South Lanarkshire College East Kilbride

AUDIT AND RISK COMMITTEE

NOTICE
There will be a meeting of the Audit and Risk Committee on 25 August 2026 at 1730 hours in the Boardroom and on Teams.

AGENDA			
Agenda Item		**Paper / Link**	**Lead**
01	Apologies for Absence	N	VA
02	Declaration of any potential Conflicts of Interest in relation to any Agenda items	N	All
03	Minutes of Previous Meeting – 19 May 2026	03	PS
04	Matters Arising from the Previous Meeting	N	PS
	Matters for Approval		
05	Annual Complaints Report	05.0 05.1	VA
06	Draft Board Self Evaluation and Development Plan	06.0 06.1	VA
	Matters for Discussion		
07	**Internal Audit** Audit Report 2025/26 - Financial Sustainability Audit Report 2025/26 - Follow Up Reviews 2025/26	07.0 07.1 07.2	DA
08	Rolling Audit Recommendations Commentary Rolling Audit Recommendations Monitor	08.0 08.1	EMcK
09	Risk Management – Risk Register Commentary on Strategic Risk Register Strategic Risk Register	09.0 09.1 09.2	EMcK
10	Update from SLC Institution-Led Quality Review (ILQR) Group: EMA Spot Check – Block 2	10.0 10.1	EMcK
11	ARC Work Plan and ARC Remit for 2026-27	11.0 11.1 11.2	EMcK
12	Draft Report of the Audit and Risk Committee to the Board of Management for 2025-26	12.0	PS
13	Quarter 4 Complaints Report	13.0	VA

		13.1	
14	Reserved Item: Legal Professional Privilege Legal Claim Update	14.0	SM
15	Reserved Item: Commercially Sensitive Pension Update	15.0	SM
16	Reserved Item: Commercially Sensitive Finance Improvement Plan	16.0	EMcK
17	**External Audit** Accounting Policies for Financial Statements 2025-26	17.0	EMcK
18	Accounts Direction 2025-26	18.0	EMcK
	Matters for Information (No overviews required-questions invited)		
19	Governance Rolling Review	19.0 19.1	VA
20	Audit Scotland: Technical Bulletin	20.0	EMcK
21	Summation of Actions and Date of Next Meeting (24 Nov 2026)	N	VA
22	Any Other Business	N	

Key:

CS	Chris Sumner	Head of Digital
DM	Douglas Morrison	Board of Management Chair
EMcK	Elaine McKechnie	Vice Principal – Resources and Sustainability
JM	Jacqueline Morrison	Committee Member
KP	Kirsty Pinnell	Committee Member
PS	**Peter Sweeney**	**Chair – Audit and Risk Committee**
SC	Scott Coutts	Committee member
SMcM	Stella McManus	Principal
KN	Kerry Nelson	Senior Audit Manager – Audit Scotland
DA	David Archibald	Partner – Henderson Loggie LLP

Unconfirmed ARC Minutes

AUDIT & RISK COMMITTEE

MINUTES	
ARC Committee on 19 May 2026 at 1730 hours via Microsoft Teams and in the Boardroom at South Lanarkshire College	
Present Scott Coutts, Sen Indep Member (online) Kirsty Pinnell, Committee Member **Peter Sweeney (Chair of ARC)** Jacqueline Morrison, Committee Member	**In Attendance** Douglas Morrison, (Chair, BoM) (online) Stella McManus, Principal Elaine McKechnie, VP for FR&S Kerry Tonner (Nelson), Audit Scotland Ciaran O'Brien, Audit Scotland Chris Sumner, Head of Digital David Archibald, Henderson Loggie (online) Scott Gray (from 17.46)
Vari Anderson, Governance Professional Christine Clark, Executive & Governance Administrator	

AGENDA ITEM	
01	**Apologies for Absence** None noted. The Chair extended his thanks to J Morrison who chaired the previous meeting in his absence.
02	**Declaration of any potential Conflicts of Interest in relation to any Agenda items** None noted.
03	**Minutes of Previous Meeting – 12 February 2026** The minutes were duly **approved**.
04	**Matters Arising from the Previous Meeting (12 February 2026)** *Item 7.1 & 7.2* - Amendment to typographical in column I row 4 and college management to review and update the register to reflect the current status and adjust completion dates to realistic expectations for presentation at the next committee meeting. **Completed.**

	Item 8.1 – Amend phrasing to 'limited control' as there is a strategy in place for the ongoing cost-recovery work for the college. -Risk 6 – Health & Safety - consideration to include a risk relating to potential legacy claims. **Completed.** -Risk 11 – To note increase relating to Health and Safety pending occupational health monitor and assessment providing assurances. **Completed.**
	Matters for Approval
05 05.1	**Business Continuity Management (BCM) Policy** The Committee noted that following the recent internal audit (see 6.1 below), it was recognised that the College should have an overarching document setting out the College's response to loss of crucial services in the event of an emergency or damage to the building, services or infrastructure. The Committee acknowledged that this policy is underpinned by several existing documents such as the SLC Business Continuity Plan and impact assessments. The Committee considered the Policy and highlights to page 7 regarding the structure and policy framework, noting these processes would close around 6 audit points. The Committee noted that the document does not address the role of the Board of Management, particularly in circumstances where the Executive Team may be required to take decisions outwith their delegated authority. It was suggested that there should be a framework register to avoid tender delays where immediate action may be required whilst remaining compliant. Further discussion included: SFC also being considered; emergency contacts being listed; potential cyber-attacks; and 3rd party suppliers. Interaction with the Local Authority was also noted around emergency contingency plans, ensuring agreements are in place. Query raised around the process for launching the process and the Committee noted training will be required initially followed by linking in with the College and Departmental Planning Reviews. The Committee noted the contents and thereafter **approved** the policy. Operational Action Point: VA and Executive Team to consider how the Board are included in the operational plans as a notified body. Noted: In the event of a critical incident, the management team may break delegated authority as a conditionality approach from Board to allow management to respond.
	Matters for Discussion
06 06.1	**Internal Audit** Business Continuity The Committee noted the overall opinion expressed as 'requires improvement' which highlights that the system has weaknesses that could prevent the College from achieving control objectives. The Committee considered the report, particularly the recommendations around enhancements where two Priority 2 items were highlighted. The Committee were assured that while nine recommendations were made, six of these will be closed off following review of the Business Continuity Management Policy (see 5.1). A

	further two will be completed by August 2026 with the final point expected to be closed off by November 2026. The Committee noted the new Operational Planning Process is underway and training is recognised for new staff/post holders. Reference was made to business continuitytraining which was conducted by Gallagher Risk Management with the Senior Leadership Team on 19 May 2026 and noted the requirement for further training for middle managers.
06.2	<u>Curriculum planning</u> The Committee noted the positive report, acknowledging the highlights around financial challenges, proper alignment, national priorities, and other constant challenges including student retention and attainment. The Committee acknowledged the progress around digital and queried level of promotion and if consideration is given to student feedback/comments/impact. Reference was made to the recent Student Voice event and the restructure within Learning & Teaching now having an impact. Recruitment is underway for a Learning & Teaching Digital Facilitator. It was also noted recent Operational Planning events are taking account of student feedback.
07	**External Audit** Audit Scotland extended their thanks for all staff cooperation during this exercise.
07.1	<u>Draft Annual Audit Plan 2025/26</u> The Committee noted the Plan, with reference to paragraph 5 on pages 4 and 9 around the scope for audit, main elements and risk assessment of the College. The Committee noted Exhibit 2 (Fraud and Management override) is recognised in all audits, with the request of any knowledge around suspected fraud being brought to Audit Scotland's attention. The Committee also noted particular reference to paragraph 30 (Audit fee).
07.2	<u>Interim Management Letter</u> The Committee noted the identification of a number of weaknesses as outlined in Appendix 1, with some actions from the 2024/25 audit report remaining outstanding. The Committee noted its concern regarding older items and queried the timelines and priorities. The Committee were advised that monthly meetings are to be conducted with People Services and Finance covering access of restricted cost centres, budget holders and administrator usage. The Executive Team assured the Committee that work was underway to address these weaknesses and advised that progress updates could be incorporated within the Finance Improvement Plan, so the Committee have continual oversight. Action: EMcK will chair a monthly meeting to focus on risk mitigation and outstanding actions. Progress of key controls will be incorporated within the Financial Improvement Plan monthly.

