



Perth College

Final report to the Audit Committee, UHI Perth and the Auditor General for Scotland on
the 2024/25 audit
19 December 2025

Our final report

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Partner introduction

1.1 Partner introduction

The key messages in this report

This report summarises the key findings from our audit of UHI Perth (“the College”) and its subsidiary (collectively “the Group”) for the year ended 31 July 2025 (also referred to as “24/25 financial year”). I would like to draw your attention to the key messages of this paper:

Scope of the audit and materiality

Our Group audit was performed to a materiality of £609k and a clearly trivial threshold at £30k. Uncorrected misstatements identified during the audit increase the deficit for the year by £48k, opening reserves by £18k and reduce net assets by £30k. Management do not consider these to materially impact the overall financial performance and position presented in the financial statements and have therefore not corrected the errors. While we encourage correction of all misstatements, we concur with management’s conclusion on the basis these errors are immaterial (slide 38).

Significant audit risks

Significant audit risks identified in our planning report to the Audit Committee are:

- Operating within the funding provided;
- Completeness of income; and
- Management override of controls.

We have no significant findings in respect of these significant audit risks.

Other areas of audit focus

Accounting for Air Service Training (Engineering) Limited (“AST”) administration: The AST Board resolved to place the company under voluntary administration. Henderson Loggie were appointed as administrator on 10 April 2025 to facilitate the voluntary administration. Appointment of an administrator ceded the control of AST to the administrator with effect from the date of the administrator's appointment. The overall accounting for this transaction was subject to focused audit procedures due to it being an unusual transaction with a material impact on the financial statements presentation and disclosure. The College realised a gain of £38k from the transfer of control of AST to an administrator which represented AST’s net liabilities on the date of the appointment of the administrator. We have no significant findings in our work on this matter.

Other areas of audit focus: We also identified the accounting and related disclosure of the College’s pension fund as an area of audit focus due to the associated level of judgment, complexity and estimation risk. Our work on the audit of the pension identified an error in account of pension strain costs of £798k which has been corrected in the financial statements due to inaccurate membership information being provided to the actuary by the Pension Fund administrators.

1.2 Partner introduction (continued)

Wider Scope requirements

The Code of Audit Practice broadens our audit procedures through the requirement for us to perform procedures on the College's processes in financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes (scope referred to as "wider scope"). In our planning report to the Audit Committee, we identified significant risks in respect to the following aspects of wider scope:-

- **Financial management** – the College did not prepare a budget for the year ended 31 July 2024 due to resourcing challenges and this matter was the subject of a section 22 report from the Auditor General. We note management have rectified this in the current period, with a budget for the year ended 31 July 2025 being prepared and approved by the College's Board of Directors ("the Board") on 18 December 2024. In October and November 2024, the SFC provided total advance funding of £1.5m to UHI Perth as there was a cash shortfall resulting from various factors including a deficit in 2023/24, the three year back-dated pay awards being made to academic and professional services staff between July and October 2024 and one-off voluntary severance costs. Management identified an omission from the budget of £765k related to catering expenditure in March 2025, which also impacted on the cashflow outflows. Management attributed the error to staff who were new to the College Finance Team that did not have corporate memory of UHI Perth Finances, resourcing constraints in the Finance Team and legacy issues with accounting arrangements. At this time it was identified that clawback payments to the Student Funding Council ("SFC") of £800k should also have been reflected as a cashflow outflow meaning that a cashflow deficit of £1m was then forecasted in July 2025. This projected cash shortfall prompted negotiations with various stakeholders which culminated in deferral of clawback payments (£700k) to the Regional Strategic Body (RSB) and reprofiling to allow early drawdown of 2025/26 funding from the Scottish Funding Council (SFC). UHI Perth also instigated essential spend measures. Overall we note the College continues to make improvements to the control environment, albeit there are control improvements yet to be implemented mainly due to resourcing challenges. (slide 27)
- **Financial sustainability** – There was a deficit budget of £1.3m for the year ended 31 July 2025. Based on information at the half-way point to 31 January 2025, and after identification of the omission in relation to catering expenditure, there was a forecast deficit of £1.8m. However, the position subsequently improved due mainly to the identification of income streams, and the audited adjusted operating position shows an actual deficit of £0.6m. Given the forecasted cashflow deficit in July 2025, the SFC asked UHI Perth to prepare a recovery plan before advancing further funding. The financial recovery plan was approved by the Board on 27 August 2025 and action is being taken by management to deliver the proposals within it. Overall we note the College is in the process of implementing a financial recovery plan designed to improve the short to medium term liquidity shortfalls (slide 30).

Independence: In accordance with ethical requirements, we confirm our independence, we have not provided any non audit services to the College.

We would like to thank management for their cooperation during the audit.








