

West Lothian College

Annual Audit Report 2024/25



Prepared for West Lothian College and the Auditor General for Scotland
December 2025

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Key messages

Audit of the report and financial statements

- 1 All audit opinions stated that the report and financial statements were free from material misstatement.
- 2 All significant findings identified were processed by the College to correct the financial statements.

Wider scope and Best Value audit

- 3 The audit work performed on the arrangements the College has in place for securing sound financial management found that these were effective and appropriate.
- 4 The College operated within its fiscal resource, reporting an adjusted operating surplus of £432,000.
- 5 Continued focus by the Executive Leadership Team on identifying cost efficiencies and income growth will be critical to meeting the Scottish Funding Council's balanced budget expectations.
- 6 The College must deliver its 2025/26 budgeted trading surplus and address the small forecast adjusted operating deficit. This will reduce the risk that the college does not have appropriate cashflow stability (to repay a £1 million advance to the Scottish Funding Council).
- 7 The College continues to have effective and appropriate governance arrangements in place that support scrutiny of decisions made.
- 8 The audit work reviewing how the College's use of resources is focused on improving outcomes found that these arrangements were effective and appropriate
- 9 The College has effective and appropriate arrangements in place for securing Best Value.

Introduction

Purpose of the Annual Audit Report

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

Scope of the audit

3. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:
 - An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure.
 - An opinion on statutory other information published with the financial statements in the report and financial statements, namely the Performance Report and Governance Statement.
 - An opinion on the audited part of the Remuneration and Staff Report.
 - Conclusions on the College's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
 - Reporting on the College's arrangements for securing Best Value.
 - Provision of this Annual Audit Report.

Appointed auditor and independence

4. Brian Battison, of Audit Scotland, has been appointed as external auditor of the College for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Brian Battison and the audit team are independent of the College in accordance with relevant ethical

requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the College, including no provision of non-audit services.

Responsibilities and reporting

5. The Code of Audit Practice sets out the respective responsibilities of the College and the auditor, with a summary outlined below.

Auditor's responsibilities

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

7. The Annual Audit Report includes an agreed action plan at [Appendix 1](#). The matters reported are those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the College from its responsibilities outlined below.

The College's responsibilities

8. The College has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

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

National and performance audit reporting

9. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the College and Audit Committee. Details of national and performance audit reports published over the last year which may be relevant to the College can be seen in [Appendix 3](#).

Acknowledgements

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

Audit of the report and financial statements

Main judgements

All audit opinions stated that the report and financial statements were free from material misstatement.

All significant findings identified were processed by the College to correct the financial statements.

Audit opinions on the report and financial statements are unmodified

11. The College report and financial statements were approved by the Board of Governors on 2 December 2025. The Independent Auditor's Report is included in the College's report and financial statements, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



The audit has been delivered in accordance with the agreed timetable

12. The unaudited report and financial statements and all working papers were received on 13 October 2025 in accordance with the agreed audit timetable.

The audit fee is unchanged from the level reported at planning

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £26,700. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality was reviewed on receipt of the unaudited report and financial statements

14. Materiality is applied by auditors in planning and performing an audit. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the

decisions of users of the report and financial statements. Auditors set a monetary threshold when determining materiality, although issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

15. Materiality levels for the audit of the College were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited report and financial statements. Materiality levels were updated, and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the College

Materiality	Value
Materiality – set at 2% of Gross Expenditure	£420,000
Performance materiality – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£273,000
Reporting threshold – set at 5% of materiality.	£21,000