08 08.1 08.2	**Rolling Audit Recommendations** Commentary Monitor The Committee considered the report, noting 18 recommendations have progressed, 10 to full completion and 8 partially completed. Reference was made to the iTrent (payroll and human resources system) and the Employment Engagement Framework including additional measures such as Pulse Survey. People Services work is underway and Budget Training Sessions being delivered to Curriculum Quality Managers (CQMs). Monthly meetings are taking place to consider results and setting 2026/27 budget processes. The Committee noted: Media Training (Pink Elephant) is now confirmed and in relevant diaries, and the Sustainability Policy has been updated. The Committee acknowledged previous concerns around inconsistencies and are pleased to see a significant difference to the last report, including the level of professionalism and rigour and feel assured around actions being progressed in a timely manner. Action: Introduction of the new Sustainability Officer (Omatsola Oke) to be arranged with PS.
09 09.1 09.2	**Risk Management – Risk Register** Commentary SLC Strategic Risk Register The Committee noted the report and discussed possible improvements in presenting this data, which is currently being reviewed. The Committee suggested that 'Employee Relations' could be added as a risk however it was noted that inclusion of employee issue(s) would need to strike the balance between awareness of operational detail and the potential risk of exposure. Action: Addition of the word 'increase' after 2 pre mitigation scores within bullet point 1 of the Summary of Report. Action: Consideration to be given to inclusion of risk items 'Employee Relations'.
10 10.1 10.2	**Assurance Framework** Policy Appendix The Committee considered the paper and policy, noting good practice comparisons with other colleges. Discussion included the 'Three Lines of Defence' model and recognised links with internal and external audits, and an update will follow at future Board Development events. VA commented on this being a strong example of C13 within the Code of Good Governance and would allow the Committee to fulfil its purpose of supporting the Board and Principal in reviewing the reliability and integrity of assurances.

11 11.1	**Bi-Annual Report of Cyber Security** Powerpoint The Committee noted the report and were advised that work is scheduled for the summer period. Discussion covered the number of cyber-attacks blocked under the Microsoft licence, with specific reference to Canva and Robinhood. The Committee noted a lack of baseline understanding of what constitutes a typical volume of cyber-attacks and suggested that sector-comparable data be included to enhance awareness and provide greater assurance. Action: Comparative sector data to be presented within future key metrics in relation to number of cyber-attacks.
12	**Reserved: Commercially Sensitive** **Finance Improvement Plan** The Committee considered and noted the paper. The details could not be published due to being commercially sensitive. Action: Finance Controls aspects (within the Risk Register) to be elevated.
13	**Reserved: Commercially Sensitive** **Pension and Payroll Project Update** The Committee considered and noted the paper. The details could not be published due to being commercially sensitive.
	Matters for Information (No overviews required – questions invited)
14	**Quarter 3** **Complaints Report** The Committee noted this Report was recently considered at the Learning Teaching and Student Experience (LTSE) Committee and that the Chair of the Board of Management was previously alerted to the complaints system. Thanks were extended to the team on their proactive work to avoid potential issues and this Report was submitted to this Committee for information only.
15	**Governance Rolling Review** The Committee were highlighted to 4 areas moving from amber to green with ongoing work to address a number of outdated items and the intention to refresh and align more with the Code of Good Governance. An update will be presented at the next ARC meeting (August 2026).
16	**Audit Scotland Technical Bulletin** The terms of the Audit Scotland Technical Bulletin were noted, acknowledging the requirement for more reporting around sustainability, which is ongoing within the college.

17	**Summation of Actions and Date of Next Meeting (25 August 2026)** **Approval:** Item 5 – Business Continuity Management (BCP) Policy. **Actions:** *Item 5 – BCP* (Operational Action Point): VA and Executive Team to consider how the Board are included in the operational plans as a notified body. *Item 7.2 – Interim Management Letter:* EMcK will chair a monthly meeting to focus on risk mitigation and outstanding actions. Progress of key controls wil be incorporated within the Financial Improvement Plan monthly. *Item 8.1 – Rolling Audit Recommendation:* Introduction of the new Sustainability Officer (Omatsola Oke) to be arranged with PS. *Item 9.1 – Risk Management (Risk Register):* Addition of the word 'increase' after 2 pre mitigation scores within bullet point 1 of the Summary of Report. Consideration to be given to inclusion of risk items where related to employee(s). *Item 11 – Bi-Annual Report of Cyber Security:* Comparative data to be presented within future key metrics. *Item 12 – Finance Improvement Plan:* Finance Controls aspects (within the Risk Register) to be elevated.
18	**Any Other Business** SMcM advised a decision is pending around an appeal and an update will follow. VA extended her thanks to the Committee for their input to the ARC Self Evaluation. This will be incorporated into the full Evaluation Report. Meeting finished: 1855.

Key:

CS	Chris Sumner	Head of Digital
DM	Douglas Morrison	Board of Management Chair
EMcK	Elaine McKechnie	Vice Principal – Resources and Sustainability
JM	Jacqueline Morrison	Committee Member
KP	Kirsty Pinnell	Committee Member
PF	Paddy Feechan	Head of Finance – (not in attendance)
PS	**Peter Sweeney**	**Chair – Audit and Risk Committee**
SC	Scott Coutts	Senior Independent Member
SMcM	Stella McManus	Principal
CO'B	Ciaran O'Brien	Audit Scotland
DA	David Archibald	Partner – Henderson Loggie LLP
KN	Kerry Nelson	Senior Audit Manager – Audit Scotland

AUDIT AND RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	2025-2026 Annual Complaints Handling Report
REFERENCE	05.0
AUTHOR AND CONTACT DETAILS	Vari Anderson Vari.anderson@slc.ac.uk
PURPOSE:	To provide Committee Members with an overview of the 2025/26 Annual Complaints Handling Report, and an update of the continuing governance of the complaints handling process
KEY RECOMMENDATIONS/ DECISIONS:	Members are asked to: • Remit the Annual Complaints Handling Report for approval to the Board of Management. • Note that it must published on the College website by November 2026.
RISK	• That the College does not meet its statutory requirements to publish the report within the required SPSO time scale.
RELEVANT STRATEGIC AIM:	• The Student Experience • People and Culture Development • Growth and Innovation • Sustainability
SUMMARY OF REPORT:	• In 2025-2026, 26 complaints were received, this is an increase of 2 (8.3%) from 2024-25. • 77% (20) of complaints were handled at Stage 1, with only six complaints being considered at Stage 2. • The College achieved 96% compliance with published complaint response times. One complaint was considered late in terms of the SPSO's guidance due to an extension being granted due to the complexity of the complaint. • Analysis of complaint categories shows that Customer Care was the most common source of complaints, accounting for 13 of the 26 complaints received. • Complaint numbers have remained stable over the past three years. • A Lessons Learned and Actions to Improve plan has been created

1. INTRODUCTION

1.1. This paper provides an overview the 2025-2026 Annual Complaints Handling report and the continuing governance of the complaints handling process.

2 DISCUSSION

2.1 The College complies with the governance of the Scottish Public Service Ombudsman (SPSO), ensuring that all complaints are recorded and closed within the required time scale.

2.2 In addition, to publishing the four mandatory Key Performance Indicators, the College also provides reports on complaint trends and any actions taken to improve service delivery.

2.3 The College's Annual Complaints Handling Report for 2025-2026 must be approved and published by November 2026 to comply with statutory requirements.

2.4 In 2025-2026 academic year, 26 complaints were received, an increase of 2 complaints compared to the previous year. This represents an increase of 8.3%.

2.5 The College achieved 96% compliance with published complaint response times. One complaint was considered late in terms of the SPSO's guidance due to an extension being granted due to the complexity of the complaint.

2.6 Most of the complaints received were within the Customer Care category, which is a shift from previous year, where the majority were related to the Application to Progression category.

2.7 Ten areas of improvement were identified with progress being made to close these recommendations.

3 EQUALITIES

There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

4 RISK AND ASSURANCE

4.1 The College does not deal with complaints within the time required by the SSPO procedures resulting in a poor experience for our learners and stakeholders.

4.1.1 **RECOMMENDATIONS**
4.1.2 Members are recommended to:
4.1.3 remit the Annual Complaints Handling Report for approval to the Board of Management.
4.1.4 note that it must published on the College website by November 2026.

South Lanarkshire College

Annual Complaints Handling Report

Academic Year 2025-26

1. Introduction

1.1 South Lanarkshire College (SLC) has adopted the Scottish Public Services Ombudsman (SPSO) Model Complaints Handing Procedure for Further Education Institutions, ensuring that all complaints are recorded, investigated, and concluded within the prescribed timescales.

1.2 There are four mandatory Key Performance Indicators (KPIs) applicable to further education institutions, which require formal reporting. These are:

- The total number of complaints received;
- The number and percentage of complaints at each stage that were closed in full within the set timescales of five and 20 working days.
- The average time in working days for a full responses to complaints at each stage
- The outcome of complaints at each stage

1.3 The complaint stages are:

- Stage One: for issues that are straightforward and require little to no investigation. These complaints are responded to within 5 working days.
- Stage Two: for issues that are more complex and require investigation or where the customer remains dissatisfied with a Stage 1 response. These complaints are responded to within 20 working days.
- Escalation to the Scottish Public Sector Ombudsman (SPSO) where the customer is dissatisfied with the Stage 2 response.

1.4 There are four complaints outcomes:

- Upheld (where the organisation is at fault)
- Not Upheld (where the organisation is not at fault)
- Partially Upheld (where some parts of the complaint are upheld and others are not) and;
- Resolved (when both the organisation and the customer agree what action (if any) will be taken to provide full and final resolution for the customer, without making a decision about whether the complaint is upheld or not upheld).

1.5 In addition to publishing the four mandatory KPIs, the College also provides an overview on complaint trends and any actions taken to improve service delivery.

1.6 South Lanarkshire College reports quarterly to the Learning, Teaching and Student Experience (LTSE) sub-committee on the KPIs and analysis of the trends and outcomes of complaints. These reports are also published on the SLC website.

