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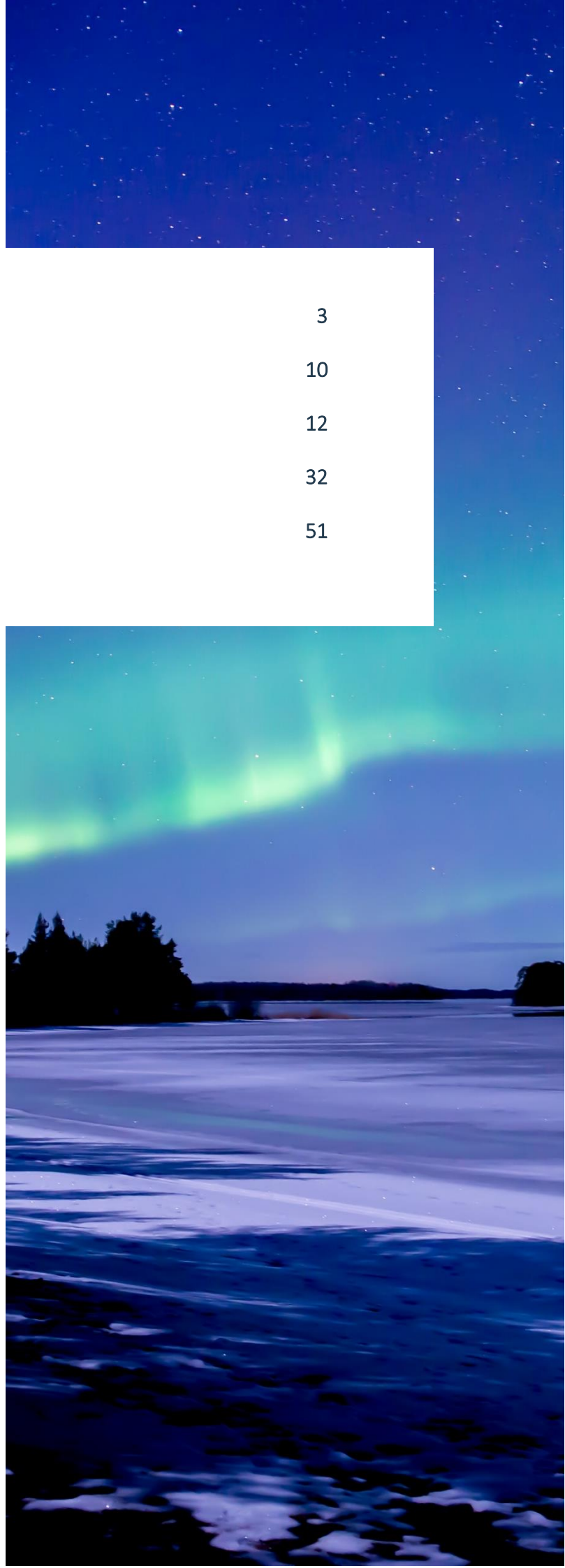
West College Scotland

2024/25 Annual Audit Report to the Board and the
Auditor General for Scotland

December 2025

Table of Contents

Key messages	3
Introduction	10
Financial statements audit	12
Wider scope of public audit	32
Appendices	51



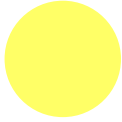
Key messages


Financial statements audit

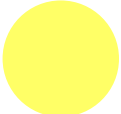
Audit opinion	<p>Our audit work is complete and our independent auditor's report is unqualified.</p>
Audit approach	<p>Our audit approach has been based on gaining a thorough understanding of the College's control environment and has been risk based. This included:</p> <ul style="list-style-type: none">• an evaluation of the College's internal control environment; and• substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to our key audit risks. <p>We have not altered our audit plan.</p>
Key audit findings	<p>The College had effective administrative processes in place to prepare the annual report and accounts.</p> <p>We have obtained sufficient evidence in relation to the significant audit risks identified in our audit plan.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p>
Audit adjustments	<p>We are required to communicate all potential adjustments, other than those considered to be clearly trivial.</p> <p>We have not identified any adjusted misstatements.</p> <p>One unadjusted misstatement has been identified and made through the course of the audit. This was:</p>

	<ul style="list-style-type: none">• Reversal of expenditure for £0.169million, not yet expended, in relation to leased out property. <p>We also identified some minor disclosure and presentational adjustments during our audit, which have been reflected in the final set of financial statements.</p> <p>Details of the misstatements are included in Appendix 2.</p>
Internal controls	<p>We applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the College's processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where we identify any control weaknesses, we include these in this report.</p> <p>We identified no significant weaknesses in accounting and internal control systems during our audit.</p>

Wider scope of public audit

Financial Management Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	Auditor judgement	
	Risks exist to the achievement of operational objectives	
	The College has demonstrated overall sound financial management but faces unprecedented and continuing challenges resulting from the current levels of budget pressure, inflation (particularly in relation to utilities) and related funding levels from SFC.	
	The College reported an adjusted operating deficit of £0.6 million for the year, compared with a surplus of £0.1 million last year. The College incurred a spend of £8.2 million on maintenance of its campuses.	
	The accounts also report increasing cash balances of £11.1 million at 31 July 2025 and the College has sufficient cash reserves to meet liabilities for the foreseeable future.	
	Key issues with the new management system have been addressed with internal audit providing 'substantial' assurance over related governance arrangements.	

<p>Financial Sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.</p>	<p>Auditor judgement</p> <p>Significant unmitigated risks affect achievement of corporate objectives</p> 
	<p>The College is forecasting operating deficits over the next three-year period in the region of a cumulative £16.6million. The savings currently identified reduce this deficit to £11.1 million. In 2025/26, the College is still working to identify the remaining £1.7 million of savings and efficiencies to close the financial gap of £3.5 million.</p> <p>There remain a number of material forecasting uncertainties and pressures in relation to staff pay awards (including uncertainty over funding of the job evaluation exercise for middle management and support staff), increasing NI and pension costs and sector wide issues which contribute to increased financial risk. Guidance on flexible use of capital grant for revenue purposes is not yet clarified by the Scottish Government.</p> <p>The cash balance is expected to reduce to £2.8 million at the end of 2025/26 and is estimating a negative cash position of c.£10 million by 2027/28.</p> <p>The funding settlement notified from the Scottish Government will require a significant savings programme to be implemented, and the College previously forecast that this may result in a reduction of up to 27% of its workforce over the next three years. The scale of these reductions challenge the sustainability of the College’s current operating model and may require further review and rationalisation of education provision (which may then have a consequential effect on future funding levels). The impact of reductions in expenditure on the student experience and on outcomes for students have yet to be fully determined, and will be hard to foresee precisely.</p> <p>The College has established a transformational plan to address the above issues and has applied for SFC’s Transformational Framework.</p> <p>In terms of capital position, the College has a clear picture of the investment required, but the funding remains uncertain.</p>

