



# UHI North, West and Hebrides

Final report to the Audit Committee on the 2023/24 statutory audit

18 February 2026

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# Partner introduction

## The key messages in this report

I have pleasure in presenting our final report to the Audit Committee (“the Committee”) of UHI North, West and Hebrides (“the College”) for the 2023/24 audit. The report summarises our findings and conclusions made in relation to the audit of the Annual Report and Accounts and the wider scope requirements, the scope of which was set out within our planning report presented to the Committee in November 2024.

I would like to draw your attention to the key messages of this paper:

- Our financial statement audit opinion is to be signed imminently following the completion of our concluding procedures. We anticipate issuing an **unmodified audit report**.
- We provided management with comments and suggested changes based on review of the draft **Annual Report and Accounts**. A small number of changes are still to be resolved incorporating any amendments requested by the committee.
- A summary of our work on the **significant risks** is provided in the dashboard on page 6. We conclude that the judgements taken by management are appropriate.
- A summary of the corrected and **uncorrected misstatements** identified are included in the appendix to this report. If all adjustments were corrected, it would decrease the total deficit for the year by £388,000 with a corresponding increase in net assets.
- **Control deficiencies** and findings and recommendations are included on page 27 of this report. None of the deficiencies have significantly altered our planned audit approach.

### Added value

Our aim is to add value to the College by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the College promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

**Leo Thurtle, audit partner**

**Audit quality** is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment; and
- A well planned and delivered audit that raises findings early with those charged with governance.

### Status of the Annual Report and Accounts audit

Outstanding matters to conclude the audit include:

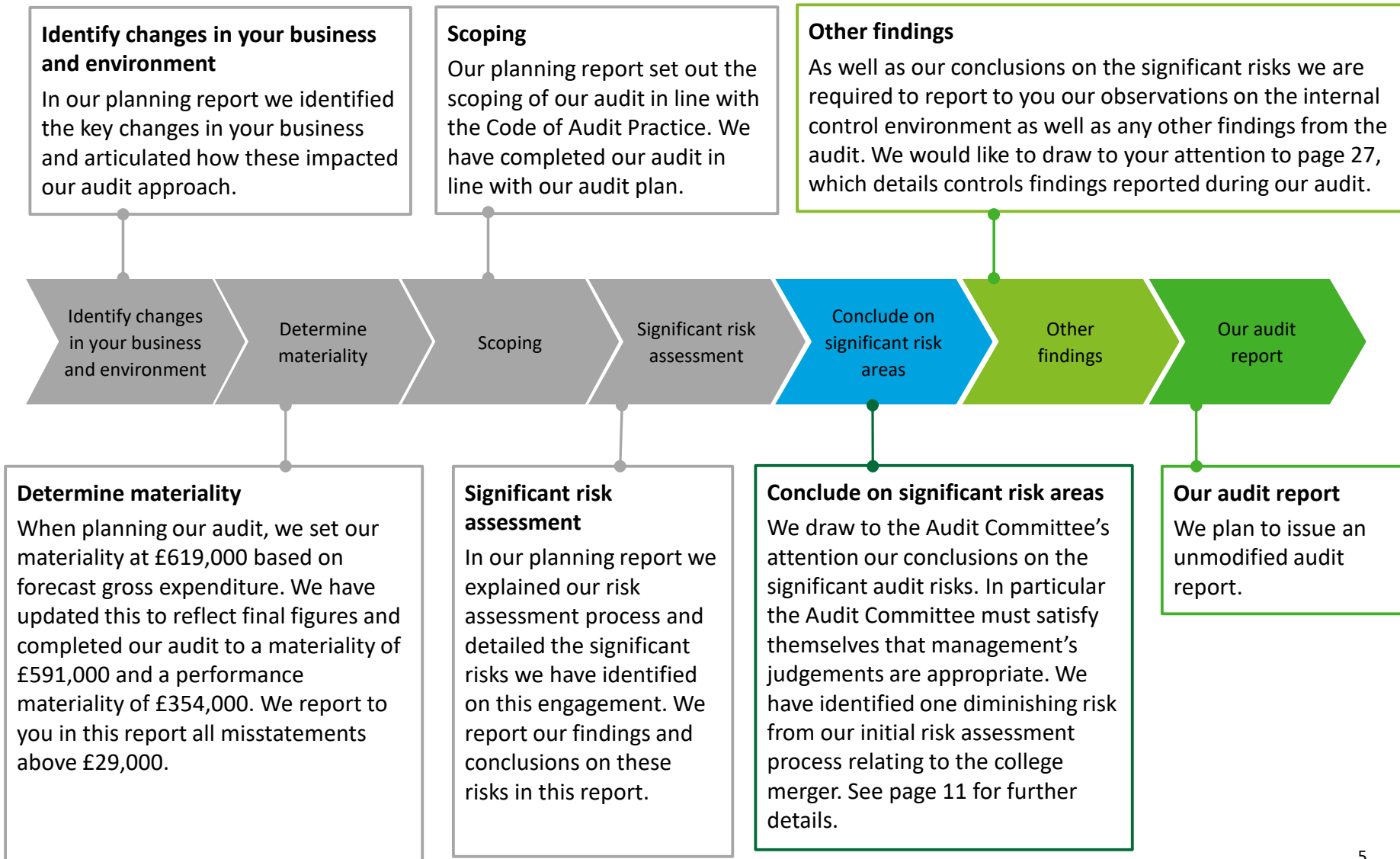
- Finalisation of disclosures testing;
- Completion of internal quality control procedures;
- Receipt of final Annual Report and Accounts;
- Receipt of signed management representation letter; and
- Our review of events since 31 July 2024.