2. Academic Year 2025-26 Key Performance Indicators

2.1 Indicator One: Total Number of Complaints Received

Quarter	Complaints Received Stage 1	Complaints Received Stage 2	Total (and as a % of College Population)
Quarter 1	7	1	8 (0.20%)
Quarter 2	3	1	4 (0.10%)
Quarter 3	5	4	9 (0.225%)
Quarter 4	5	0	5 (0.125%)
Total	**20**	**6**	**26 (0.65%)**

2.1.1 During the reporting period, 26 complaints were received, representing 0.65% of the College population. Most complaints (77%) were handled at Stage 1, with only six complaints being considered at Stage 2. Complaint volumes peaked in Quarter 3, when

9 complaints were received, including 4 Stage 2 complaints. Overall complaint volumes remain low when considered in the context of the College population.

2.2 **Indicator Two: Number and Percentage of Complaints at Each Stage that were closed in full within set timescales of five and 20 working days.**

Complaint Indicator	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Yearly Total	
Number of complaints closed at Stage 1 and % of total closed in full within the set timescales of five days.	7	100%	2	100%	5	100%	4	100%	18	100%
Number of complaints closed at Stage 1 and % of total closed in full within the set timescales of 10 days when an extension has been granted.			1	100%					1	100%
Number of complaints closed at Stage 2 and % of total closed in full within the set timescales of 20 days.	1	100%	0	0%	4	100%			5	83%
Number of complaints closed at Stage 2 after escalation and % of total closed in full within the set timescales of 20 days.							1	100%	1	100%
Total Complaints	8		3*		9		5		25	

2.2.1 The College achieved 96% compliance with published complaint response times. At Stage 1, 18 complaints were closed within the standard five-working day target. In addition, one Stage 1 complaint required an extension to allow for resolution. At Stage 2, five complaints were resolved within the 20-working day timeframe. *One complaint stage 2 complaint was considered late in terms of the SPSO's guidance due to an extension being granted due to the complexity of the complaint.

2.3 **Indicator Three: The average time in working days for a full response to complaints at each stage**

2.3.1

Complaint Stage	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Average time in working days to respond in full at stage 1	5 days	8 days*	6 days	4 days
Average time in working days to respond in full at stage 2	0	32 days**	20 days	0

* The figure is elevated due to one complaint being extended to allow the investigation to be concluded.

**This number is inflated due to a complex complaint which was lodged in November. On the morning the complaint was due for a response, the customer submitted additional information that required further investigation. Due to the Christmas break, enquiries could not be made until January.

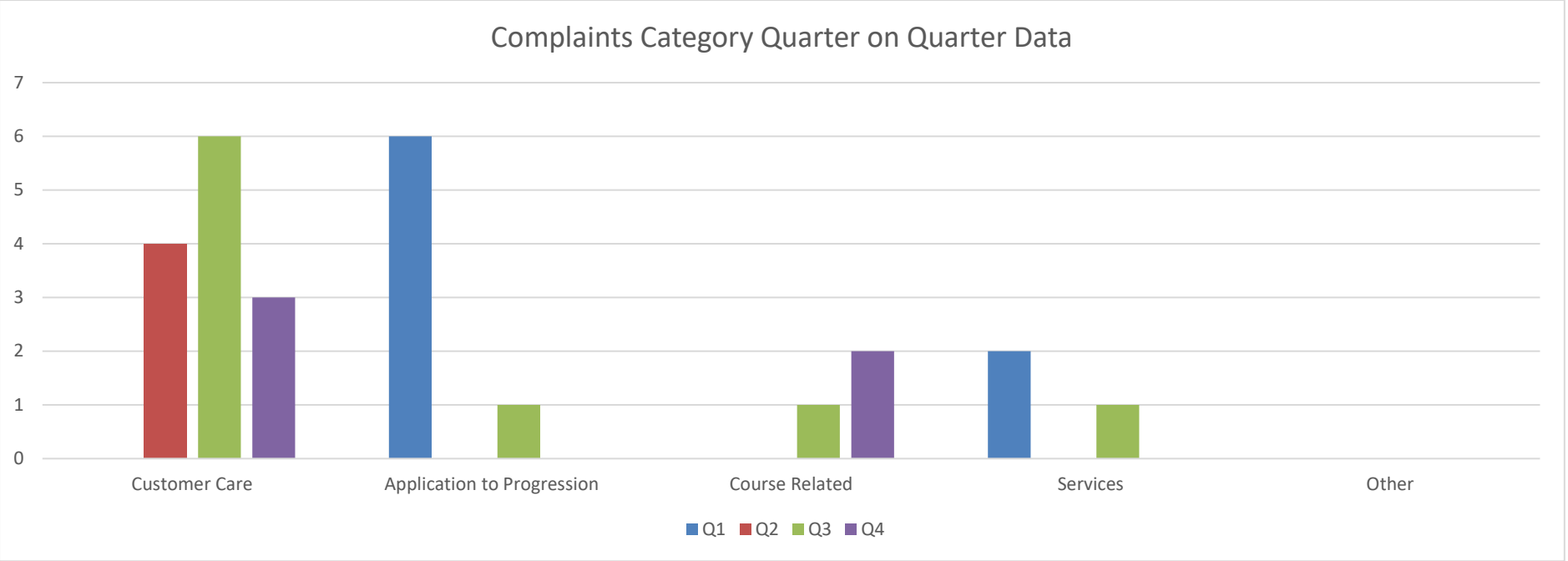
2.4 **Indicator Four: The outcome of complaints at each stage**

Complaint Indicator	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Yearly Total	
Number and % of complaints **resolved** at **Stage 1**			2	50%					2	7.69%
Number and % of complaints **partially upheld** at **Stage 1**					1	11.11%			1	3.85%
Number and % of complaints **upheld** at **Stage 1**	1	12.5%			3	33.33%	1	20%	5	19.23%
Number and % of complaints **not upheld** at **Stage 1**	6	75%			1	11.11%	3	70%	10	38.46%
Number and % of complaints **resolved** at **Stage 2**										

Number and % of complaints **partially upheld** at **Stage 2**			1	25%	3	33.33%			4	15.38%
Number and % of complaints **upheld** at **Stage 2**										
Number and % of complaints **not upheld** at **Stage 2**	1	12.5%	1	25%	1	11.11%			3	11.54%
Number and % of complaints **resolved** at **Stage 2 after escalation**										
Number and % of complaints **partially upheld** at **Stage 2 after escalation**										
Number and % of complaints **upheld** at **Stage 2 after escalation**							1	20%	1	3.85%
Number and % of complaints **not upheld** at **Stage 2 after escalation**										
Total	8	100%	4	100%	9	100%	4	100%	26	100%

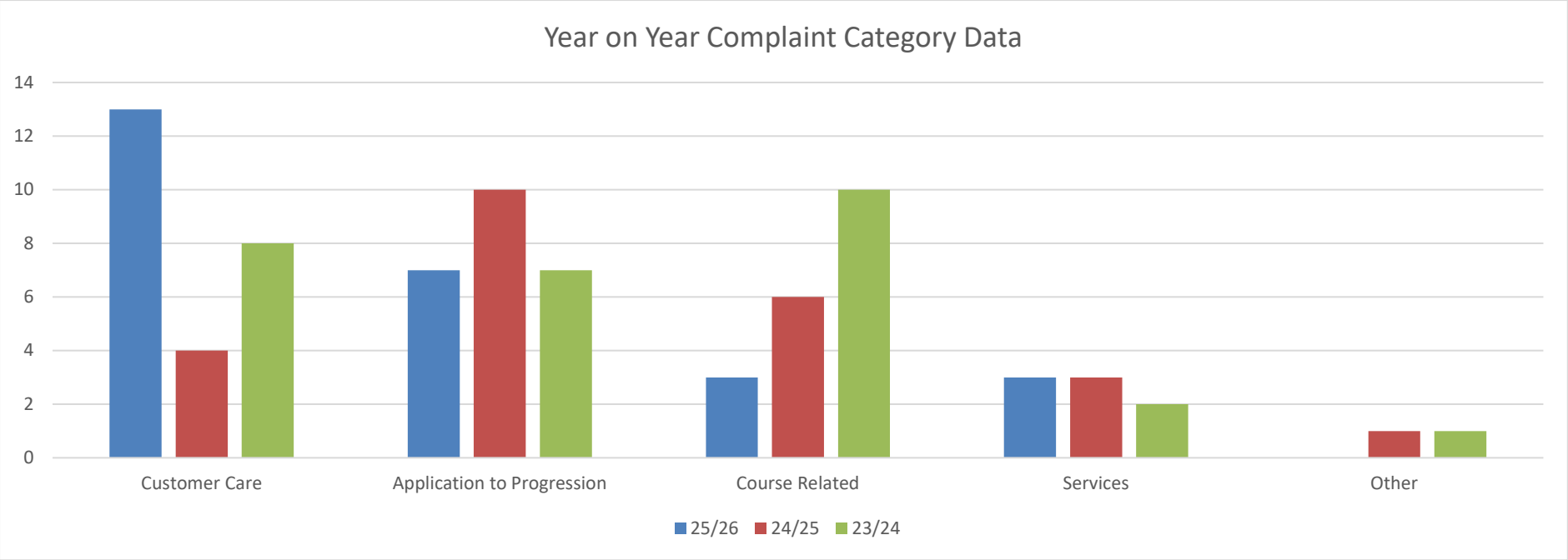
3. Trends and Lessons Learned

3.1 Total Complaints Quarter and Quarter Data



3.1.1 Analysis of complaint categories shows that Customer Care was the most common source of complaints during the year, accounting for 13 of the 26 complaints received. Application to Progression complaints were primarily concentrated in Quarter 1 which aligns with the start of the academic year. Similarly, Course Related complaints increased in Quarters 3 and 4 suggesting a greater focus on academic and learning issues as the year progressed.