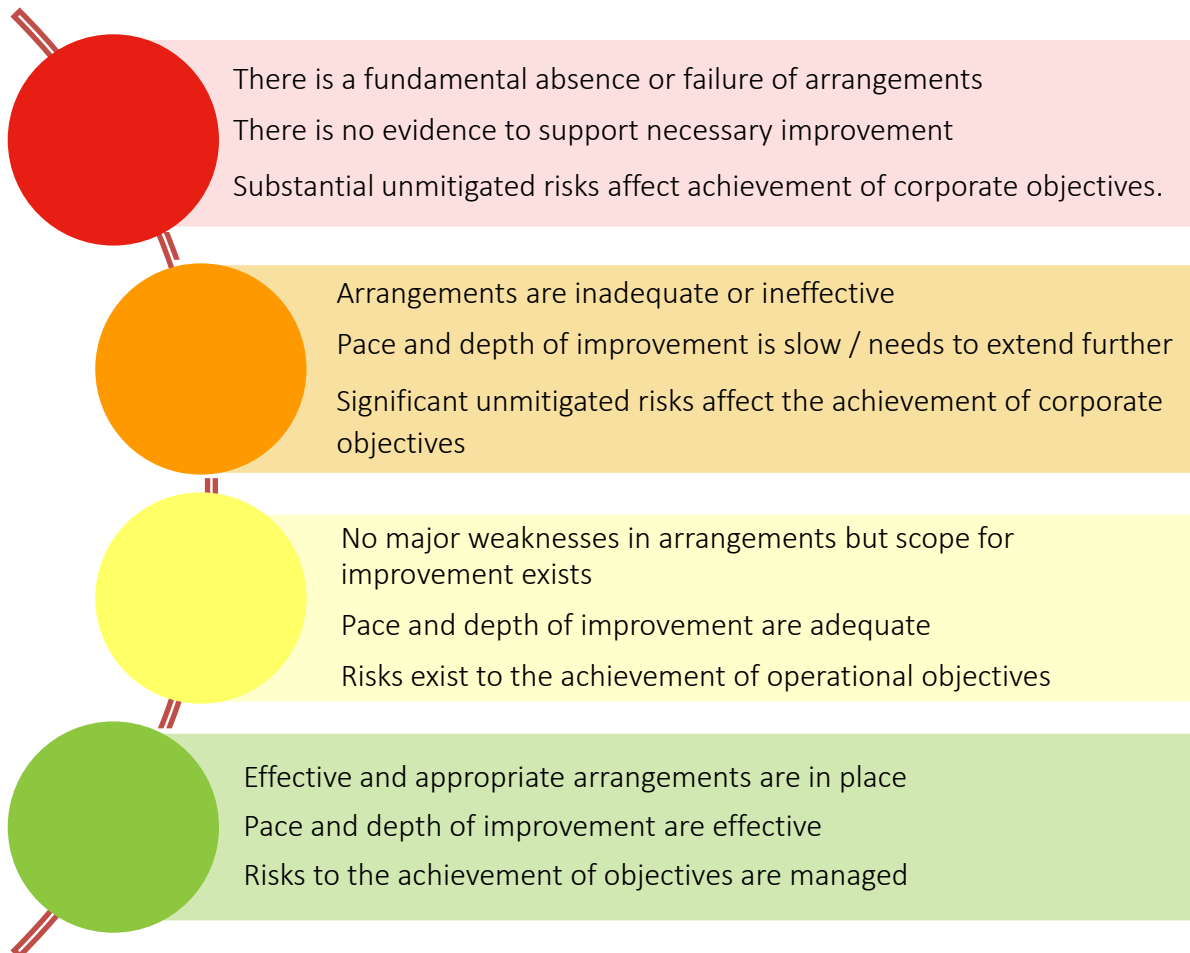
<p>Vision, Leadership and Governance</p> <p>Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Auditor judgement</p> <p>No major weaknesses in arrangements but scope for improvement exists</p>  <hr/> <p>The College has a clear vision and a Corporate Strategy in place to support it, with the latter currently being reviewed and due to be finalised early in 2026.</p> <p>Governance arrangements at the College were found to be good, with clear scrutiny and challenge and good board and committee structures/record keeping. This was confirmed by the external review of Board effectiveness in the year and by Internal Audit's review of corporate governance.</p> <p>Effective arrangements are in place regarding financial control, prevention and detection of fraud and irregularity, and standards of conduct.</p> <p>The College is currently addressing weaknesses identified by internal audit in the succession planning processes. Effective succession and staff planning is one of the key factors which will ensure effective delivery of services to students.</p>
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<p>Use of Resources to Improve Outcomes</p> <p>Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.</p>	<p>Auditor judgement</p> <p>Effective and appropriate arrangements are in place</p> <p>The College managed to exceed its credit target for the second year in a row.</p> <p>Most of the targets were met. The comparison with the prior year was not always possible as the college updated some of its performance indicators during the year.</p> <p>The Board has appropriate performance management processes in place that support monitoring and scrutinising performance, however an opportunity exists for more detail to be provided at this level on the reasons behind student-related performance changes.</p>
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Definitions

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Introduction

Scope of audit

The annual external audit comprises the audit of the financial statements and other reports within the annual report and accounts, and the wider-scope audit responsibilities set out in Audit Scotland's Code of Audit Practice [Code of Audit Practice 2021 | Audit Scotland](#).

We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit & Risk Committee at the outset of our audit.

Responsibilities

The College is responsible for preparing the annual report and accounts which show a true and fair view of the results for the year and position at the year end, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In

this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team or to Audit Scotland.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Financial statements audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	We conduct our audit in accordance with applicable law and International Standards on Auditing.	The annual report and accounts were considered at the joint Audit & Risk Committee and Corporate Development Committee meeting on 2 December 2025 and approved by the Board on 15 December 2025. We issued unqualified opinions in our independent auditor's report.
Going concern basis of accounting	<p>When assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the College's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the Board.</p>	We reviewed the financial forecasts for 2025/26. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the College will have continued provision of service for at least 12 months from the signing date. Our audit opinion is therefore unqualified in this respect.
Regularity of income and expenditure	We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact on the annual report and accounts.	<p>We have not identified any instances of irregular activity.</p> <p>In our opinion, in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with applicable</p>

Opinion	Basis for opinion	Conclusions
		enactments and guidance issued by the Scottish Ministers.
<p>Opinions prescribed by the Auditor General for Scotland:</p> <ul style="list-style-type: none"> • The audited part of the Remuneration and Staff Report. • Performance Report. • Governance Statement. 	<p>We plan and perform audit procedures to gain assurance that the audited part of the Remuneration and Staff Report, Performance Report and Governance Statement are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers.</p>	<p>The annual report contains no material misstatements or inconsistencies with the financial statements.</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • The audited parts of the Remuneration and Staff Report have been properly prepared. • The information given in the performance report is consistent with the financial statements and has been properly prepared. • The information given in the Governance Statement is consistent with the financial statements and our understanding of the organisation gained through our audit.

Opinion	Basis for opinion	Conclusions
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept; or • the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit; or • there has been a failure to achieve a prescribed financial objective. 	We have no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit & Risk Committee in May 2025. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the College. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. This includes:

- An evaluation of the College’s internal control environment; and
- Substantive testing on significant transactions and material account balances, including procedures outlined in this report in relation to our key audit risks.

Quality indicators

We have applied a suite of quality indicators to assess the reliability of the College’s financial reporting and response to the audit.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
Quality and timeliness of draft financial statements	Mature	Draft financial statements were received on agreed date.
Quality of working papers provided and adherence to timetable	Mature	The work papers were provided before we started the audit and were easy to follow. The audit was able to start on time as planned. Audit requests / inquiries were turned around promptly and accurately.
Timing and quality of key accounting judgements	Mature	The audit team and College’s finance team liaised early on the key judgements required for the financial statements preparation.
Access to finance team and other key personnel	Mature	The finance team were available throughout audit and responded quickly to queries raised by audit team.
Quality and timeliness of the <ul style="list-style-type: none"> • audited part of the Remuneration and Staff Report • Performance Report • Governance Statement As well as the quality and timeliness of supporting	Mature	The annual report and all supporting workpapers were received in a timely manner by the date agreed. Their quality was good.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
working papers for those statements.		
Volume and magnitude of identified errors	Mature	Minimal errors have been identified from work performed which included one unadjusted non-material misstatement and a number of disclosure and presentational adjustments.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider their nature, the potential magnitude of misstatement, and their likelihood. Significant risks are those that have a higher risk of material misstatement. Audit procedures are designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we considered the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the ‘Key Audit Matters’), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

The table below summarises each significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

Risk area	Financial statement / Assertion level risk	Fraud risk	Planned approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Financial statement	Yes	Assess design & implementation	N/A	We have not identified any indication of management override during our testing.
Fraud in revenue recognition	Assertion level	Yes	Assess design & implementation	Low	We have gained reasonable assurance on the occurrence and accuracy of revenue and we are satisfied that it is fairly stated in the financial statements.
Fraud in non-pay expenditure recognition	Assertion level	Yes	Assess design & implementation	Low	We have gained reasonable assurance over completeness of non-pay expenditure and completeness/existence of accruals.
Valuation of land and buildings	Assertion level	No	Assess design & implementation	High	We have gained reasonable assurance over valuation of land and buildings.
Pension asset / liability	Assertion level	No	Assess design & implementation	High	We have gained reasonable assurance on the treatment of pension asset and pension liability.