# Annual Report and Accounts Audit















# Our audit explained

We tailor our audit to your business and your strategy



# Significant risks

## Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
<i>Management override of controls</i>			Findings raised, see page 27	
<i>Property valuations</i>			Satisfactory	
<i>Operating within the funding provided</i>			Satisfactory	
<i>Income recognition</i>			Satisfactory	

### Change in risk assessment

Within our Audit Plan we initially communicated that the *accounting associated with the merger* of the three colleges would be a significant risk. As part of our iterative risk assessment procedures we have concluded that this is not an area of significant risk based on the mechanical nature of the calculation. See page 11 for further details.

### Controls approach adopted

 Assess design & implementation

### Consistency of judgements with Deloitte's expectations

 Inconsistent

 Improvement required

 Consistent

# Significant risks (continued)

## Risk 1 – Management override of controls

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**Risk identified** In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Report and Financial Statements as well as the potential to override the College's controls for specific transactions.

The key judgments in the Report and Financial Statements are those which we have selected to be the significant audit risks – income recognition, property valuations and operating within the funding provided. These are inherently the areas in which management has the potential to use their judgment to influence the Report and Financial Statements.

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

- We have considered the overall control environment and 'tone at the top';
- We have tested the design and implementation of controls relating to journal entries and financial reporting;
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- We have tested the appropriateness of journals and adjustments made in the preparation of the Report and Financial Statements. We have used data analytics tools to select journals for testing, based upon identification of items of potential audit interest;
- We have reviewed accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above. This includes a retrospective review of estimates that have historically been taken; and
- We have obtained an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

**Conclusion** We identified a control weakness in relation to the journals authorisations within the IT system. Refer to page 27 for more details. No instances of management overriding controls was identified.

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# Significant risks (continued)

## Risk 2 – Property Valuation

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**Risk identified** The College held £48.1m of property assets (land and buildings) at 31 July 2023 which decreased to £47.2m as at 31 July 2024. In 2023/24 the College has performed a full independent valuation of the former Lews Castle College estate as at 31 July 2024.

The College is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.

