

14 May 2025

Richard Leonard MSP  
Convener  
Public Audit Committee  
Scottish Parliament

Dear Convener

## Scotland's Colleges – update on accounts

This letter provides an update on delayed 2022/23 and 2023/34 accounts and Annual Audit Reports (AARs) for Scotland's colleges.

### Delayed 2022/23 college annual accounts and AARs:

As you will be aware from my Scotland's Colleges 2024 report published in September last year, there were delays to some college annual accounts and Annual Audit Reports (AARs) being finalised. My report was therefore based on our review of the AARs of 14 of the (then) 20 Scottish colleges.

We have now received and reviewed the annual accounts and AARs for the remaining six colleges. This letter provides an update on the reasons for the delays to these accounts and a summary of the financial position of each college.

#### Forth Valley College:

Accounts and AAR received:

15 August 2024.

Reasons for delay:

The appointed auditor issued a qualified opinion on the accounts. This is subject to an ongoing Section 22 report.

#### University of the Highlands and Islands (UHI) colleges:

Accounts and AAR received:

- Moray - Accounts received 23 August 2024 and AAR received 5 September 2024.
- Inverness – Accounts received 20 September 2024 and AAR received 9 October 2024.
- Perth - Accounts received 26 September 2024 and AAR received 17 October 2024.
- Lews Castle – Accounts received 22 January 2025 and AAR received 18 February 2025.
- North Highland - Accounts received 8 April 2025 and AAR received 16 April 2025.

The auditor reported the reasons for the delays as follows:

Aside from Moray College, the UHI colleges were initially delayed due to various reasons including finance team capacity pressures, significant issues in valuations, deferred capital grant and other prior year adjustments. These delays meant that the audits were then impacted by the outcome of the tri-annual valuation of the local government pension scheme (released in February 2024) as the auditor viewed the revaluation in pension assets/liabilities as a material change in the accounts. The pension scheme auditors and college auditor had to carry out further work before the college auditor could conclude the audits. Subsequent delays have been impacted by capacity pressures within audit and finance teams as the audits fell out with their normal timeframe. The audit of Moray College was initially delayed due to unexpected absence within the audit team and a change in scope within wider dimensions.

The longer delays with the Lews Castle College and North Highland College accounts and AARs were due to a lack of responsiveness and staffing challenges at the colleges, and triennial valuation procedures. Auditors were dependant on receiving information from Highland Council on pension assurance. For Lews Castle, there were also technical issues regarding three prior year adjustments.

The appointed auditors for Lews Castle College issued a qualified opinion on the accounts. This is subject to an ongoing Section 22 report.

### Operating surpluses/deficits

The operating surplus/deficit for each college is outlined below. With all colleges now having reported, we can conclude that 17 of the (then) 20 colleges reported an operating deficit in 2022/23.

College	Operating surplus/deficit (£000s)	Operating surplus/deficit as a percentage of income (%)
Forth Valley	-44	0.1
Moray	-408	2.7
Inverness	-390	1.3
Perth	-1,582	5.9
Lews Castle	-330	5.1
North Highland	-767	6.8

### Delayed 2023/24 college annual accounts and AARs:

There are two college audits where the auditor was unable to provide an opinion on the 2023/24 annual report and accounts before the statutory deadline of 30 April 2025.

We received the annual accounts and AAR for Perth College on 1 May 2025. This is now subject to an ongoing Section 22 report

We have yet to receive the 2023/24 annual accounts for UHI North, West and Hebrides College. This means that I will not be able to fully consider the auditors' findings or confirm whether I

intend to prepare a report under Section 22 of the Public Finance and Accountability (Scotland) Act, until later in 2025.

I, or members of my team, would be happy to discuss any of these matters further with you should you require more information.

Yours sincerely

**Stephen Boyle**  
**Auditor General for Scotland**