



**ANNUAL REPORT TO THE MEMBERS OF THE  
CORPORATION**

**ON THE EXTERNAL AUDIT FOR THE YEAR ENDED  
31 JULY 2022**

Topic	Date
Commencement of audit fieldwork	26 September 2022
Audit clearance meeting	1 November 2022
Presentation to Audit Committee	23 November 2022
Presentation to Members of the Corporation	30 November 2022

## TABLE OF CONTENTS

SECTION	PAGE
TABLE OF CONTENTS .....	2
1. EXECUTIVE SUMMARY .....	3
2. INTRODUCTION.....	5
3. FINANCIAL REVIEW .....	6
4. AUDIT APPROACH & KEY FINDINGS .....	11
5. GOVERNANCE & INTERNAL CONTROLS .....	14
6. FRAUD AND IRREGULARITIES.....	17
7. AUDIT RECOMMENDATIONS – PRIOR YEAR .....	18
8. AUDIT RECOMMENDATIONS – CURRENT YEAR.....	20
APPENDICES .....	21
<b>APPENDICES</b>	<b>PAGE</b>
A MEMBERS’ RESPONSIBILITIES.....	22
B INDEPENDENT AUDITOR’S REPORT .....	24
LETTER OF REPRESENTATION .....	33
LETTER OF REPRESENTATION – REGULARITY .....	36
IDENTIFIED AUDIT RISKS.....	38
CONTACT DETAILS .....	41

## 1. EXECUTIVE SUMMARY

### 1.1 FINANCIAL REVIEW

The College has reported an overall operating loss of £582k (2021: loss of £302k). After accounting for an actuarial gain of £11,534k (2021: £1,312) in respect of the pension schemes the college is reporting total comprehensive income of £10,952k (2021: £1,010k).

The overall balance sheet position at the year-end shows net assets of £15,783k (2021: £4,832k).

For the year ended 31 July 2023, the College has predicted an operating deficit of £652k within its financial budget.

### 1.2 OUTSTANDING MATTERS

- Bank letter
- Final draft financial statements
- PBSE confirmation to date of signing

### 1.3 KEY REPORTING MATTERS

Audit Opinion: We have issued an unmodified audit opinion subject to authorisation of the financial statement by the Members of the Corporation and clearance of outstanding matters in section 1.2.

Regularity Assurance Opinion: There are no issues to report in relation to our regularity opinion.

### 1.4 GOING CONCERN

We have issued an unqualified opinion on the accounts of Hugh Baird College for the year ended 31 July 2022. The College's forecasts and financial projections indicate that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. As auditors we are satisfied, following review of the forecasts and financial projections, that the Board of Governor's assessment of the going concern basis of preparation is appropriate.

### 1.5 GOVERNANCE & INTERNAL CONTROL

We have undertaken an overall review of the governance arrangements and process of internal control in place at the College. Based on our findings it appears that the College has strong systems in place to comply with governance requirements.

**1.6 CONTROL RECOMMENDATIONS**

We have made no new recommendations to management during the current year. One of two brought forward points from the prior year has been repeated, both of which were rated as low priority.

**1.7 GRANTS AND RETURNS WORK**

Our work in relation to the Teachers' Pension returns was completed and submitted 23 September 2022.

**1.8 THIS REPORT**

We ask the Audit Committee to:

- consider the issues raised in this management letter before approving the financial statements; and
- consider the letters of representation (Appendix B) and confirm you are comfortable with the representations proposed.

## 2. INTRODUCTION

### 2.1 APPOINTMENT

Wylie & Bisset (Audit) Limited were reappointed as auditors for the current year. This is Wylie & Bisset's seventh year as the external auditors for Hugh Baird College. This Annual Report has been prepared following the conclusion of our audit of the financial statements of the College for that period.

### 2.2 RESPECTIVE RESPONSIBILITIES

Our audit has been carried out in accordance with our statutory responsibilities and International Standards on Auditing (UK) issued by the Financial Reporting Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

The responsibilities of the Members of the Corporation with regard to the financial statements are set out in the "Statement of Responsibilities of the Members of the Corporation" included in Appendix A and in the "Independent Auditors' Report" in Appendix B.

The responsibilities of Wylie & Bisset with regard to the financial statements and our audit opinions on the financial statements & regularity are included in the "Independent Auditors' Report and Accountants' Assurance Report" included in Appendix B.

### 2.3 REPORTING

Our audit reports on the financial statements & regularity for the year ended 31 July 2022 are unqualified.

Our audit work has been designed to enable us to form an audit opinion on the financial statements of the College and should not be relied upon to disclose all weaknesses in internal controls in relation to the College's systems and financial statements.

This Annual Report has been prepared for the purposes of the Senior Management and Members and should not be issued to third parties without our prior written consent. We would emphasise that our comments in this report are not intended to be any reflection on the integrity of the College whom we would like to thank for their help and assistance throughout our audit visit.

Should you have any queries on the contents of the Annual Report please do not hesitate to contact us.