The College's land and buildings are revalued every five years for the purposes of the financial statements with an interim valuation after three years. The former Lews Castle College land and buildings have been valued as at 31 July 2024 (full valuation) on the basis of depreciated replacement cost by the College's appointed external valuer. The value of land and buildings at the former Lews Castle College site has moved from £16.96m at 31<sup>st</sup> July 2023 to £17.55m at 31<sup>st</sup> July 2024. The former West Highland College and North Highland College land and buildings are not subject to valuation in the 2023/24 year, so they are outside the scope of this significant risk.

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**Our response** In addressing this significant risk:

- We have assessed the design and implementation of key controls in place around the property valuation assessment performed by management;
- We have tested the inputs to the valuation and the key asset information provided by the College to the valuer back to supporting documentation;
- We have evaluated the independence, competence and objectivity of the College's valuer;
- We have used our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the College's Land and Buildings; and
- We have agreed the accounting entries made to the financial statements for the movements in valuation.

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**Conclusion** Our work on this significant risk is complete. We have no control findings or misstatements to raise in relation to this significant risk. We will communicate some best practice recommendations to management in respect of the valuation approach; we do not deem these significant enough to report to the audit committee. 8

# Significant risks (continued)

## Risk 3 – Operating within the funding provided

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<b>Risk identified</b>	<p>In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.</p> <p>We consider this fraud risk to be focused on how management operate within the funding available. The risk is that the College could materially misstate expenditure in relation to year-end transactions, in an attempt to achieve a breakeven position.</p> <p>The significant risk is therefore pinpointed to the accruals made by management at the year-end date as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the valuation of accruals at the year-end date.</p>
<b>Our response</b>	<p>We have evaluated the results of our audit testing in the context of the achievement of the breakeven set by the Scottish Funding Council (SFC). Our work in this area has included the following:</p> <ul style="list-style-type: none"><li>• Evaluated the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals made at the year-end;</li><li>• Obtained independent confirmation of the funding allocated to the College by the SFC and UHI; and</li><li>• Performed focused testing on a sample of accruals made at the year-end.</li></ul>
<b>Conclusion</b>	<p>Our work on this risk is complete. We have no control findings or misstatements to raise in relation to this significant risk.</p>

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# Significant risks (continued)

## Risk 4 – Income recognition

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

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

- Incorrect recognition applied to grant income with conditions attached; and
- Incorrect recognition where performance conditions are in place.

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**Our response** We have performed the following procedures:

- Assessed the design and implementation of key controls in place around the recognition of non-recurrent funding;
- Tested a sample of grants for any evidence of clawback of income where conditions of entitlement have not been met; and
- Tested a sample of grants and non-grant in aid funding with performance conditions attached to ensure income is recognised correctly in line with the outlined requirements.

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**Conclusion** Our work on this significant risk is complete. We have no control findings to raise in relation to this significant risk. We identified one misstatement relating to the recognition of income on the predict project resulting in an understatement of income by £70,000. See page 28 for further details

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## Other areas of audit focus

We have identified the below areas of audit interest, although do not consider these to be significant risks

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### **Risk identified** Merger accounting

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#### **Summary**

On 1 August 2023, Lews Castle College merged with UHI North Highland College and UHI West Highland College, to form one single college, UHI North, West and Hebrides, within the University of Highlands and Islands partnership. As the host legal entity for the merger, UHI North Highland College has formally changed its name to The Board of Management of UHI North, West and Hebrides.

From 1 August 2023, the existing staff and assets, including personal data, of Lews Castle College and UHI West Highland College have transferred to UHI North Highland College as the continuing legal entity with Lews Castle and West Highland Colleges ceasing to exist as legal entities. The name of the continuing entity was then changed to become UHI North, West and Hebrides.

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#### **Deloitte response**

We have performed the following procedures to address the risk:

- Reviewed the West Highland College auditors workpapers to gain assurance over the opening West Highland college balances;
- Tied through opening balances for all three legacy colleges to determine whether the prior periods closing balances have been correctly brought forward into the current period;
- Determined whether the opening balances reflect the application of appropriate accounting policies; and
- Reviewed the annual report and financial statements to ensure that required disclosures have been made.

