



Annual Audit Plan
Fife College
Year ending 31 July 2026

26 May 2026

The Board of Management
Fife College
Pittsburgh Road
Dunfermline
KY11 8DY

26 May 2026

Dear Members,

Annual Audit Plan – Year ending 31 July 2026

We are pleased to present our Annual Audit Plan for Fife College for the year ending 31 July 2026. This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing Fife College which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me.

Annual Audit Plan – Year ending 31 July 2026 (continued)

This document will be presented at the Audit and Risk Committee meeting on 10 June 2026. If you would like to discuss any matters in more detail, please contact me on 07881 253 571.

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code") and for the sole benefit of Audit and Risk Committee. Except where required by law or regulation, it should not be used, quoted or made available to any other parties without our prior written consent.

Yours faithfully,

Michael Speight

Forvis Mazars

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Appendix A – Key communication points

Appendix B - Current year updates, forthcoming accounting and other issues

This document is to be regarded as confidential to Fife College. It has been prepared for the sole use of Audit and Risk Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Fife College for the year to 31 July 2026. The scope of our engagement is set out in the Code of Audit Practice, issued by the Auditor General and the Accounts Commission available from the Audit Scotland website: [Code of audit practice | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/code-of-audit-practice). Our responsibilities are principally derived from the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council and the Code of Audit Practice, as outlined below and overleaf.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Our audit does not relieve management or Audit and Risk Committee, as Those Charged With Governance, of their responsibilities.

The Board of Management is responsible for the assessment of Fife College's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists, and
- b) the appropriateness of the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you and key management personnel, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fife College's internal control.

Wider scope and Best Value

We are also responsible for reviewing and reporting on the wider scope arrangements that Fife College has in place and its arrangements to secure Best Value. We discuss our approach to wider scope and Best Value work further in the '*Wider scope and Best Value*' section of this report.

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Engagement and responsibilities summary (continued)



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Your audit engagement team

Your audit team



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Audit Director & Responsible Individual

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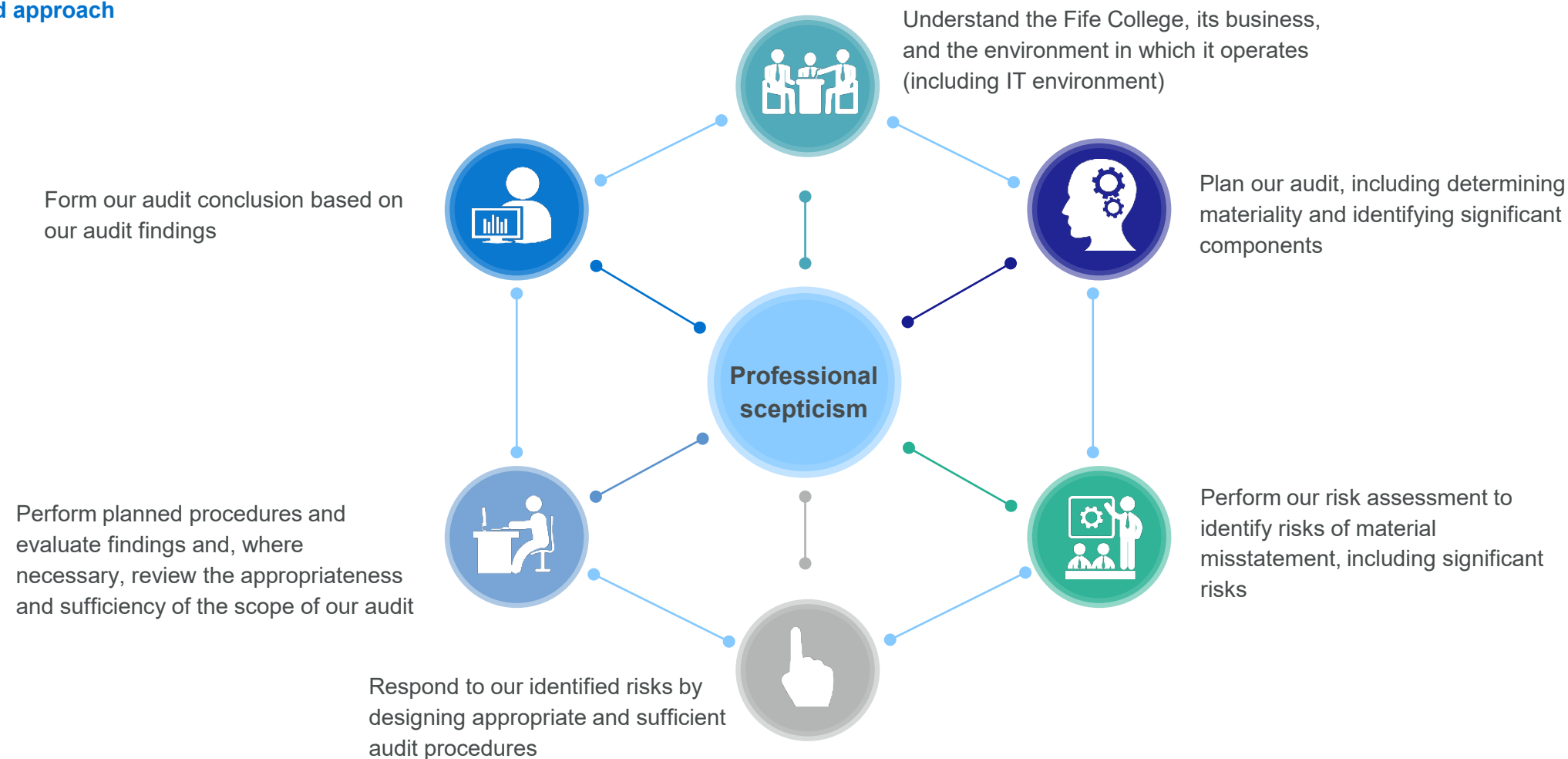
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Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based approach