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
<p>Significant risk description</p>	<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p>This was considered to be a significant risk and Key Audit Matter. Risk of material misstatement: Very High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgement</p> <p>There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals. • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to

Risk area	Management override of controls
	<p>ensure approval has been undertaken in line with the College’s journals policy.</p> <ul style="list-style-type: none"> • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.
<p>Key observations</p>	<p>Our work in this area is complete. We did not identify any indication of management override of controls from our audit work. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.</p>

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition
<p>Significant risk description</p>	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</p> <p>The presumption is that the College could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.</p> <p>In respect of the College's income from Scottish Funding Council (SFC) grant funding, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. The risk of fraud in relation to revenue recognition is however present in all other revenue streams.</p> <p>This was considered to be a significant risk and Key Audit Matter.</p> <p>Inherent risk of material misstatement:</p> <p>Revenue (occurrence and accuracy): High</p>

Key risk area	Fraud in revenue recognition
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documenting our understanding of the College’s systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.
<p>Key observations</p>	<p>£0.4 million of SFC capital funding has been recorded as revenue income and applied for revenue purposes, namely essential maintenance on the College estate, which may not be in line with the specific grant funding conditions. We are satisfied that the expenditure has been correctly accounted for. The value is not material, so this does not affect our opinions on the financial statements or regularity. The accounting treatment and regularity considerations are consistent with prior years. The college sector is liaising with Scottish Government to clarify conditions of capital grant funding in the sector going forward.</p> <p>We have gained reasonable assurance on the occurrence and accuracy of revenue, and we are satisfied that it is fairly stated in the financial statements.</p>

Key risk area	Fraud in non-pay expenditure
<p>Significant risk description</p>	<p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end leading to a material misstatement in the reported financial position.</p> <p>In respect of the College’s expenditure for payroll, however, we do not consider the expenditure recognition risk to be significant due to a lack of incentive and opportunity to manipulate expenditure of this nature. The risk of fraud in relation to expenditure recognition is however present in all other expenditure streams.</p> <p>Inherent risk of material misstatement:</p> <p>Non-pay expenditure (completeness): High</p> <p>Accruals (completeness/valuation): High</p>

Key risk area	Fraud in non-pay expenditure
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of non-pay expenditure and accruals around the year end.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Documenting our understanding of the College’s systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year. • Reviewing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.
<p>Key observations</p>	<p>We have gained reasonable assurance on the completeness of expenditure and existence and completeness of accruals, and we are satisfied that it is fairly stated in the financial statements.</p>

Key risk area	Valuation of land and buildings (key accounting estimate)
<p>Significant risk description</p>	<p>West College Scotland held land and buildings with a net book value of £121.1 million at 31 July 2025, with the full external valuations performed on a five-year basis.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of land and buildings as a significant risk.</p> <p>We further pinpointed this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements fall outside of our expectations.</p> <p>Inherent risk of material misstatement: Land & Buildings (valuation): High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Colleges are required to ensure fixed assets are held at a carrying amount that does not differ materially from the current value at 31 July, alongside appropriate additional disclosures.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of the valuation expert. • Considering the basis on which the valuation is carried out and challenging the key assumptions applied. • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data.

Key risk area	Valuation of land and buildings (key accounting estimate)
	<ul style="list-style-type: none"> • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding. • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct.
Key observations	In 2024/25 a desktop valuation was undertaken for all the College’s land and buildings. We have gained reasonable assurance over valuation of land and buildings.

Key risk area	Pension net asset/liability (key accounting estimate)
Significant risk description	<p>An actuarial estimate of the pension fund asset/liability is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement: Pension net asset or liability (valuation): High</p>

Key risk area	Pension net asset/liability (key accounting estimate)
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgements A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Evaluating management’s process for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work. • Evaluating the competence, capabilities and objectivity of the actuary. • Reviewing the reasonableness of key actuarial assumptions applied by reference to comparative and market data. • Reviewing the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. • Evaluating whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements. • Ensuring pension valuation movements for the year and related disclosures have been correctly
<p>Key observations</p>	<p>We have gained reasonable assurance over valuation of pensions.</p>

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor’s report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Board and the needs of users. We reviewed our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the College’s financial statements was £1.270million. On receipt of the 2024/25 unaudited annual accounts, we reassessed materiality and

updated it based on the actual expenditure in the annual accounts. We consider that our updated assessment has remained appropriate throughout our audit.

	College £
Overall materiality for the financial statements	1,350,000
Performance materiality (75% of materiality)	1,010,000
Trivial threshold	67,600

Materiality	<p>Our assessment is made with reference to the College’s gross expenditure. We consider this to be the principal consideration for users of the financial statements when assessing financial performance.</p> <p>Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2024/25 unaudited annual report and accounts.</p> <p>In performing our audit, we apply a lower level of materiality to the audit of the Remuneration & Staff Report.</p>
Performance materiality	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
Specific lower materiality	<p>We have applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Management and Board Member Remuneration Tables. Due to the public interest in senior remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior remuneration disclosures.</p>

Trivial misstatements

We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors would alter the bandings reported for any individual. For Related Party transactions, in line with the standards we consider the significance of the transaction with regard to both the College and the counter party, the smaller of which will drive materiality considerations on a transaction-by-transaction basis.

Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Audit differences

We have not identified any material misstatements in the draft financial statements.

We identified one unadjusted misstatement of £0.169 million in relation to expenditure accrued in relation to the leased property where the College is lessor. Management decided not to adjust for it as it is below performance materiality level and as a result there is no impact on our audit opinion. The misstatement was of an isolated nature and did not require extending our audit procedures.

We identified some disclosure and presentational adjustments during the audit, which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. We have not identified any significant control weaknesses.

Other communications

Other areas of focus

Area of focus	Audit findings and conclusion
Significant matters on which there was disagreement with management	There were no significant matters on which there was disagreement with management.
Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to those charged with governance before they consider their approval of the accounts	<p>£0.4 million of SFC capital funding has been recorded as revenue income and applied for revenue purposes, namely essential maintenance on the College estate, which may not be in line with the specific grant funding conditions. We are satisfied that the expenditure has been correctly accounted for. The value is not material, so this does not affect our opinions on the financial statements or regularity. The accounting treatment and regularity considerations are consistent with prior years. The college sector is liaising with Scottish Government to clarify conditions of capital grant funding in the sector going forward.</p> <p>There were no other significant management judgements which required additional audit work, where there was disagreement over the judgement or where the judgement is significant enough that requires reporting, in addition to those reflected in this report.</p>
Prior year adjustments identified	There were no prior year adjustments identified.
<p>Concerns identified in the following:</p> <ul style="list-style-type: none"> • Consultation by management with other accountants on accounting or auditing matters. • Matters significant to the oversight of the financial reporting process. 	No concerns were identified in relation to these areas.

Area of focus	Audit findings and conclusion
<ul style="list-style-type: none"> Adjustments / transactions identified as having been made to meet an agreed system position / target. 	

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the College.

The accounting policies, which are disclosed in the financial statements, are in line with the FE SORP and are considered appropriate.

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Presentation and disclosures

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Key judgements and estimates

As part of the planning stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements.

Consideration was given to asset valuations, impairment, depreciation and amortisation rates, pension liability, provisions and accruals. Other than the pension liability and asset valuation we have not determined the other accounting estimates to be significant. See the section above on “Significant risks at the assertion level for classes of transaction, account balances and disclosures” for detailed findings in relation to key accounting estimates.

We reviewed the key estimates and judgements that management made in respect to the identified key accounting estimates for indication of bias and assessed whether the judgements used by management are reasonable. Overall, we concluded that those key accounting estimates were balanced and appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Audit & Risk Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the College. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations

We issued the final letter of representation to the College to sign at the same time as the financial statements were approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested third party confirmations have been received.

