Annual Audit Report
to the Board of Governors and the
Auditor General for Scotland

West Lothian College
Year ending 31 July 2022

mazars

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1 December 2022

Dear Members,

Annual Audit Report – Year ended 31 July 2022

We are pleased to present our Annual Audit Report for the year ended 31 July 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Audit Committee on 23 June 2022. We have reviewed our Audit Strategy Memorandum and subsequent Audit Progress Report and concluded that the significant audit risks and other areas of management judgement documented therein remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact Mazars LLP.

Yours faithfully

Mazars LLP

1. Executive summary

Purpose of this report and principal conclusions

This Annual Audit Report sets out the findings from our audit of West Lothian College ('the College') for the year ended 31 July 2022 and forms the basis for discussion at the Audit Committee meeting on 1 December 2022.

Our responsibilities are defined by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice ('the Code') issued by Audit Scotland. We have thefollowing conclusions:

Opinion on the financial statements	We issued an unqualified opinion, without modification, on the financial statements.
Opinion on regularity	We issued an unqualified regularity opinion, meaning that in our opinion, in all material respects the expenditure and income recognised in the financial statements have been applied for the purposes intended.
Opinion on other requirements	We issued an unqualified opinion on the matters prescribed by the Auditor General for Scotland. Namely, that the remuneration and staff report, performance report and governance statement have been properly prepared in accordance with the relevant legislation.
Wider scope work	We concluded as follows against wider scope dimensions for smaller bodies: • The College has adequate financial planning arrangements in place, including budgetary control, that help the Board members scrutinise finances. However, given the overall sector financial position, we consider that the College's ability to remain financially sustainable over the medium to longer term, without significant additional funding or cost cutting, is a concern; and • The College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board of Governors, which are appropriately reflected in their governance statement.

Status of our audit work

We have completed our work on the financial statements and wider scope work for the year ended 31 July 2022.

Internal control recommendations and misstatements

We did not identify any significant control weaknesses during our audit and have not raised any internal control recommendations. There were also no internal control recommendations from prior years to provide an update on.

To date we have not identified any misstatements through our audit work. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum on 23 June 2022. We then presented our Audit Progress Report on 15 September 2022 which detailed changes made to our strategy due to the proposed revaluation of the College's land & buildings, which due to the level of judgement involved in a valuation, we classified as a significant risk of material misstatement for our audit. We have not made any changes to our audit approach since we presented our Audit Progress Report.

Adding value through the audit

We recognise that all of our clients want us to provide a positive contribution to meeting their ever-changing business needs. Our aim is to add value to West Lothian College through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the College promote improved standards of governance, better management and decision making and more effective use of limited financial resources.

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We set materiality at the planning stage of the audit at £422,000 using a benchmark (2%) of total expenditure. Our final assessment of materiality, based on the draft financial statements is £471,000 using the same benchmark.

	Initial Threshold £'000	Final Threshold £'000
Overall materiality	422	471
Performance materiality	337	377
Trivial threshold for errors to be reported to the Audit Committee	13	14

The 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 the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Performance Materiality

Our audit testing is based on a level of performance materiality, which is a percentage of overall materiality, but also dependent on the level of inherent risk assessed on the area being tested. It is lower than overall materiality as it helps to reduce the risk that the total of the uncorrected or undetected misstatements does not exceed materiality for the financial statements as a whole. It is based on between 50 – 80% of overall materiality depending on the inherent risk level assessed. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider 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. This level was set at 3% of materiality.

2. Audit of the financial statements

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum an Audit Progress Report;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the College's financial statements that required special audit consideration. Although our report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. Following the decision by management to undertake an interim valuation of the land and buildings, a significant risk was added in relation to the revaluation. This was communicated to the Audit Committee as part of our Audit Progress Report.

Management override of controls

Description of the risk

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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Satisfactory assurance has been gained in respect of the presumed risk of management override of controls. We have no matters to report.

Revenue recognition

Description of the risk

There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when grant income should be recognised and if clawback conditions apply to the funding.