Noel Simbarashe Jana
Audit Director

Annual report and accounts audit

2. Quality indicators

Impact on the execution of our audit

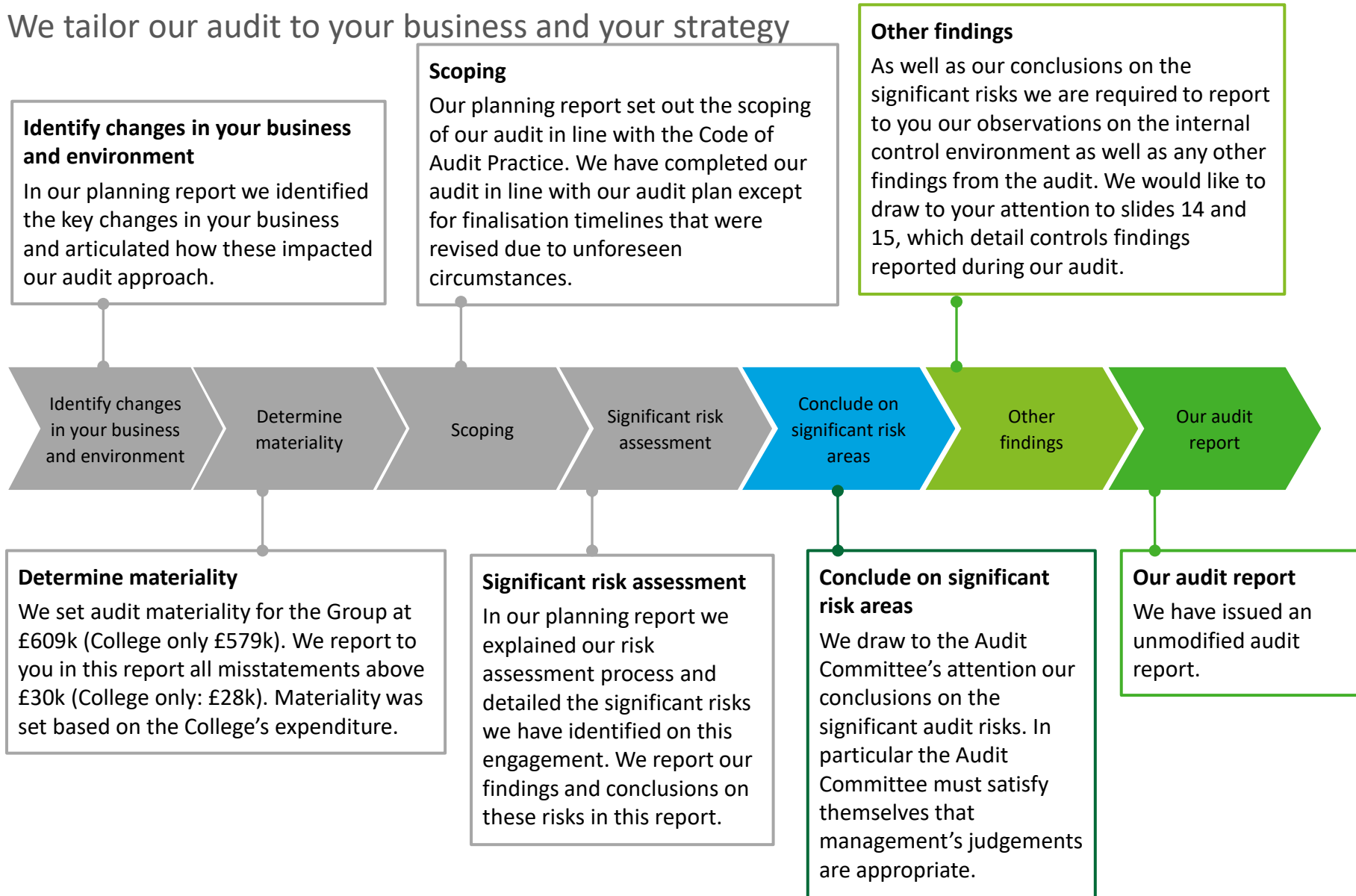
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to 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		The key accounting matters impacting the current year financial statements being the loss of control of AST and accounting for pension strain were only considered in detail during the audit. Complex accounting matters should be addressed timely to ensure accurate financial reporting.	n/a
Adherence to deliverables timetable		The accounting assessment of AST and pension strain liability took longer than expected which impacted the timing of finalisation of the draft financial statements.	n/a
Access to finance team and other key personnel		The finance team was available at most times when we required their input.	n/a
Quality and accuracy of management working papers		The working papers received were largely of acceptable quality.	n/a
Quality of draft Annual Report and Accounts		Numerous presentational and disclosure points raised on the draft version of the Annual Report and Accounts in relation to pensions and AST.	n/a
Response to control deficiencies identified		Control deficiencies identified in the prior year are still in the process of being addressed. Implementation has been impacted by capacity and transition in the finance team, particularly at leadership level.	n/a
Volume and magnitude of identified errors		We have not identified a significant volume of errors. We however noted individually material errors in the depreciation charge (£644k) for the year and accounting for the pension strain amounting to (£798k)	20

