the college were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan. Group

income, expenditure, assets, and liabilities are not significantly different from those included in the college's single entity accounts and therefore we did not consider it necessary to set separate materiality values for group accounts. Materiality levels were reassessed on receipt of the unaudited annual report and accounts but no changes were considered necessary. Levels are set out in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the college and its group

Materiality	Amount
Materiality – set at 2% of gross expenditure	£1.1 million
Performance materiality – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£700,000
Reporting threshold – set at 5% of materiality.	£55,000

Source: Audit Scotland

Significant findings and key audit matters

16. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the college is the Audit and Risk Committee.

17. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

18. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

19. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

20. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the college's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

21. The appropriateness of accounting policies adopted by the college was assessed as part of the audit. These were appropriate to the circumstances of the college, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

22. Accounting estimates are used in number of areas in the college's financial statements, including the valuation of land and buildings and the pension liability. Audit work considered the process management of the college has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- Overall, there were no major issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable. A model for component accounting was introduced during the year but it does not reflect the property values determined by the valuer in respect of 2024/25.
- There was no evidence of management bias in making the accounting estimates.

Recommendation 1

The component accounting model needs to be updated and the results incorporated in the 2025/26 asset register.

23. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 4, \(page 12\)](#)

Disclosures in the financial statements

24. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was found to be appropriate and in line with accounting requirements.

Performance Report

25. The Accounts Direction and FReM requires colleges to include a Performance Report in their annual report and accounts. The report should provide information on the college, its main objectives and strategies and the principal risks that it faces. The report should provide a fair, balanced and understandable analysis of the college's performance, including both positive and negative aspects.

26. The purpose of the Performance Analysis is for colleges to provide a detailed view of their performance including trend information. Colleges should seek to tie in the Performance Analysis to other parts of the financial statements to provide a cohesive and consistent understanding of performance. They should report on their objectives and progress made against them, using unbiased indicators of progress where these have been established. The discussion of progress against plan should incorporate qualitative and quantitative information and prior year and trend information where possible.

27. Nescol's performance report sets out information on the college's strategic aims and objectives but does not report on progress against strategic plan targets and outcomes. Other than a strategic indicator table setting out student activity levels and learner successes, there is limited performance information in the report.

Recommendation 2

There is scope to streamline the content of the Performance Report and a need to have greater focus on reporting performance.

Group audit

28. The college is part of a group and prepares group financial statements. The group includes the college as the parent of the group and one subsidiary. The audit work performed on the group's components is summarised in [Exhibit 2](#).

Exhibit 2

Summary of audit work on the group's components

Group component	Audit work required	Summary of audit work performed
North East Scotland College	Full scope audit of the college's annual report and accounts.	The outcome of audit work performed is reported within the Annual Audit Report.
Aberdeen Skills & Enterprise Training Ltd (ASET)	Specific audit procedures on income and cash and cash equivalents.	The specific audit procedures were undertaken by the audit team. No procedures for the purposes of group accounts were undertaken by the component auditor. Their report on the audit and their proposed audit opinion have been considered more generally.

Source: Audit Scotland

Audit adjustments

29. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £55,000 are outlined in [Exhibit 3, page 11](#). Other than the two disclosures included in Exhibit 3, there are no uncorrected misstatements to report.

Exhibit 3**Audit adjustments**

Details	Statement of Comprehensive Income		Balance Sheet	
	Dr	Cr	Dr	Cr
Audit adjustments	£m	£m	£m	£m
1. An adjustment was required to include the valuation loss on investment property in other operating expenses instead of unrealised loss on the revaluation of land and buildings. This is a classification error and does not impact on the adjusted operating deficit.	1.275	(1.275)		
2. Adjustments were required to remove equipment purchased by the college on behalf of the Energy Transition Zone from college assets as the college did not have ownership at 31 July 2025. (Dr Deferred capital grants /Cr Fixed Assets)			0.213	(0.213)
3. In posting the associated funding as a deferred capital grant, the unspent SFC capital maintenance grant was reduced. This was incorrect as the funding had been provided by a third party and not the SFC. (Dr SFC grant/Cr Unspent capital grant)	0.213			(0.213)
4. SFC grant funding in respect of employers' national insurance had been incorrectly classed as SFC other grants. (Dr SFC other grants/Cr SFC grant)	0.126	(0.126)		
Total	1.614	(1.401)	0.213	(0.426)
Net impact on financial statements	0.213			(0.213)

Uncorrected disclosures

1. An adjustment to transfer the college's £500k contribution to ETZ Ltd from fixed assets to prepayments was included in the revaluation line in Note 13 rather than being shown separately as a reclassification.