3.2



3.2.1 Complaint volumes have remained stable over the past three years. In 2023/24, 28 complaints were received, this number decreased to 24 in 2024/25 before rising again in 2025/6 to 26. Customer care complaints have more than tripled since 2024/25 and this category now accounts for 50% of all complaints received in 2025/26. Following analysis of complaints, a new complaint category will be introduced for 2026-27 for 'Staff Conduct' allowing the College to distinguish complaints relating to staff behaviour from wider customer care issues.

4. Lessons Learned and Actions to Improve

4.1 Where appropriate, the College captures lessons learned and implements actions to support continuous improvement. Ten improvement areas were identified within the quarterly reports, and the corresponding target dates and progress updates are provided below.

Category of Complaint	Actions to Improve	Lead	Target Date/Progress Update
Customer Care	Head of Curriculum to arrange for member of staff to complete CPD in classroom management	Head of Curriculum	Complete.
Customer Care	Staff to be reminded when contacting students that it is best practice to use Teams call function.	Head of Curriculum	Complete.
Customer Care	Staff to uphold consistently professional standards even in challenging situations	Head of Curriculum	Complete.
Customer Care	Staff to be reminded in the value of reflective practice	Head of Curriculum	Complete
Customer Care	Staff to be recognise the impact of behaviour on student experience – students interpret staff behaviour as representative of College's values	Head of Curriculum	Complete
Customer Care	Need for clear expectations and regular training	Head of Curriculum	Ongoing
Application to Progression	Wording on 'welcome interview' e-mail to be updated to provide clarity	CQMs	Complete.
Course Related – Fees	Clearer Fee Communication Process – students will be encouraged at enrolment to seek guidance from the Student Fees Team to confirm the correct fee level for their programme. Lecturing staff will be expected to signpost students to the Student Fees Team, particularly where a learner on a PTFG structure considers taking on additional units that may increase their total fee liability beyond the full-time rate.	Lecturing Staff	Start of academic sessions

Course Related – Fees	College to undertake a review of its website to ensure that tuition fee information is transparent, consistent and easily accessible.	CQMs, Finance Dept	Start of academic sessions
Customer Care	New complaint category to be introduced for academic year 26-27 for 'staff conduct'	Complaints Handler	Complete.

AUDIT AND RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	Self-Evaluation Report and Board Development Plan 2026-27
REFERENCE	06.0
AUTHOR AND CONTACT DETAILS	Vari Anderson Vari.anderson@slc.ac.uk
PURPOSE:	To provide the Committee with feedback on the outcomes of the recent Board self-evaluation process and to present the Board Development Plan for 2026-27, which will support and complement the ongoing governance rolling review.
KEY RECOMMENDATIONS/ DECISIONS:	Members are asked to: • Note the feedback provided by Board members regarding Board effectiveness • Approve the contents of the Board Development Plan and remit to the Board of Management
RISK	The College may be unable to demonstrate compliance with Section D of the Code of Good Governance for Scotland's Colleges if effective arrangements for Board self-evaluation are not in place.
RELEVANT STRATEGIC AIM:	• Growth and Innovation • Sustainability • People and Culture Development • The Student Experience
SUMMARY OF REPORT:	• The Board Self-Evaluation Report outlines progress made in implementing governance-related Internal Audit recommendations and actions arising from Governance Effectiveness Reviews. • Feedback is provided following the Chair's one to one discussions with members, the Senior Independent Member's discussions and survey results along with the overall Board self-evaluation. • Board committee self-evaluations have been incorporated into the report. • Following review of all evidence gathered, a Board Development Plan for 2026-27 has been developed to support continuous improvement. The Plan will complement the Governance Rolling Review, with progress updates reported regularly to the Audit and Risk Committee.

1. INTRODUCTION

1.1. The Code of Good Governance for Scotland's Colleges states that '*the board must keep its effectiveness under annual review and have in place a robust self-evaluation process*."

1.2. In 2025, the College appointed Henderson Loggie to undertake a review of governance process as part of the Internal Audit plan. This review resulted in a number of recommendations aimed at strengthening governance arrangements. Later in the year, the College also underwent an external Governance Effectiveness Review (GER) which identified additional recommendations for improvement. The 2025-26 Board Self-Evaluation Report provides an update on the progress made in implementing the recommendations arising from both reviews.

1.3. In Spring 2025, the Board of Management undertook a comprehensive self-evaluation exercise. This involved individual meetings between Board members and both the Chair of the Board of Management and the Senior Independent Member, together with the completion of a confidential self-evaluation questionnaire based on the key principles of the Code of Good Governance for Scotland's Colleges. The feedback received highlighted a range of governance strengths and examples of good practice, while also identifying opportunities for further development and continuous improvement.

1.4. The response and feedback from Board members have been analysed and a Board Development Plan has been developed for academic year 2026-27. In previous years, South Lanarkshire College has not operated with a standalone Development Plan, instead using the Governance Rolling Review as a measure of the Board's governance effectiveness. This Development Plan will not replace the Rolling Review; rather, it will complement it by identifying the Board's key areas of focus for the next 12 months.

2 RISK AND ASSURANCE

2.1 The College may be unable to demonstrate compliance with Section D of the Code of Good Governance for Scotland's Colleges if effective arrangements for Board self-evaluation are not in place.

3 RECOMMENDATIONS

3.1 Members are asked to:

3.1.1 Note the feedback provided by Board members regarding Board effectiveness.

3.1.2 Approve the contents of the Board Development Plan and remit to the Board of Management.

South Lanarkshire College

Self-Evaluation Report 2026 and Board Development Plan 2026-27

South Lanarkshire College
East Kilbride

Contents

Introduction

1. The Code of Good Governance for Scotland's Colleges outlines the standards of governance that are expected of boards in the college sector. Section D24 of the Code requires the Board of Management to "keep its effectiveness under annual review and have in place a robust self-evaluation process".
2. In Spring 2026, South Lanarkshire College undertook a self-evaluation exercise requiring Members of the Board to complete a confidential self-evaluation questionnaire which is structured around the key principles of the Code:
    - Leadership and Strategy
    - Quality of the Student Experience
    - Accountability
    - Effectiveness
    - Relationships and Collaboration
3. Board members' responses to these statements, along with any comments, identified areas of good governance and strengths of the Board, as well as areas for development.
4. A five-point Likert scale ranging from 'strongly agree' to 'strongly disagree' has been introduced, along with free-text fields to allow Board Members to express their views more fully.
5. In April/May 2026, Board members met individually with the Senior Independent Member to discuss the performance of the Chair of the Board. Before these meetings, each Board member completed a Chair Evaluation survey to support and inform discussions.
6. Responses from Board members provide insight into areas of effective governance and the Board's key strengths, while also identifying opportunities for improvement.

Background

Effective governance is a key priority for the College and forms the foundation of our approach to leadership, accountability and continuous improvement.

The Board of Management is committed to continuous improvement and, over the past two years, has commissioned an internal audit of corporate governance and completed its Governance Effectiveness Review. Both exercises provided valuable feedback, which the Board has carefully considered and implemented to ensure it continues to deliver effective and robust governance.

Internal Audit

As part of the College's 2024/25 Internal Audit Programme, Henderson Loggie were commissioned to review the College's governance structures. The review confirmed that the College has effective mechanisms in place to maintain ongoing oversight of governance. It also identified several areas for improvement, all of which the College has carefully considered and, where appropriate, implemented. The recommendations are summarised below along with the actions taken by the College:

Recommendation 1 – Advance warning of any specific agenda items where a particular perspective is being sought.

- Prior to each Committee meeting, the executive lead meets with the Committee Chair to review the agenda and provide additional context on the papers. In general, the College does not require a particular perspective. However, should a situation arise where support is needed, the Governance Professional and executive lead would fully support the individual in advance of the meeting.

Recommendation 2 – Board to consider mapping the ongoing and planned projects with local, regional and national priorities and defining performance metrics as part of the strategic planning process.

- In preparation for launching the 2030 Strategy, the College held a series of strategy-building workshops beginning in 2023. These sessions covered Labour Market Intelligence, sector and financial analysis and a strategic review of national policies and reforms.
- The College is currently developing a strategic dashboard. At the time of writing, the dashboard has not yet been implemented however KPI updates have been provided at both Committee and Board level.

Recommendation 3 – For subcommittee Chair's to invite Board members from other Board sub committees to attend their meetings.

- Board members are aware that they may attend and observe the meetings of any other Committee, with the exception of the Audit and Risk Committee. Attendance at ARC is also welcomed however members must seek prior approval from the Committee Chair.
- Each Committee's terms of reference promotes cross-Committee engagement, and on previous occasions Committees have met jointly to consider specific agenda for example – the Artificial Intelligence Policy.
- As part of the Board induction, new members are advised that they are encouraged to observe other Committee meetings, with the exception of ARC, which requires prior permission from the Chair.