 Lagging  Developing  Mature

3. Our audit explained










We tailor our audit to your business and your strategy






Significant audit risks


4. Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls			Control findings raised – see slide 20	
Operating within the funding provided			Satisfactory	
Completeness of Income			Satisfactory	

Consistency of judgements with Deloitte's expectations

-  Inconsistent
-  Improvement required
-  Consistent

-  **Controls approach adopted**
Assess design & implementation

4.1 Significant risks (continued)

Management override of controls

Risk identified

ISA 240 presumes a risk of management override in the preparation of financial information. Management is in a unique position to perpetrate fraud through their ability to manipulate accounting records and prepare fraudulent financial statements/financial information by overriding controls that otherwise appear to be operating effectively. There is also a risk that judgments and assumptions related to significant accounting estimates can be subject to management bias, impacting reported results.

Key management judgments and estimates

Areas of judgement and estimation were identified as including.

- Accrued and prepaid expenditure recorded around year end
- Accounting for the defined benefit pension fund

Deloitte response and challenge

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

Journals

- We have considered the overall control environment and 'tone at the top'
- We have tested the design and implementation of controls in relation to journals and accounting estimates.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used our Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Accounting estimates and judgements.

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

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

Significant and unusual transactions

The AST transaction (page 16) and the pension strain costs accounting (page 17) are both significant and unusual transactions on which we performed audit procedures as discussed in the respective pages set out above.

Deloitte view

During the prior and current audit, we identified control weaknesses in relation to the lack of authorisation of journal postings prior to entry into the general ledger system, and lack of evidence of review of the quarterly management accounts. See page 20 for more details.

4.2 Significant risks (continued)

Operating within the funding provided

Risk identified and key judgements

In accordance with Practice Note 10 (Audit of Financial Statements of Public Sector Bodies in the UK), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

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

The significant risk is therefore pinpointed to the completeness of accruals made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals around year end.

Deloitte response and challenge

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

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

Deloitte view

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

We have identified one adjustment which has been corrected by management in relation to our testing of post year end invoices and payments. See page 39 for more details.

4.3 Significant risks (continued)

Completeness of income

Risk identified and key judgements

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

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

- Incorrect income cut-off recognition, as there is a risk that the College can manipulate its financial position around the year-end;
- Incorrect recognition applied to grant income with conditions attached; and
- Incorrect recognition where performance conditions are in place.

Deloitte response and challenge

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

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

Deloitte view

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

Other areas of audit focus

5. Other areas of audit focus

AST liquidation

Background

On 10 April 2025, the AST board appointed an administrator to take control of AST and initiate an administration process. This followed failure to secure medium to long term funding to sustain the business operations. Following the appointment of the administrator, in line with FRS102 guidance on consolidation, the assets and liabilities recorded in the Group consolidated accounts were deconsolidated to reflect loss of control of AST to the administrator. AST was in a net liability position of £38k on date of going into administration, resulting in a gain of £38k for the Group. This gain reflects the fact that the group no longer has an obligation to settle the net liability positions of its subsidiary.

Key judgments and estimates

The key considerations in this transaction:-

- Determining the date of loss of control
- Ascertaining completeness of liabilities crystallising from the insolvency
- Considering the measurement of the AST investment as recorded in the books of the College

Deloitte response

Our audit procedures included the following:-

- Evaluation of management's control over accounting for unusual transactions
- Review of the AST board minutes for the period to date of administration
- Review of the administrator's engagement letter
- Review of the administrator's liquidation status report
- Substantive procedures over revenue and expenditure recognised in the period from 1 August 2024 to 10 April 2025
- Analytical review procedures on the disposal balance sheet
- Use of internal financial reporting specialists in assessing the accounting for the loss of control

	Period to 10 April 2025 2024/25 £'000	12 months to 31 July 2024 2023/24 £'000
AST Profit and loss account		
Total income	979	1,395
Staff costs	(909)	(1,230)
Other operating costs	(438)	(593)
Depreciation	(16)	(41)
Operating deficit	(384)	(469)
Balance sheet	10 April 2025 £'000	31 July 2024 £'000
Fixed assets	139	141
Stock	9	9
Trade and other receivables	384	364
Cash and cash equivalents	136	373
Trade and other payables	(706)	(762)
Net (liability)/asset position	(38)	125

Deloitte view

Our procedures are complete, and we note the financial statements accurately disclose information related to AST in line with the financial reporting standards rules on discontinued operations. Our procedures did not identify any additional exposures not already recorded beyond the loss of the investment and creditors due to AST in the ordinary course of trading.

5.1 Other areas of audit focus

Defined benefits pension scheme

Background

Retirement benefits to employees of the College are provided by the Tayside Pension Fund, which administers the Local Government Pension Scheme (LGPS) and managed by Dundee City Council, and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). Barnett Waddingham are the College’s appointed actuaries, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements.