### **3. FINANCIAL REVIEW**

#### **3.1 FINANCIAL STATEMENTS**

The financial statements of the College are the means by which it accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. In accordance with applicable law, the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 HE SORP) and “The Financial Reporting Standard 102” applicable in the United Kingdom and Republic of Ireland, it is the responsibility of the Members to prepare financial statements, which give a true and fair view of the College’s financial position and the income and expenditure for the year.

#### **3.2 AUDIT OPINION – FINANCIAL STATEMENTS**

We are pleased to record that there are no qualifications in our audit opinion on the College’s accounts for the year ended 31 July 2022, as in our opinion, the financial statements give a true and fair view of the College’s financial position and the income and expenditure and have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in accordance with the requirements of the Further and Higher Education Act 1992 and directions made thereunder by the Education and Skills Funding Agency. We are satisfied that funds received have been applied for their intended purpose.

#### **3.3 AUDIT OPINION – REGULARITY**

We are pleased to record that there are no qualifications in our regularity assurance opinion for the year ended 31 July 2022. In accordance with the Post 16 Audit Code of Practice issued by the Education Skills Funding Agency (ESFA) this work focuses on the regularity and propriety of the college’s income and expenditure.

Members of the Corporation are responsible for ensuring that income and expenditure are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Financial Memorandum and the ESFA and any other conditions which may be prescribed from time to time. Our work on regularity considers the college’s use of funds in accordance with relevant legislation, terms and conditions and the financial memorandum. We consider non recurrent grant funding, other ESFA funding, the general activities of the college and propriety.

### **3.4 GOING CONCERN**

The College's forecasts and financial projections indicate that the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. As auditors we are satisfied following review of the forecasts and financial projections that the Board of Governor's assessment of the going concern basis of preparation is appropriate.

### **3.5 OTHER MATTERS**

We are required under ISA 260 to communicate to you any matters specifically required by other auditing standards to be communicated to those charged with governance and any other audit matters of governance interest.

These matters have been included throughout our report.

### **3.6 MATERIALITY**

Planning materiality was calculated as 1% of total incoming resources and was estimated as £266k based on income to 31<sup>st</sup> July 2022 per the management accounts.

On receipt of the final accounts, final materiality was revised to a figure of £258k for the audit fieldwork.

### **3.7 SUBMISSION OF WORKING PAPERS**

The work papers that were provided to us for our audit were of a good standard.



### 3.8 STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE

- Income from funding body has increased £820k from the prior year with increased income from the SFA recurrent and apprenticeship grant.
- Income from tuition fees and education contracts has decreased by £145k. This decrease is mainly due to a reduction in UK Higher Education income, partially offset by an increase in advanced learners loans.
- Other income has increased due to an increase in food and beverage sales and car park income, following the college returning to more normal operating circumstances after Covid-19 disruption.
- Staff costs have marginally increased by £35k due to a pay increase awarded in the year, partially offset by a reduction in staff numbers.
- Other operating expenses have increased by £1,104k due to the college returning to more normal operating circumstances during the year, as well as a general increase in utility costs.
- Net pension liability has decreased by £10,488k due to an actuarial gain of £11,534k and net associated income and expenditure effects of £1,046k.

	Y/E 31 July 2022	Y/E 31 July 2021
	£'000	£'000
<b>Income</b>		
Funding body grants	19,817	18,997
Tuition fees and education contracts	5,186	5,331
Other income	844	437
	<hr/> 25,847	<hr/> 24,765
<b>Expenditure</b>		
Staff costs	17,147	17,112
Fundamental restructuring costs	-	33
Other operating expenses	6,962	5,858
Interest payable	309	324
Depreciation	2,011	1,740
	<hr/> 26,429	<hr/> 25,067
<b>(Deficit) / surplus for the year</b>	<hr/> (582)	<hr/> (302)
Actuarial gain / (loss) in respect of pension schemes	11,534	1,312
<b>Total Comprehensive Income for the year</b>	<hr/> <hr/> 10,952	<hr/> <hr/> 1,010

### 3.9 BALANCE SHEET

- Fixed assets have increased by £1,780 due to additions of £3,792k partially offset by the depreciation charge of £2,011k.
- Debtors have increased during the year due to an increase of £140k in prepayments and accrued income, partially offset by a decrease of £31k in trade debtors.
- Cash and cash equivalents have decreased in the year due to the deficit recorded during the year, along with a number of working capital movements.
- Creditors due in less than one year have increased in the year due to a significant rise in trade creditors, accruals, payments on account and deferred capital grants, partially offset by a decrease in deferred revenue grants.
- Creditors due in more than one year have increased due to additional receipts in relation to deferred capital grants, partially offset by a decrease in loans due to capital repayments.
- Net pension liability has decreased by £10,488k due to an actuarial gain of £11,534k and net associated income and expenditure effects of £1,046k.