Recommendation 4 – College to conduct an annual self-evaluation exercise to assess partnership activity.

- At present, the College has a limited range of formal partnership activity, primarily involving South Lanarkshire Council and local employers. The executive team notes that prior to progressing this recommendation, there is an interim stage focused on potential partnership opportunities and pipeline development.

Recommendation 5 – Development of tailored induction to prepare new members for their role on Board sub-committees

- The Board Induction was refreshed in 2025 to strengthen support for new members. All new Board members are invited to participate in the induction programme with the Governance Professional, meet with the Committee's executive lead and Committee Chair, and have introductory meetings with the Principal and the Chair of the Board of Management.

- A Board Induction Hub has been created on the Board Teams page with bite-sized presentations both for new members and as a refresher for current members.

Recommendation 6 – To align the oversight of specific strategic risks to individual subcommittees with discussions on mitigations to feed into the Audit and Risk Committee and Board considerations of the Strategic Risk Register.

- The College recognises the Board's recent focus on risk. Each Board and Committee paper includes a dedicated section outlining the specific risks associated with the matter being presented.
- Additional sessions on risk will be delivered at the beginning of the next academic year to further strengthen understanding and oversight.
- It was suggested that Committees could assume oversight of the risks relevant to their specific areas of business. However, due to the timing of the Committee cycle, any committee-driven updates could not be incorporated into the risk register until the subsequent meeting, resulting in the register becoming outdated in the interim.

The full report can be found here.

Governance Effectiveness Review

In July 2025, South Lanarkshire College was designated a Regional College. Around this time, the College Development Network were appointed to conduct the College's Governance Effectiveness Review. The final report was received in September 2025 and included two recommendations focusing on building the Board team and producing more concise Board and Committee papers. Both recommendations have since been implemented, with details outlined below.

Recommendation 1: Building the Board Team

- In respect that half of the members have joined in the last 18 months it was suggested that the College creates space for members to get to know one another. Following the December 2025 Board meeting, the College hosted a Christmas lunch in the Study Training Restaurant, providing an informal opportunity for members to build relationships. Additionally, time is available before Board and Committee meetings, as well as at Board Training and Development days, to encourage further interaction.
- The Board induction programme has been updated to include information on strategy formation.

Board and Committee Papers

- The Principal and executive team have been working on Board and Committee papers to ensure they are concise. Work is ongoing to streamline access to documents by incorporating hyperlinks to supporting materials to reduce the volume of papers in the meeting pack.

The full report can be found here.

2025-26 Self-Evaluation Process

Chair's One to One Discussion Feedback

Throughout the academic year, individual discussions were held between the Chair of the Board of Management and Board members to better understand their experience of serving on the Board, the extent to which they feel able to contribute effectively, and their views on the strengths, opportunities for improvement, and potential future areas of focus for the College and its governance.

The discussions reflected a generally positive view of the direction of travel, the functioning of the Board, and the progress made by the College. They also highlighted a number of recurring themes worthy of further consideration.

Strengths and Positive Feedback

Board culture, governance and effectiveness

Members consistently described the Board as well run, professional and operating at a high level. There was strong recognition of the significant progress made in recent years and of the College's transition from a period of considerable challenge towards greater stability.

A recurring theme was the positive culture within the Board. Members described feeling welcome, listened to and supported, with a good mix of experience, enthusiasm and professional expertise represented around the table. Several members commented positively on the level of trust between the Board and the management team.

Members also welcomed the continued strengthening of systems, processes and procedures and recognised the considerable foundational work undertaken in areas including governance, data, business continuity, finance and organisational systems.

The contribution of the Chair, Vice Chair, Governance Professional and other Board colleagues was frequently recognised positively. Members valued the responsiveness and support available to them and felt that this contributed to their confidence in fulfilling their roles.

Growing engagement and confidence

Several newer Board members reported becoming progressively more engaged and confident as their experience developed. Members described beginning to see patterns emerge, gaining a better understanding of the College and sector, and feeling increasingly comfortable offering challenge and contributing to discussion.

Board development activity was viewed positively, particularly training relating to governance, audit and risk. Members welcomed opportunities to deepen their understanding of their fiduciary responsibilities and the wider college sector.

Connection with the College, staff and students

Members spoke very positively about the College environment and the opportunity to engage directly with students. Experiences including student presentations, breakfasts and other engagement activities were particularly valued.

Student representatives were viewed very positively, and there was strong support for further strengthening the student voice and creating additional opportunities for Board members to hear directly from a broader range of students.

Appetite to contribute beyond formal meetings

A consistent theme was the desire of members to contribute more extensively beyond formal Board and committee meetings. Members expressed interest in supporting:

- partnership development;
- mentoring and employability;
- finance and resources;
- audit and risk;
- equality, diversity and inclusion;
- digital transformation;
- health and safety;
- innovation;
- staff and student engagement; and
- strategic development of the College's future business model.

Several members indicated that they would welcome more opportunities to use their professional expertise, networks and, where available, employer supported volunteering time for the benefit of the College.

Opportunities for Improvement

Ensuring Board members can clearly identify how they add value

A more explicit mapping of Board members' skills, experience, networks and interests could assist in identifying opportunities for contribution and ensure the College makes maximum use of the considerable capability available across the Board.

Board papers, information and decision making

While Board papers were generally considered well ordered and meetings well structured, the volume of documentation was highlighted by some members, particularly those new to the sector.

There were also concerns that, on occasion, information presented to the Board may not fully reflect the lived experience of staff or operational reality across the College. Members stressed the importance of ensuring that Board reporting provides an authentic and balanced picture, including areas of challenge or concern.

There is also interest in better understanding the College's decision-making processes, including how significant decisions are developed, tested and approved.

Confidence to provide constructive challenge

Several members expressed a desire to become more challenging and constructive in meetings. While members generally felt confident and supported, some acknowledged that they could occasionally feel intimidated by the depth of knowledge or experience of other colleagues.

Continued Board development, informal opportunities for members to share experiences, and further support for newer members may help build confidence and encourage a culture of appropriately robust challenge.

It is equally important that challenge within committees and the Board remains constructive, proportionate and focused on improving outcomes.

In addition to the improvement opportunities outlined above, the Board raised a small number of operational matters that are not reflected in this report as they were not considered relevant to its scope. These matters have, however, been fed back to the Executive Team for consideration.

Potential Areas of Future Focus

Strategic evolution and future business model

There was considerable interest in the future strategic direction of the College and how its business model might evolve in response to ongoing financial and sectoral pressures.

Areas of interest included partnership development, innovation, alternative income generation and consideration of how the College can best deploy its assets, expertise and relationships.

Financial sustainability and financial confidence

Finance was a recurring theme throughout the discussions. Some members expressed a desire for greater support in developing their financial understanding, while others were keen to contribute more directly to financial oversight.

Further Board development relating to college finance and opportunities to explore key financial challenges in greater depth may therefore be beneficial.

Risk, audit and assurance

Members showed strong interest in understanding risk in greater detail and in contributing to the continued development of the College's approach to risk management.

There was particular interest in linking Board member expertise with ongoing audit and risk work and in ensuring that members have appropriate confidence in the relationship between strategic objectives, operational realities, risk and assurance.

Staff and student voice

There was strong support for increasing opportunities for Board members to engage directly with staff and students.

Members expressed interest in using their experience to support students more directly, particularly in mentoring, employment and career development.

There may be an opportunity to convene those Board members with an interest in employment and employability to explore how their collective networks and expertise could complement existing College activity.

Partnership development and external engagement

Several members expressed an interest in supporting the development of external partnerships and making greater use of their own professional networks.

There may be value in developing a more structured approach to identifying where individual members can act as ambassadors, connectors or sources of strategic advice, while respecting the distinction between governance and operational responsibilities.

Digital experience and the paperless College

Digital transformation emerged as an area of specific interest. Members were keen to better understand the experience of digital systems from the perspective of both staff and students and to consider opportunities for improving efficiency and reducing unnecessary paper use.

There was support for the concept of a more ambitious "paperless College" approach, encompassing printing, paper consumption, administrative processes and digital user experience.

Equality, diversity and inclusion

Equality, diversity and inclusion remains an important area of interest for members, with a desire to contribute further where appropriate.

Members also highlighted the importance of responding to emerging issues affecting students, including gender based violence in online environments, poverty, housing insecurity and wider pressures on wellbeing.

Chair's Summary

The Chair's assessment from the one to one discussions is that the Board is functioning well and has continued to develop positively over the course of the academic year. Members are generally engaged, supportive of one another and increasingly confident in offering constructive challenge. There is a strong sense of shared commitment to the College and a genuine desire from members to contribute meaningfully to its future success.

A notable theme was the willingness of Board members to contribute beyond their formal governance role. The discussions have highlighted a number of areas where continued focus would be beneficial. A recurring theme throughout the discussions has been the importance of connection. Connection between the Board and the wider College community; between senior leaders and staff; between strategy and operational reality; and between the individual strengths of Board members and the future needs of the College.