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#### **Conclusion**

Our work identified low levels of complexity when aligning accounting policies and merging the three legacy trial balances. As part of our continuous risk assessment procedures, we believe this risk to be a diminishing risk and therefore no longer designated it as a significant risk and has instead been classified as a higher risk.

Our work on this risk is complete. We have no control findings or misstatements to raise in relation to this work.

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## Other areas of audit focus (continued)

Risk identified	Pension Liability
<b>Summary</b>	<p>Retirement benefits to employees of the College are provided by the Highland Council Pension Fund (HCPF), which administers the Local Government Pension Scheme (LGPS) and managed by Highland Council, and the Scottish Teachers Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). The pension balance has remained in an asset position between financial years moving from £5.2m in 2022/23 to £6.9m in 2023/24.</p> <p>Hymans Robertson LLP are the College's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk.</p>
<b>Deloitte response</b>	<p>We have performed the following procedures to address the risk:</p> <ul style="list-style-type: none"><li>• Assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;</li><li>• Reviewed and challenged the assumptions made by Hymans Robertson;</li><li>• We have obtained assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;</li><li>• We have assessed the reasonableness of the College's share of the total assets of the scheme with the Pension Fund annual accounts and the Funds estimated asset position at 31 July 2024;</li><li>• Reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities;</li><li>• Reviewed the disclosures within the accounts against the FE SORP; and</li><li>• Engaged Deloitte's internal pensions experts to assist with the above procedures.</li></ul>
<b>Conclusion</b>	<p>Our work on this area of audit focus is complete. Our pension specialists have raised three findings which requires reporting to the Audit Committee which are set out on page 28:</p> <ul style="list-style-type: none"><li>• A judgemental adjustment in relation to allowance for the Goodwin case. The value totalled £34,000.</li><li>• The past service costs allowed in the actuaries workings were unsupported balances. The value totalled £90,000.</li><li>• The revised early retirement provision workings excluded a spouses allowance, inflation and discounting. The value totalled £194,000.</li></ul>

## Other areas of audit focus (continued)

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**Risk identified** Land and buildings not subject to revaluation

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**Summary**

The former North Highland and West Highland College estates are not subject to valuation in the current year. It is the College's policy, in accordance with the direction given by the Scottish Funding Council, to ensure that a full revaluation takes place at least every five years, with an interim valuation in year three of each five-year cycle. The former North Highland College estate was last valued on 31 July 2022 and the former West Highland College estate last valued on 31 July 2023. UHI NWH applies their own indexation to buildings in the years not revalued.

In the years not subject to valuation, we are required to perform testing to confirm the balances are not materially different to the carrying value at the year end date.

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**Deloitte response**

We have performed testing of the land and buildings not subject to revaluation by creating an expectation of the potential valuation movement by flexing the carrying value of the assets by movement in published build costs indices. These indices are used to provide a benchmark of movement in build costs that can be applied to depreciated replacement costs valuations, as is the valuation basis for the former North Highland and West Highland College estates.

We consulted with our property specialists to understand which indices were the most appropriate to be used and the basis for the valuation along with any accompanying assumptions on obsolescence and depreciation.

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**Conclusion**

We have not identified any material errors in the valuation of land and buildings not subject to revaluation during the year.

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## Other areas of audit focus (continued)

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**Risk identified** Cnoc Soilleir - joint venture valuation

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**Summary**

The College and Ceolas Uibhist Limited entered into a 50:50 joint venture arrangement on 17 June 2019 to establish Cnoc Soilleir Ltd, a company limited by guarantee, to take forward the development and operation of the Cnoc Soilleir building and facility in Daliburgh, South Uist. The College has impaired the carrying value of its investment in Cnoc Soilleir Limited to £1 due to the funds held by the joint venture being restricted in nature with there being no expectation of financial benefit to the college in neither the current nor future years.