2. A debtor for £147k in respect of Clinterty Estates Ltd is shown in Note 16 as trade and other receivables. As the amount is unlikely to be received in the next twelve months, it should be reflected as a long-term debtor.

Significant risks of material misstatement identified in the Annual Audit Plan

30. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4, page 12](#).

Exhibit 4

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Audit response	Outcome of audit work
<p>Estimation in the valuation of property</p> <p>A full valuation was undertaken in 2024/25 by an external valuer. At 31 July 2024, the value of the college's land and buildings was £108 million.</p> <p>There is a significant degree of subjectivity in these valuations as they are based on specialist assumptions. Changes in the assumptions used can materially impact on the valuation calculations.</p>	<ul style="list-style-type: none"> • Evaluated the design and implementation of controls over the valuation process. • Evaluated the competence, capabilities, and objectivity of the valuer. • Reviewed information provided to the valuer and assessed this for completeness and accuracy. • Assessed whether management has appropriate oversight of the valuation process. • Reviewed the appropriateness of key data and assumptions used in the 2024/25 valuation process and challenged these where required. 	<p>Conclusion: No major issues arose from our audit work.</p>

Risk of material misstatement	Audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Assessed the design and implementation of controls over journal entry processing and tested a sample of journals with a focus on higher risk areas. 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. Evaluated significant transactions outside the normal course of business. Reviewed the arrangements for identifying related parties and associated transactions. Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates. Tested income and expenditure transactions around the year-end and accruals and prepayments to confirm they are accounted for in the correct financial year. 	<p>Conclusion: Journals continued to be processed but were not authorised in the final two months of the year. Due to an oversight, alternative arrangements had not been put in place following the retirement of the Financial Controller. No areas of concern were noted.</p> <p>Based on overall audit work undertaken, there was no evidence of fraud caused by management override of controls.</p>

Source: Audit Scotland

Prior year recommendations

31. The college has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed and are outlined in [Appendix 1](#).

Wider scope and Best Value audit

Conclusion

The college has broadly effective and appropriate arrangements in place to secure Best Value and cover the wider scope audit areas ie Financial Management; Financial Sustainability, Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

Audit approach to wider scope and Best Value

Wider scope

32. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

33. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the college has in place for each of these is reported in this section.

Duty of Best Value

34. 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. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

35. Consideration of the arrangements the college has in place to secure Best Value has been carried out alongside the wider scope audit.

Significant wider scope

36. Audit work has been performed in response to the significant wider scope risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#).

Exhibit 5

Significant wider scope risks

Significant risk identified in Annual Audit Plan	Audit response	Outcome of audit work
<p>Financial sustainability</p> <p>The college's 2023/24 Financial Forecast Return (FFR) showed an underlying cumulative deficit of £1.6m for the three years to July 2027. Since submitting the FFR, the college's financial performance has improved, an underlying surplus in 2023/24 and a projected surplus in 2024/25. A recent five-year scenario planning exercise reflected an improving position through a mix of cost savings and additional income projections.</p> <p>While the college will continue to face financial challenges in meeting its savings targets due to limited increases in funding from the Scottish Funding Council and a need to fund future payment awards, current projections provide a more positive position.</p>	<ul style="list-style-type: none"> • Reviewed budget update reports to monitor forecast outturns including progress with savings plans. • Reviewed financial plans and assessed the appropriateness of assumptions. • Considered the extent of alignment between financial plans and the college's strategic plan and priorities. 	<p>Refer paras 44-47.</p> <p>Conclusion: The college is making appropriate arrangements to develop medium and longer-term financial plans. These now need to be linked with the strategic plan and sub-strategies.</p>

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

37. The college's two Financial Controllers retired from the college in spring 2025. The two roles have now been combined into a new Head of Finance role which has been filled and the successful candidate is due to start in post in December 2025. An interim arrangement has been in place over the summer to oversee the production of the annual report and accounts.