Wider scope of public audit

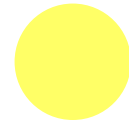
Public sector audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management

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

Auditor judgement

Risks exist to the achievement of operational objectives



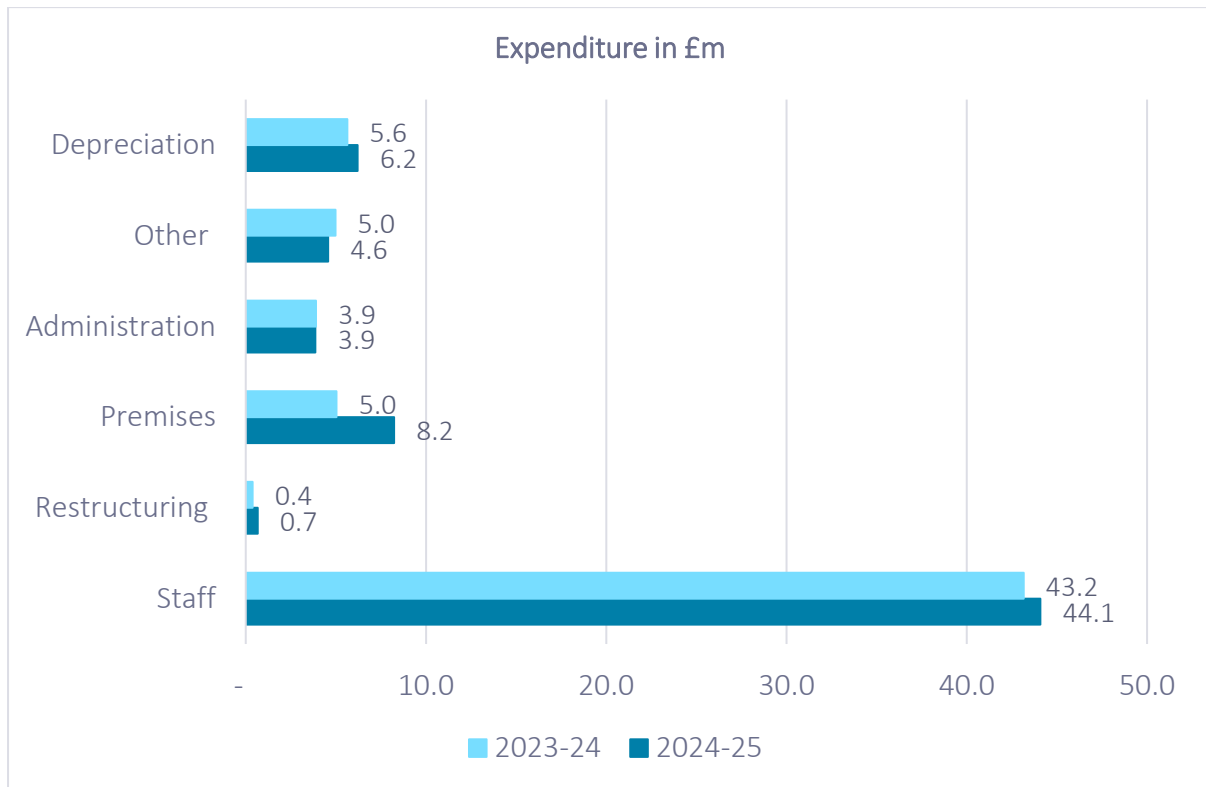
Financial performance 2024/25

The College has reported an operating deficit of £2.8 million for the year ended 31 July 2025. After adjusting the operating position for non-cash items that are out with the control of the College - such as pensions and net depreciation - the College has achieved an adjusted deficit of £0.6 million (against prior year surplus of £0.1 million).

The College's main source of income continues to be grant funding from the SFC (86% of total income in 2024/25). Other items of income remained relatively constant with a higher estates' maintenance funding of £5.0 million (£2.8 million in prior year) released in the year to match the expenditure.

The movements on expenditure items are outlined below.

Exhibit 1: Key expenditure items 2 years comparison



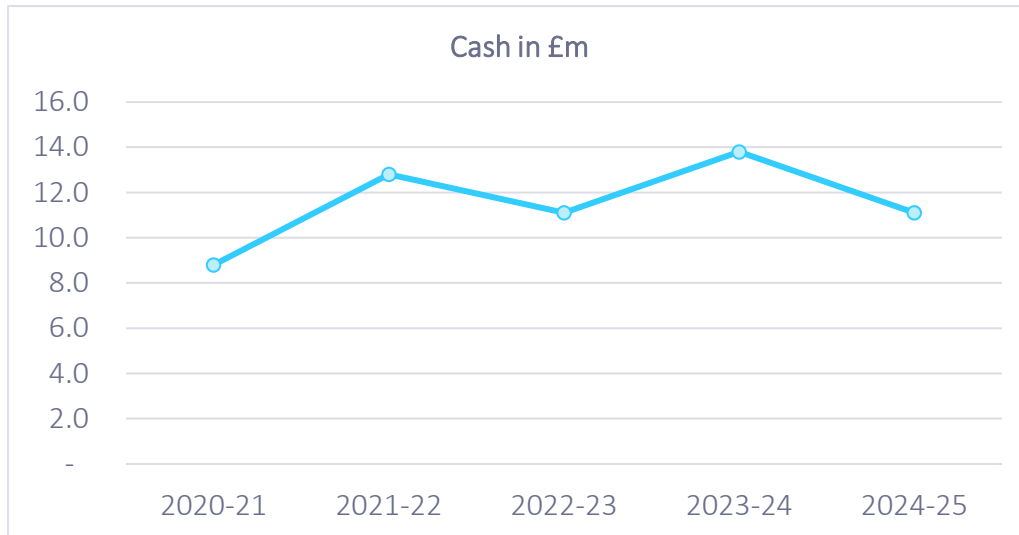
Source: 2024-25 Board of Management Report and Financial Statements

Staff costs, which now exclude the job evaluation costs, continue to be the highest area of spend for the College, accounting for 65% (69% in 2023/24) of total expenditure. When compared to the previous year these costs increased by 2% mainly reflecting inflationary increases in pay, increases in the national contributions and in the SPPA Pension Scheme employer contributions netted off by savings achieved from severance schemes ongoing over the previous and current years.

The cost of voluntary severance in the year was higher than last year at £0.7 million (£0.4 million in 2023/24) and 32 members of staff took advantage of the scheme in 2024/25. This represented around 4% of the average staff numbers. The College’s voluntary severance programme is expected to continue into future years as the main way to achieve savings in expenditure.

Cash position

Exhibit 2: Cash position over 5-year period



Source: Board of Management Report and Financial Statements

The cash balance held by the College was £11.1 million (£13.8 million at 31 March 2024). The College expects this position to decrease to c.£6.0 million due to ongoing costs still to be paid:

- £2.5 million cost of RAAC repair at the Finnart St. Campus.
- £1.2 million potential liability payments and creditor payments for goods and services received in 2024-25.
- £0.3 million Project funds include Car Park re-surfacing and front door replacement at Paisley.

The College is required to minimise cash held, maintaining only what is required for working capital purposes.

Budget Setting

The Financial Memorandum between the Scottish Funding Council and the College sets out the formal relationship between both bodies and the requirements on the College in return for the SFC grant. The College's objectives in relation to the public funding it receives are set out annually in a Regional Outcome Agreement with the SFC.

The College's Director of Finance is responsible for preparing an annual budget and subsequent two-year forecast for approval by the Board of Management, and on the recommendation of the Corporate Development Committee. The budget is aligned with the College's strategy.

The budget preparation process is informed by input from budget holders to ensure meaningful and achievable estimates are agreed.

Capital Expenditure

There has been no significant capital expenditure undertaken during the financial year. During the year, the College incurred significant expenditure on estates maintenance projects, an overall increase of £2.2 million on the prior year, with investment directed toward key priority areas:

- £1.1 million for the replacement of windows at the Oakshaw building within the Paisley campus.
- £1.9 million for internal structural works at the work block in the Finnart St campus.

In addition to planned capital works, reactive maintenance costs, necessary for the ongoing upkeep of ageing campus infrastructure increased by £0.2million compared to the prior year.

Systems of internal control

We have evaluated the College's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach has included documenting the key internal financial controls and performing walkthroughs to confirm that they are operating as intended.