Source: Audit Scotland

The audit has identified significant findings and key audit matters

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

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

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

18. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>Prior year adjustments</p> <p>Capital expenditure</p> <p>During the year, a prior year adjustment was made to reflect capital expenditure of £3.786 million relating to the college estate that was incurred in 2024/25 but related to the valuation at 31 July 2024.</p> <p>The adjustment was required to ensure compliance with the accruals concept under FRS 102 whereby expenditure is recognised in the period to which it relates. The capital works were completed by 31 July 2024, and the estate was also revalued at this date. The payments for these works were made in 2024/25.</p> <p>Capital grants</p> <p>During the 2024/25 financial year, it was identified that a capital grant of £3.786 million, received in 2024/25, related to the capitalisation of an asset in the 2023/24 financial year. In accordance with the accruals basis of accounting and the FE/HE SORP, this income should have been recognised in 2023/24 as a deferred capital grant and matched to the associated capital asset.</p> <p>As a result, a prior year adjustment has been made to restate the 2023/24 financial statements to reflect the deferred capital grant income as at 31 July 2024.</p>	<p>The College identified the changes and processed these through the prior year general ledger to ensure the changes were reflected in the opening balances for 2024/25.</p> <p>Audit reviewed the changes and are content with the prior year restatements and disclosures.</p>
<p>Indexation of the College's buildings and components</p> <p>Following an indexation report from the College's valuers, indicating a 4% increase in property values, the College applied indexation to its buildings. Audit identified that this adjustment was not extended to the building components.</p> <p>Additionally, audit noted that indexation should be applied to both the closing gross book value, and the closing accumulated depreciation. This ensures that the resulting net book value reflects</p>	<p>The College updated the application of indexation for the College's buildings, including components and any relevant additions in year.</p> <p>The percentage increase was also applied to the accumulated depreciation at 31 July 2025 to ensure the net book value increase reflected the 4% indicated by the Valuer.</p> <p>Audit reviewed the changes made and agreed they were appropriate.</p>

Significant findings and key audit matters

Outcome

the overall percentage increase provided by the valuer.

See [Appendix 2](#) for details of adjustments.

Holiday pay accrual

Through our audit work, we identified the workbooks for lecturers and support staff for the calculation of the 2024/25 annual holiday pay accrual required updates around the number of annual leave days included in the calculations.

The College updated the calculations in both workbooks (lecturers and support staff) and posted journals of £69,000 to reduce the lecturer accrual and £125,000 to increase the support staff accrual, an overall net increase of £56,000.

See [Appendix 2](#) for details of adjustments.

Recommendation 1

The College should review how the support staff annual leave days remaining at 31 July can be efficiently obtained to support the accuracy of the calculation of the holiday pay accrual.

Release of deferred capital grants

Through our audit work, we identified that the College's workbook for calculating the release of deferred capital grants had not been updated to reflect the asset lives provided by the Valuer in their latest valuation at 31 July 2024, impacting the release of grants.

The College updated their workbook for the release of deferred capital grants to reflect the asset lives supplied by the Valuer. This resulted in an increase of the prior year deferred capital grant balance of £366,000 and an increase of £179,000 for 2024/25.

Audit reviewed the changes and are content with the adjustments made and disclosures.

See [Appendix 2](#) for details of adjustments.

Capital additions

During the course of the audit, we identified items that should have been considered as capital expenditure. This included items expensed in 2023/24.

The College reviewed the items that had not been capitalised and updated the accounts to reflect those items that should have been capital additions in 2024/25. Items in 2023/24 were below the audit materiality threshold and we did not request their adjustment.

Audit reviewed the changes and are content with the adjustments made and disclosures.

See [Appendix 2](#) for details of adjustments.

Significant findings and key audit matters	Outcome
	<p data-bbox="868 259 1193 297">Recommendation 2</p> <p data-bbox="868 315 1415 501">The College should enhance their processes around identifying capital additions to ensure these items are appropriately reflected in the Financial Statements.</p>

Source: Audit Scotland

Qualitative aspects of accounting practices

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

Accounting policies

20. As part of the audit, we assessed the appropriateness of the accounting policies adopted by the College. Overall, these were found to be suitable for the College's circumstances, with no significant departures from the requirements of the Accounts Direction for Scotland's Colleges 2024/25, the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP), and the Government Financial Reporting Manual (FReM).

21. Our work on indexation, deferred capital grants and additions (as documented in [Exhibit 2](#)) identified areas where the College should review and refresh its accounting policies for tangible and intangible assets. Specifically:

- The capitalisation thresholds for individual and grouped asset additions.
- The application of asset lives provided by the valuer and their impact on depreciation policies and the release of deferred capital grants.
- The inclusion of a policy on indexation for land and buildings in years where a full valuation exercise is not undertaken.
- Creation of an intangible asset policy.

Recommendation 3

The College should review and update its accounting policies for tangible and intangible assets to ensure they remain appropriate and reflect the College's current and future requirements.

Accounting estimates

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

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

23. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional detail provided for disclosures around areas of greater sensitivity, such as the valuation of property, plant and equipment and the pension liability.

24. In accordance with normal audit practice, presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

There were misstatements identified during the audit process

25. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. The overall impact was to reduce net assets by £248,000 and increase expenditure by the same value. Details of all audit adjustments greater than the reporting threshold of £21,000 are outlined in [Appendix 2](#).