	31 July 2022	31 July 2021
	£'000	£'000
Tangible fixed assets	31,522	29,742
Trade and other debtors	770	661
Cash and cash equivalents	6,974	7,033
Current assets	<u>7,744</u>	<u>7,694</u>
Creditors: amounts falling due in less than one year	4,596	3,808
Creditors: amounts falling due after more than one year	<u>15,113</u>	<u>14,534</u>
Net assets excluding pension liability	19,557	19,904
Net pension liability	<u>(3,774)</u>	<u>(14,262)</u>
<b>Net assets</b>	<b><u>15,783</u></b>	<b><u>4,832</u></b>
Income and expenditure account	18,503	17,981
Revaluation reserve	1,054	1,113
Pension reserve	<u>(3,774)</u>	<u>(14,262)</u>
<b>Total reserves</b>	<b><u>15,783</u></b>	<b><u>4,832</u></b>

### 3.10 CASHFLOW

- The overall cash position has decreased by £59k, however cash inflow from operating activities had increased by £910k, mainly due to movements in debtors and creditors due within one year.

	Y/E 31 July 2022 £'000	Y/E 31 July 2021 £'000
Cash inflow from operative activities	4,075	3,165
<b>Net Finances</b>		
Cash and cash equivalents	6,974	7,033
<b>Net Funds</b>	<b>6,974</b>	<b>7,033</b>

## 4. AUDIT APPROACH & KEY FINDINGS

### 4.1 OUR APPROACH

Our audit approach is risk based and focused on the key risks facing the College.

During our initial planning procedures, we identified areas where we considered the risk of misstatement in the accounts to be greater than normal. Our audit procedures were designed and undertaken to ensure greater focus on these risk areas in order that specific conclusions could be made with regard to the identified risks. Details of the risks identified and our proposed audit response were communicated to the Board via our audit planning memorandum. Our conclusions with regard to these areas are included within Appendix E.

During the prior year audit, we documented the systems and controls in place at the College and obtained an understanding of their operation. In accordance with auditing standards, we confirmed our documented understanding of the main operating cycles and associated accounting systems via interviews of staff and the performance of walk through tests. This process has allowed us to review, in the course of our audit, the key elements of the College's systems of internal financial controls in the main operating cycles.

Based on our audit procedures, we have not identified any areas where the operation of internal financial controls could be improved.

It should be noted that the primary objective of our audit is to express an opinion on the truth and fairness of the College's accounts as a whole. An audit does not examine every operating activity and accounting procedure in the College, nor does it provide a substitute for management's responsibility to maintain adequate controls over the College's activities. Our work is not designed therefore to provide a comprehensive statement of all weaknesses or inefficiencies that may exist in the College systems and working practices, or of all improvements that could be made.

#### 4.2 SIGNIFICANT AUDIT AND ACCOUNTING MATTERS

During the course of the audit a small number of points of clarification arose which were resolved in discussion with, or formally reported, to Matt Larkin and Paula Royle. This practice is an established part of the audit process.

#### 4.3 VALUATION OF PENSION LIABILITY

The value of the pension liabilities in the College's pension scheme, particularly the Local Government Pension Scheme, is calculated by reference to actuarial assumptions for items such as discount rates and life expectancy. There are a range of assumptions which can be used by actuaries depending upon the circumstances of the scheme, and a change of a few percentage point in the assumptions can have a significant financial impact. Overall there has been an decrease in the pension deficit of £10,488k.

As part of our audit work we have reviewed the reasonableness of the assumptions underlying the net pension liability. On balance the assumptions appear reasonable.

#### 4.4 POST 16 AUDIT CODE OF PRACTICE

Under the Post 16 Audit Code of Practice we are required to report to you the significant findings from our 2021/22 audit. These are encompassed within this report. We presented our audit plan to you in May 2022. We have reviewed the plan and concluded that it remains appropriate.

#### 4.5 INDEPENDENCE

International Standard on Auditing (UK and Ireland) 260: Communication with those charged with governance, requires that we communicate at least annually with you regarding all relationships between our firm and Hugh Baird College which, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the audit engagement partner and the audit staff and to detail the related safeguards in place.

We are not aware of any such relationships between our firm and Hugh Baird College that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the audit engagement partner and the audit staff.

In our professional judgement, as of the date of this report, Wylie & Bisset is independent of Hugh Baird College within the meaning of United Kingdom regulatory and professional requirements and the objectivity of the audit engagement partner and the audit staff is not impaired.

#### **4.6 COMPLIANCE WITH ACCOUNTS DIRECTION**

The 2021/22 accounts direction was issued in March 2022. The direction includes additional disclosures and accounting requirements in addition to the SORP. We have reviewed the financial statements and conclude they comply with the Accounts Direction.

#### **4.7 REGULARITY**

In accordance with the Post -16 Audit Code of Practice we are required to report to you, our opinion on regularity. The scope of this work is detailed in the ESFA's Audit Code. We have documented the results of our work in section 3.3 of this report.