Key judgments and estimates

The key judgments and estimates associated with accounting for the pension are:-

- Projected inflation, discount and interest rates
- Projected mortality rates
- Accounting for asset surplus
- Accounting for pension strain cost liability
- Virgin media and McCloud and Goodwin cases

Deloitte response

Our work in this area included the following:

- Assessment of the independence and expertise of the actuary supporting the basis of reliance upon their work;
- Review and challenge of the assumptions made by Barnett Waddingham;
- Assessment of the reasonableness of the College’s share of the total assets of the scheme with the Pension Fund annual accounts and the Funds asset position at 31 July 2025;
- Review and challenge of the calculation of the impact of the Virgin Media and McCloud and Goodwin cases on pension liabilities;
- Review the disclosures within the accounts against the Further Education SORP; and
- Engagement of our internal pensions experts to assist with the above procedures.

LGPS Pension – Balance sheet	31 July 2025 £'000	31 July 2024 £'000
Pensions asset	51,168	44,440
Pensions liability	(30,897)	(32,745)
Unfunded liability	(700)	(798)
Asset ceiling	(20,271)	(11,695)
Pension liability	(700)	(798)
LGPS Pension – costs charged to the profit and loss	31 July 2025 £'000	31 July 2024 £'000
Pension cost – current service cost	923	820
Past service cost	729	140
LGPS pension costs	1,652	960

Deloitte view

We noted the pension report had an error which resulted in overstatement of pension strain cost by £798k due incomplete information being provided to the actuary by the pension fund administrator. The error indicates a weakness in controls in accounting for the defined benefit scheme. In particular, the College should put in place controls to ensure accurate and complete data is provided to the actuary by the pension fund to support accuracy of the measurement of pension fund liabilities at reporting date.

Control environment

6. Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Pension strain cost The pension strain costs resulting from early voluntary retirements was overstated by £798k in the draft financial statement at 31 July 2025. The error resulted from inaccurate information being provided to the College’s actuary by the fund administrator and lack of clarity in the actuarial report of how much had been already been accounted for in respect of the pension strain costs.</p>	<p>Management should ensure there is a process in place to check the accuracy and completeness of data provided to the actuary by the pension fund administrator. This will enhance the accuracy of financial reporting at balance sheet date.</p>	<p>Recommendation accepted. Chief Financial Officer to ask the Tayside Pension Fund to send information to UHI Perth Finance Team first for checking before submitting to the actuaries for the 2025/26 financial statements.</p>
<p>Depreciation calculation We identified a lack of effective controls over the accuracy and completeness of depreciation calculations, specifically concerning the regular update of revaluation figures and the consistent application of useful life methodologies. These deficiencies resulted in current year depreciation being understated by £394k and the prior year by £644k (see slide 39 and 40).</p>	<p>Establish a robust process to ensure that the annual depreciation charge for revalued buildings is consistently calculated using the most recent revaluation figures. Implement a standardised and documented methodology for determining and applying useful lives. Depreciation should be calculated based on the remaining useful life at the beginning of the year for each period.</p>	<p>Recommendation accepted. Chief Financial Officer to implement in preparing the financial statements for 2025/26.</p>
<p>Review of bad debt provision We noted that there is no formal bad debt policy in place and an overprovision of £35k was identified due to incorrect ageing data being used in calculating the year end provision as at 31 July 2025. This indicates a lack of detailed review of the provision at year end. (see slide 39).</p>	<p>We recommend that management formalize the bad debt policy in writing and perform a detailed review of their bad debt provision at year end to ensure the amounts being provided for are correct.</p>	<p>Recommendation accepted. The Chief Financial Officer will review the bad debt policy and formalize the procedure by 30 June 2026.</p>

6.1 Your control environment and findings

Control deficiencies and areas for management focus (control)

Observation	Deloitte recommendation	Management response and remediation plan
<p>Authorisation of Journal Entries Journal entries are not approved before being posted into the general ledger, thereby increasing the risk of fraudulent postings being made.</p>	<p>We recommend that a process of journal authorisation be put in place. All journal entries should be authorised by someone other than the one preparing the posting after reviewing any supporting documentation to assess the accuracy and appropriateness of the posting. Evidence of preparation and authorisation should be documented against the journal.</p>	<p>The recommendation is partially accepted. The Chief Financial Officer will determine whether the finance system has functionality to separate authorisation of journals from input by 30 June 2026. Further checks will take place when reviewing the management accounts and carrying out control account reconciliations</p>
<p>Review of Management Accounts and other financial reports/reconciliations Management accounts are prepared and reviewed on a quarterly (now monthly for FY25/26) basis before being presented to the board. There is no documentation kept to evidence this review taking place prior to presentation to board. Whilst reviews of reconciliations and other ledgers do take place errors have been identified (see prior slide) that indicate this review is not as robust as it could be.</p>	<p>We recommend that clear methodology is documented for what is to be discussed and reviewed in preparing management accounts, budgets and other financial reports. Clear roles and responsibilities should be agreed, and documented, across finance team and Board to agree the expectations and procedures for preparation and review.</p>	<p>Recommendation accepted. Chief Financial Officer to ensure this review happens on at least a quarterly basis by 31 March 2026.</p>

6.2 Other significant findings

Financial reporting findings

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

Qualitative aspects of your accounting practices:

UHI Perth's Annual Report and Accounts have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Following our audit work, we are satisfied that the accounting policies are appropriate.