26. In addition to the corrected misstatements, there was one uncorrected misstatement for 2024/25. This related to indexation, with the increase in accumulated depreciation upon indexation of £45,000 posted to expenditure rather than taken net within the unrealised surplus on revaluation of assets.

27. The College made one adjustment in the prior year of £366,000 relating to the release of deferred capital grants. An updated approach to asset lives has been applied, based on the valuer's assessment of the

remaining economic life of the College's buildings and fixed plant, rather than a straight-line basis over thirty years.

28. One further adjustment in the prior year was not corrected by the College. As this adjustment related to the prior year and is below materiality, it was concluded it was not material to the financial statements and therefore we did not request that this misstatement was corrected. As a result, it did not have any impact on the audit opinions given in the Independent Auditor's Report.

Our audit work responded to the significant risks of material misstatement identified in the Annual Audit Plan

29. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 3](#).

Exhibit 3

Significant risks of material misstatement to the financial statements

Audit risk	Assurance results and conclusions
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Controls</p> <ul style="list-style-type: none"> Assessed the design and implementation of controls over journal entry processing. Assessed the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> Assessed any changes to the methods and underlying assumptions used by management to prepare accounting estimates compared to the prior year. <p>Testing</p> <ul style="list-style-type: none"> Made inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and substantively tested journal entries throughout the year. Tested a sample of journals at the year end and post-closing entries with focus on significant risk areas. Evaluated any significant transactions outside the normal course of business. Confirmed through substantive testing that income and expenditure transactions around the year-end have been accounted for in the correct financial year. Tested samples of accruals and prepayments.

Audit risk**Assurance results and conclusions**

- Confirmed related party disclosures were appropriate.

Results: We are satisfied that there is no material misstatement due to management override of controls.

Source: Audit Scotland

Other areas of audit focus

30. In addition to the significant risk of material misstatement, the following key audit matters were identified in our Annual Audit Plan. The areas of audit focus and the outcome of our work to address these areas is outlined below.

- **Estimation in the valuation of land and buildings:** Valuations are based on specialist management assumptions and changes in these can result in material changes to valuations. Following the full revaluation in 2023/24 changes will be derived through the application of indices, the process having a degree of subjectivity.

We assessed the scope, independence and competence of the professionals engaged in providing the indices to the College and assessed the appropriateness of the indices applied.

- **Valuation of Pension Asset or Liability:** The calculation of the pension asset or liability requires the use of an actuarial methodology based on a range of assumptions including financial and demographic assumptions. We assessed the scope, independence and competence of the professionals engaged in providing estimates for pensions and reviewed the appropriateness of actuarial assumptions and results.

We also confirmed the arrangements for ensuring the reasonableness of the professional estimations and the accuracy of information provided to the actuary by the College. For 2024/25, the actuary calculated a pension asset. The actuary applied an asset ceiling as required by accounting standards which resulted in only the unfunded provision of £2.2 million being recognised in the financial statements.

31. With regards to the valuation of land and buildings and (the valuation of) the pension asset or liability, we concluded that the financial statements were free from material misstatement.

Prior year recommendations are being progressed

32. The College has implemented two audit recommendations from the previous year. Regarding the recommendation to conduct an annual self-assessment on best value, the Board of Governors was satisfied that best

value is demonstrated in the papers reviewed by the Board on a quarterly basis. Confirmation of the implementation and the updated response regarding best value are provided in [Appendix 1](#).

Wider scope and Best Value audit

Audit approach to wider scope and Best Value

Wider scope

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

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

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

Duty of Best Value

35. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

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

Financial Management

Conclusion

The audit work performed on the arrangements the College has in place for securing sound financial management found that these were effective and appropriate.

The College operated within its fiscal resource, reporting an adjusted operating surplus of £432,000.

The College reported a surplus in its adjusted operating position for 2024/25

37. The 2024/25 accounts direction from the Scottish Funding Council requires the disclosure of an adjusted operating position. This is intended to reflect the underlying operating performance after allowing for material one-off or non-cash items (e.g. depreciation, pension adjustments, exceptional income or expenditure).

38. When the budget was set in June 2024, the College had forecast a trading deficit of £317,000 and an adjusted operating deficit of £506,000.