#### **4.8 RELATED PARTIES**

We have obtained written representation from you that all known related parties have been appropriately accounted for and disclosed in the financial statements. In forming our opinion we determine if related party relationships have been appropriately accounted for and disclosed and evaluate whether the effects of the relationship and transactions cause the financial statements to be misleading.

#### **4.9 INCOME RECOGNITION AROUND MAIN FUNDING SOURCES**

The ESFA, and GMCA, notified Corporation of the value of their main funding grants through funds' payments statements, generated through the individualised learner record (ILR) returns, to be included as income within the corporation's annual accounts. Responsibility for the accuracy of funding claims lies with the Corporation. There is no assurance provided over funding earned by the ESFA. We have therefore undertaken audit work to satisfy ourselves as to the income recognised within the financial statements. We anticipate no matters to draw to your attention in this regard. Based on our sample testing there is no material misstatement in income recognition.

#### **4.10 USE OF FUNDS**

We are required under the Post-16 Audit Code of Practice to report on whether, in all material respects, income has been applied for the purposes that it was intended. There are no issues that will impact on our report on proper application of funds.

## 5. GOVERNANCE & INTERNAL CONTROLS

### 5.1 GOVERNANCE

Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the upper levels of an organisation. The respective responsibilities of the College and Wylie & Bisset are summarised in Appendix A.

Although we are not required to form an opinion on the adequacy and effectiveness of the individual components of internal control the scope of our procedures will include a review of such. We will bring to your attention any deficiencies of which we become aware.

### 5.2 INTERNAL CONTROLS

We have reviewed in the course of our audit the key elements of the College's systems of internal financial controls in the main operating cycles.

In reaching our audit opinion we carried out our audit work based on the audit plan with evidence obtained by:

- a) Discussions with senior management and staff at the College;
- b) Completing appropriate audit programmes;
- c) Carrying out analytical review procedures;
- d) Carrying out substantive and compliance audit tests on a judgemental basis; and,
- e) Review of minutes of Board and management meetings.

Based on our review we have not identified any areas where the operation of internal financial controls could be improved.

### 5.3 INTERNAL AUDIT

Internal audit is a key element of the internal control system set up by management. Under the Post-16 Audit Code of Practice, the appointment of independent internal auditors is no longer a mandatory requirement for Colleges under the Articles of Government or the financial memorandum. However, a strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system established. The College, therefore, has in place a properly resourced internal audit service of good quality. To maximise the reliance that may be placed on internal audit and to avoid duplication of effort, the adequacy of internal audit is assessed each year.

The College's internal auditors during the year ended 31 July 2022 were RSM.

In the course of the year ended 31 July 2022 the following areas were scheduled to be reviewed by the Internal Auditor:

- Agency Usage
- Safeguarding and Prevent Framework
- Health and Safety Framework
- Higher Education – Competition and Markets Authority
- Exam Arrangements
- Follow up of previous recommendations

Our audit procedures included an assessment of the adequacy of the Internal Audit function and review of the reports issued by the Internal Auditor.

Our findings in this area proved satisfactory, allowing us to conclude that the internal audit function is operating effectively.

Wylie & Bisset have not placed any formal reliance on the work performed by internal audit.

Under the Post 16 Audit Code, the appointment of independent internal auditors is no longer a mandatory requirement for Colleges under the Articles of Government or the financial memorandum. The College is continuing with the existing internal audit arrangements in 2022/23.



#### 5.4 GOVERNANCE ARRANGEMENTS

As part of our audit we have performed a review and assessment of the College's Corporate Governance systems relating to standards of conduct, openness and integrity. In addition, we reviewed the College's risk register and risk management arrangements along with the minutes of meetings of key College committees issued during the year.

We have also considered the arrangements made by the College in order to address the requirements of the Bribery Act 2010 that came into force on 1 July 2011 in order to assess their appropriateness and adequacy.

Based on our review, we are satisfied that the College operates appropriate Governance procedures and that management has adequate arrangements in place covering standards of conduct.

We found no matters therein to impact upon our audit opinion.

## 6. FRAUD AND IRREGULARITIES

### 6.1 BEST PRACTICE

Best practice requires that the College should establish arrangements for the prevention and detection of fraud and other irregularities as part of its Governance procedures.

An assessment was made of the adequacy of the systems and controls for the prevention and detection of fraud and irregularities during our audit planning procedures.

### 6.2 AUDIT FINDINGS

In the course of the audit we have reviewed the following areas with regard to the prevention and detection of fraud and irregularities:

- a) The monitoring and compliance with financial procedures;
- b) The College's strategy to prevent and detect fraud and other irregularities;
- c) The internal controls operated for segregation of duties, authorisation and approval processes and reconciliation procedures.

No areas of significant concern were found during normal audit procedures. It is also highlighted that all the recommendations made have an implicit impact on the prevention and detection of fraud and other irregularities.

We emphasise that our audit of the financial statements is planned to ensure there is a reasonable expectation of detecting misstatements arising from fraud or other irregularity that are material in relation to those financial statements, but cannot be relied upon to detect all frauds and irregularities.