We modified our opinion with respect to the joint venture valuation in the 2022/23 Lews castle College audit. Management have not changed their valuation across years.

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**Deloitte response**

We requested management to prepare an accounting paper which sets out their valuation approach with reference to accounting standards within the Higher & Further Education Statement of Recommended Practice (HE/ FE SORP).

We consulted with our internal accounting specialists who reviewed managements paper to understand the valuation approach previously adopted. We obtained the signed Ceolas Uibhist Limited accounts and reviewed the balances used in managements accounting paper.

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**Conclusion**

Managements valuation impairs their interest in the joint venture to £1. We believe that after making the prescribed accounting policy adjustments to record their interest in the joint venture, the valuation is not materially misstated.

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# Other significant findings

## Financial reporting findings

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

### Qualitative aspects of your accounting practices:

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

### Liaison with internal audit

The audit team, has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit and we performed all work ourselves.

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

# Our audit report

## Other matters relating to the form and content of our report

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

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### **Our opinion on the Annual Report and Accounts**

Based on the current status of our audit work, and satisfactory completion of the outstanding matters detailed on page 3, we envisage issuing an unmodified audit report.



### **Going concern**

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

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



### **Emphasis of matter and other matter paragraphs**

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

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



### **Other reporting responsibilities**

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

### **Opinion on regularity**

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

# Your Annual Report and Accounts

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

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

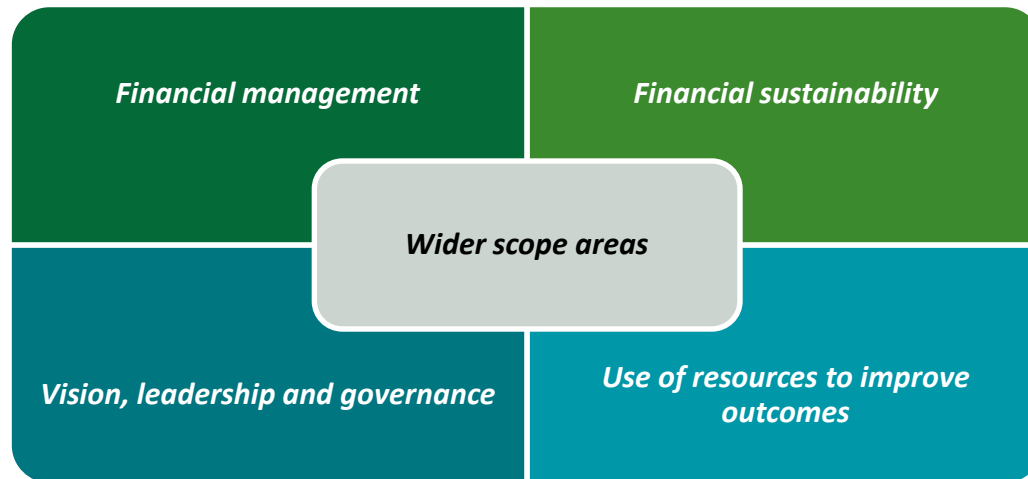
# Wider scope audit



# Wider scope requirements

## Overview

As set out in our Audit Plan, reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas:



In its planning guidance, Audit Scotland has also highlighted climate change as a national and sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2023/24 audits.

# Wider scope requirements (continued)

## Financial management

Was financial balance achieved?



Is there sound budgetary processes in place?



Is the control environment and internal controls operating effectively?



**Financial Management**

### Risk identified

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

### Current year financial performance

We note that the wider financial landscape in which the College operates is challenging, which in turn creates specific challenges for the College. However, from a financial management perspective, we note that the final outturn position was broadly in line with the 2023/24 budget approved in November 2023.

The forecast outturn position for UHI NWH in 2023/24 was a deficit position before exceptional items of £4,072k. This was made up of total income of £24,723k and total expenditure of £28,795k.