39. During 2024/25, the College highlighted its cash position was an area of concern. In response, the Board agreed in September 2024 that the College's future financial strategy should aim to deliver trading surpluses in order to strengthen cash reserves. Although the Board had agreed the trading deficit for 2024/25, the Executive Leadership Team (ELT) committed to at least a break-even position for the year. To achieve this, the ELT implemented several measures:

- **Recruitment controls:** Only filling student-facing vacancies; all other posts required ELT approval.
- **Loan relief:** Secured an extension to the existing loan break from the SFC and approval to offset this against running costs.
- **Management restructuring:** Reduced the size of the management cohort.
- **Workforce adjustments:** Did not renew certain fixed-term posts beyond July 2025 and limited backfilling of roles vacated through retirement or resignation.

40. These actions resulted in a significant improvement from the initial forecast, moving from an adjusted operating deficit of £506,000 to a surplus of £432,000. The improvement in trading position compared to the prior year was the most notable factor in achieving this outcome. See [Exhibit 4](#).

Exhibit 4**Adjusted operating position in 2024/25**

Adjusted operating position	2024/25	2023/24 (Restated)	Movement
	(£m)	(£m)	(£m)
(Deficit) before other gains and losses	(496)	(3,398)	2,902
Depreciation (net of deferred capital grant release)	557	889	(332)
Non-cash pension adjustments	264	143	121
Payments to early retirement provision	(9)	109	(118)
Job evaluation costs	306	1,811	(1,505)
Exceptional impairment	-	105	(105)
Cash Budget for Priorities (CBP)	(190)	(190)	-
Adjusted Operating Surplus/(Deficit)	432	(531)	963

Source: West Lothian College Report and Financial Statements 2024/25

41. The College's ability to reverse its forecast deficit and deliver an adjusted operating surplus demonstrates effective financial management and responsiveness to emerging risks. Regular budget reviews by the Executive Management Team and oversight by the Finance and General Purposes Committee provided strong governance throughout the year. These actions position the College on a more sustainable financial footing and reinforce its commitment to a prudent financial strategy going forward.

Appropriate internal control arrangements operated throughout 2024/25, including appropriate arrangements for the prevention and detection of fraud and standards of conduct

42. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

43. From our review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach, we did not identify any significant internal control weaknesses which could affect the College's ability to record, process and report financial and other relevant data to result in a material misstatement in the financial statements.

The hosting arrangements of the PECOS application changed from being held at the Scottish Government's data centre to being held and managed externally

44. Our audit work on the college's general IT environment identified that the College does not receive formal assurances regarding the IT control environment for PECOS, which is an externally hosted system.

45. In November 2024, the hosting arrangements of the PECOS application changed from being held at the Scottish Government's data centre to being held and managed externally from the Scottish Government by third-party provider, Elcom.

46. While the Scottish Government own the contractual arrangement with Elcom, it is for individual bodies to assure themselves that there are appropriate application and hosting controls in place at Elcom. The College has not received any assurances around the operation of these controls at the third-party provider.

47. The College is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there is no adverse impact on the College's system of internal control or governance arrangements in respect of the use of the PECOS application.

Recommendation 4

Where key College systems are externally hosted by the software provider, the College should seek regular confirmation from the provider over the integrity and security of the data held on the system.

The Shared Service agreement with West Lothian Council has passed the original agreement period and the extension period without being formally reviewed or renewed

48. In October 2020, the College entered into a shared service agreement with West Lothian Council covering the provision of services including a human resources database (i-Trent), payroll processing, employee benefits administration, and shared ICT services. The agreement was for an initial three-year term, with an option to extend for a further two years.

49. The original agreement period and the extension period have now elapsed without a formal review or renewal. The College reports that services under the agreement have continued without issue, and there has been no adverse impact on the preparation of financial statements, internal controls, or governance arrangements.

Recommendation 5

The College should formally review the shared service agreement with West Lothian Council to confirm that it remains aligned with current and future operational requirements and continues to deliver value for money.

Financial Sustainability

Conclusion

Continued focus by the Executive Leadership Team on identifying cost efficiencies and income growth will be critical to meeting the Scottish Funding Council's balanced budget expectations.

The College must deliver its budgeted trading surplus and address the small forecast adjusted operating deficit. This will help ensure that repaying the £1.0 million advance does not reintroduce concerns about cashflow stability.

The Financial Forecast return (FFR) for 2024/25 to 2027/28 reflects the increasing challenges faced by the College sector in Scotland

50. As per [Scotland's colleges 2025](#), funding to the sector has decreased by 20% in real-terms since 2021/22. Consequently, colleges face significant financial challenges. In line with previous years, the SFC required that colleges provide a financial forecasting return for 2024/25 to 2027/28 by 30 June 2025.