## 7. AUDIT RECOMMENDATIONS – PRIOR YEAR

### PRIOR YEAR MANAGEMENT LETTER

The points within this report have been assigned a priority level based on the urgency required in addressing the matters highlighted. An explanation of the priority is as follows:

**High Priority** - Recommendations addressing significant control weaknesses which should be implemented immediately.

**Medium Priority** - Recommendations addressing significant control weaknesses which should be addressed in the medium term.

**Low Priority** - Recommendations which, although not addressing significant weaknesses, would either improve efficiency or ensure that the company matches current best practice.

7.1	Learner Support Funding Creditor
Observation	We have noted that a creditor for Learner Support Funding has been accumulating over the course of our appointment and is now sitting at a level of £972k, the majority of which has been brought forward from prior years.
Implication	There is a risk the College is accumulating a large amount of funding that could be clawed back, which could have a negative impact on the cashflow of the College.
Recommendation	We recommend the college engages with the ESFA to obtain confirmation on how these funds will be treated so they can be deal with accordingly.
2022 Update	We noted that there has been some progress in this area. The College has contacted the funder and agreed that any potential clawback is to be allocated towards the 16-19 provision going forward. We are happy that this income is able to be deferred and used as such, however we maintain the recommendation until such time as we can track this treatment. <b>We therefore repeat our original recommendation.</b>
Priority	<b>Low</b>
Management Response	Plans are in place to allocate brought forward funding for both Adults and 16-19 (including Free School Meals). Both brought forward balances will enable enhanced student support offers for FSM values, uniform allowances and travel and nursery costs in the new financial year, and going forward.

7.2	VAT – Recoverable Input Tax Correspondence
Observation	From documentation received during our audit, we noted that the most recent confirmation of recoverable input tax received from HMRC is dated October 1993.
Implication	There is a risk the recoverable input tax rates could have changed as the activities of the College have evolved.
Recommendation	We recommend the college refreshes it's correspondence with HMRC to ensure the appropriate recovery rates are used.
2022 Update	We noted that fresh correspondence has been received from HMRC. <b>Therefore, no further action is considered necessary.</b>
Priority	<b>Low</b>

## 8. AUDIT RECOMMENDATIONS – CURRENT YEAR

### CURRENT YEAR RECOMMENDATIONS

No recommendations were made to management during the current year.

**APPENDICES**

## A MEMBERS' RESPONSIBILITIES

The members of the Corporation of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the College's Grant Funding Agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education and with the College Accounts Direction 2021 to 2022 issued by the ESFA, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Corporation's ability to continue as a going concern, noting the key supporting assumptions, qualifications or mitigating actions as appropriate; and
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of Hugh Baird College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with the Grant Funding Agreements and contracts with the ESFA and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the members of the Corporation on 30 November 2022 and signed on its behalf by:

G. Sloan  
Chair



## B INDEPENDENT AUDITOR'S REPORT

### INDEPENDENT AUDITOR'S REPORT TO THE CORPORATION OF HUGH BAIRD COLLEGE FOR THE YEAR ENDED 31 JULY 2022

#### Opinion

We have audited the financial statements of Hugh Baird College (the 'College') for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is 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).

#### In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 July 2022, and of its income and expenditure, gains and losses and changes in reserves, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education; and
- meet the requirements of the Accounts Direction issued by the Office for Students ('the OfS Accounts Direction').

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporation with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Corporation is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Post 16 Audit Code of Practice issued by the Education and Skills Funding Agency requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters in relation to which the Regulatory Advice 9: Accounts Direction issued by the Office for Students requires us to report to you if, in our opinion:

- where applicable, funds from whatever source administered by the provider for specific purposes have not been properly applied to those purposes and managed in accordance with relevant legislation; or
- where applicable, funds provided by the OfS, UK Research and Innovation (including Research England), the Education and Skills Funding Agency and the Department for Education have not been applied in accordance with the relevant terms and conditions; or
- the requirements of the OfS's accounts direction have not been met; or
- the provider's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the College's expenditure on access and participation activities for the financial year has been materially misstated

### **Responsibilities of the Corporation**

As explained more fully in the Statement of Responsibilities of the Members of the Corporation, the Corporation is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporation is responsible for assessing the College's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intend to liquidate the College or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and with ISAs (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

**Extent to which the audit was considered capable of detecting irregularities including fraud**

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures response to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing the risks or material misstatements in respect of irregularities, including fraud and non-compliance with laws and regulations we considered the following;

- The nature of the College, the environment in which it operates and the control procedures implemented by management and the Corporation; and
- Our enquiries of management and the Corporation about their identification and assessment of the risks of irregularities.

Based on our understanding of the College and the sector we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to;

- Regulations and legislation pertinent to the College's operations;
- Compliance with the Post-16 Audit Code of Practice 2021 to 2022;

- Compliance with the requirements of the Department for Education, Education & Skills Funding Agency and the Office for Students;
- Compliance with the requirements of the Office for Standards in Education; and
- Compliance with Coronavirus Job Retention Scheme.