Liaison with internal audit

We have reviewed the internal audit reports issued during the year as part of our risk assessment and understanding of developments in the year impacting the Group. In line with the requirements of International Standards on Auditing, we have not relied on the work performed by internal audit in our substantive testing.

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

Audit opinion

7. Our audit report

Other matters relating to the form and content of our report

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



Our opinion on the Annual Report and Accounts

We have issued an unmodified audit report.



Going concern

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

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



Emphasis of matter and other matter paragraphs

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

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



Other reporting responsibilities

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

Opinion on regularity

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

7.1 Your Annual Report and Accounts

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

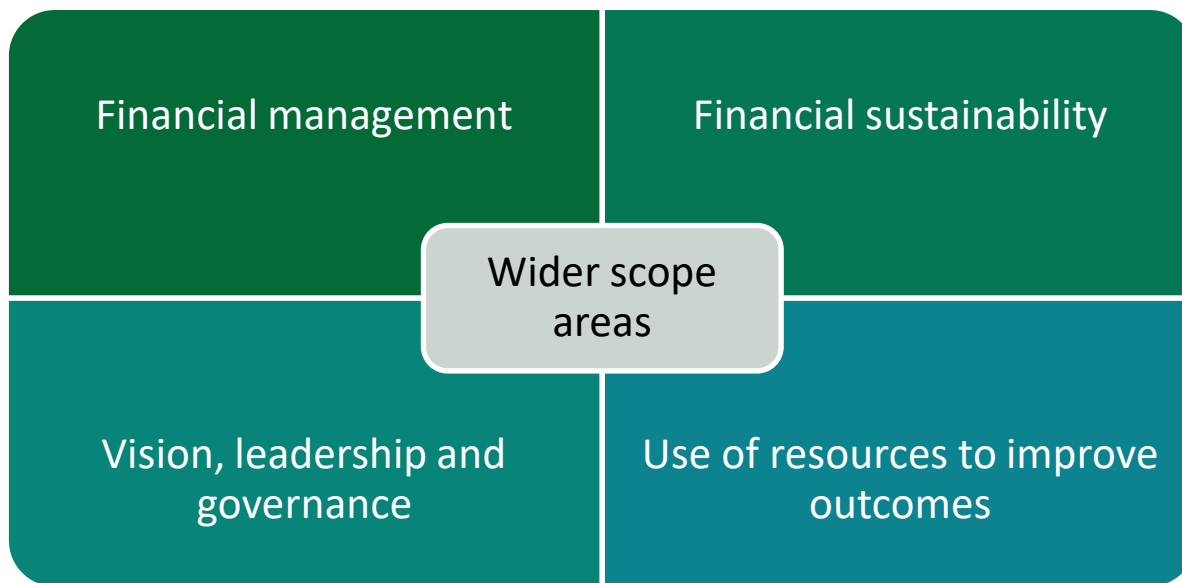
	Requirement	Deloitte response
The Performance Report	The report outlines the College's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the College.	<p>We have assessed whether the Performance Report has been prepared in accordance with the Accounts Direction. We have also read the Performance Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading.</p> <p>We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed the necessary changes have been made.</p>
The Accountability Report	Management have ensured that the accountability report meets the requirements of the FReM, comprising the governance statement, remuneration and staff report and the parliamentary accountability report.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Report and Accounts and has been prepared in accordance with the Accounts Direction. No exceptions noted.</p> <p>We have also read the Accountability Report and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. We provided management with comments and suggested changes based on review of the draft Annual Report and Accounts. We have confirmed the necessary changes have been made.</p>

Wider scope audit

8 Wider scope requirements

Overview

Our audit plan explains that a public audit is planned and undertaken from a wider perspective than in the private sector to reflect the deployment of public funds. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



Our audit work has considered how UHI Perth is addressing these risks. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

8.1 Wider scope requirements (continued)

Financial management



Risk identified

The College sector in Scotland continues to go through a period of financial challenge as has been the case in the recent past. There is a risk that UHI Perth does not have the financial controls in place to monitor and respond to these challenges.

Current year financial performance

The Colleges income has largely been flat in the year despite significant cost pressures in respect of staff costs and other operating costs. The College incurred an adjusted operating deficit of £0.6m compared to £1.4m in the prior year. The decrease was mainly driven by a reduction in tuition fees and education contracts.