We consider the system of control in place at the College to be good. Our work has not highlighted any significant weaknesses in this area.

CIVICA management system

Over the past year, the College has implemented a new College Management System CIVICA. Student Funding was impacted by the rollout of the new attendance report with workarounds having to be put in place at the beginning of the academic year in order to continue to pay students. This has resulted in some students being over-paid and the team are currently working on ensuring that these have all been captured and then remedial work will begin with the SFC. The current work is highlighting around £0.2 million of over-payments to be refunded. There is also still ongoing work around the credits reporting within CIVICA. We note that this has not impacted SFC funding and internal audit did a review of governance arrangements during the year and issued overall opinion with 'substantial' assurance.

Prevention and detection of fraud and irregularity

Our audit was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity. We found the

College's arrangements for the prevention and detection of fraud and other irregularities to be appropriate.

Regular updates on fraud related matters (including Counter Fraud Services updates and the National Fraud Initiative) are presented to the Audit & Risk Committee.

National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies to identify fraud and error.

The most recent NFI exercise commenced in 2024, with matches received for investigation in early 2025. The College staff have uploaded requested data for the 2024-25 NFI exercise and investigated the records. As a result of the exercise the College recovered £8k of overpayments to three suppliers.

Overall, the College's arrangements with respect to NFI are satisfactory.

Financial sustainability

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

Auditor judgement

Significant unmitigated risks affect achievement of corporate objectives



Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability (as updated from the 2024/25 External Audit Plan)

The College continues to operate within tight financial parameters and faces significant challenges in ensuring ensure long-term financial sustainability.

The College achieved a deficit of 0.6million for 2024/25. The budget for 2025/26 shows a gap of £3.5 million and the College is currently looking to identify further £1.7million of savings to close this gap. The estimates for the financial years to 2027/28 indicated a total gap of £16.6 million.

The medium and long term budget estimates are subject to uncertainty and the SFC is reviewing the funding model for all Colleges. The pressures are consistent with prior years and relate to pay costs, NI increase and pension costs.

The most recent pay settlement has seen staff costs increasing by more than 4% for 2025/26, in addition to a £5,000 pay increase across the preceding three academic years. This pay settlement has only been possible because of increased funding from 2025/26 via the SFC allocation.

While the College also has annual savings of c.£1.7 million from the reduced pension contributions until March 2026, after that date contributions are predicted to increase back to 17.5%, so these savings will be short term.

There remain a number of material forecasting uncertainties in relation to staff pay awards (including uncertainty over funding of the job evaluation exercise for middle management and support staff), inflation and sector wide issues which contribute to increased financial risk.

Financial sustainability (as updated from the 2024/25 External Audit Plan)

The reduced funding settlement notified from the Scottish Government will require a significant savings programme to be implemented, and the College forecasts that this may result in a reduction of up to 27% of its workforce over the next three years. The scale of these reductions challenge the sustainability of the College's current operating model and may require further review and rationalisation of education provision (which may then have a consequential effect on future funding levels).

The continuing and uncertain impact on the College's finances and, ability to deliver savings plans and services in a sustainable manner remains a significant challenge and risk.

Our detailed findings on West College Scotland's financial framework for achieving long term financial sustainability are set out below.

Sector overview

Audit Scotland recently found that ‘Scotland’s college sector continues to operate in an extremely difficult financial landscape. There was a 20 per cent real-terms reduction in funding for colleges between 2021/22 and 2025/26. Two targeted funding packages for colleges in 2023/24 were also withdrawn. Without changes to baseline funding, colleges will have to deliver even less to remain sustainable at a time when demands from students and employers are not being met. As college funding is also dependent on credit delivery, there is a risk that colleges prioritise courses that are less expensive to deliver over those that meet local need.’ ‘The demands on the college sector are changing, with fewer older students enrolling, increasing competition from universities for students and the impact of digital technology on how teaching is delivered. Due to continuing financial pressures, colleges will have to align themselves with wider public service reform activity and plan for the demands of the future rather than try to deliver more of the same with decreasing resources.’

Scotland’s further education sector faces an extremely challenging financial future given (i) general and wage inflation costs are unfunded, (ii) making changes and refining delivery models brings resource implications related to planning and managing the change, and may have consequences in how the College is positioned for future success and able to meet the needs of the stakeholders it serves.

2025/26 Budget

The College is heavily reliant on SFC funding which currently represents c.86% of total income. As such, any movement in grant funding impacts directly on the College’s financial position.

The SFC published final colleges funding allocations in July 2025. The 2025/26 SFC main grant allocation for the College is £45.4 million and this supports delivery of 140,450 student credits, which is the same as the prior year. This represents an increase of £1.3 million of funding, which equates to 3%. This increased funding was not provided to meet general inflationary costs but to support increasing teaching pay (£0.4 million) and pension cost (£0.8 million).

The College prepared its budget for 2025/26 based on the SFC allocations and detailed forecasts available at the time with a view of creating a revised delivery model that will reflect the funding available. The key budget assumptions include:

- An initial 10% reduction on this year’s projected year end outturn across all departments.
- Existing cost pressures, including inflation, energy costs, and external market changes, which may have an impact on certain areas of the budget, have been factored into the budget-setting.

- Teaching staff will receive a 4.14% pay increase from September 2025 which is above 3% assumed previously. The excess of 1.14% is to be covered by the Scottish Government.
- Support staff pay is still under negotiations, however it is likely that the pay uplift will be in line with the teaching staff.
- Employers NI has increased from 13.8% to 15% from 1 April 2025 (this is an extra £0.8 million cost for the College per year). The funding allocated by the SFC to cover the cost was at 50% rather than initially estimated 60%.
- Pension increase – last year the teaching SPPA pension contributions increased from 23% to 26%. The extra 3% has been covered in additional funding to April 2026. The assumption has been taken that additional funding will cease after this date (£0.8 million cost for the College per year).
- The decrease in the Strathclyde Pension Fund employers' contributions to 6.5% ceases 1 April 2026 when the rate increases to 17.5%.
- Voluntary Severance – severance costs are based on the current Voluntary Severance scheme and are in line with average payments the College has made to staff. Severance costs have been calculated using a blended rate of £25k per Full Time Equivalent.
- RDEL/CDEL (Revenue/ Capital Department Expenditure Limits)– the current budget planning assumes that the College will continue to be allowed to release a portion of the capital funding as income against the maintenance expenditure. This requires further confirmation from the SFC and SG.

This budget estimates a £3.5 million budget gap due to employers' national insurance, energy costs, pension costs, salary uplifts being higher than original assumptions and loss of rental income. The College has plans in place to achieve £1.8 million from a combination of voluntary severance, holding vacant posts and service redesign. After those savings and efficiencies a financial gap of £1.7 million remains.

The College is continuing to work through the budget process in particular around the income projections to understand the full impact. The College plans to manage savings and budget through close monitoring, monthly meetings between the finance director and budget holders, quantifying amounts in the risk and opportunities register to identify any further savings.

To deliver the necessary savings, the College is pursuing the activities of the 'SOFT' (Shaping Our Future Together) change programme, which will be vital to identifying and achieving the level of savings required.

The cash balance is expected to reduce to £2.8 million at the end of 2025/26 with the final position uncertain and dependent on achieving the additional savings.

Medium Term Financial Plan

The College presented its financial forecast for 2025-28 alongside its 2025/26 budget to the June 2025 Board meeting. The College estimates three years of deficits adding up to a total of £16.6 million, prior to achieving any savings. With the savings incorporated, the cumulative deficit remains at a high level of £11.1 million.

Exhibit 3 Financial forecast 2025-2028

	2025/26 £'m	2026/27 £'m	2027/28 £'m
SFC Income	49.4	49.4	49.4
Other income	8.2	7.9	7.9
Total income	57.6	57.3	57.3
Staff cost	(49.3)	(50.6)	(52.0)
Other cost	(16.9)	(17.0)	(17.0)
Total cost	(66.2)	(67.6)	(69.1)
Adjustments	5.1	4.5	4.5
Adjusted operating deficit	(3.5)	(5.8)	(7.3)
Savings identified	1.8	1.8	1.9
Remaining finance gap	1.7	4.0	5.4

Source: West College Scotland Financial Forecast

There is a significant risk that the above factors will lead to a negative College cash position beyond the 2025/26 financial year and the College is currently estimating a negative cash position of c.£10 million by 2027/28.