This risk only applies to the non-grant income generated by the College. The risk has been rebutted in relation to grant income received by the College, given the highly regulated nature, and therefore the low inherent risk of this income.

How we addressed this risk

We addressed this risk through performing audit work over:

- The design and implementation of controls management has in place to ensure income is recognised in the correct period;
- Cash receipts around year end to ensure they have been recognised in the appropriate year;

  The judgements made by management in determining when non-grant income is recognised;
- For major grant income, obtaining counterparty confirmation.

Audit conclusion

Satisfactory assurance has been gained in respect of the presumed risk of error in revenue recognition. We have no matters to report.

Expenditure recognition	**Description of the risk** For public sector organisations, the same risk in relation to fraud and error in respect of the timing of recording of transactions can apply to the recognition of non-payroll related expenditure and contractual obligations. The pressure to manage expenditure to ensure that budgeted outcomes are achieved increases the risk surrounding fraudulent reporting of expenditure.
	How our audit addressed this risk We have undertaken a range of substantive procedures including: • The design and implementation of controls management has in place; • Testing of non-payroll expenditure around the year end to ensure transactions are recognised in the appropriate year; • Testing material year end payables, accruals and provisions; and • Reviewing judgements about whether the criteria for recognising provisions are satisfied.
	Audit conclusion Satisfactory assurance has been gained in respect of the risk of error in expenditure recognition. We have no matters to report.

Valuation of land and buildings	**Description of the risk** The financial statements contain material entities for land and buildings. Land and buildings will receive an interim valuation as at 31 July 2022. It is likely that the revaluation amounts will be material to the financial statements. Valuations will be performed by an expert valuer. The valuation, performed as at 31 July 2022, valued the College land and buildings at £21.39m.
	How our audit addressed this risk We have undertaken a range of substantive procedures including: • Examining the professional qualifications of the valuer; • Challenge and substantiate the assumptions and the appropriateness of the date of the valuation used by management's valuer in completing the valuations; • Considering the impact of any uncertainty arising from the professional valuation of College land and buildings, assessing against third party benchmark information where appropriate; • Ensuring that valuations and impairments have been completed on the correct basis for each item and that movements are in line with expectation; and • Assessing whether the report produced by the valuer has been correctly reflected in the accounts.
	Audit conclusion Satisfactory assurance has been gained in respect of the valuation risk in relation to land and buildings. We have no matters to report.

Key Areas of Management Judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas ofmanagement judgement represent other areas of audit emphasis.

Valuation of Pension Liabilities

Description of area of focus

The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Lothian Pension Fund (LPF). 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 and it is therefore accounted for as a defined contribution scheme.

The College’s share of the LPF’s underlying assets and liabilities is identifiable and is recognised in the accounts.

Given the scale of the liability recognised, a misstatement in the reported position could be material to the financial statements.

How we have addressed this area of management judgement

We have addressed the risk by:

- Considering the arrangements put in place, including existence of any relevant controls, for making estimates in relation to pension entries within the financial statements.
- Considering the reasonableness of the actuary's assumptions used in providing the College with information in the financial statements through the use of our internal experts.

Audit conclusion

There have been no other significant findings arising from our review of the defined benefit valuation and disclosures in the financial statements.

Financial Performance

The College is required to report financial performance under the HE/FE SORP, resulting in the reported deficit of £2,636k in the Statement of Comprehensive Income. However, as a central government body, the College is also required under the Accounts Direction from the Scottish Funding Council to report financial performance as an 'adjusted operating position'. We set out these required positions below.

	2021-22	2020-21
Operating income	20,904	19,339
Staff costs	(16,406)	(15,232)
Operating expenditure	(7,134)	(5,849)
Operating Deficit for the year (FE/HE SORP basis)	**(2,636)**	**(1,742)**

Operating income has increased by £1.5m in the year. This is mainly as a result of £1.5m increase in the SFC Teaching & fee waiver grant and £400k increase in other income, offset by £300k decrease in SDS contracts.