Audit scope, approach, and timeline (continued)

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit. We have also provided, later in this report, a table setting out the procedures we perform for the significant financial statement areas.

Audit scope, approach, and timeline (continued)

Management’s and our experts

Management makes use of experts in specific areas when preparing the Fife College’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit pension liability and associated accounting entries and disclosures required by FRS 102.	Actuary – Hymans Robertson LLP	We will consider the reasonableness of the actuarial assumptions made, referring to our in-house pension scheme experts
Valuation of land and buildings required under SFC Accounts Direction.	Valuer – FG Burnett	We will consider the reasonableness of their valuation method and the assumptions made during this valuation

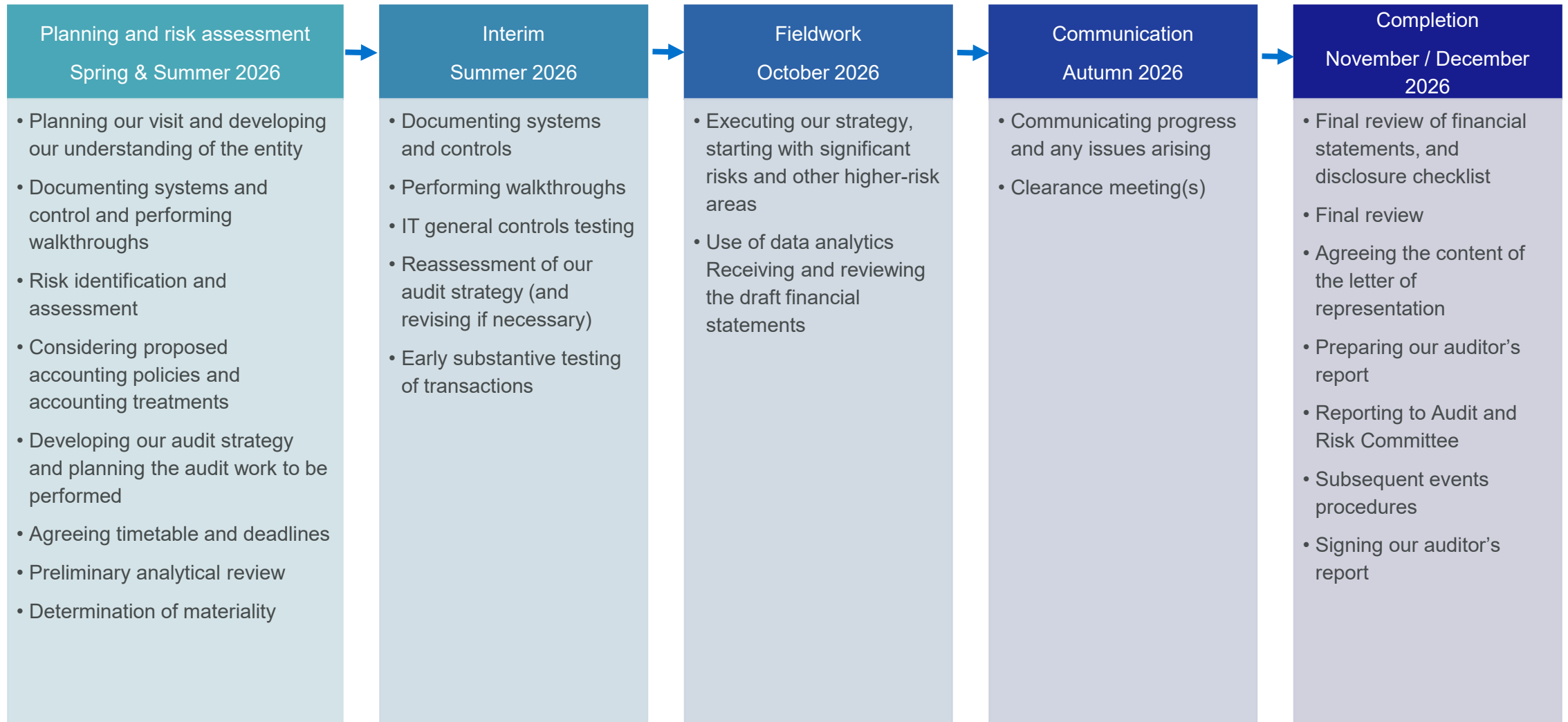
Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Fife College that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We confirm that Fife College does not use any service organisations.