The Chair is of the view that the Board has made considerable progress and now operates from a position of greater stability, confidence and maturity. The challenge for the year ahead

is therefore not simply to maintain effective governance, but to build on that progress by ensuring that the Board remains informed, visible, constructively challenging and closely connected to the people and communities the College exists to serve.

Chair's Performance Evaluation

During April and May 2026, the Senior Independent Member of the Board of Management undertook a series of 45-minute interviews with all current Board members to evaluate the Chair's effectiveness over the previous 12 months. These discussions were informed by a survey circulated to members in advance. The survey questions are set out in Appendix 1.

The feedback from Board members regarding the Chair's effectiveness over the past 12 months was overwhelmingly positive for all questions, with 100% of respondents stating that they were 'very satisfied' with the Chair's performance.

Based on both the interviews and survey sent to members the Chair has clearly demonstrated exceptional leadership and dedication to the role, positively impacting not just the Board but the overall college community. He was noted in the interviews as being extremely well-informed about the College, overall sector and wider tertiary education in Scotland, whilst also being "very well prepared for meetings" and "setting the scene well for an open discussion".

The Chair's expertise has played a crucial role in navigating the evolving further education landscape and playing a key role in the launch of the College strategy in 2025 with his "big picture thinking", as described by a Board member. This leadership has helped ensure that South Lanarkshire College remains an outstanding college for learning and teaching and an anchor in the community.

The Chair's passion for education and student success is evident through proactive initiatives and strategic planning, fostering an environment where both students and staff can thrive. As a strong communicator, he excels in articulating complex ideas clearly and persuasively. This skill has strengthened relationships within and beyond the college, facilitating effective dialogue and collaboration with key stakeholders; with many Board members praising him for his "excellent listening skills".

Based on interviews he was also noted as having a measured and calm approach, effectively managing challenges and differing opinions well, with one Board member stating "he makes me feel comfortable speaking up in meetings". His articulate approach ensures that decision-making processes are inclusive and thoughtful with a clear outcome or actions. A notable strength is the encouragement of open dialogue in meetings, actively inviting colleagues to contribute. This has created a culture of inclusivity and innovation, allowing diverse perspectives to inform strategic decisions.

The Chair has also cultivated an excellent relationship with Stella McManus (Principal) and the Senior Management Team, clearly aligning on key strategic goals and priorities. Through mutual respect and cooperation, he has driven forward the college's vision with cohesion and purpose.

Above all, it is clearly evident to Board members that the Chair wants the College to succeed and thrive and is committed to the role fully. His strategic foresight and dedication are evident throughout Board discussions.

Four minor points which were raised by some Board members, which perhaps relate more to the Board structure rather than the Chair specifically, include;

1) More specific discussions focussed solely on the strategic direction of the College, as Board meetings can be cyclical and have very packed agendas. This means that sometimes there is not enough dedicated time for in-depth strategic discussions on a particular topic i.e. a specific focussed session on income diversification or curriculum transformation. Please note that at the time of writing a meeting has been scheduled for June 2026 to address income diversification.
2) Utilising Board members knowledge, experience and connections more out-with Board meetings i.e. Board members providing Industry introductions to lecturers or being a guest speaker at a lecture. Please note that at the time of writing this is also being discussed by the Board and actions have started to emerge following discussions such as an industry contact spreadsheet.
3) A closer link and more regular updates between the Board and staff i.e. top-line updates from the Chair to staff on a regular basis or a ‘meet the Board’ coffee morning informal discussion
4) Streamlined Board packs i.e. top headline information only with links to further reports/ appendices/ interactive dashboards should the Board wish to explore these further

These are matters which will be included in the Board Development Plan for 2026-27.

Overall, the Chair of the Board of Management at South Lanarkshire College has made significant positive impacts over the past year and is very well respected by his peers. His informed leadership, effective communication, and unwavering commitment continue to inspire confidence and progress within the Board and wider college community.

Board Self-Evaluation

The Board operational effectiveness survey asked members to provide feedback on specific aspects of Board operations along with offering the opportunity for Board members to reflect on Board activity and identify development needs for the coming 12 months. Seventeen Board members responded to the survey, while two did not take part. It being noted that one member who did not respond is currently on maternity leave. Appendix 2 contains the questionnaire.

1. Members are asked to consider:

The Board were asked to identify developments they would like to see over the next year. The suggestions raised reflected a number of common themes, including:

- Supporting income diversification
- College engagement
- Stakeholder engagement
- Strategic focus
- Environmental sustainability

Feedback from the survey has been collated, and a development plan has been established to guide the College's progress over the coming year.

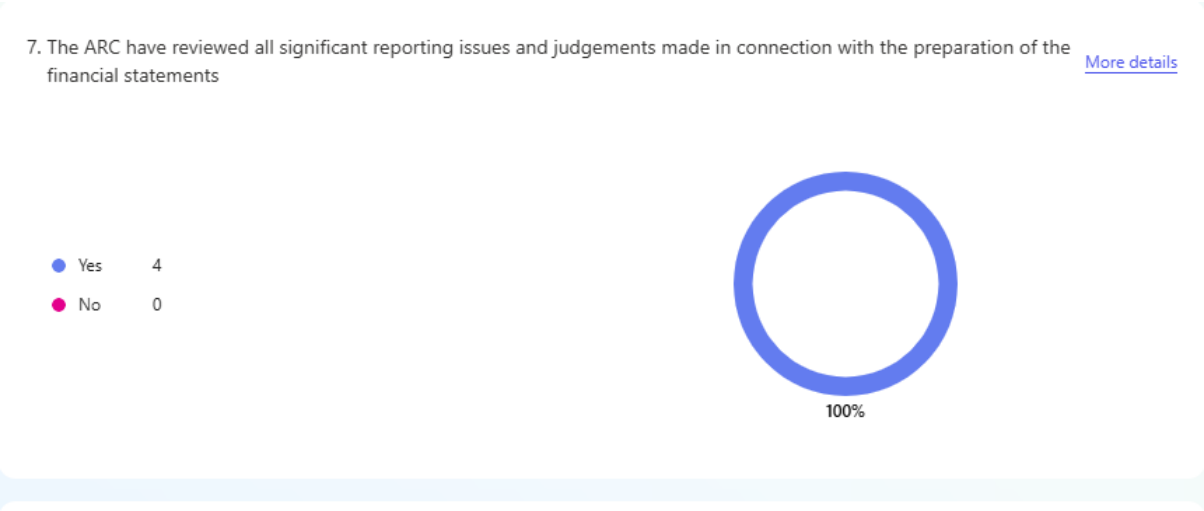
The Board were invited to add any comments, favourable or otherwise, which they would like brought to the attention of Management or the Governance Professional. Overall, feedback on the Board is highly positive, highlighting its professionalism, strong organisation, and effective leadership. Members value the diverse mix of skills and perspectives, alongside a

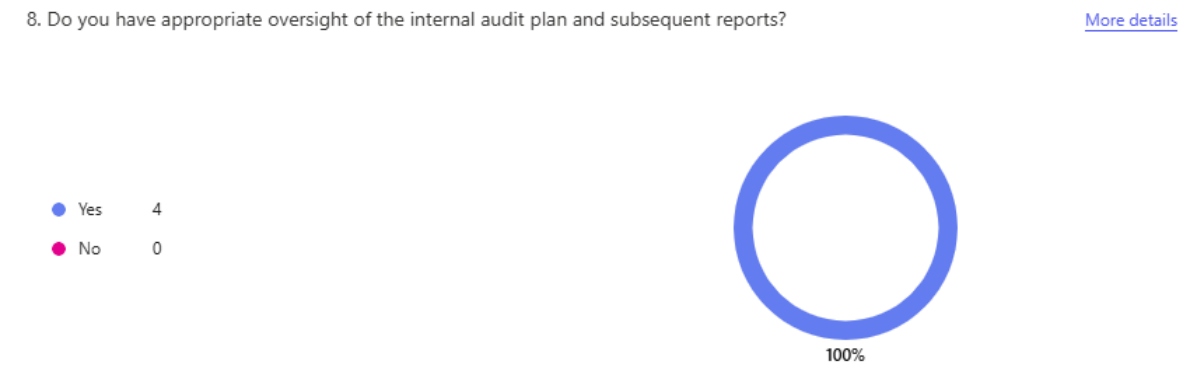
clear shared commitment to the College's success. The support provided by the Principalship and Governance Professional is particularly recognised, with strong working relationships noted across the Board and management team.
There is a strong sense of pride and enjoyment among members, with newer members in particular noting the visible energy and commitment to continuous improvement. While no significant concerns were raised, there was a suggestion to strengthen links between the Board and wider staff through increased informal engagement and opportunities for staff to contribute directly to Board discussions.

Audit and Risk Committee Evaluation

The Audit and Risk Committee uses the Scottish Government Audit and Assurance Committee Handbook as a framework to support its assurance role. The Committee undertook a self-evaluation exercise, with all members confirming that their roles and responsibilities are clearly defined and that they are able to contribute effectively to committee decisions. Members agreed that the Committee addresses its responsibilities, as set out in the Terms of Reference, very effectively and that meetings are productive and result in clear, actionable outcomes.