The SFC main grant increase is due in part to an additional grant this year for the Foundation Apprenticeships of £740k – this is due to SFC taking over the responsibility for the funding delivered directly through the College, which links to the decrease in the SDS funding which included the Foundation Apprenticeships. The remaining increase of ~£750k is due to a general increase in funding which is applied to all Colleges due to increased funding from the Scottish Government.

Other income has improved this year due to the Campus being open and operational for a large proportion of the academic year which has had a positive impact on in-person activities and thus increased revenues from catering and health and beauty treatments.

Staff costs increases are due to an increase in staff numbers during the year (which would account for around £400k of the increase), alongside general payrises and an increase in the pension made for FRS 102 (which is an accounting exercise and has increased by around £300k).

Operating expenditure has increased by £1.3m from the previous year. This is mainly due to the additional investment made in the College during the year, which includes investment in digital infrastructure, and creation of a Digital Health Suite. Rising utility costs and inflation have also impacted on general costs throughout the year.

While showing an accounting deficit, we highlight that:

- The College met, and exceeded, its student credit target confirming the level of funding in the financial statements;
- The College achieved its financial targets in line with its plan; and
- The original budgeted figures were adjusted in June following the decision to invest in the estate as highlighted above, this then resulted in the deficit which was communicated to the SFC.

Adjusted operating position

The table above sets out the financial position in accordance with the SORP requirements. The table below reflects the ‘adjusted operating position’ as required by the Accounts Direction set by the SFC. The adjusted operating position removes more volatile accounting entries, such as the valuation of pensions and those that do not have an immediate cash impact on the College. Full details of the adjustments included are shown on page 15 in the accounts.

	2021-22	2020-21
Deficit before other gains and losses	(2,636)	(1,742)
Add back:		
- Depreciation (net of deferred capital grant release)	409	625
- Pension adjustment – Net service cost (FRS 102)	2,071	1,781
- Pension adjustment – Net interest cost	265	264
Deduct:		
- CBP allocated to Early Retirement payments	190	190
Adjusted operating (deficit)/surplus	**(81)**	**738**

As highlighted above, the College adjusted their budgeted figures to invest in the future of the College which resulted in the adjusted operating deficit. This was a strategic decision to ensure the College continues to meet the needs of its students and the wider community and was deemed to be essential.

It is considered that the College is operating sustainably within its funding allocation.

Qualitative aspects of the entity’s accounting practices

We have reviewed the College’s accounting policies and disclosures and concluded they comply with the requirements of the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education and the Government Financial Reporting Manual 2021/21 and were appropriately tailored to the College’s circumstances.

Draft financial statements were received from the College on 12 October 2022, prior to the start of audit fieldwork. The draft annual report was received during fieldwork on 25 October 2022. Both draft financial statements and draft annual report were of a good quality.

Producing quality supporting working papers is a crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. Working papers provided for audit were of a good standard and staff were responsive to our requests during the audit.

Significant matters discussed with management

At 31 July 2022 the College's share of the Lothian Pension Fund was recorded as a notional surplus as the value of the defined benefit obligation was less than the fair value of the plan assets at that date, meaning that the pension liability usually recorded is now a pension asset. We have had discussions with management as to the most appropriate accounting treatment and disclosure of the pension asset.

Significant difficulties during the audit

We completed our audit mostly remotely with two onsite visits to the College. During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. The draft accounts, working papers and annual report were all provided in line with the agreed timetable. We would like to express our thanks to management and officers for their co-operation throughout the audit.

3. Wider Scope

Our approach to Wider Scope work

The Code requires us to conclude and make a judgement on the four dimensions of wider scope work. These are:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

In recognition that audit work should be risk based and proportionate to the nature and size of the audited body, the Code allows auditors to determine whether application of the full wider scope work is appropriate in smaller bodies. At the planning stage, we considered that the audit of West Lothian College should be carried out under the small body provisions of the Code. We have reached this conclusion through our assessment of:

- the relative size of the College;
- the relative simplicity of the College's functions;
- the College's risk profile; and
- the results of our full review of wider scope dimensions in 2016/17 and audit work performed in subsequent years that did not indicate any areas of higher risk.