51. The FFR forms part of the SFC's financial health monitoring framework, assessing medium-term planning and sustainability. Beyond 2025/26 (to 31 March 2026), Scottish Government funding levels remain uncertain.

52. SFC guidance expects colleges to achieve a balanced budget annually. Where deficits are forecast, colleges must plan to return to balance over the period. In recent years, this has become increasingly difficult.

53. For 2025/26, the College has set a trading surplus of £114,000 and forecasts an adjusted operating deficit of £71,000. Discussions with the SFC are ongoing to extend the repayment of the cash advance the College received in February 2025 from 31 July 2026 to 31 July 2027. In addition, the SFC has agreed to prolong the loan break by another three years. These measures would support achieving surpluses during the forecast period.

54. In 2026/27, the College forecasts an adjusted operating surplus of £189,000 (break-even on a trading basis), but deficits are projected for 2027/28. The Executive Leadership Team (ELT) will prioritise actions in 2025/26 to achieve break-even or surplus positions in both 2026/27 and 2027/28.

55. Overall, the College's medium-term plans are appropriate but only partially sufficient given sector-wide challenges. Proactive steps—such as extending repayment terms—show commitment to short-term stability. However, forecasted deficits and reliance on concessions highlight the need for further strategic measures. Continued focus on cost efficiencies and income growth will be critical to meeting SFC's balanced budget expectations.

Requirement to repay a cash advance to the Scottish Funding Council

56. The College's cash balance reflects the level of working capital available to meet operating costs. As highlighted in the Financial Management section, the College identified its cash position as a concern during 2024/25. In response, the Board agreed that the future financial strategy should focus on achieving trading surpluses to strengthen cash reserves.

57. At 31 July 2025, the College held a cash balance of £549,000 (2023/24: £185,000). This improvement was driven by actions taken by the Executive Management Team to deliver trading surpluses and by a £1.0 million cash advance from the Scottish Funding Council in February 2025.

58. Looking ahead, the forecast year-end cash position for 2025/26 shows a deficit, primarily due to the requirement to repay this cash advance by July 2026. To mitigate the impact, the College must deliver its budgeted trading surplus and address the small forecast adjusted operating deficit. This will help ensure that repaying the £1.0 million advance does not reintroduce concerns about cashflow stability. As noted above, discussions with the SFC are ongoing to extend the repayment of the February 2025 cash advance from July 2026 to July 2027.

Vision, Leadership and Governance

Conclusion

The College continues to have effective and appropriate governance arrangements in place that support scrutiny of decisions made.

There have been significant changes in leadership for the College through 2024/25

59. Over the past financial year, the chairs of the Audit Committee, Finance and General Purposes Committee, and the Board of Governors

have all changed. In addition, the College Principal officially retired on 30 November 2025, and an interim Principal has taken over until 31 July 2026. All individuals stepping into these roles are either experienced staff members or existing members of the College Board of Governors, bringing with them a strong understanding of the College sector and its operations.

60. Despite these changes in senior management and the leadership of key committees and the Board over the past financial year, we have not identified any risks associated with these transitions.

Governance arrangements continued to operate effectively but could be enhanced with changes to assurances provided to the Accountable Officer

61. The College's governance arrangements have been set out in the Corporate Governance Report in the report and financial statements. We have reviewed these arrangements and concluded that they are appropriate and effective.

62. We have reviewed the Board, the Finance and General Purposes Committee and Audit Committee minutes and papers as part of our audit work. We are satisfied that papers are sufficiently detailed to allow for effective decision making and scrutiny of performance. We attend the Audit Committee and have concluded that members are engaged during meetings and provide effective scrutiny and challenge.

63. As part of our review, we consider openness and transparency and we are pleased to report that key corporate documents such as strategies, policies and procedures are easily accessible on the website. Minutes for the Board are published on the College website.

64. As part of our review of the Annual Governance Statement within the 'Accountability Report,' we noted that the assurance statement prepared by senior staff for the Accountable Officer currently covers only the eight months to 31 March 2025, rather than the full financial year ending 31 July 2025. Assurance provided to the Accountable Officer should reflect the entire financial year.

65. After the identification of the issue, the College reviewed and updated the assurance provided to the Accountable Officer to ensure it provides assurances for the full financial year to 31 July 2025.

Use of Resources to Improve Outcomes

Conclusion

The audit work reviewing how the College's use of resources is focused on improving outcomes found that these arrangements were effective and appropriate.