In providing assurance, the Committee also confirmed that it has reviewed all significant reporting issues and key judgements relating to the preparation of the financial statements, and that it has appropriate oversight of the internal audit plan and the resulting reports.





Additional comments and feedback were sought, with respondents noting that the Audit and Risk Committee operates well and provides an appropriate level of scrutiny, challenge, and rigour on behalf of the College.

The survey questions can be found at Appendix 3.

Sub-Committee Self Evaluation

A survey of the SLC Committees and evaluation of Committee Chairs was circulated alongside the Board's operational effectiveness survey. Appendix 4 contains the survey.

Learning Teaching and Student Experience Committee Feedback

The Committee agreed that its leadership is highly effective, with the Chair demonstrating strong preparation and skilled facilitation. The Committee also agreed that meetings are well-structured, with adherence to the agenda resulting in clear, actionable outcomes. Furthermore, the Committee considers itself to be highly effective in fulfilling its responsibilities as outlined in its Terms of Reference.

Finance and Resources Committee

The Committee agreed that the Chair promotes active participation and open discussion during meetings, demonstrating very effective leadership. It was also agreed that the Chair manages differing perspectives and viewpoints effectively. The Committee follows its agenda, with discussions leading to clear action points, and fulfils its responsibilities as set out in the Terms of Reference.

People and Culture Committee

The Committee was of the view that it effectively fulfils its responsibilities as outlined in the Terms of Reference. It is led by a Chair who is well prepared for meetings and encourages contributions from all members. The Committee also suggested that future meetings would benefit from deeper, focused discussions on specific areas within its remit.

Self-Evaluation Summary

The Board self-evaluation has provided assurance that the Board continues to operate effectively and that robust governance arrangements are in place. The evaluation highlighted a committed, engaged and ambitious Board that is focused on supporting the College's ongoing success and long-term sustainability. Looking ahead, members are keen to build on the progress already achieved, further strengthen their contribution, and continue working collaboratively with the Executive Team and stakeholders to help shape and deliver the College's strategic ambitions for the future.

Thank you to all members for their open and constructive participation in the self-evaluation process. The thoughtful feedback provided demonstrates a collective commitment to continuous improvement.

Development Plan 2026-27

In previous years, South Lanarkshire College has not operated with a standalone Development Plan, instead using the Governance Rolling Review as a measure of the Board's governance effectiveness. This Development Plan will not replace the Rolling Review; rather, it will complement it by identifying the Board's key areas of focus for the next 12 months. The Rolling Review will continue as a dynamic document, closely aligned with the Code of Good Governance for Scotland's Colleges.

This Development Plan has been developed based on feedback received from Board Members through the various self-evaluation processes.

Developmental Action	How we achieve this
Support Income Diversification Undertake further strategic work to support income diversification by identifying new revenue streams, strengthening partnerships, and exploring commercial opportunities.	• Income and Diversification Strategy Day held on 26 June 2026. • Income and Diversification Quarterly Update considered at FRC.
College Engagement Encourage and enable Board Members to engage more actively in College life beyond the formal committee cycle by participating in events, visiting campus activities, and interacting with staff and students, thereby strengthening relationships, enhancing visibility, and deepening understanding of the College community.	• Informal 'coffee and chat' after Board training/strategy days • Continuation of invitations to campus events • Student Question Time event • Class talks arranged through Governance Professional
Stakeholder Engagement Develop and implement a strategy to widen stakeholder engagement by proactively identifying and building relationships with key partners, including employers, community organisations and alumni to enhance collaboration. Explicit mapping of Board members' skills, experience, networks and interests	• Board network/industry links requested via e-mail in June. Spreadsheet available for updating on Teams portal.
Strategic Focus Allocate dedicated time within Board/Committee meetings for strategic deep-dive discussions, including consideration of the College's future operating model, to support informed decision making and focus on long-term priorities.	• Ongoing work on Committee workplans to create dedicated time for deep dives • Possible participation in governance research with focus on workshops/focus groups
Environmental Sustainability Advance the College's sustainability agenda by developing and overseeing a clear pathway towards achieving zero energy bill status.	• Work of the CCAT with reports being produced to the Board.
Board Papers Introduce streamlined Board/Committee packs focused on key headline information,	• Template work ongoing to streamline papers

supported by links to detailed reports, appendices and dashboards, enabling Members to access further detail as required while maintaining a concise and strategic focus.	• Executive team to train report authors
Board Training Opportunities Deliver a programme of Board development activities focused on college finance, risk management and effective governance challenge, including deeper exploration of key financial and strategic risks	• Constructive questioning skills training is scheduled for 21 August 2026. • Chairing skills workshop scheduled for 21 August 2026 • Risk session to be facilitated in November with Henderson Loggie

Appendix 1 – Chair Evaluation Survey

Board of Management Chair Evaluation 2026 Survey Questions

1. Does the Chair provide clear leadership and set an appropriate tone for the Board?
2. Does the Chair encourage full participation from all Board members?
3. Does the Chair manage differing opinions constructively?
4. Is the Chair effective at keeping discussions focused and on track?
5. Does the Chair help the Board maintain a strong focus on strategy rather than operational detail?
6. Does the Chair ensure adequate time for strategic issues during meetings?
7. Does the Chair ensure the Board follows good governance practices?
8. How effectively does the Chair serve as a liaison between the Board and management?
9. How well does the Chair foster an inclusive and respectful Board culture?
10. Does the Chair communicate clearly and transparently with the Board?
11. Does the Chair ensure that all Board Members are heard and valued?
12. Is the Chair effective at guiding the Board toward well-informed decisions?
13. Does the Chair ensure decisions are made in a timely yet considered manner?
14. Overall, how satisfied are you with the Chair's performance?
15. What are the Chair's greatest strengths?
16. In which areas could the Chair improve to enhance Board effectiveness?

Appendix 2 - Board Self Evaluation Questionnaire

Using a Likert scale, members were asked to respond to the questions below, selecting from: ‘Strongly Agree’, ‘Agree’, ‘Neutral’, ‘Disagree’, and ‘Strongly Disagree’.

1. The Board has set out clear strategic priorities and aims
2. The Board understands and demonstrates the College values
3. The Board operates according to the Nine Principles of Public Life
4. Staff members are active at Board level
5. The Board and its Committees prioritise the opinions/views of students
6. The Board publishes high quality Annual Reports
7. Funds are planned and used economically, efficiently and effectively
8. The Board Chair promotes open discussion on strategic matters
9. The Board has an appropriate mix of skills and works well as a team
10. The Principal/Executive Team are clearly accountable to the Board
11. Board effectiveness is regularly reviewed
12. The Board effectively engages with stakeholders and community partners
13. Learning provision is relevant to industry needs
14. The mechanisms for ensuring good governance are effective
15. The Board have suitable access to the Governance Professional

Further to these questions, the Board were allowed the opportunity to expand their opinions using the following questions.

1. What have we done well over the last 12 months?
2. What developments would you like to see over the next year?
3. Is there any additional support which the College can provide to help you conduct your board role?
4. Are the Board papers issued timeously and in an accessible format or are there areas which could be improved?
5. Are there any other comments, favourable or otherwise which you would like brought to the attention of Management or the Governance Professional?

Appendix 3 – ARC Self Evaluation

1. Are the roles and responsibilities of the committee clearly defined?
2. Do you feel you have adequate input into committee decisions?
3. How effectively does the committee address its responsibilities as outlined in the Terms of Reference?
4. Are meetings productive and do they lead to actionable outcomes?
5. Is the information you receive from the executive team relevant, accurate, clear, timely etc?
6. Does the committee have the right mix of skills to fulfil its responsibilities?
7. The ARC have reviewed all significant reporting issues and judgements made in connection with the preparation of the financial statements – Yes/No
8. Do you have appropriate oversight of the internal audit plan and subsequent reports?
9. Are there opportunities for members to receive training or support to enhance their skills?
10. Any other comments/feedback.

Appendix 4 – Chair/Committee Evaluation Questionnaire

1. How effective is the Committee's leadership?
2. The Committee adheres to its agenda during meetings? T/F
3. Is the Committee Chair well prepared for Committee meetings? Y/N
4. Does the Committee Chair encourage active participation and sharing of opinions during Committee meetings? Y/N
5. Is the Committee Chair a skilled facilitator who can effectively manage varying perspectives and points of view? Y/N
6. How effectively doe the committee address its responsibilities as outlined in the Terms of Reference?
7. Are meetings productive and do they lead to actionable outcomes? Y/N
8. Any additional comments

AUDIT & RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	Internal Audit: Financial Sustainability and Follow up reviews 2025-26
REFERENCE	07.0
AUTHOR AND CONTACT DETAILS	David Archibald, Partner, Henderson Loggie LLP David.Archibald@hlca.co.uk
PURPOSE:	To update the Committee on the results of one Internal Audits: Financial Sustainability and the Internal Audit Follow Up reviews 2025-26
KEY RECOMMENDATIONS/ DECISIONS:	The Committee are asked to: • Note that the overall internal audit opinion of 'satisfactory' on the internal audit of Financial Sustainability • Note that the College has made some progress in implementing the recommendations in the Follow up Reviews 2025-26,
RISK	• That the College fails to identify risks and appropriate controls during day-to-day operations. • That the College does not meet governance requirements because of poor risk management and controls. • That the College does not comply with the requirements of the Code of Good Governance and other requirements of it as a college. • That the College does not fulfil its requirements as regards giving assurance to its external auditors.
RELEVANT STRATEGIC AIMS:	• The Student Experience • People and Culture Development • Growth and Innovation • Sustainability
SUMMARY OF REPORTS:	Internal Audit has provided two reports for the Committee's consideration: Financial Sustainability and Follow Up reviews 2025-26 **Financial Sustainability** The overall opinion expressed is 'satisfactory' which means that the system meets control objectives with some weaknesses present.