Reporting to Audit Scotland

During the year we will continue to make returns to Audit Scotland as they collect data to establish the impact on the further education sector and feed into any national reporting as required.

Audit scope, approach, and timeline



Audit scope, approach, and timeline (continued)

Audit approach for significant financial statement areas

Our audit approach on significant financial statement areas is set out below.

Financial statement area	Significant risk	Key judgement area or enhanced risk	Testing of controls	Substantive procedures	Comments
Income	Yes	No	No	Yes	Risk of fraud in revenue recognition – Page 24
Expenditure	No	No	No	Yes	
Wages & salaries	No	No	No	Yes	
Tangible fixed assets	No	Yes	No	Yes	Valuation of land and buildings – Page 26
Receivables	No	No	No	Yes	
Cash	No	No	No	Yes	
Payables	No	No	No	Yes	
Pension provision	Yes	Yes	No	Yes	Defined benefit pension scheme assets – Page 24 Defined benefit pension scheme assumptions – Page 25
Other provisions	No	Yes	No	Yes	Early retirement provision – Page 25 Valuation of job evaluation provision – Page 27
Reserves	No	No	No	Yes	

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to Audit and Risk Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements (continued)

Materiality (continued)

We consider that total income is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using total income as the benchmark.

We expect to set a materiality threshold of 1.75% of total income.

As set out in the table below, based on currently available information being the 2025 financial statements we anticipate overall materiality for the year ended 31 July 2026 to be in the region of £978k (£1,118k in the prior year), and performance materiality to be in the region of £734k (£838k in the prior year). The materiality calculation for 2025/26 will be revised to be based on the actual income figure included in the financial statements.

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Fife College’s single-entity financial statements

	2025/26 £'000s	2024/25 £'000s
Overall materiality	978	1,118
Performance materiality	734	839
Clearly trivial	29	33

Materiality and misstatements (continued)

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to Audit and Risk Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £29k, based on 3% of overall materiality. If you have any queries about this, please raise these with Michael Speight.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to Audit and Risk Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to Audit and Risk Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Definitions

Following the risk assessment approach set out in the ‘*Audit scope, approach, and timeline*’ section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Risk Level	Definition
Significant	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.
Enhanced	An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to: • Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and • Risks relating to other assertions and arising from significant events or transactions that occurred during the period.
Standard	A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas (continued)