The final outturn position achieved was a deficit before other gains and losses of £4,337k. This was made up of total income of £25,452k and total expenditure of £29,789k. We note that the final outturn position was £265k behind the planned deficit.

### Finance team structure

The finance team structure changed, as expected, with the implementation of the merger. The Board has an experienced finance team to support the financial management of the Board. We experienced difficulty obtaining evidence for our audit in the planning stages while the North Highland College legacy audit was ongoing, but these capacity concerns diminished following the completion of the North Highland audit. Included within our work on leadership and governance is our assessment of changes to the leadership team at UHI NWH.

### Budget processes

The UHI NWH budget is approved by the College Board annually. The College Management Team and Board members regularly review progress against budget throughout the year, with quarterly reporting to the Board and the Governance and Scrutiny Committee. From review of the reporting throughout the year, variances are clearly reported and explained. There is also a clear link between the financial information reported in the year and the Annual Accounts through a clear reconciliation within the Performance Report.

### Deloitte view – financial management

Although deviations for both income and expenditure were present when comparing the outturn to budget, these variances were explained and reported. The Board has effective financial planning and management arrangements in place.

# Wider scope requirements (continued)

## Financial sustainability

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



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



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



**Financial Sustainability**

### Risk identified

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

### Current year assessment

As noted above, the wider financial landscape in which UHI NWH operates is challenging. In 2023/24 the college recorded a deficit before other gains and losses of £4,337k. In 2024/25 the unaudited deficit before other gains and losses is £3,882k, which is forecast to remain relatively constant in 2025/26 with a budgeted deficit of £3,750k.

### Medium to Long Term Planning

Recruitment for Higher Education (HE) saw a downward trend in the year. The college is working with UHI partners to review the curriculum offered. Further Education (FE) activity exceeded its target for the second year in a row.

The key issue in the college sector is the five-year projected public sector financial outlook which sees flat funding for the college sector and reduced capital funding.

There is a longer-term recovery plan in place which forecasts short term deficits but a breakeven position by 2027-28 with the focus of the college being on improving both HE and FE activity as well as delivering significant costs savings.

### Deloitte view – financial sustainability

We note that UHI NWH is facing financial sustainability challenges, specifically in relation to flat funding and rising staff costs. We note that student recruitment levels at UHI NWH have improved in recent years and the College exceeded their FE target for 2023/24. We note that the College is currently forecasting that it is expecting to remain financially unsustainable in the short term and will continue to be reliant on support provided by other bodies.

# Wider scope requirements (continued)

## Vision, leadership and governance

Does the body have a clear vision and strategy?



Is there evidence that leaders are adaptable to a changing environment?



Do members and senior managers have a culture of cooperation and working constructively in partnership?



**Vision, leadership and governance**

### **Risk Identified**

There is a risk around the effectiveness of the governance arrangements in place to ensure there is effective scrutiny, challenge and informed decision making.

### **Strategic Plan**

We note that UHI NWH has a post merger Strategic Framework for 2023-2028 published on their website. From our review of the Strategic Framework in place at NWH, we note that the college has a clear vision and strategy which included a clear set of priorities. In addition to this, a key focus is being placed on sustainability which is embedded within the enabling strategies at the College.

The strategic framework has an identified mission which is supported by established behaviours and values. There are six strategic goals with nine enabling strategies. These goals are in place to ensure the priorities are aligned with the needs of the communities and individuals. The strategic plan and policies are all published on the UHI NWH website, evidencing the information is accessible to relevant communities.

### **Adapting to a changing environment**

We note from our review of committee meeting minutes and our attendance at Audit Committee meetings that the leaders of the College are adapting to a changing environment. This includes regular reviews of financial performance, and discussions on curriculum reviews as noted on the following page.

### **Deloitte view – Vision, leadership and governance**

We note from our wider scope work performed that during the 2023/24 financial year there were governance arrangement in place at the College which showed the leadership team working collaboratively to adapt to a changing environment.