Finance team structure

An interim director of finance was appointed when we commenced the audit who has led the finance team through the course of the audit.

Audit process

The current year audit process has progressed better than the prior year one, albeit under challenging circumstances for the College. There were key changes in the senior leadership team and new members within the finance team. However, despite delays in finalising accounting for certain one off/unusual transactions, the level of engagement and quality of supporting information received has been of an acceptable standard.

Budget setting

As discussed on page 28, there was no budget produced during 2023/24 due to the restructuring process being carried out at the College. The budget setting process was reimplemented in 2024/25, with regular reporting on progress against budget to the Board (refer to slide 28 for additional information).

Control environment

While efforts have been made towards enhancing the control environment, there remains areas where the College could strengthen financial controls, procedures and policies. Some of the improvements required have been highlighted by internal audit and are yet to be resolved due to staff constraints within the Finance Team. In particular, the College should consider updating the policies and procedures manuals and the evidence in place to support reviews of financial information, including budgets.

8.2 Wider scope requirements (continued)

Financial management (continued)

Budget preparation and section 22 report

The College did not prepare a budget for 23/24 due to resources being focused on future financial sustainability. This resulted in the Auditor General publishing a Section 22 report.

In the current period (24/25) a budget has been prepared and approved, albeit it was subsequently discovered to contain errors, the most significant of which related to the omission of catering expenditure of £765k. This error also impacted on cashflow forecasts, and a clawback payment due to SFC of £800k had also been omitted leading to a forecasted cash shortfall in July 2025 of £1m. The errors were identified in March 2025 during review of actual expenditure against budget. Once identified, discussions were held with various parties to secure liquidity support. The College has developed a financial recovery plan which it is in the process of implementing (discussed on the next page).

As part of the internal audit plan for 24/25, internal audit carried out a general review of the systems in place related to financial controls, including budgetary controls, following a request from the Finance and Resources Committee. The results of the review identified a significant improvement in the budget setting process. We corroborated this through enquiry from key management who outlined the process followed in developing the budget for 2025/26 and noted increased engagement with the various budget holders.

The internal audit does highlight certain areas of improvement, around capacity of the finance team to provide regular meetings with budget holders to review progress against budget.

Deloitte view – financial management

The strengthening of the control environment specifically on budgetary controls, including the recent appointment of a Chief Financial Officer and lessons learnt from the budget error identified should strengthen the budget oversight controls.

We recommend a continued focus on budgetary and cash flow management controls given the challenging operating environment. In particular providing a trail of the various reviews and challenges that occur as part of the review and approval of a budget.

8.3 Wider scope requirements (continued)

Financial sustainability

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



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



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



Financial Sustainability

Risk identified

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

Current year assessment

The funding shortfalls in the current period resulted in the College seeking liquidity support from the SFC. This was in part a reflection of the challenging financial landscape in the college sector. The viability of the AST subsidiary was also challenged leading to the Board of AST calling in insolvency practitioners to implement a voluntary administration when a risk was identified to ensure AST directors were not trading when insolvent.

Medium to Long Term Planning

The budget deficit forecast for 24/25 and beyond triggered the development of a recovery plan for the College. (see discussion on next slide). Implementation of the plan is critical for the College.

Financial sustainability

The implementation of the recovery plan discussed on the next page is key for the College to generate surplus cash flows to allow investment in other areas and reinvestment in income generating initiatives. We note there currently is a significant level of effort and scrutiny on the financial recovery plan. In the medium and long term this should be expected to give the College clarity on long term financial sustainability.

8.4 Wider scope requirements (continued)

Financial sustainability (continued)

Financial recovery plan

Management has compiled a three-year recovery plan to mitigate the projected annual deficit averaging £3m a year for each of the three years starting 1 August 2025. Key assumptions supporting the recovery plan

- **Income growth** – these relate to increase of higher education (HE) intake targeting pre pandemic levels following loss of about £800k in funding with number reduced from ~1700 pre-pandemic to 1500 in 24/25. Beyond the short term, increasing the international delivery is seen as a key driver for income generation in markets where the College already has a footprint.
- **Staff savings** – in the short term this comprises savings from management restructure which have been implemented.
- **Non staff savings** - in the main these relate to deferral of non-essential estates maintenance and transfer of the Centre for Mountain Studies to the Executive Office of UHI.

There is ongoing discussion with the SFC and all Colleges in Scotland to explore the possibility of converting capital grants to fund maintenance expenditure. Since the FRP was approved, SFC agreed this for 2025/26 which freed up £650k towards maintenance expenditure and £150k being retained as capital.

Management and the board have challenged the assumptions underlying the budget and have also appointed Henderson Loggie to determine whether the financial recovery plan is both realistic and achievable given the internal and external influences facing UHI Perth. We understand there is a further ongoing review being performed by PwC of the recovery plan on behalf of the Scottish Funding Council .