In line with the Code requirements, our work has therefore focused on financial sustainability and the governance statement. This is concluded on in the following pages.

Financial sustainability

Dimension

Financial sustainability extends the going concern assumption from the financial statements, looking forward two to five years, reviewing and assessing arrangements for financial planning and affordable and sustainable service delivery in this timescale.

Our conclusion

West Lothian College has adequate financial planning arrangements in place, including budgetary control, that help the Board members scrutinise finances. However, given the overall sector financial position, we consider that the College's ability to remain financially sustainable over the medium to longer term, without significant additional funding or cost cutting, is a cause for concern.

Financial Planning

This year, the College has produced a five-year Financial Forecast Return (FFR) to the SFC in line with current SFC guidance.

	Forecast 2022-23 £'000	Forecast 2023-24 £'000	Forecast 2024-25 £'000	Forecast 2025-26 £'000	Forecast 2026-27 £'000
Adjusted operating (deficit) /surplus	(415)	168	287	406	525

Through the FFR process and other financial reporting throughout the year, the College and its Board of Governors have a clear view of the financial challenges and long-term risks faced. FFR planning assumptions, as advised by the SFC, have been considered fully before use.

The FFR approved by the Board in September 2022 projected a deficit of £415k for the 2022-23 year. The FFR for this period includes providing for the cost of living pay awards in line with public sector pay policy, and for the expected cost of implementing the support staff and middle managers job evaluation (as the expectation is that this would be paid in 2023). The outcome of this remains uncertain, and if negotiations result in higher levels than expected, this would have a further negative impact on the budget for 2022-23.

These are the main reasons for the deficit projection for 2022-23.

Further detail on the College's five year forecast is included in the table below:

	Forecast 2022-23 £'000	Forecast 2023-24 £'000	Forecast 2024-25 £'000	Forecast 2025-26 £'000	Forecast 2026-27 £'000
Total Income	21,956	21,197	21,197	21,197	21,197
Staff costs	(15,961)	(14,650)	(14,421)	(14,189)	(13,956)
Total other expenditure	(6,577)	(6,547)	(6,657)	(6,769)	(6,883)
Operating (deficit) / surplus before other gains and losses	**(582)**	**0**	**119**	**238**	**357**
Add back: Depreciation – net of deferred capital grant	357	358	358	358	358
Less: Cash based priorities allocated to loan repayments	(190)	(190)	(190)	(190)	(190)
Adjusted Operating Surplus / (Deficit)	**(415)**	**168**	**287**	**406**	**525**

Aside from 2022-23 as highlighted above, the FFR shows a surplus throughout this timeframe. These results are based on the assumptions provided by the SFC and are not deemed to be a fixed forecast or strategic plan. The College is actively considering a range of options in relation to the coming years, and will continue to work to refine the income and costs reflected in their financial plans to better reflect actual expectations.

The figures above are based on the following

- Income assumptions for grants are provided by the SFC. This assumes that SFC grant income for 2023-24 onwards will be in line with the 2022-23 levels – will be against a core credit target of 45,466;
- Young Person's Guarantee grant income will not continue after 2022-23 (projected £597k for 2022-23);
- Tuition fees are expected to remain at 2022-23 levels – historically budgeted tuition fee levels have been in line with actual results and so this expectation is deemed to be reasonable;
- Children's Hearing Scotland contract is in place until September 2023 so income and costs are included in relation to this for this period. This will be re-tendered in 2023-24 so the future position is uncertain. The College has included expected income and costs in the 2023-24 periods onwards under the expectation that due to the long-standing relationship and continued good service provided by the College, they will retain the contract;
- Other commercial income is expected to increase in 2022-23 from results achieved in 2021-22. This relates to the hair and beauty salon, training restaurant and the campus café which

were all severely impacted by campus closures and restrictions during Covid. 2022-23 will therefore be the first full year of operation in several years, and will benefit from the upgrades to the facilities with the café and hair and beauty salon. From 2023-24 onwards the expectation is that this will remain at 2022-23 levels;