The College has effective and appropriate arrangements in place for securing Best Value.

The College has consistently achieved strong performance despite funding reductions

66. Against national trends, the college continued to exceed its activity target in 2024/25, delivering 45,421 credits, exceeding their target of 44,605 by 1.8%. As in the previous year, the College did not need to make use of the flexibilities allowed by the Scottish Funding Council (SFC) to achieve their credit target.

67. Student satisfaction rates nationally have remained high at over 90% for both full-time and part-time students. Satisfaction levels at the College are consistent with this in 2024/25.

68. Another key performance metric for colleges is the educational attainment achieved by its students. The College's attainment figures have been consistently above the national average for Scotland where they have either maintained or improved attainment levels across Further and Higher Education for part- and full-time students ([Exhibit 5](#)).

Exhibit 5

Key performance indicators – trend analysis

KPI	2024/25	2023/24	2022/23	2021/22	2020/21
Full-time FE	73.2%	72.7%	70.4%	64.1%	60.3%
Full-time HE	71.5%	70.5%	67.9%	61.7%	71.4%
Part-time HE	92.9%	88.7%	89.4%	87.9%	83.2%
Part-time FE	92.8%	93.3%	90.9%	91.0%	89.1%

Source: College report and financial statements 2022/23 to 2024/25

Conclusions on duty of Best Value

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

- the College having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.
- the arrangements the College has in place around the four wider scope audit areas, which are effective and appropriate, and contribute to it being able to secure Best Value.

70. In 2023/24, we recommended that an annual self-assessment would further strengthen the College's Best Value arrangements and be a point of good practice. An update on this recommendation is included in [Appendix 1](#).

Appendix 1 – Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Holiday Pay Accrual</p> <p>Through our audit work, we identified the workbooks for lecturers and support staff for the calculation of the 2024/25 annual holiday pay accrual required updates around the number of annual leave days included in the calculations.</p> <p>Risk - There is a risk that the support staff annual holiday pay accrual could be misstated due to inaccuracies in the underlying workbooks, relating to annual leave entitlements at 31 July.</p>	<p>The College should review how the support staff annual leave days remaining at 31 July can be efficiently obtained to support the accuracy of the calculation of the holiday pay accrual.</p>	<p>Accepted</p> <p>The amounts were adjusted for the 2024/25 financial statements, and we will review the processes around the support staff calculation to improve accuracy of the estimated accrual.</p> <p>Responsible Officer: Head of Finance</p> <p>Action date: By 31 July 2026</p>
<p>2. Capital Additions</p> <p>During the course of the audit, we identified items that should have been considered as capital expenditure. This included items expensed in 2023/24.</p> <p>Risk - expenditure may be incorrectly classified between revenue and capital, leading to misstated asset values and operating results in the financial statements.</p>	<p>The College should enhance their processes around identifying capital additions to ensure these items are appropriately reflected in the Financial Statements.</p>	<p>Accepted</p> <p>Capital items identified in 2024/25 were capitalised and we will review our processes for 2025/26.</p> <p>Responsible Officer: Head of Finance</p> <p>Action date: By 31 July 2026</p>
<p>3. Accounting policies for tangible and intangible assets</p> <p>As part of the audit, we assessed the appropriateness of the</p>	<p>The College should review and update its accounting policies for tangible and intangible assets, as necessary, to ensure they remain aligned with sector</p>	<p>Accepted</p> <p>We will review and update our accounting policies relating to tangible fixed asset for 2025/26.</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>accounting policies adopted by the College. These were found to be suitable for the College's circumstances, with no significant departures from accounting requirements.</p> <p>Our review identified areas where the College may benefit from revisiting its accounting policies for tangible and intangible assets around capitalisation thresholds, application of asset lives and including policies on indexation and intangibles.</p> <p>Risk - the current accounting policies relating to tangible and intangible assets are not aligned with the approach taken in the financial statements.</p>	<p>guidance and best practice. In particular, management should:</p> <ul style="list-style-type: none"> • Reassess capitalisation thresholds for individual and grouped assets. • Depreciation policies are updated to reflect asset lives provided by the valuer. • Introduce a policy on the indexation of land and buildings in years where there is no valuation exercise. • Introduce an intangibles policy. 	<p>Responsible Officer: Vice Principal, Finance & Estates</p> <p>Action date: By 31 July 2026</p>
<p>4. Externally hosted software provider</p> <p>In November 2024, the hosting arrangements of the PECOS application changed from being held at the Scottish Government's (SG) data centre to being held and managed externally from the SG by third-party provider, Elcom.</p> <p>While the SG own the contractual arrangement with Elcom, it is for individual bodies to ensure themselves that there are appropriate application and hosting controls in place at Elcom.</p> <p>Risk - The College has not received any assurances around the operation of these controls at the third-party provider, potentially creating a risk of weaknesses in</p>	<p>Where key college systems are externally hosted by the software provider, the college should seek regular confirmation from the provider over the integrity and security of the data held on the system.</p>	<p>Accepted</p> <p>The College notes the recommendation and action to verify the integrity of the application, PECOS, following the change in hosting location.</p> <p>The College will take appropriate action to seek assurances around the hosting of the application, ensuring strong and acceptable security protocols, including external certification are in place.</p> <p>Responsible Officer: Digital Infrastructure Manager</p> <p>Action date: By 31 July 2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>security, data integrity or service continuity going undetected.</p> <p>5. Shared Services Agreement with West Lothian Council</p> <p>In October 2020, the College entered into a shared service agreement with West Lothian Council covering the provision of services including payroll administration and shared ICT services. The agreement was for an initial three-year term, with an option to extend for a further two years.</p> <p>The original agreement period and the extension period have now elapsed without a formal review or renewal.</p> <p>Risks – The absence of a formal review or renewal of the shared service agreement exposes the College to potential misalignment with current operational needs, unclear contractual obligations, and reduced assurance over value for money, which could impact governance and strategic planning.</p>	<p>The College should formally review the shared service agreement with West Lothian Council to confirm that it remains aligned with current and future operational requirements and continues to deliver value for money.</p>	<p>Accepted</p> <p>Timeline subject to consultation with West Lothian Council.</p> <p>Responsible Officer: Vice Principal, People, Performance & Improvement</p> <p>Action date: By March 2026</p>