These estimates are based on an assumption of flat SFC funding in the last two years of forecast and overall the same levels of income in other areas. Staff costs are assumed to increase as savings of c. £2.7 million from the reduced Strathclyde Pension Fund contributions, linked to its last triennial valuation results, will be realised over two years to March 2026 after which the employer contributions will increase from 6.5% to 17.5%.

The pay rises for support and teaching staff for 2025/26 have now been agreed and represent 3% and 4.14% increases respectively, although we understand it is likely that support staff will request their increase to be equal to that of the teaching staff. These are in addition to a £5,000 pay increase across the preceding three academic years.

There is also uncertainty over funding for the costs of the job evaluation exercise for middle management and support staff, which is currently estimated at £6.4million and increasing every year by c.£0.9million. The model for arriving at this estimate is eight years old and,

while the best available estimate, will likely require an update to reflect changes at the College and staff over this period. There is also some uncertainty whether the backpay will be applicable to the staff who have left the College during that period. The College is proactive in communicating with involved parties, including SFC, to understand the current position on the job evaluation estimate.

Another source of uncertainty is guidance on the use of capital funding and flexibility to use it for revenue purposes. Scottish Government confirmed the flexible use is available up to March 2025. This has not yet been confirmed for the next round of funding from April 2025 to March 2026 and if not confirmed it could add another £1.7million to the estimated deficit.

Similar to last year, we note that the medium term financial forecast is in development and could be further improved through consideration of different scenarios and by ensuring that the main assumptions used in the forecast for future years are included in the reports going to the Board for approval.

Staff cost and service delivery

Due to the above financial constraints, the College must identify savings, with staff costs accounting for the significant majority of College spend. A 1% change in workforce equates to c.£0.450 million increase/decrease in cost.

Further significant reductions in staff levels would likely mean that the College's current operating model would not be sustainable, with a consequent impact on the volume of activity undertaken and the methods of teaching delivery. Any change will likely have consequences for the student experience and the quality of education delivery and outcomes.

A reduction in staffing levels may also impact the ability of the College to achieve its annual credit target and other national objectives, therefore having a knock-on effect on future financial and non-financial performance.

We do understand that these external factors (e.g. funding decisions, inflation, pay awards) are not entirely within the College's control and the College is considering all options to maintain appropriate levels of teaching delivery. At the same time, this challenge will be partly managed by an effective and continuously changing, scenario-based workforce plan. Those plans will be informed by the future education delivery and Scottish Government education model.

Transformation plan

The College recognises that it has a structural deficit with significant efficiencies requiring to be realised in 2026/27 and in every subsequent year thereafter. The management consider that reliance on further voluntary schemes and efficiency programmes might be of limited

benefit. The College is currently establishing mitigating initiatives within its Transformational plan called the 'SOFT' programme and currently focused on four key workstreams: people, IT, curriculum and estates.

The College's plans require transformational change so will be harder to deliver and will require support from the Scottish Government. This plan includes the following high level strands of work:

- Review of staffing structures and the non-staff cost base across the forecast period to align with rising costs and real time funding cuts as indicated within SFC funding assumptions.
- Review of the curriculum provision and making it fit for purpose.
- Rigorous budgeting, forecasting and ongoing reporting against budget.
- Ongoing drive for year-on-year operational efficiencies.
- Review of Estates.
- Streamlining business processes and systems using technology and digital skills.

The College formally applied for the SFC College Transformational Framework. This Framework was launched during 2025/26 and its key focus is to work towards future financial sustainability of the sector, with a flexible funding model and curriculum. The SFC Framework allows colleges, on a temporary basis, to vary the delivery of credits from the thresholds set during the annual funding round, without impacting their core teaching grant. The aim is to provide a mechanism that could be used to support colleges to transition to a more sustainable footing from within existing budgets.

Capital plans - estates

In 2024 Ryden carried out an updated priority survey across the College estate. This feeds into the maintenance programme for the short to medium term period to focus the efforts on the key needs of the estate.

The delivery of the new estate strategy is overseen by the Vice Principal Operations and supported by the Estates Management Team with the Corporate Development Committee oversight and reporting to the Board. This allows appropriate governance arrangements, although we note that the Vice Principal Operations left the College during the year. The College is reviewing its Corporate Strategy, expected to be finalised in January 2026 which will then be followed by publication of an Infrastructure Strategy 2025-30.

The current Estates Strategy 2016-26 is in place to address emerging and future needs. The College maintains three campuses and its 2019 condition survey had the following findings:

- A need to invest £42million over the next 5 years to bring the estate buildings to a suitable standard, with circa £30 million prioritised as urgent and for 1-2 years timeline.

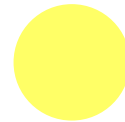
- £153million will be required over the next 20 years to maintain the current estate in suitable conditions.
- The Greenock campus requires a high priority investment with expenditure of £21million being necessary over a 5-year period to ensure the buildings are in the condition expected of a modern teaching and working environment. The college is awaiting SFC response to its Outline Business Case submitted in 2021-22.
- Similarly, the Paisley campus requires significant expenditure of £17million.
- The Clydebank campus will require £5million investments over the next 5 years to maintain it.

Vision, leadership and governance

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

Auditor judgement

No major weaknesses in arrangements but scope for improvement exists



Vision and leadership

The College has a number of strategies in place with the Corporate Strategy 2019-25 setting out the College's ambitions and priorities across four themes: personalisation, collaboration, agile and adaptive, and digital. The College is reviewing this strategy and targets January 2026 to finalise this review and publish the new strategy.

Another main document for the College is the Curriculum Strategy 2021-26. This strategy considers student needs, local communities and other stakeholders, and national strategies and priorities, which are all treated as key curriculum drivers. The key aims and priorities refer to four themes set out in the main corporate strategy. The curriculum outlines relevant actions against each of the themes and is reviewed every year to best meet demand and regional skills needs. The curriculum is under review and subject to ongoing adaptations, to ensure that the courses on offer and the delivery modes for courses are relevant to student needs and demand.

There is a financial memorandum in place between the SFC and the College which helps ensure that the terms and conditions of grant funding are clear and understood.

Additionally, there is an annual Regional Outcome Agreement (ROA) which sets out planned outputs and objectives between the SFC and the College. From review of available committee and board minutes and papers, we are satisfied that the College routinely considers reports on the development and implementation of the ROA.

SFC 'Expectations of Good Governance' guidance

In September 2025 the SFC published Expectations of Good Governance guidance which applies to colleges. The publication sets out what was learned about sector and institutional governance from analysis of governance effectiveness review reports and Professor Gillies' report into the University of Dundee. The report provides clarity about SFC's expectations of sector governance and how SFC will monitor governance.

Recommendations from the SFC in relation to the governance effectiveness reviews (GERs) for colleges and refer, among others, to benchmarking practices in place against best practice, quality of financial oversight, monitoring of compliance with the Code of Good Governance and having an action plan to address any recommendations.

The College has not yet considered the guidance and requirements in detail and is planning to action that over the coming year.

Recommendation 1

Governance arrangements

The Board of Management is responsible for ensuring the overall governance of the College. In driving forward the strategic direction of the College and ensuring the governance framework is operating as intended, the Board continues to be supported by five committees:

- Audit & Risk Committee;
- Learning, Teaching and Quality Committee;
- Corporate Development Committee;
- Remuneration Committee; and
- Nominations Committee.

The Board has established an annual evaluation process for reviewing its effectiveness. This includes a suite of evaluations – Board, Committees, Chair, Committee Chairs, individual Board Members and Governance Manager. The annual process reflects sector guidance issued in “Guidance Notes for Boards in the College Sector: A Board Development Framework”. The College’s Governance Statement asserts that the College has complied with the requirements of the Scottish Public Finance Manual (SPFM) and the Accounts Direction, and is underpinned by the required audit work we undertake on the governance statement.