- Staff costs are expected to increase in line with the assumptions provided by the SFC, namely following the public sector pay policy for 2022-23, then 2% uplift annually over the following years;
- Cost savings are however required in staff costs to enable a balanced budget – the College is actively considering a range of options to approach this and if appropriate, a planned VS scheme is among one of several considerations;
- Non-staff costs for 2022-23 are based on detailed costings by budget holders, with an inflationary increase (as advised by the SFC) applied for 2023-24 onwards;
- Loan payments (£158k per annum) due to SFC have been suspended until July 2026, following the payment in 2020/21. Amounts that would have been paid to the SFC are planned to be invested into College estates;
- Cash levels are expected to be maintained at £750k going forward – cash balance is currently high due to cash held in anticipation of payment of the job evaluation amounts in 2023.

As alluded to above, staff costs on an ongoing basis will be difficult to fund given the increases expected with (at present) no corresponding rise in grant income. Management have looked at two scenarios based on using the assumptions as advised by the SFC in relation to staff costs with no action taken, and the second scenario which includes a potential reduction in staff numbers to achieve a balanced budget. Either scenario would be unsustainable for the College to be able to deliver on SFC and other targets, and it is clear that there will be updates to the plan as the years progress.

Looking ahead to the upcoming years, Management and the Board of Governors are fully committed to exploring all efficiency saving possibilities, new sources of commercial income and consideration of changes to working practices. The College Leadership Team has embarked on scenario planning activities to work towards a balanced budget, and this will be an ongoing project with a full day session planned in December 2022 focusing on this. It is undeniable there are significant challenges to overcome to enable the College to continue operating effectively and return a balance budget going forward.

The recovery from Covid-19 provides an additional risk for the College in achieving a balanced budget over the FFR period where any efficiencies able to be generated in this time may not be sufficient to address a growing funding gap – if, for example, projections around commercial income cannot be achieved.

This is a sector-wide risk relating to uncertainties resulting from the impact of Covid-19, given the College has an existing known future funding gap and required savings in their plan, we understand the College will require to make further efficiency savings/require to obtain additional income to achieve financial sustainability.

Until such time as either additional funding is made available or the College is able to identify and implement additional cost efficiencies, we therefore consider there to be concerns over the financial sustainability of the College.

Asset Management and Estates Strategy

During 2020-21 the College produced its 5-year Learning Estates Plan which captures the estates developments required to deliver on curriculum plans and give students the best possible learning experience. The Learning Estates Plan is designed to complement the College strategic and operational plans and its key aim is to ensure maintenance of high-quality fit for purpose facilities, minimum environmental impact and operational sustainability. The Board of Governors, through the Finance & General Purposes Committee, will monitor the strategy. The Strategy is already well under way, with major changes made in 2021-22 and already planned for 2022-23.

<u>National estates survey</u>

Gardiner & Theobald were appointed by the Scottish Funding Council in January 2017 to provide a summary of the conditions of the estates within the Scottish Further Education sector. Overall, across Scotland the total gross estimated backlog was £363 million.

The West Lothian College survey showed an estimate of £2 million of costs over the 5-year period from 2018-19 to 2022-23, with only £17k being identified as urgent. The report states that expenditure of this level is to be expected with buildings approaching 20 years old. The work marked as urgent has already been completed, and the remaining works are currently being planned. During the year, £52k was received in relation to high priority backlog maintenance and £326k for lifecycle maintenance.

For 2021-22, an additional capital grant of £660k was awarded to the College from the SFC for further estate investment.

The grant was used to:
- Complete the reconfiguration of the main building (No.1 on the Square) by extending the main entrance to the building;
- Complete the extension and enhancement of the engineering workshop facilities by creating additional space to accommodate an increased demand for electrical apprenticeships; and
- Purchase industry standard engineering equipment to enhance the learning experience for students.

The Board also approved plans to invest £350k for creation of a digital health suite, and to reconfigure the former executive suite to create a space to support the delivery of learning and teaching to students with additional needs, and these were completed in 2021-22.