38. In addition, a new post of Assistant Principal Finance and Estates has been created with responsibility for financial budgeting and reporting in addition to estates and related functions. Following an initial recruitment campaign, no appointment was made to the role but there are plans to run a second round in the new year.

39. We had previously commented on the college having a relatively small finance team and the associated capacity risks that may ensue. We also highlighted that

there was scope to strengthen forecasting and budget monitoring arrangements to improve the accuracy of information.

40. Earlier this year, the Finance and Resources Committee considered a report from the Vice Principal highlighting causes for the significant variances which had been reported in 2023/24 between the forecasted and actual results. Reasons included a lack of communication between the finance team and budget holders and an absence of proper checking and understanding of the impact of changes made to calculations.

41. The Adjusted Operating Surplus for 2024/25 is £1.9m compared with an original budgeted deficit of £0.7m. A significant element of the difference relates to one off items which had not been predicted and underspends across a number of budgets which had not been expected.

42. The new finance roles are intended to strengthen the college's financial stewardship and should provide more capacity for robust oversight and challenge on an ongoing basis. Once in post, the new officers will agree and implement a new finance team structure including more devolvement of responsibilities to budget holders. We will monitor the development of the new structure as part of the 2025/26 audit.

43. We found that the college's use of "blanket orders" in procurement has increased considerably this year. The majority of blanket orders are for services delivered according to a schedule of services provided as part of a tender exercise for which receipts are not required. Use of blanket orders cuts down on the administration time required to process invoices and ensures that there is a budgetary approval for the spend in advance of the costs being incurred.

44. However, there are also orders for goods which are covered by blanket orders which require to be receipted and the college is working to move this to normal purchase order procedures. This is part of the changes being made by the college now that the Procurement capacity has increased which should allow for a detailed review of existing procedures. We understand that the Procurement team have already delivered improved compliance and savings.

45. Other than the above matters, we concluded that the college's arrangements for financial management are effective and appropriate. Our judgement is evidenced by our findings on the arrangements the college has in place. These include:

- a system of internal control that is operating effectively and has no significant weaknesses or deficiencies.
- clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation.
- counter fraud arrangements and participation in fraud prevention and detection activities such as the National Fraud Initiative.
- strengthening the scrutiny arrangements that support sound financial management.

Financial Sustainability

46. The Regional Board approved an operating budget deficit of £0.454m for 2025/26. A conscious decision was taken to present a deficit to minimise the impact on teaching delivery, staffing and students.

47. The three-year forecast submitted to the Scottish Funding Council shows deficits of £0.641m and £0.947m respectively for the next two years giving a total deficit of £2.042m. A short-term deficit is permitted provided a balanced budget is achieved over a rolling 3-year period. The following areas have been identified by the college's Strategic Leadership Team as areas requiring improvement to return the college to a balanced underlying operating position.

- deliver additional SDS funded MA places.
- increase the volume of full-time Higher National students and associated fee income.
- increase commercial income.
- further reduce temporary staffing costs.
- further major cost reduction.
- increase profit from ASET.

48. The college has also prepared a 5-year scenario financial plan using pessimistic, realistic and optimistic assumptions. The next step is ensuring that the college's financial plans align to the new Strategic Plan and sub-strategies. The following recommendation has been made, with further details outlined in [Appendix 1](#).

Recommendation 3

The college should demonstrate a clear link between its financial plans and its strategic plan to ensure that actions required to deliver its strategic priorities and objectives are realistic and affordable.

49. Overall, we concluded that the college has appropriate arrangements in place to secure financial sustainability. This judgement is evidenced by the college:

- making appropriate arrangements to develop medium-term financial plans using scenario planning.
- having effective arrangements in place for identifying risks to financial sustainability.
- identifying income opportunities to manage budgets.