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to Audit and Risk Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Management override of controls	Yes	No	Yes	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.	In line with our methodology, we plan to address the management override of controls risk through performing audit work over: • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas (continued)

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Risk of fraud in revenue recognition	Yes	Yes	No	For Fife College we see the risk of fraud in revenue recognition as being principally in relation to: Cut-off of the non-core grant income and other non-grant income generated by the College. The risk has been rebutted in relation to the core grant income received by the College, given the highly regulated nature of this income, and therefore the lower inherent and fraud risks associated with it.	We will address this risk by performing audit work over: - the design and implementation of the controls management has in place to ensure income is recognised in the correct period; - cash receipts around the year end to ensure they have been recognised in the right year; - the judgements made by management in determining when non-grant income is recognised; - for major grant income, obtaining counterparty confirmation; and - expected credit loss provisions applied to receivables at the year end, considering the appropriateness of judgements made by management.
3	Defined benefit pension	No	Yes	Yes	There is a significant asset value used in calculating the Fife Council Pension Fund (FCPF) position as at 31st July 2026 and due to the nature of the pension scheme there is significant complexity in identifying the College's share of the assets. The complexity is created by factors such as: - The types of assets held by the pension scheme and their valuation bases; and - The calculation of the College's share of the overall Scheme assets requiring the rolling forward of quarter-end valuations.	We will address this risk by obtaining confirmation from the pension fund of the total value submitted to the actuary and details of how the College's share of assets has been calculated. We will then review this confirmation and consider if the information provided is sufficient and challenge any inconsistencies noted.

Significant risks and other key judgement areas (continued)

Other key areas of management judgement and enhanced risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
4	Defined benefit pension scheme assumptions	No	Yes	Yes	The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Fife Council Pension Fund (FCPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS scheme and it is therefore accounted for as a defined contribution scheme. The College's share of the FCPF's underlying assets and liabilities is identifiable and the net position is recognised in the accounts. There are significant assumptions used in calculating the value of the liability element of the year-end position of the FCPF.	We will consider the actuarial assumptions used by the actuary when calculating the liability element of the year-end position of the FCPF. We will utilise our internal Actuarial Valuations team in order to assess the validity of these assumptions, both individually and in combination with each other. We will seek from management information to support the membership numbers included in the Actuarial report and understand how management have gained comfort that the data is correct.
5	Early Retirement Provision	No	Yes	Yes	The College includes a provision in their financial statements in respect of staff who receive an enhanced pension for accepting early retirement. The calculation of the value of this provision uses a model which incorporates actuarial assumptions.	We will consider the actuarial assumptions used by the actuary when calculating the provision value.

Significant risks and other key judgement areas (continued)

Other key areas of management judgement and enhanced risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
6	Valuation of land and buildings	No	Yes	Yes	The College held land and buildings with a net book value of £75.9m as at 31 July 2025. In line with the requirements of the Government Financial Reporting Manual, the College has adopted a revaluation policy of an external valuation every year as there was no cost saving from obtaining an interim valuation compared to a full valuation. For the 2026 year-end FG Burnett (Chartered Surveyors) will provide the College with a valuation which will be used to update the carrying values. Our understanding at this stage is that the intention is that this will be a desktop valuation, apart from the new Dunfermline City Campus which will obtain a full valuation. We understand that a review of the estates floorspace is currently taking place and this will be factored into the consideration of the relevant properties. The College policy meets the requirement of the FE SORP that assets are valued sufficiently regularly so that the carrying value of the asset is not materially different from its fair value. Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.	We will undertake a range of substantive procedures including: • In the event an interim valuation takes place as opposed to a full valuation we will review of management's assessment as to whether the interim valuation sufficiently takes account of changes to land and buildings since the most recent full valuation undertaken at July 2026; • Challenging the assumptions within the valuation prepared by management's expert through reference to external sources such as the BCIS average prices index as well as our own understanding of the estate; • review of the reconciliation between the College's asset register and general ledger; and • consider the College's impairment review process for land and buildings.