Towards the end of the 2021-22 year, the Board approved further investment plans – this then meant the College reported an adjusted operating deficit, but this was expected and was deemed to be the priority.

Looking ahead, the College has secured funding from West Lothian Council's Place Based Funding allocation from the Scottish Government to build an ECO House in 2022-23. This will be a state-of-the-art training facility that supports the development of skills, knowledge and practical experience in sustainable construction as well as efficient and effective renewable energies, all underpinned by current and new technologies.

We consider that appropriate attention is given to the estate and assets and their continued development and improvement, and that their maintenance is factored into long term plans and discussions.

Governance statement

Dimension

The Governance Statement sets out the internal control arrangements and governance framework in place for the year under review.

Our conclusion

West Lothian College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board of Governors, which are appropriately reflected in their governance statement.

Governance arrangements

Our work in this area has considered the overall governance arrangements in place at the College, reviewed the financial and performance reporting to the Board of Governors, and reviewed the minutes of committees to inform our assessment of the appropriateness of the governance structure. We have also attended Audit Committees during the year.

Financial papers submitted to committees are relevant and timely. Each paper has a summary setting out the purpose of the paper and the action required by the members. Minutes are understandable and contain detail of discussions and rationale for decision making.

At 31 July 2022, the Board consisted of 17 members, 9 female (including the Principal) and 8 male. In the current year the Board has not maintained a gender balance that meets with the objective of the Gender Representation on Public Boards (Scotland) Act 2018.

The College do aim to have equality and diversity in their board representation (and in fact did achieve the objective in the previous year), and this is considered actively at each round of recruitment alongside the strengths and skills required for the role to ensure the Board has sufficiently qualified and skilled members. It can be difficult to ensure an equal gender split of members depending on the applications for the vacancies the Board receive at the time of vacancy.

The key committees' membership comprises of, and are chaired by Board members, with each also containing the Principal, with the exception of the Audit Committee. In addition, the Chair of the Board is also not permitted to be a member of the Audit Committee. Appropriate College officers attend committees and present reports as required.

During the year to 31 July 2022, Board and Committee meetings were held remotely, as the College embraced a hybrid working environment. In 2022-23 the meetings will return to in-person meetings with the continued option to join remotely to provide flexibility for members and ensure maximum attendance.

Governance Statement

As part of our audit we have read the governance statement included in the annual report. The governance statement sets out the corporate governance framework in place throughout the reporting year, the internal controls in operation, the work of internal audit and the overall efficiency and effectiveness of the governance framework.

The governance statement confirms the College's compliance with the 2016 Code of Good Governance for Scotland's Colleges.

We are required to read and provide an opinion on the governance statement. In our opinion, the information contained within is consistent with the financial statements. We also consider that the governance statement has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and further directions made by the Scottish Funding Council.

Internal audit

An effective internal audit service is an important element of any organisation's governance arrangements. Internal audit provide the College with independent assurance on internal control and corporate governance processes. The internal audit function at the College is provided by Azets. Internal Audit have attended Audit Committees throughout the year and have produced 5 reports to support the overall Annual Internal Audit Opinion. The opinion given by internal audit was: 'In our opinion, West Lothian College has a framework of internal controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks'.

Transparency

Transparency means that service users and the public have access to understandable information about how the College is making decisions and using its resources. There is a commitment to transparency, with the minutes and papers of the Board of Governors and key committees being available on the website.

4. Our fee

Fees for work as the College's appointed auditor

We reported our proposed fees for the delivery of our work in our Audit Strategy Memorandum, presented to the Audit Committee on 24 June 2022. Having completed our work for the 2021-22 financial year, we can confirm that our final fees are as follows:

Area of work	Proposed fee 2021-22	Final fee 2021-22
Auditor remuneration	15,000	15,000
Pooled costs	790	790
Contribution to Audit Scotland costs	710	710
Total Fee	**16,500**	**16,500**

We confirm that these fees are in line with the scale fee set by Audit Scotland. We also confirm that we have not undertaken any non-audit services for the College in the year.

Appendix A
Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.