# Wider scope requirements (continued)

## Use of resources to improve outcomes

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



Have alternate models of delivery been considered?



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



Use of resources to improve outcomes

### Risk identified

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

### Use of resources to improve outcomes

UHI NWH has a strong focus on the quality of its students' experience and on quality enhancement across its provision and services. The regulatory inspection report, published by Education Scotland in September 2024, notes major strengths in the College's approach to assuring and enhancing the quality of learning and teaching, learner engagement and learner outcomes.

### Student recruitment

One of the key KPIs in place at the College is in relation to student recruitment. This is monitored and reported on the monthly basis to the College Board. We note that the key metrics are HE and FE student recruitment. In 2023/24, the College delivered 22,874 FE credits against a target of 22,284 credits, equivalent to >100% of the target. UHI NWH delivered a total full-time equivalent (FTE) HE students of 658 FTE against a target of 782 FTE, equivalent to 84% of the target.

There is an acknowledgement of the lower than budget HE activity in the year and the College have plans in place to improve upon this going forward. A curriculum review is due to take place in order to improve on these targets.

### Deloitte view – Use of resources to improve outcomes

We note that the College has received a positive inspection report from Education Scotland in 2023/24, noting major strengths in relation to quality of learning and engagement. We note from our work performed on financial sustainability that the College has governance arrangements in place to demonstrate the best use of available resources to improve outcomes.

# Wider scope requirements (continued)

## Climate change

### Risks identified in Audit Plan

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

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

### Deloitte view – Climate change

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

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Audit Committee and the College discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit.

### The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

### Use of this report

This report has been prepared for the College, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

### What we don't report

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

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Deloitte LLP, London**

18 February 2026

# Appendices



# Control findings

The following control findings have arisen from our 2023/24 audit work:

Recommendation	Priority
<p><b>Financial statements review</b></p> <p>We are aware of the annual report and financial statements review that is performed. There should be clear, documented evidence of the review steps that a second senior finance staff member has performed. This would include the challenges that were raised and how they were resolved. This could be performed in conjunction with the disclosure requirements of the SORP and FReM mandatory disclosures. This is to ensure segregation of duties and accurate year end and presentational postings have been made.</p>	Medium
<p><b>Authorisation of journal entries</b></p> <p>We are aware of a technical capability challenge in regards to the evidencing of authorisations within the IT system. Evidence of preparation and authorisation should be documented against the journal, including the review of journals posted by the CFO and this recorded within the IT system. We are aware that there are additional manual controls, that sit outside the system, that mitigate the potential risk of misstatement.</p>	Low
<p><b>Review of fully depreciated assets</b></p> <p>There are a large number of fully depreciated assets held on the fixed asset register that appear to no longer be in use. Some of these assets relate to equipment that dates back as far as 1995/1996.</p> <p>Management should perform a review of the assets that have been fully depreciated and remove those from the FAR that are no longer in use.</p>	Low

# Audit adjustments

## Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). An explanation of each adjustment is provided on the next page:

		Debit/(credit) in net assets £'000	Debit/(credit) prior year Reserves £'000	Debit/(credit) Profit & Loss £'000
<b>Misstatements identified in current year</b>				
<i>Creditors reclassification</i>	[1]	76/ (76)	-	-
<i>Predict project income recognition</i>	[2]	70	-	(70)
<i>Defined Benefit pensions – Goodwin Allowance</i>	[3]	(34)	-	34
<i>Defined Benefit pensions – past service costs</i>	[4]	90	-	(90)
<i>Early retirement provision</i>	[5]	194	-	(194)
<b>Sub-total</b>		<b>320</b>	<b>-</b>	<b>(320)</b>
<b>Misstatements identified in the previous year</b>				
<i>North Highland College – post year end invoices</i>	[6]	-	68	(68)
<b>Total</b>		<b>320</b>	<b>68</b>	<b>(388)</b>

# Audit adjustments

## Unadjusted misstatements (continued)

[1] **Creditors reclassification** – through our debtors and creditors testing, we identified £46,000 credit balances within the debtors listing, and £122,000 debit balances in the creditors listing. This equates to a net £76,000 figure that should be reclassified.