Vision, Leadership and Governance

50. The college approved a new five-year strategic plan in June 2025 covering the period 2025-30. It had been due in 2023/24 but the previous plan was extended to allow sufficient time for a more collaborative process to be undertaken in developing a new plan involving staff, students, stakeholders and community partners. The plan is supported by six sub-strategies

- Our Colleagues,
- Our digital ambition,
- Our region,
- Our student experience,
- Our secure future
- Our spaces (ie campuses).

We understand work is underway to develop SMART objectives and reporting arrangements and to allocate appropriate resources.

51. There has been no final report assessing the progress made by the college in delivering the previous plan. Arrangements should be put in place to implement a monitoring and performance reporting framework for the new plan. This will ensure members receive regular progress reports on how the college is delivering on its objectives and enable members to scrutinise and challenge performance and recommend actions in a timely manner. The following recommendation has been made, with further details outlined in [Appendix 1](#).

Recommendation 4

The college should agree a SMART action plan and a monitoring and performance reporting framework to measure progress in the delivery of its strategic objectives to promote effective challenge and scrutiny.

52. Our conclusions on the college's arrangements to provide Vision, Leadership and Governance were reached having reflected on the following factors:

- the college has recently agreed a new five-year Strategic Plan, supported by six sub-strategies, that clearly set out its ambition, objectives and high-level action plan.
- having carried out a collaborative and inclusive process, engaging staff, students, stakeholders, and community partners in the development of its mission, vision, values and strategic priorities to ensure these align to their needs.
- its work with partners to develop the Energy Transition Skills Hub.
- effective governance arrangements are in place as reflected in the college's Governance Statement.

Use of Resources to Improve Outcomes

53. In September 2025, the Regional Board considered a key performance indicator (KPI) report for academic year 2023/24 as prepared by the Scottish Funding Council. It provides a comparison with the sector average and other colleges where appropriate.

54. Based on published information on SFC [College Student Outcomes 2023-24 - Scottish Funding Council](#) website, the known results for the college's full-time further and higher education students enrolled on recognised qualifications in 2023-24 are set out in [Exhibit 6, page 19](#). In general, the college is performing higher than the sector average.

Exhibit 6 Key Strategic Indicators

Indicator	Further Education		Higher Education	
	College %	Sector average %	College %	Sector average %
Students successfully completing their course	71.6	67.1	72.7	66.9
Students completed their course but did not gain the qualification they were aiming for	11.1	12.4	13.9	16.0
Students withdrew from their course after the funding qualifying date	17.3	20.6	13.4	17.1

Source: Scottish Funding Council

55. Colleges are expected to publish their individual college performance indicator reports on their own website bringing them to the attention of students, staff and other stakeholders. They are expected to add their own commentary on the key results to go alongside the published key performance indicators. We note that the latest report available on the college's website is in respect of academic year 2022/23.

56. The college continued to monitor key performance indicators (KPIs) throughout the year with six monthly reporting to the board. Performance against targets for some of these indicators is summarised in [Exhibit 7](#) and shows continued improvement over previous years.

Exhibit 7 Key performance indicators – trend analysis

KPI		2021/22	2022/23	2023/24	2024/25
A. Total number of credits delivered	Actual	128,655	129,769	116,040	117,884
	Target	131,915	128,812	115,931	115,931
B. Full Time Further Education - Proportion of enrolled students successfully obtaining a recognised qualification	Actual	57%	63%	69%	69%
	Target	62%	60%	65%	65%
C. Full Time Higher Education - Proportion of enrolled students successfully obtaining a recognised qualification	Actual	65%	67%	72%	75%

	Target	72%	68%	68%	68%
D. Overall College Student Satisfaction Outcomes		89.6%	90.0%	89.6%	tbc%