Our enquiries from key management indicate certain aspects of the savings plans which include staff savings and income growth (increasing FE numbers for FY25/26) have been secured.

	24/25 Actual £'000	25/26 Budget £'000	26/27 Budget £'000	27/28 Budget £'000
Income	25,516	23,867	23,492	23,535
Staff costs	(20,503)	(19,193)	(19,720)	(20,375)
Other operating costs	(6,454)	(7,166)	(7,073)	(7,065)
Deficit (*)	(1,441)	(2,492)	(3,301)	(3,905)

(*)before depreciation and other gains and losses and excludes bursary support

	25/26 £'000	26/27 £'000	27/28 £'000
Deficit before mitigating actions	(2,492)	(3,301)	(3,905)
Mitigating actions			
Income growth	442	1,133	1,708
Staff savings	700	1,255	1,562
Non staff savings	629	608	354
AST Replacement – SCF Funding	489	242	161
Further actions to reduce deficit	-	178	236
(Deficit)/excess after mitigation	(232)	116	116
Estates maintenance – convert Capital Department Expenditure Limit (CDEL) to Resource department expenditure (RDEL)	799	799	799
Surplus after CDEL converted to RDEL	567	915	915

Deloitte view – financial sustainability

We note the College has made significant efforts to manage the projected deficit through various actions. While there is risk associated with achievement of the ongoing initiatives, having a plan in the first instance is a positive step towards achieving financial sustainability. We note the financial recovery plan does not include an assumption to repay the liquidity support of £1.5m advanced by SFC. We note the CDEL grant assumptions are a significant component of the recovery plan and recommend UHI Perth obtain in writing from UHI/SFC the permissibility to utilise the capital grant for repairs and maintenance in future periods.

8.5 Wider scope requirements (continued)

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

UHI Perth has a Strategic Plan for 2022-2027 published on their website which outlines the College’s vision and strategy. The key priorities in delivering growth and efficiencies are also outlined in the FRP. The College has KPIs which are aligned to certain strategic priorities which are discussed in the strategic report.

Changes to senior staff

There have been several changes in the Senior Leadership Team (SLT) at UHI Perth with the departure of the Principal, Depute Principal Academic, Chair of the Board and several other board members between April and May 2025. An Interim Principal and an Interim Chair of the Board have since been appointed and the Board is now at quorum.

Adapting to a changing environment

The Board have faced Governance challenges due to the financial pressures outlined in the Partner Introduction. We note from our review of committee meeting minutes and our attendance at Audit Committee meetings that the senior leadership team have been focused in actively working towards solutions to these issues. There were challenges in the Board around April which led to the resignation of the Chair and other Board directors.

Deloitte view – Vision, leadership and governance
There has been several changes to the board and the senior leadership team. To ensure effectiveness of the board we would recommend a refreshed board effectiveness review, including assessment of the skillset of each of the members to ensure any gaps are identified and mitigated timely.

8.6 Wider scope requirements (continued)

Use of resources to improve outcomes

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

Risk identified

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

Have alternate models of delivery been considered?

Student experience

Whilst the College is going through a challenging period UHI Perth continues to have a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. In July 2025 UHI Perth scored 88% for overall student satisfaction in the 2025 National Student Survey (NSS) which was an improvement on 2024 scores and higher than the Scottish average. A key KPI for the College is HE and FE student numbers. In 2024/25 the college delivered 22,062 FE credits, a decrease of 6% on 2023/24 but still above the funded target credits of 22,050. The College achieved 1,579.5 undergraduate HE FTEs which is an increase of 1% on FY23/24 but below target.

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

Engagement with key stakeholders

In developing the FRP (see slide 30) the key priority has been to create a plan that does not impact the Student experience and key priorities such as retention of specialist academic staff and continued commitment to FE and HE reflect this. A staff conference was held in June 2025 to share the new leadership team vision for UHI Perth and staff ideas for growth and cost savings were gathered and assessed for taking forward into the FRP. A Recovery Plan Monitoring committee has been put in place to monitor progress against stated objectives and will report to the Board. The Senior Leadership team is working to strengthen relationships with local communities and key stakeholders to help ensure UHI Perth serves their community well.

Use of resources to improve outcomes

Deloitte view – Use of resources to improve outcomes

The College is actively focused on the financial recovery plan which has been developed in partly through challenging current expenditure practices and driving efficiency in spending. While there is a short to medium term focus on liquidity and sustainability, the College should not lose sight of its broader strategic objectives. The College should also continue to dedicate resources towards innovation and deployment of technology to ensure it is relevant in the economy of the future.

8.7 Wider scope requirements (continued)

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

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

8.8 Wider scope requirements (continued)

Climate change (continued)

Question	UHI Perth position
4. Has the body considered the impact of climate change on its financial statements?	No specific consideration has been given to the impact of climate change on the financial statements. Given the size of the organisation, the expected impact on the financial statements is minimal.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	Included with the UHI Perth financial statements is a section on Climate Change. Included within this section are details of the College's carbon reduction strategy, including details of their carbon emissions.