We considered the extent to which non-compliance might have a material impact on the financial statements. We also considered those laws and regulations which have a direct impact on the preparation of the financial statements, such as the Statement of Recommended Practice - Accounting for Further and Higher Education 2019 and the Post-16 Audit Code of Practice 2021 to 2022.

We evaluated management and trustees' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks were related to;

- Posting inappropriate journal entries; and
- Overstated Coronavirus Job Retention Scheme claims.

#### **Audit response to the risks identified;**

Our procedures to respond to the risks identified included the following;

- Gaining an understanding of the legal and regulatory framework applicable to the College and the sector in which it operates;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management, the audit committee, the internal auditors and legal advisors concerning actual and potential litigation and claims;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Department for Education, Education & Skills Funding Agency, the Office for Students and the Office for Standards in Education;
- In addressing the risk of fraud as a result of management override of controls, testing the appropriateness of journal entries and other adjustments; evaluating rationale of any significant transactions that are unusual or outside the normal course of business; and
- Substantive testing of Coronavirus Job Retention Scheme claims

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Corporation, as a body, in accordance with the Funding Agreement published by Education and Skills Funding Agency and our engagement letter.

Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

**Wylie & Bisset (Audit) Limited**  
**Chartered Accountants**  
**Statutory Auditor**  
**168 Bath Street**  
**Glasgow**  
**G2 4TP**

**Date: 30<sup>th</sup> November 2022**

### **Reporting accountant's assurance report on regularity**

#### **To: The corporation of Hugh Baird College and Secretary of State for Education, acting through Education and Skills Funding Agency (the ESFA)**

In accordance with the terms of our engagement letter dated xx/xx/xx and further to the requirements and conditions of funding in the ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest, in all material respects, the expenditure disbursed and income received by Hugh Baird College during the period 1 August 2021 to 31 July 2022 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice (the Code) issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record data returns, for which the ESFA has other assurance arrangements in place.

This report is made solely to the corporation of Hugh Baird College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Hugh Baird College and the ESFA those matters we are required to state in a report and for no other purpose. To the fullest extent permitted by law, we do not accept, or assume, responsibility to anyone other than the corporation of Hugh Baird College and the ESFA for our work, for this report, or for the conclusion we have formed.

#### **Respective responsibilities of Hugh Baird College and the reporting accountant**

The corporation of Hugh Baird College is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed, and income received, are applied for the purposes intended by Parliament, and the financial transactions conform to the authorities that govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that in all material respects, expenditure disbursed and income received, during the period 1 August 2021 to 31 July 2022 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

### **Approach**

We conducted our engagement in accordance with the Code issued by the ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the corporation's income and expenditure.

The work undertaken to draw to our conclusion includes:

- Documenting the framework of authorities which govern the activities of the College;
- Undertaking a risk assessment based on our understanding of the general control environment and any weaknesses in internal controls identified by our audit of the financial statements;
- Reviewing the self-assessment questionnaire which supports the representations included in the Chair of Governors and Accounting Officer's statement on regularity, propriety and compliance with the framework of authorities;
- Testing transactions with related parties;
- Confirming through enquiry and sample testing that the College has complied with its procurement policies and that these policies comply with delegated authorities; and



- Reviewing any evidence of impropriety resulting from our work and determining whether it was significant enough to be referred to in our regularity report.

**Conclusion**

In the course of our work, nothing has come to our attention which suggests that in all material respects, the expenditure disbursed and income received during the period 1 August 2021 to 31 July 2022 has not been applied to purposes intended by Parliament, and the financial transactions do not conform to the authorities that govern them.

## LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the college's accounts for the year ended 31<sup>st</sup> July 2022.

1. We acknowledge as members of the Board of Governors our responsibility for ensuring:
  - a) the financial statements are free of material misstatements including omissions
  - b) that the financial statements give a true and fair view of the state of affairs of the College as at 31<sup>st</sup> July 2022.
  - c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records.
  - d) all other records and related information, including minutes of all Governors meetings, have been made available to you.
  - e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by ESFA under the terms of the Further and Higher Education Act 1992, and
  - f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Governors by the ESFA.
  
2. We confirm, for all members of the Corporation at the time the Members' Report is approved, to the best of our knowledge and belief, and having made the appropriate enquiries, the following representations:
  - a) we have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated x/x/x, for the preparation of the financial statements in accordance with UK GAAP and the Statement of Recommended Practice (SORP) on Accounting for Further and Higher Education 2019, and the Accounts Direction issued by the ESFA in particular the financial statements give a true and fair view in accordance therewith.
  - b) all transactions have been recorded in the accounting records and are reflected in the financial statements.
  - c) all grants, donations and other income have been notified to you and where the donations are subject to specific terms and conditions, we confirm that they have been accounted for as restricted donations. There have been no breaches of terms or conditions during the period in the application of such income.
  - d) we are not aware of any instances where we have not provided in the financial statements for grants repayable to the ESFA. We have made all correspondence relating to funding from HEFCE, the ESFA available to you.
  - e) significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
  - f) all events subsequent to the date of the financial statements for the UK GAAP requires adjustment or disclosure have been adjusted or disclosed.