Source: NESCol Annual Report and Accounts for the year ended 31 July 2025

57. These results indicate that the college's use of resources is improving outcomes.

Conclusions on duty of Best Value

58. The audit work performed on the arrangements the college has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- the college having well established and effective governance arrangements in place.
- the arrangements the college has in place around the four wider scope audit areas contribute to it being able to secure Best Value.
- progress the college is making to embed sustainability into strategic and sub-strategy plans.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1.Component accounting	The component accounting model needs to be updated and the results incorporated in the 2025/26 asset register	Accepted Vice Principal Finance & Resources Agreed date – March 2026
2.Performance Report	There is scope to streamline the content of the Performance Report and a need to have greater focus on reporting performance.	Accepted Vice Principal Finance & Resources Agreed date – August 2026
3.Linking financial and strategic plans	Providing a clear link between financial plans and the strategic plan and sub-strategies	Accepted Vice Principal Finance & Resources Agreed date – March 2026
4.Progress on delivery of strategic plan objectives.	The college should agree a SMART action plan and a monitoring and performance reporting framework to measure progress in the delivery of its strategic objectives and promote effective challenge and scrutiny.	Accepted Vice Principal Finance & Resources Agreed date – March 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Deferred Income	<p>The Financial Controller's annual review of larger, older funding balances should be evidenced in the working paper to provide a clear rationale for carry forward.</p> <p>The college will review items held as deferred income and ensure the balance is amended to reflect current relevant circumstances.</p> <p>Responsible officer Vice Principal Finance & Resources</p> <p>Agreed date April 2025</p>	<p>The college has carried out a review in 2024/25. Of the £1.8m older balances being carried at 31 July 2024, only £0.6m remains.</p>
2. Revaluation Reserve	<p>Prior to the next full valuation of property, allocate the balance on the revaluation reserve across properties to enable full compliance with the requirements of the SORP in relation to revaluation reserves.</p> <p>The college will review the revaluation reserves providing an analysis allocating the reserve to each campus.</p> <p>Responsible officer Vice Principal Finance & Resources</p> <p>Agreed date April 2025</p>	<p>The college has carried out a review in 2024/25. A more detailed analysis allocating the reserve to each campus was prepared and agreed with Audit Scotland.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. Budget monitoring	<p>Budget monitoring and forecasting arrangements should continue to be reviewed and strengthened to improve the accuracy of information used to inform decision making. Potential savings options need to focus on recurring savings which will have impact across several financial years.</p> <p>The college will review the current processes and monitoring ensuring improvements are achieved. The finance staffing will also be reviewed.</p> <p>Responsible officer Vice Principal Finance & Resources</p> <p>Agreed date February 2025</p>	<p>Early in 2025, a review of the finance team and processes was undertaken resulting in changes to leadership and staffing structure. There have been delays in recruiting the new senior posts.</p> <p>Further budget monitoring and forecasting changes and improvements will be implemented during 2025/26.</p>
4. Payroll	<p>Management should be alert to the increased risk when teams are stretched and ensure appropriate monitoring of internal controls is in place.</p> <p>The college is aware of the risks linked to the small payroll team. A review and further mitigations will be assessed.</p> <p>Responsible officer Director of People Services</p> <p>Agreed date April 2025</p>	<p>Being kept under review by management.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
5. Areas for Improvement Plan	<p>The Areas for Improvement Plan outlining the different options to address financial gaps should be regularly presented to the board for scrutiny.</p> <p>The college will provide regular updates to the board for scrutiny.</p> <p>Responsible officer Vice Principal Finance & Resources</p> <p>Agreed date April 2025</p>	<p>The college has successfully reduced costs and increased income during 2024/25. The financial performance and improvements were discussed at every meeting of the Finance & Resources Committee and each Regional Board meeting.</p>
6. Strategic Plan	<p>The college has plans in place to implement its new strategic plan in 2025/26 and should ensure that its financial plans are aligned with its new strategic priorities.</p> <p>The college is continuing to develop the new strategic plan and are confident this will be in place for 2025/26.</p> <p>Responsible officer Vice Principal Curriculum & Quality</p> <p>Agreed date August 2025</p>	<p>The Regional Board approved the new strategic plan 2025-30 in June 2025 and the sub-strategies in September 2025.</p> <p>Work is underway to align financial plans to the new priorities.</p>



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