Key Board and senior management team changes

The chief executive and principal retired during the year, and the new principal was appointed in July 2025. The new principal came from another college, where she was a vice principal, therefore bringing experience and expertise in the sector. The College has been focusing on a number of initiatives since this appointment, including realigning the portfolio to play a pivotal role in economic growth in the area, with closer collaboration with schools and external stakeholders to ensure the College provides opportunity, encouragement, and engagement for all students.

During the year the senior management team also had a new Vice Principal Educational Leadership and Interim Vice Principal Operations appointed.

Internal Audit

An effective internal audit service is an important element of a College's overall governance arrangements. The College's internal audit service is provided by Wylie & Bisset. During our audit we considered the work of internal audit wherever possible to avoid duplication of effort and make the most efficient use of the College's total audit resource.

The College is currently addressing weaknesses identified by internal audit in the succession planning processes. Effective succession and staff planning is one of the key factors which will ensure effective delivery of services to students.

Internal Audit's annual assurance opinion was provided to the Audit Committee in September 2025. Internal Audit concluded that the College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of their audit work and the College has proper arrangements to promote and secure value for money.

Standards of conduct

In our opinion the College's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate. Our conclusion has been informed by a review of the arrangements for adopting and reviewing standing orders, financial instructions and schemes of delegation and for complying with national and local codes of conduct.

Risk Management

The College has a Risk Management Policy which sets out the approach to risk management, including an overall risk appetite statement, to ensure that appropriate risk management arrangements are in place and that these have been embedded throughout the whole College. The Policy also documents the roles and responsibilities of the Board, the Senior Management Team, and other key parties, and outlines key aspects of the risk management process, identifying the main reporting procedures.

Use of resources to improve outcomes

Colleges need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Effective and appropriate arrangements are in place



Financial Memorandum

The Financial Memorandum from the SFC requires the Board to:

- have a strategy for reviewing systematically management's arrangements for securing value for money (VfM); and
- as part of internal audit arrangements, obtain a comprehensive appraisal of management's arrangements for achieving value for money.

Performance management arrangements

Performance is monitored routinely throughout the year by the Board and Committees, and progress against performance measures is presented to the Board for challenge and scrutiny.

During this year the performance indicators have been updated and reported under four key areas of focus that take the form of a balanced score card approach:

- Learning, teaching and student experience
- Business effectiveness
- People
- Employer, Business and Stakeholders

We note that the overarching themes set out in the Corporate Strategy are being aligned with reporting on performance indicators and relevant metrics to measure progress are in development.

Overall activity is managed by the Senior Management Team at fortnightly meetings where student activity targets are monitored along with performance against budget and achievement of planned activities for the year. Financial performance is also monitored quarterly at both the Corporate Development Committee and the Board of Management.

The Board of Management is informed of the progress made towards key targets and performance through individual business reports and the Principal's Report.

Performance results

Exhibit 5: Performance results

	Actual	Target	Difference
Learning, teaching and student Experience			
Retention:			
FE Full Time	80.4%	76%	4.4%
FE Part Time	94.1%	94%	0.1%
HE Full Time	73.9%	78%	-4.1%
HE Part Time	96.9%	95%	1.9%
Attainment:			
FE Full Time	67.5%	68%	-0.5%
FE Part Time	66.4%	75%	-7.5%
HE Full Time	65.6%	65%	0.6%
HE Part Time	72.3%	73%	-0.7%
SFC Student Satisfaction Engagement Survey	95%	96%	1.0%
Employers Business and Stakeholders			
Commercial Income	£2,399,514	£2,489,641	-90,127
Apprenticeship Contracts			
Contracted	293	348	-55
Non-Contracted	147	149	-2
People			
Vacancies	40.61	35.95	4.66
Staff Absence rate	5.84%	4%	-1.84%

	Actual	Target	Difference
Staff satisfaction	3.03	5.00	-1.97
Business Effectiveness:			
Adjusted Operating Position	-£612,000	-£476,000	-£136,000
Cash Position	£987,000	£2,500,000	-£1,513,000
Credits	141,230	140,450	780

Source: 2024/25 draft annual report and accounts

The College’s performance against key performance indicators for academic year 2025 shows that the College has exceeded the student credit target for the second year in a row. The College delivered 141,230 credits against its target of 140,450 as set by the SFC for academic year 2024/25.

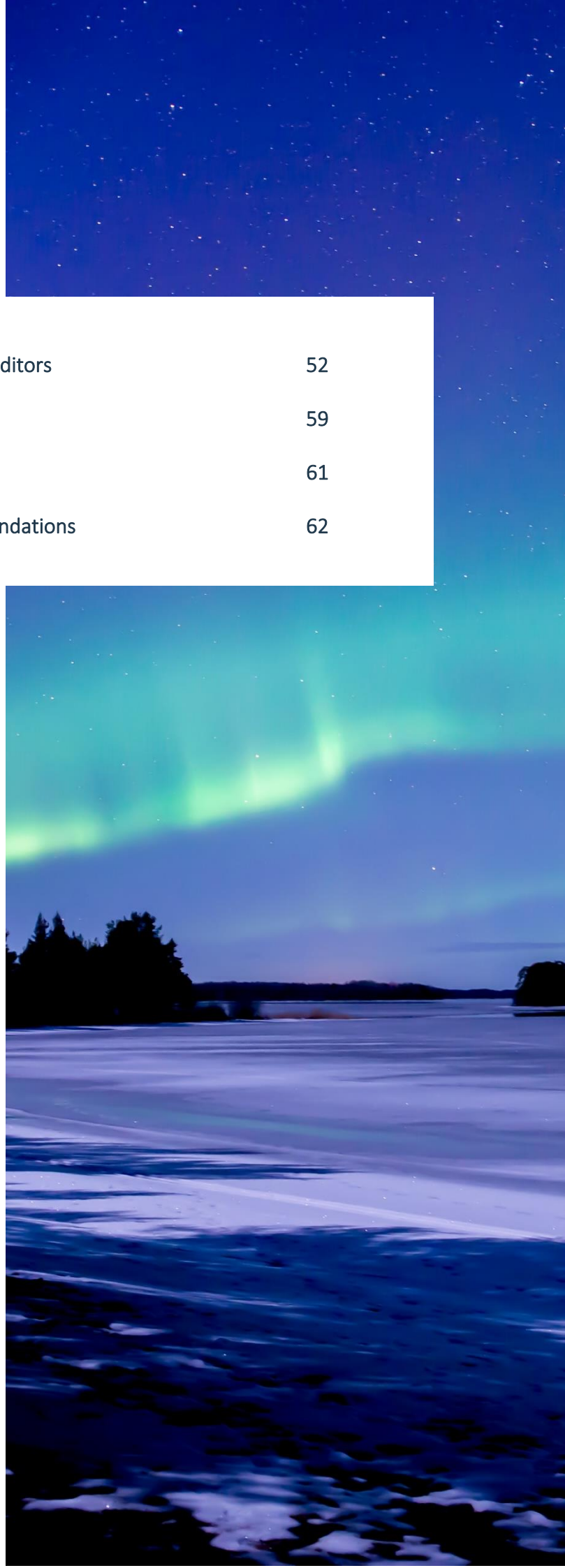
On the other measures:

- Retention is mostly above the target apart from the HE full time courses.
- Most of the attainment indicators are either on or close to target with the exception of lower delivery for FE part time courses.
- Student satisfaction remains at a high level.
- Most of the business and stakeholders KPIs are below target.
- We comment on the financial measures in other parts of the wider scope reporting.

The target KPIs will be reviewed as part of the College 2025-26 annual planning cycle and will be updated accordingly along with the new Corporate Strategy.