3. We have appointed RSM as Internal Auditors to the College. All reports issued to the College and our responses to them have been made available to you.
4. We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
5. The College has no liabilities or contingent liabilities other than those disclosed in the accounts.
6. All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.
7. There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.
8. The College has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for the Board of Governors nor to guarantee or provide security for such matters.
9. We confirm that we have disclosed to you all related party transactions relevant to the College and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of charities legislation, the Statement of Recommended Practice for Further and Higher Education accounts or accounting standards.
10. The College has not contracted for any capital expenditure other than as disclosed in the accounts.
11. The College has satisfactory title to all assets and there are no liens or encumbrances on the College's assets, except for those that are disclosed in the financial statements.

12. We are not aware of any irregularities, including fraud, involving management or employees of the College, nor are we aware of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such breaches have come to our attention.
13. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the College conducts its business.
14. We confirm that, in our opinion, the College is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the College's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the College's ability to continue as a going concern need to be made in the financial statements.
15. We confirm that we have considered the unadjusted errors discussed at our meeting and noted below. It is our view that the cost of making these adjustments to the financial statements outweighs any benefits that will be gained by users of the accounts. The combined effect of the errors is not material and we do not consider that their absence from the financial statements affects the true and fair view given.

<b>Nature of Deviation</b>	<b>Actual Deviation £</b>	<b>Unadjusted I&amp;E Effect £</b>	<b>Unadjusted B/S Effect £</b>
Being extrapolated unrecovered and unprovided debtor	16,013	16,013	(16,013)
Being correction to disclosure of loss on disposals	34,696	34,696 (34,696)	-

16. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

## LETTER OF REPRESENTATION – REGULARITY

### REGULARITY LETTER OF REPRESENTATION

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries of other officials of the college, the following representations given to you in connection with your regularity audit for the year ending 31<sup>st</sup> July 2022.

Regularity, Accounting records and transactions

- a. We acknowledge and have fulfilled our responsibility for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities which govern them.
- b. Neither the corporation nor college management have knowingly authorised a course of action, the financial impact of which was that transactions infringe the requirements of regularity.
- c. All transactions undertaken by the college have been properly reflected and recorded in the accounting records.

Information provided

- d. As agreed in the terms of engagement, we have provided you with right of access at all times to the accounting records of the college, minutes of governing body and management meetings, and such information and explanation as are necessary for the performance of your duties in accordance with the LSC's Audit Code of Practice set out in Circular 04/07.

Compliance with laws and regulations

- e. We have disclosed all events of which we are aware which involve suspected non-compliance with those laws and regulations, including but not limited to the Further and Higher Education Act 1992 (as amended by the Education Act 2011), which provide a legal framework within which the college conducts its business and which are central to its ability to conduct that business. We have also notified you of the actual or contingent consequences that may arise from such non-compliance.

Self-assessment

f. All representations made to you in our self-assessment dated 29 September 2022 remain valid. All significant correspondence with the funding bodies, including:

- feedback from Education and Skills Funding Agency provider review;
- response to financial forecast;
- consents for capital projects and/or borrowing;
- college assessment of risk;
- any reports from provider assurance team; and
- any correspondence relating to recovery of funds or eligibility of provision have been made available to you.

The college has complied with the terms of the funding agreement published by the Education and Skills Funding Agency.

The college has complied with the terms and conditions attached to all income, including meeting non-financial targets and outcomes as required, and has provided you with details of all income sources.

The college has carried out appropriate procedures to ensure that it has not claimed double funding for blocks of provision or individual students. The college does not have any-subcontracting arrangements. All internal audit reports and reports from RSM have been made available to you.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 30 November 2022.