Significant risks and other key judgement areas (continued)

Other key areas of management judgement and enhanced risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
7	Valuation of job evaluation provision	No	Yes	Yes	Following the release of the final 2023/24 Accounts Direction for Scottish Colleges the accounting treatment for the Job Evaluation Scheme was updated in the 2024 financial statements with the removal of the debtor and reclassification of the creditor to provisions. It is expected that the 2025/26 Accounts Direction, when released in June/July, will require Colleges to account for the Scheme in an equivalent manner. The historic creditor was calculated using figures extracted from the Funding Allocation Letter although in recent years no separate figure has been provided to Colleges. As such the calculation of the provision requires Colleges to exercise judgement as to the quantum of the provision giving consideration to changes to staffing and pay levels since 2018.	We will consider a range of substantive procedures including: • Considering the proposed treatment against the requirements of the 2025/26 Accounts Direction; • Considering the consistency between the proposed treatment and FRS 102; • Considering the appropriateness of the basis of calculation of the provision; • Considering whether the computation of the job evaluation provision appropriately takes account of all relevant considerations.

Significant risks and other key judgement areas (continued)

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek Audit and Risk Committee's views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between Fife College and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

Based on our assessment of the extent to which the internal audit function's organisational status and relevant policies and procedures support the objectivity of the internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control, we do not expect to use the work of the internal audit function for the purpose of our audit.

Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

Wider scope and Best Value

Wider scope and Best Value

The framework for wider scope work

The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. We are required to form a view on the adequacy of the Fife College’s arrangements in four areas:

- 1. Financial management
- 2. Financial sustainability
- 3. Vision, leadership, and governance
- 4. Use of resources to improve outcomes

Financial management	Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Auditors consider whether the body has effective arrangements to secure sound financial management.	Vision, leadership and governance	Audited bodies must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation. Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. They also consider the effectiveness of governance arrangements for delivery.
Financial sustainability	Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs. Auditors consider the extent to which audited bodies have shown regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so that it can continue to deliver services.	Use of resources to improve outcomes	Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

Wider scope and Best Value (continued)

Wider scope risks

The Code of Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the wider scope audit.

Although we have not fully completed our planning and risk assessment work, we have not identified any wider scope audit risks to date. If we identify any wider scope audit risks as our work progresses, we will report details of them to the Audit and Risk Committee on completion of our planning and risk identification work.

Description		Financial management	Financial sustainability	Vision, leadership and governance	Use of resources to improve outcomes	Planned procedures
1	Financial sustainability We are aware that the overall College Sector in Scotland is having to respond to the financial pressures of inflating costs in a period when core grant income has been flat. We have been made aware that the College is projecting a full-year position for 2025/26 with a significant adjusted operating deficit of £0.63m prior to further remedial actions being implemented to minimise outgoing costs and maximise income. Given the level of sector wide uncertainties around the sufficiency of future funding and of the general economic environment that has arisen there is a risk the timing of the future funding gap could be accelerated and / or additional long-term funding may not be made available by the SFC. However, the draft College budget allocations announced in March 2026 include additional uplift funding, resulting in £5m of funding for Edinburgh College, which is expected to address the funding gap in the short term.	No	Yes	No	No	We intend to consider: - the monitoring of the effectiveness of internal control arrangements; - Whether the College’s budgetary control system is timely and accurate; and - whether and how the College has assessed their financial capacity and skills.

07

Audit fees and other services

Audit fees and other services

Our fees (inclusive of VAT but exclusive of disbursements) for the audit of Fife College’s financial statements for the year ending 31 July 2026, are outlined below.

At this stage of the audit, we are not planning any divergence from the expected fees set by Audit Scotland, which is available on the Audit Scotland website:

Area of work	2025-26 Proposed Fee	2024-25 Actual Fee
Auditor remuneration	£58,950	£56,790
Pooled costs	(£7,140)	(£7,170)
Sectoral cap adjustment	£7,240	£6,990
Total fees	£59,050	£56,610

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and Fife College that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of Fife College and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner

Confirmation of our independence

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with me in the first instance.

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Framework Agreement issued by Audit Scotland available from the Audit Scotland website: [Audit Scotland Framework Agreement \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/framework-agreement). Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.

