

## **UHI North, West and Hebrides – Statement to the Public Audit Committee for its meeting on 3 September 2025**

**Submitted: 2 September 2025 by email to the Clerk of the Committee**

### **For the attention of the Committee Convenor**

UHI North, West and Hebrides (UHI NWH) was established on 1 August 2023 from the merger of three colleges: UHI North Highland, UHI West Highland, and UHI Outer Hebrides (Lews Castle College). The Section 22 report before the Committee relates to the 2022/23 accounts of the former Lews Castle College, for the year prior to merger.

The qualification in those accounts arose solely from a difference of opinion in accounting treatment under FRS 102 accounting standards of the college's 50% shareholding in *Cnoc Soilleir Ltd*, a joint venture company limited by guarantee and with charitable status.

- The external auditor considered that the college's share should be valued at £4.7 million, representing 50% of the net assets of the joint venture.
- The college took a prudent approach, recognising its interest at £1 on the basis that the funds in Cnoc Soilleir are wholly restricted for community and cultural purposes and cannot provide any distributable financial benefit to the college
- The college valued its share at £1, on the basis that the joint venture's assets are restricted in nature, there is no expectation of future economic return, and the college makes an annual financial contribution to support operations. This approach was taken to ensure that the college's financial statements presented a prudent and accurate picture of the resources available to it.
- The difference of opinion reflects a technical interpretation of FRS 102 equity accounting rules, not a question of financial propriety or governance.

In the context of the external audit of the merged college's accounts for 2023/24, UHI NWH has continued detailed discussions with Deloitte, the appointed auditor, on the future accounting treatment of Cnoc Soilleir Ltd, supported further by a detailed technical paper. Deloitte has accepted the equity method of accounting must apply and is reviewing the college's further evidence supporting a prudent £1 valuation under valuation rules within FRS 102. These discussions remain live, and the outcome will determine the 2023/24 and 2024/25 accounts treatment.

The college fully acknowledges the importance of compliance with accounting standards and good audit practice. We are committed to constructive dialogue with Deloitte and Audit Scotland to reach a resolution that is transparent, compliant, and sustainable for future reporting.

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The committee will be aware that the 2022/23 accounts were laid late before Parliament. This reflected a combination of rescheduled audit work and the wider capacity pressures in Scotland's public audit system, which Audit Scotland has acknowledged in recent dialogue are affecting a number of bodies. We remain committed to timely, transparent and compliant reporting and have strengthened internal processes to support this. UHI NWH is working closely with Audit Scotland and our auditors to ensure future accounts are presented on time.

We note that the college was not invited to provide evidence to the committee's meeting on the 3 September 2025. We respectfully request that this statement be considered alongside other evidence provided to the committee. We are ready to provide a fuller update to the Committee if requested, as well as a report on progress in resolving the accounting treatment of Cnoc Soilleir Ltd. In due course.

Sincerely,

Lydia Rohmer  
Principal and Chief Executive  
UHI North, West and Hebrides

CC

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

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