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Reconciliation between valuation report and Fixed Assets Register (FAR)</p> <p>The valuation report provided a total valuation of £28.727 million. The college's unaudited accounts and Fixed Assets Register (FAR) contained an additional value of £1.695 million at 31 July 2024 across land and buildings.</p> <p>The variance related to assets identified by the college which did not correlate with the valuer's report. These items were included in the unaudited accounts in addition to the valuation total of £28.727 million.</p> <p>Risk – There may be a material error if the identification of any anomalies between the college's records and the valuation report are not investigated and actioned.</p>	<p>The college should ensure there is a clear reconciliation between any valuation report values and the amounts included in the FAR which feed into the annual accounts. Any anomalies should be queried with the valuer and cleared prior to presentation of unaudited accounts to audit.</p> <p>Accepted College will review FAR and valuation reconciliation processes including any actions required in relation to incorporating future additions to land, building and plant.</p> <p>Responsible officer: Head of Finance, Procurement and Student Funding</p> <p>Agreed date: 31 July 2025</p>	<p>Implemented</p>
<p>2. Revaluation reserve asset lives</p> <p>During our testing of movements in the revaluation reserve it was identified that the asset lives used to calculate the release from the reserve for the excess depreciation charged on revalued assets was based on a straight-line depreciation method in line with accounting policies agreed by the Board of Governors.</p> <p>FRS (Financial Reporting Standard) 102 requires that where the useful life has changed (such as from a</p>	<p>The college should review and update their workbook relating to the release of reserves to offset the excess depreciation charged on revalued assets to ensure going forward there is a clear and consistent process relating to the application of asset lives from valuation reports.</p> <p>Accepted The college will review the working paper and process for updating the revaluation reserve to ensure appropriate asset lives are used to allow appropriate release of</p>	<p>Implemented</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>valuer's report) this information should be used to update the calculation of the release from the revaluation reserve.</p> <p>The college were asked to carry out an exercise to quantify the impact of using the valuer's estimation of remaining economic life rather than the straight-line method. The quantified movement was above our materiality level. The college updated the prior year closing balance for the revaluation reserve to reflect the corrected position.</p> <p>Risk – There may be a material misstatement of revaluation reserve if the appropriate asset lives are not applied.</p>	<p>reserves for excess depreciation over revalued assets.</p> <p>Responsible officer: Head of Finance, Procurement and Student Funding</p> <p>Agreed date: 31 July 2025</p>	
<p>3. Best Value Self-assessment</p> <p>Ministerial guidance for Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The college's arrangements for securing Best Value have been assessed as part of the 2023/24 audit and judged to be appropriate.</p> <p>An annual self-assessment will further strengthen these arrangements and be a point of good practice.</p>	<p>Arrangements for securing Best Value could be further strengthened by incorporating an annual self-assessment in the college's governance procedures as a point of good practice.</p> <p>Partially Accepted While current arrangements are appropriate, West Lothian College will consider conducting an annual Best Value self-assessment to enhance these arrangements as a point of good practice.</p> <p>Responsible officer: Board Governance Advisor</p> <p>Agreed date: 31 July 2025</p>	<p>Not implemented</p> <p>This was considered by the Board of Governors who was content that best value is reflected in the papers considered by the Board on a quarterly basis</p>