Any emerging independence threats and associated safeguards we identify or put in place will be communicated to you in our Annual Audit Report.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

Appendix A: Key communication points

We value communication with you, as a two-way feedback process is at the heart of our client service commitment. ISA (UK) 260 Communication with Those Charged with Governance and ISA (UK) 265 Communicating Deficiencies In Internal Control To Those Charged With Governance And Management specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Annual Audit Plan in June 2026;
- Our Annual Audit Report in November 2026; and
- Our independent auditor's report in December 2026.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Annual Audit Plan

Our responsibilities in relation to the audit of the financial statements;

- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;

- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Annual Audit Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 Communication with Those Charged with Governance, ISA (UK) 265 Communicating Deficiencies In Internal Control To Those Charged With Governance And Management and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Annual Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Annual Audit Plan
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Annual Audit Report
With respect to fraud communications: • Inquiries with Audit and Risk Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Annual Audit Report and discussion at Audit and Risk Committee Audit planning and clearance meetings

Appendix A: Key communication points (continued)

Required communication	Where addressed
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Annual Audit Report
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Annual Audit Report
Significant deficiencies in internal controls identified during the audit.	Annual Audit Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off)} and inquiry of Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that Audit and Risk Committee may be aware of.	Annual Audit Report and Audit and Risk Committee meetings

Appendix A: Key communication points (continued)

Required communication	Where addressed
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Fife College or Audit and Risk Committee in the context of fulfilling their responsibilities.	Annual Audit Report
With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Annual Audit Report

Appendix A: Key communication points (continued)

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off)} and inquiry of Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that Audit and Risk Committee may be aware of.	Annual Audit Report and Audit and Risk Committee meetings
Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm's System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm's System of Quality Management: • Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm's root cause analysis and remediation functions, etc.) • Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality • Evaluate responses and remediate control gaps or deficiencies We perform an evaluation of our system of quality management on an annual basis. Details of that assessment and our conclusion as of 31 August 2025 are set out in our 2024/2025 Transparency Report, which is available on our website here.	Annual Audit Plan

Appendix B: Current year updates, forthcoming accounting & other issues

Effective for accounting periods beginning on or after 1 January 2027

IFRS 18 Presentation and Disclosure in Financial Statements

The standard was UK-adopted in December 2025, and the date of incorporation into the Code is not confirmed, though expected to be within the 2028/29 financial year. It is not yet confirmed what interpretations and adaptations HMT will determine are necessary for implementation in the public sector. We have provided an outline of the main changes arising from IFRS 18 as unadapted and without interpretation and will provide an update on the expected impact on Fife College as and when detail is available as to when and how the standard is incorporated into the Code.

IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

1. New categories and subtotals for inclusion within the statement of profit or loss
 - Income and expenses are to be classified into three new defined categories: operating, investing and financing, in addition to the income taxes and discontinued operations categories.
 - All companies are to present new defined subtotals – operating profit and loss, and profit or loss before financing and income taxes.
2. New reporting requirements on Management Performance Measures (MPMs)
 - New requirements are introduced for management-defined performance measures (MPMs), which may also be called Alternative Performance Measures (APMs). These are described as subtotals of income and expenses that an entity: (a) uses in public communications outside financial statements; (b) uses to communicate to users of financial statements management's view of

an aspect of the financial performance; and (c) are not listed within IFRS 18 or specifically required to be presented or disclosed by another IFRS Accounting Standard.

- All MPMs are required to be disclosed in a single note in the financial statements setting out:
 - an explanation of why the MPM is reported, and
 - a reconciliation to a directly comparable GAAP measure within IFRS 18 or another IFRS Accounting Standard.

3. Enhanced requirements for aggregation & disaggregating information
 - Enhanced requirements are set out for the aggregation and disaggregation of items based on similar and dissimilar characteristics. Items that have dissimilar characteristics must be disaggregated when the resulting information is material. Guidance is also included on how to describe items within the financial statements, requiring an entity to label items presented or disclosed as 'other' only if a more informative label cannot be found.
 - New guidance is provided on whether information should be reported in the primary financial statements or the notes. This includes guidance on presentation and disclosure of expenses classified in the operating category, alongside introducing more prescribed requirements for an entity that classifies expenses by function as well as the requirement to disclose expenses by nature in a single note for certain amounts - depreciation, amortisation, employee benefits, impairment and write-downs of inventories

Many principles and requirements have been brought forward from IAS 1 to IFRS 18 such as frequency of reporting, comparative information, offsetting, capital disclosures and the requirements for the statement of financial position and for the statement of changes in equity.

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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