[2] **Predict project income recognition** -One sample within the deferred income testing relates to the PREDICT Project, which is a three-year joint programme of research between University of Aberdeen (UoA), the Environmental Research Institute and UHI NWH. The total funding received up to year end was £229,952, whilst the expenditure incurred was £166,040. For this project, we expect the income to be recognised in line with the expenditure incurred. Therefore, the deferred balance at year end should have been £63,912. This difference equates to a £19,787 factual misstatement, when extrapolated over the untested balance, results in a £70,000 overstatement of deferred income.

[3] **Defined Benefit pensions – Goodwin Allowance** – No allowance has been made in relation to the Goodwin case in the 23/24 liability value. In our view an allowance should be made, as a past service cost. Based on available information, we believe the cost of this would be £34,000. We note that this is a judgemental misstatement based on assumptions used by actuarial specialists.

[4] **Defined Benefit pensions – past service costs** – over the year from 1 August 2023 to 31 July 2024, the College has made Hymans Robertson aware of three early retirements on redundancy or efficiency terms. In total, this represents around 0.7% of the Section's active membership. The impact of these early retirements has been allowed for as a past service cost of £90,000 in the 23/24 statement of total comprehensive income. We have not received any information from Hymans Robertson to evidence this, so we have reported this as an unsupported balance.

[5] **Early retirement provision** - The College holds a provision to recognise the pension top up costs that are being paid for previous early retirees. The Colleges revised calculations did not include an allowance for spouses, inflation or discounting. Our actuarial specialists have recalculated the provision to be £873,000. This equates to a difference of £194,000 when compared to the £1,067,000 balance carried in the financial statements.

[6] **North Highland College – post year end invoices** – In the 2022/23 audit of North Highland College there was an uncorrected misstatement with a rollover effect to the 2023/24 period. A sample of invoices selected as part of our post year-end invoice testing should have been accrued in FY23. This was accounted for as an expense in FY24. The factual error was £32,000, but when extrapolated, the error was £68k, and to correct the rollover error, a credit to operating expenses of £68,000 would be required in 2023/24.

# Disclosures

## Disclosure misstatements

The following uncorrected disclosure misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
UHI NWH have not included all disclosures required by the financial reporting framework. We understand UHI NWH does not track or hold the data required to meet all requirements due to the size and nature of the organisation.	The Government Financial Reporting Manual (FRM) requires the college to make various disclosures on the college's usage of certain carbon reporting metrics.	Qualitative

# Our other responsibilities explained

## Fraud responsibilities and representations



### Responsibilities:

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

### Required representations:

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

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



### Audit work performed:

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

During course of our audit, we have had discussions with management and those charged with governance.

We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.

# Independence and fees

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

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## Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the College and our objectivity is not compromised.

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## Fees

The audit fee for 2023/24, as communicated by Audit Scotland in September 2024 is £37,500 excluding VAT.

There are no non-audit fees.

During the 2023/24 audit, our property specialists have been required to perform additional procedures relating to their review of property valuations. These procedures resulted in significant additional Associate Director and Director time being required on the audit. Additional time was also required as a result of delays in providing information to us during our booking in early 2024. Following the completion of the audit, we will commence conversations with the Finance team regarding additional fees for this work. After agreement of any additional fees with the Finance team we will report back the final position to the Audit Committee.

We have communicated our additional fees relating to our 2022/23 audits of both Lews Castle College and North Highland College to management. The additional fees for we have proposed are £30,996 for Lews Castle College and £28,395 for North Highland College. These additional fees have not yet been agreed.

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## Non-audit services

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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## Relationships

We have no other relationships with the College, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

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