Appendices

Appendix 1: Responsibilities of Boards and Auditors	52
Appendix 2: Audit adjustments	59
Appendix 3: Action plan	61
Appendix 4: Follow up of prior year recommendations	62



Appendix 1: Responsibilities of Boards and Auditors

Responsibilities of the College

The Code of Audit Practice (2021) sets out the following responsibilities:

Area	Board responsibilities
<p>Corporate governance</p>	<p>The Board of Management is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
<p>Financial statements and related reports</p>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the financial position of the College and its group and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, governance compliance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. Management commentaries should be fair, balanced and understandable. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the College and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting</p>

Area	Board responsibilities
	<p>framework. The relevant information should be communicated clearly and concisely.</p> <p>The Board of Management is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Board is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>The College is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p>Financial position</p>	<p>The College is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Best value</p>	<p>The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure Best Value. Accountable Officers are required to ensure accountability and transparency through effective performance reporting for both internal and external stakeholders.</p>

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code outlines the responsibilities of external auditors and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Board and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance



Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes



Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. Through our wider scope audit work, we consider the arrangements put in place by the Accountable Officer to meet these Best Value obligations.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an Audit Quality Framework.

The most recent audit quality report can be found at Quality of public audit in Scotland: Annual report 2024/25 | Audit Scotland

Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to report full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our external audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw attention to. We consider an objective, reasonable and informed third party would take the same view.

Other threats and safeguards

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In particular:

Non-audit services: Azets performed assurance work this year in relation to the College. This work was previously done by Milne Craig, who joined Azets at the end of 2024, so this is the first year Azets has been doing this work. The work is an assurance service to ensure compliance with Department of Education grant requirements, specifically for relating to the Turing Programme, where the College receives funding towards foreign trips for students. The work involves no management decisions from Azets, it is done by a separate team from the audit team with a different director in charge. The fee charged for that work was £750, net of VAT. We are therefore comfortable that the potential independence threats (self-review, self-interest) are mitigated. We consider an objective, reasonable and informed third party would take the same view.

Contingent fees: No contingent fee arrangements are in place for any services provided

Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Board, senior management or staff

Relationships: We have no other relationships with the Board, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Other matters: During our planning work in April 2025, we identified that Milne Craig, now part of Azets, had a lease in place at one of the College properties which runs until February 2026. Milne Craig/Azets are expected to agree dilapidation cost with the College over the above property.

The public sector audit team responsible for the external audit of College are separate from the incoming Milne Craig team and have no involvement with the lease negotiations, providing mitigations for the self-interest threat to our independence as auditors. There are also no ongoing disputes or litigations between Azets and the College.

We therefore believe we are able to manage any actual or perceived threat to independence; however, we are continuing to monitor the position and to consult internally with our Ethics function. We consider an objective, reasonable and informed third party would take the same view.

Our period of total uninterrupted appointment as at the end of 31 July 2025 was three years.

Audit fees

Our 2024/25 audit fee has been agreed with management as £54,200.

Fee element	2024/25	2023/24
Auditor remuneration	56,190	53,920
Pooled costs	(7,090)	(5,750)
Sectoral cap adjustment	5,100	5,010
Total audit fee	54,200	53,180

The audit fees charged reconcile to the fees disclosed in the financial statements.

Appendix 2: Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management

Adjusted misstatements

No required adjustments to the draft financial statements have been identified from our audit.

Unadjusted misstatements

We have identified one unadjusted misstatement:

No	Detail	Statement of Comprehensive Income and Expenditure Dr / (Cr) £'000	Balance Sheet Dr / (Cr) £'000	Impact on surplus Dr / (Cr) £'000
1.	Reversal of potential cost to reinstate the leased office to the previous state.	Expenditure (169)	Accruals 169	(169)
Net impact on (income)/expenditure				(169)
Net impact on net assets				169

The above misstatement is below materiality therefore it does not impact our audit opinion.

Misclassification and disclosure changes

We identified a number of reclassification adjustments and some minor presentational issues in the accounts, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as below.

No	Detail
1.	Remuneration and staff report College has calculated the remuneration figures based on full time equivalent (i.e multiplying the employees final month salary by 12). This was corrected to show the actual paid in the year and further footnotes were added to explain full year equivalent for any members of the executive team who started/left the College during the year.

No	Detail
2.	Remuneration and staff report Remuneration figures for two members of the executive team were not included in the first version of the accounts. The College had communicated that to us when submitting the accounts for audit and updated in the final version of the accounts.
3.	Performance report Equality and diversity descriptions and narrative were updated to include the requirements of the Equality Act 2010 as stated by the SFC's Accounts Direction.

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our 2024/25 audit, which we feel are of sufficient importance to merit reporting.

The recommendations are categorised into three risk ratings:

Key:

- Significant deficiency
- Other deficiency
- Other observation

We have identified no significant deficiencies as part of our 2024/25 audit.

1. SFC’s Expectations of Good Governance		Other observation
Observation	In September 2025 the SFC published Expectations of Good Governance guidance which applies to colleges. The publication sets out what was learned about sector and institutional governance from analysis of governance effectiveness review reports and Professor Gillies’ report into the University of Dundee. The report provides clarity about SFC’s expectations of sector governance and how SFC will monitor governance.	
Implication	There is a risk the Board is not considering or not following SFC’s guidance on governance.	
Recommendation	We recommend the College assesses its compliance with the new guidance and implements action plan for any gaps identified.	
Management response	Documentation is being reviewed and an action plan drawn up. Responsible officer: Susan McDonald Implementation date: 31 March 2026	

Appendix 4: Follow up of prior year recommendations

As part of our audit work we have followed up on control weaknesses and recommendations either raised in last year’s Annual Audit Report or carried forward from prior years.

1.	Financial forecast reports and assumptions
Recommendation	<p>We note that the financial forecast is in development and could be further improved by presentation of different scenarios and by ensuring that the main assumptions used in the forecast for future years are included in the reports going to the Board for approval.</p> <p>There is a risk the Board is not considering or key factors impacting on future financial plans.</p> <p>We recommend the reports going to the Board contain all significant information/scenario planning analysis to enable effective decision making.</p>
Implementation date	<p>Management will ensure that all main assumptions used in the forecast for future years are included in the reports going to the Board for approval going forward.</p>
Ongoing	<p>Ongoing – Assumption included in the 2025/26 financial plans</p>

2. IT general controls	
Recommendation	<p>Our specialist IT team reviewed design and implementation of IT general controls in the key systems impacting preparation of the financial statements and identified a number of areas for improvement in relation to password and access management, and change management covering low and matters and one of moderate nature. (As this is a public report and for reasons of IT/control sensitivity, we have provided specific detail to the College separately).</p> <p>We recommended that the specific IT points identified are addressed.</p>
Implementation date	31 December 2024
Complete	Management have actioned the points outlined above.

3. Capital plan	
Recommendation	<p>Capital expenditure plans are based on SFC allocations and the College’s 2019 condition survey. The capital plans prepared by the College in effect are short term and focus on maintenance of the estate.</p> <p>We would expect the College has capital plans beyond one year to manage its asset base over the long term and to provide a wider and more strategic approach to this area.</p> <p>We recognise that capital funding is not under direct control of the College. We have also seen detailed considerations for a number of projects planned or ongoing at the College estate. At the same time we encourage the College to develop and refine their capital plan to help manage its estate and support the College in its discussions with the funding providers on capital investment priorities. This could be used to help overtly demonstrate to all key stakeholders assessed funding challenges/gaps, including how achievement of strategic plans may be impacted depending on funding available.</p>
Implementation date	Early 2026
Ongoing	An updated Capital Strategy is scheduled for completion early 2026 following the approval of the updated Corporate Strategy.

4. Performance indicators	
Recommendation	<p>While the College has a set of reports to consider the detail of the performance at a committee level, its reporting in the annual report and accounts is largely limited to student credit targets and financial measures, and it does not provide additional commentary measures that are key to students (for example on student satisfaction levels or students achieving a recognised qualification). Providing more information on the above to the Board and readers of the accounts has also been limited and may allow for more scrutiny and informed decision making.</p> <p>The users of the accounts and Board members might not be able to make informed decisions due to insufficient detail provided.</p> <p>We recommend the reporting is enhanced to provide additional detail on student and other key issues performance, allowing the decision makers and other key stakeholders a better understanding of the College's affairs.</p>
Implementation date	<p>Management is currently assessing the College's KPI's in line with the updated Corporate Strategy and as part of the operational planning for 2025 onwards. The College fully intends to enhance and expand the performance indicators reported in future reporting.</p>
Ongoing	<p>Early 2026</p>



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