Appendix 2 – Misstatements

Details and Financial statements lines impacted	Statement of Comprehensive Income (SoCI)		Statement of Financial Position (SoFP)	
	Dr	Cr	Dr	Cr
2024/25 – Adjusted misstatements	£000	£000	£000	£000
An adjustment to the deferred capital grant, due to an updated approach to asset lives applied, which is now based on the valuer's assessment of the remaining economic life of the College's buildings and fixed plant				
SFC Grants	191	-	-	-
Creditors due within one year	-	-	115	-
Creditors due after one year	-	-	-	306
Purchase of fixed asset treated as revenue expenditure				
Fixed Assets - Cost	-	-	58	-
Expenditure	-	58	-	-
Update to journal posting for indexation of fixed assets, applying uplift to gross book value of component and accumulated depreciation				
Fixed Assets - Cost	-	-	106	-
Revaluation Reserve	-	-	-	106
Depreciation	45	-	-	-
Fixed Assets – Accumulated depreciation	-	-	-	45

Details and Financial statements lines impacted	Statement of Comprehensive Income (SoCI)		Statement of Financial Position (SoFP)	
	Dr	Cr	Dr	Cr
2024/25 – Adjusted misstatements	£000	£000	£000	£000
Change in number of annual leave days used in calculation of annual leave accrual for lecturers and support staff as well as expenditure not initially accrued				
Creditors due within one year	-	-	-	70
Expenditure	70	-	-	-
Completion of journal to derecognise prior year decarbonisation project balances and ensure current year debtor and creditor balances reflect appropriate balances relating to the project				
Trade and other receivables	-	-	100	-
Creditors due within one year	-	-	-	100
Net impact on financial statements	306	58	379	627

Details and Financial statements lines impacted	Statement of Comprehensive Income (SoCI)		Statement of Financial Position (SoFP)	
	Dr	Cr	Dr	Cr
2024/25 – Uncorrected misstatements	£000	£000	£000	£000
Increase in accumulated depreciation upon indexation posted to expenditure rather than taken net within the unrealised surplus on revaluation of assets				
Revaluation Reserve	-	-	45	-
Expenditure	-	45	-	-
Net impact on financial statements	-	45	45	-

Details and Financial statements lines impacted	Statement of Comprehensive Income (SoCI)		Statement of Financial Position (SoFP)	
	Dr	Cr	Dr	Cr
2023/24 – Adjusted misstatements	£000	£000	£000	£000
An adjustment to the deferred capital grant, due to an updated approach to asset lives applied, which is now based on the valuer's assessment of the remaining economic life of the College's buildings and fixed plant				
SFC grants	366	-	-	-
Creditors due after one year	-	-	-	366
Net impact on financial statements	366	-	-	366

Details and Financial statements lines impacted	Statement of Comprehensive Income (SoCI)		Statement of Financial Position (SoFP)	
	Dr	Cr	Dr	Cr
2023/24 – Uncorrected misstatements	£000	£000	£000	£000
Tangible assets treated as revenue expenditure				
Fixed Assets – Cost	-	-	125	-
Expenditure (Other Operating Expenses)	-	125	-	-
Net impact of unadjusted misstatements on financial statements	-	125	125	-

Appendix 3 – National reports

<u>Scotland's colleges 2024</u>	19 September 2024
<u>The National Fraud Initiative in Scotland 2024</u>	15 August 2024
<u>Fiscal sustainability and reform in Scotland</u>	21 November 2024
<u>Public service reform in Scotland: how do we turn rhetoric into reality?</u>	26 November 2024
<u>Auditing climate change</u>	7 January 2025
<u>Additional support for learning</u>	27 February 2025
<u>Delivering for the future: Responding to the workforce challenge</u>	7 August 2025
<u>Scotland's colleges 2025</u>	2 October 2025

West Lothian College

Annual Audit Report 2024/25



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