## IDENTIFIED AUDIT RISKS

### IDENTIFIED AUDIT RISK, APPROACH & CONCLUSION

Risk	Description of the issue	Results of work performed and conclusion
<p><b>Revenue Recognition:</b> Material misstatement due to errors in revenue recognition. Note that this is considered a specific risk for all audit engagements in accordance with the requirements of ISA (UK) 240 unless it can be specifically rebutted.</p>	<p>There is a risk that the college could adopt accounting policies or treat income transactions in such a way as to lead to material misstatement in the reported revenue position, Revenue recognition is a particular risk due to changing contracting arrangements.</p> <p>In the context of the College we identified the following specific risk areas:</p> <p><b>Claw back income</b> – This is perceived to be a significant risk where there are any non-achievements of allocations for significant funding body contracts or discrepancies in the recording of student information.</p> <p><b>Deferred income</b> – There is a risk that revenue may be inappropriately deferred to support the next financial year’s performance.</p> <p><b>Recovery of tuition fees</b> – There is a risk that not all tuition fees that have been accounted for will be received by the College.</p>	<p>We have performed the following procedures as part of our final audit work:</p> <ul style="list-style-type: none"> <li>• Reviewed and tested the controls operating over all material revenue streams across the college;</li> <li>• Evaluated the accounting policy for income recognition to ensure that this is consistent with the requirements of the HE/FE SORP, Accounts Direction and UK Generally Accepted Accounting Principles (FRS102);</li> <li>• Considered the potential of claw back of income received. We compared the total income recognised in the College’s accounts to the external confirmation received from the Skills Funding Agency and Education Funding Agency;</li> <li>• Performed detailed testing of revenue transactions focussing on the areas we considered to be of greater risk. Specifically, we tested income recognised around the year end to ensure that it had been recognised in the correct accounting period and we performed specific testing to confirm the completeness of material income streams.</li> </ul> <p><i>We found no issues to report to you in this area.</i></p>

<p><b><u>Override of Internal Controls:</u></b> Fraud or error arising due to management override of controls. Note that this is considered a specific risk for all audit engagements in accordance with the requirements of ISA (UK) 240.</p>	<p>In any organisation, management may be in a position to override the financial controls that you have in place. The current economic conditions may also increase fraud risk.</p> <p>We considered the risk that management may override controls in order to manipulate the financial statements. Specifically, this risk may have been manifested through the use of manual journals or significant accounting estimates in the financial statements.</p>	<p>We have performed the following procedures as part of our final audit work:</p> <ul style="list-style-type: none"> <li>• Tested the appropriateness of journal entries;</li> <li>• Reviewed accounting estimates for bias and evaluated whether circumstances producing any bias, represent a risk of material misstatement due to fraud;</li> <li>• Evaluated the business rationale underlying significant transactions; and</li> <li>• Performed 'unpredictable' procedures.</li> </ul> <p><b><i>The results of our journals testing and testing of accounting estimates did not identify any instances of fraud.</i></b></p>
<p><b><u>Pension Funding &amp; Accounting</u></b> We are aware that the College currently has a large defined benefit scheme liability and must meet the ongoing employer contributions associated with this. This raises a potential going concern risk.</p> <p>There is also a risk of material misstatement associated with the accounting required for the defined benefit scheme, through the need for use of assumptions in the calculation.</p>	<p>We will review the budgets and forecasts of the organisation and ensure there is sufficient head room in the cash flow in order to satisfy expenditure levels without impacting the going concern assumption.</p> <p>We will review the pension valuation carried out by the Actuary including benchmark testing across the sector to ensure that the assumptions used in the valuation are reasonable.</p>	<p>We have performed the following procedures as part of our final audit work:</p> <ul style="list-style-type: none"> <li>• Reviewed the forecasts to ensure there is sufficient cash flow.</li> <li>• Pension valuation and assumptions used in the calculation have been reviewed. Assumptions used are deemed reasonable.</li> </ul> <p><b><i>We found no issues to report to you in this area.</i></b></p>



<p><b>Financial Viability</b></p> <p>There is a risk that the College becomes unviable financially, most likely due to a loss of funding associated with reducing student numbers. This could put the going concern basis of financial statement preparation in doubt.</p>	<p>We shall obtain budgets and forecasts approved by the Board of Governors and review these for reasonableness, including benchmarking and sensitivity analysis.</p>	<p>We have performed the following procedures as part of our final audit work:</p> <ul style="list-style-type: none"> <li>• Obtained forecasts and reviewed these for reasonableness, including consideration of student numbers and the impact of COVID 19.</li> <li>• Reviewed the assumptions used in the forecast, deemed reasonable.</li> </ul> <p><i>We found no issues to report to you in this area.</i></p>
<p><b>Regularity</b></p> <p>There is a risk that the college expends funds or acts out with ESFA terms and conditions for funding.</p>	<p>We shall review governance and college expenditure, ensuring that there is no material irregularity, impropriety or non-compliance with ESFA terms and conditions.</p>	<p>We have performed the following procedures as part of our final audit work:</p> <ul style="list-style-type: none"> <li>• Reviewed expenditure through our expenditure transaction testing, no material irregularities identified.</li> <li>• No non-compliance with EFSFA terms and conditions identified throughout the course of the audit.</li> </ul> <p><i>We found no issues to report to you in this area.</i></p>

## CONTACT DETAILS

Name	Position	Email
Claire Dalrymple	Engagement Partner	claire.dalrymple@wyliebisset.com
Sandy Hogg	Engagement Manager	alexander.hogg@wyliebisset.com
Jamie Boyd	Audit Senior	jamie.boyd@wyliebisset.com

### **Wylie & Bisset (Audit) Limited**

Chartered Accountants

168 Bath Street

Glasgow

G2 4TP

Tel: 0141 566 7000

Fax: 0141 566 7001