

Richard Leonard MSP

Convener

Public Audit Committee

The Scottish Parliament

Edinburgh EH99 1SP

By email: publicaudit.committee@parliament.scot

Date: 17 October 2025

Dear Mr Leonard,

The 2022/23 Audit of Lews Castle College

Thank you for your letter of 19 September 2025 following the Public Audit Committee's consideration of the Section 22 report on Lews Castle College. I appreciate the Committee's continued scrutiny of this matter and the constructive observations it has made regarding resolution of the valuation of the College's interest in *Cnoc Soilleir Ltd* (CSL).

I am pleased to confirm that the valuation issue has now been resolved following a meeting between the College and Deloitte on 10 October 2025.

At that meeting, Deloitte confirmed that—having completed further technical analysis and reviewed the underlying accounting treatment within CSL — they are satisfied that the College's £1 valuation of its 50% interest is acceptable within the requirements of FRS 102. Deloitte have indicated that, while they consider that some value could theoretically be attached to the asset, the recoverable amount would in practice be close to £1 and therefore immaterial. On that basis, they will not qualify their audit opinion on the 2023/24 accounts of UHI North, West and Hebrides.

Deloitte reached this conclusion following provision of further detail on the methodology of the College's valuation of its shareholding in CSL. It is important to note that this valuation methodology focusses on the 'value in use' to the College of the shareholding in CSL, rather than the value of the building, which is an asset on the Balance Sheet of CSL.

Deloitte also corroborated the £1 valuation through an assessment of the accounting policy adopted by CSL for capital grants. CSL has treated all capital grants received as revenue rather than as deferred income released over the life of the related assets. Had the joint venture applied the normal deferred income policy as in the College accounts, the net assets of CSL at 31 July 2024 would have been significantly lower, and the College's 50% share would not have been materially different from the £1 valuation thus not warranting adjustment.

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Accordingly:

- The College's share in CSL will continue to be valued at £1 in its 2023/24 and future accounts.
- Deloitte will complete the 2023/24 audit on that basis without qualification.
- The College has documented the agreed accounting rationale and supporting evidence, which will be shared with the Scottish Funding Council and Audit Scotland for transparency.

This resolution ensures compliance with FRS 102, addresses the Committee's concerns regarding sufficient technical evidence, and enables the presentation of future accounts without qualification.

I would be pleased to provide the Committee with a copy of Deloitte's formal audit opinion once issued to conclude this matter.

Whilst I trust this should address the concerns raised in your letter, I am happy to answer any further questions you or the committee may have in this context.

Thank you again for your engagement and for recognising the College's continued cooperation in resolving this issue constructively and transparently.

Yours sincerely,

Lydia Rohmer

Principal and Chief Executive

UHI North, West and Hebrides

CC:

Derek Lewis, Chair of UHI North, West and Hebrides Board of Management

Vicki Nairn, Principal and Vice Chancellor of the University of the Highlands and Islands