Deloitte view – Climate change

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

Purpose of our report and responsibility statement

9. 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 UHI Perth, 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.

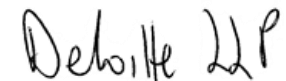
What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to UHI Perth.

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 | 19 December 2025

Appendices

10. Audit adjustments

Uncorrected misstatements

The following uncorrected misstatements have been identified during our 2024/25 audit which we request that you ask management to correct as required by ISAs (UK).

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	If applicable, control deficiency identified
Misstatements identified in current year					
Grant income release	[1]	48	-	(48)	n/a
Misstatements identified in prior year					
Goodwin case cost provision			(30)	30	
Total		48	(30)	(18)	

[1] During the year deferred grant income was identified that should have been released in FY23/24 as the income was used in full in that period. This amount was released in FY24/25 to correct the position to date but the release should have happened in FY23/24.

[2] The Goodwin case relates to a legal challenge that was made against the Government in respect of unequitable benefits for male spouses of female members in respect of services before 1988. This claim was upheld in June 2020 by an Employment Tribunal. The College's financial statements do not make a provision for this matter, our estimate is based on information from other LGPSs.

10.1 Audit adjustments (continued)

Corrected misstatements

The following corrected misstatements have been identified during our 2024/25 audit.

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Depreciation	[1]	(394)	-	-	394	Page 19
Bad debt provision	[2]	-	35	-	(35)	Page 19
Unrecorded liability	[3]	-	(24)	-	24	n/a
Capital Grant income	[4]	-	(33)	-	33	n/a
Pension strain	[5]		798		(798)	Page 19
Total		(394)	776	-	(382)	

[1] The depreciation charge in the profit and loss has been calculated incorrectly resulting in the understatement of both the depreciation charge and the revaluation reserve. This also had an impact on prior year – see slide 41.

[2] The debtor invoice aging was wrongly calculated using the day the report was ran (August 25) rather than the period end date (31 July 25), this led to an overstatement of the bad debt provision of £35k.

[3] During unrecorded liability testing costs totalling £24k for accommodation services relating to year ending 31 July 25 were identified which had not been recorded leading to an underaccrual.

[4] Capital Grant income of £33k was released from deferred income twice in error. This adjustment is the reversal of one of the duplicate entries to correct the position.

[5] The pension strain costs resulting from early voluntary retirements was overstated by £798k in the draft financial statement at 31 July 2025. The error resulted from inaccurate information being provided to the College's actuary by the fund administrator and lack of clarity in the actuarial report of how much had been already been accounted for in respect of the pension strain costs.

10.2 Audit adjustments (continued)

Prior period adjustments

The following misstatements identified during our 2024/25 audit have been corrected as a prior period adjustment.

		Debit/(credit) SOCNE £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £'000	Debit/(credit) Profit & Loss £'000	If applicable, control deficiency identified
Misstatements identified in current year						
Depreciation calculation on revalued buildings	[1]	-	-	644	(644)	Page 19
Total		-	-	644	(644)	

[1] The depreciation charge in the profit and loss has been calculated incorrectly resulting in the understatement of both the depreciation charge and the revaluation reserve.

The error arose because of the following:

- Incorrect carrying amount used in calculating depreciation: It was identified that since 2022 the annual depreciation charge for revalued buildings has been consistently calculated using historic revaluation figures from 2020 (due to there being no revaluation in 2021), failing to incorporate any subsequent revaluation updates.
- Incorrect useful life calculation: The useful life applied in the depreciation calculation has been based on the remaining useful life at the year-end for each period, rather than the remaining useful life at the beginning of the year since 2020.

Management have posted this adjustment in the updated accounts. See slide 39 for the current year adjustment to depreciation as a result of these issues.

10.3 Audit adjustments (continued)

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatement has been identified during our 2024/25 audit which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Fixed assets – land and buildings	<p>The College is required to disclose for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model.</p> <p>This disclosure has not been made in the financial statements.</p>	FRS102.17.32A

Other disclosure recommendations

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

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

11. Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

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

Required representations:

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

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



Audit work performed:

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

During the 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.

12. Independence and fees

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

Independence confirmation We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 July 2025 in our final report to the Audit Committee.

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

	£
Auditor remuneration	49,310
Audit Scotland fixed charges:	
• Pooled costs	(6,220)
• Sectoral cap adjustment	(6,810)
Total expected fee	36,280

There are no non-audit fees.

In performing the audit in the current year, we have incurred additional costs primarily arising from the following:-

- Accounting and presentation of AST business that went into administration
- Accounting for pension strain costs associated with members who were made redundant under a voluntary severance scheme
- Section 22 and increased public interest in the Colleges audit work and in particular financial management and financial sustainability reporting

We will discuss a final proposed fee with the College on completion of the audit work.

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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