	The strengths of the Financial Sustainability audit include: • The College has a Financial Sustainability Policy reinforcing the College's commitment to financial sustainability. • There is a shared granular understanding of the cost of curriculum provision versus funding which is secured for delivery. • The Board Day in June 2026 considered Income Diversification and demonstrated willingness to seek opportunities for income growth and diversification. However, main weaknesses from the report are: • there is a lack of a detailed income delivery plan to set out investment costs of developing new income streams and potential timing of achievement. • Financial reporting does not currently track the current position against key budget assumptions and enhanced narrative would provide clarity for senior management. Two recommendations have been noted. The College will aim to close these recommendations by 31 March 2027. **Follow Up reviews 2025-26** The College has made some progress in implementing the recommendations followed-up as part of this review with: • 14 of 38 (37%) recommendations that were past their agreed completion date being categorised as 'fully implemented'. • 22 (55%) recommendations have been assessed as 'partially implemented'; • 2 (5%) recommendations were assessed as showing 'Little or No Progress Made'. One recommendation (3%) was classified as Considered But Not Implemented. This recommendation was contained in the Corporate Governance report and related to the recommendation that consideration should be given to aligning the oversight of specific strategic risks to individual Board sub committees. Recommendations classified as Partially Implemented or Little or No Progress will be subject to follow-up review in 2026/27.

LEVEL OF ASSURANCE
Satisfactory

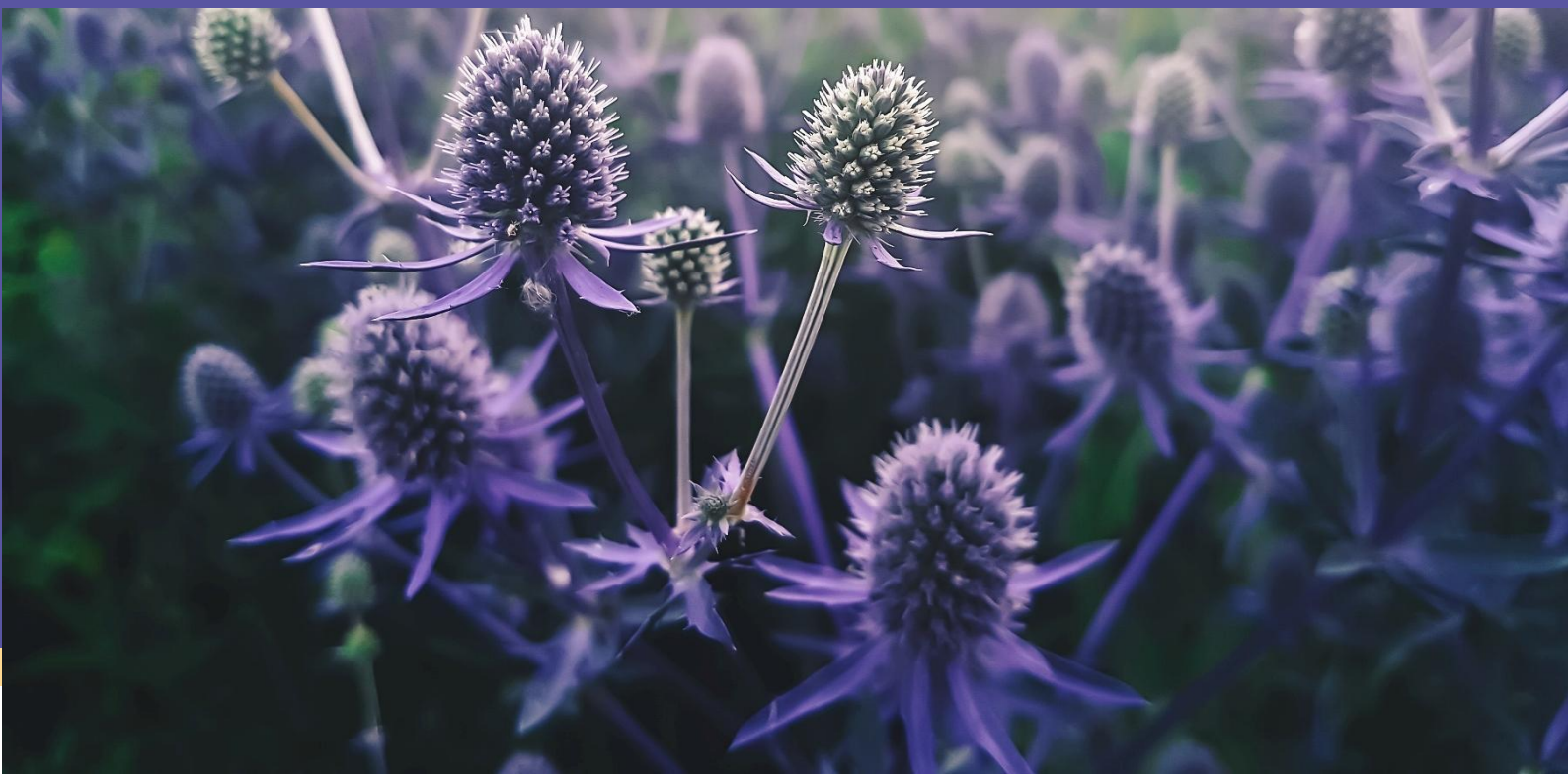
South Lanarkshire College

Financial Sustainability

Internal Audit report No: 2026/06

Draft issued: 18 August 2026

Final issued: 18 August 2026



Henderson Loggie

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Management Summary

Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.

Risk Assessment

This review focused on the controls in place to mitigate the following risks on the South Lanarkshire College (SLC or 'the College') Strategic Risk Register as at May 2026:

- Risk 1: That the College cannot maintain financial stability (Post Mitigation Score – 20, Very High).
- Risk 3: That there is failure to meet Credit target and /or failure to retain major public and private contracts. (Post Mitigation Score – 10, High).
- Risk 5: That there are insufficient funds for capital project and maintenance requirements. (Post Mitigation Score – 12, High).

Background

As part of the Internal Audit programme at the College for 2025/26, we carried out a review of the systems in place to ensure Financial Sustainability. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Audit and Risk Committee and management that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

In common with all other Scottish Colleges, South Lanarkshire College has faced unprecedented financial challenges in recent years. These challenges have largely arisen due to flat cash settlements from the Scottish Funding Council (SFC), coupled with additional cost pressures which have not been fully funded. Although the SFC have encouraged Colleges to reduce their dependency on grant funding, it is our view that even the most innovative and enterprising Colleges could not generate sufficient surplus from their commercial operations to fill the financial gap created by the funding settlements announced year on year. This has resulted in the need for the delivery of significant cash releasing savings. Given the proportion of the College's revenue budget which relates to staffing costs, this has resulted in unavoidable reduction in headcount for both academic and support staff across the College in recent years in order to manage the College's financial position and avoid the scenario which many other Scottish Colleges have found themselves in, whereby they have required liquidity support from the SFC.

Although the College Indicative Funding Allocations for accounting year (AY) 2026/27, which was issued by the SFC on 25 March 2026, did provide some additional funding for Scottish Colleges there continues to be a lack of clarity in Colleges around future funding, which clearly hampers efforts to develop a realistic and coherent financial plan beyond 2026/27.

In addition, the Finance function within the College has seen some recent change, with the departure of the Head of Finance. An update on the improvement plan for the Finance function was presented to the May 2026 meeting of the Audit & Risk Committee. Therefore, our review has been conducted against this challenging background.

Scope, Objectives and Overall Findings

This audit reviewed the College's financial planning practices and protocols to consider whether these are in line with good practice.

The table below notes each separate objective for this review and records the results:

Objective	Findings				
The objectives of our audit were to ensure that:	**Level of Assurance**	**1**	**2**	**3**	**Actions Already Planned**
		No. of Agreed Actions			
1. the College has developed a long-term financial strategy, which includes long-term financial forecasts.	**Satisfactory**	0	0	1	
2. assumptions used in the financial forecasting returns submitted to the SFC are robust, realistic and are applied consistently. Any departure from the SFC guidance on common sector assumptions is justified to the Board and the SFC.	**Satisfactory**	0	0	1	
Overall Level of Assurance	**Satisfactory**	**0**	**0**	**2**	
		System meets control objectives with some weaknesses present.			

Audit Approach

Interviews were held with the Principal, the Vice Principal Student Experience & Innovation, the Vice Principal – Finance, Resources & Sustainability and the former Head of Finance, and financial plans, forecasts and reports were reviewed, to determine current working practices in financial planning.

Summary of Main Findings

Strengths

- The Financial Sustainability Policy reinforces the College commitment to operating in a financially sustainable manner.
- The Financial Sustainability Policy contains a Long-Term Financial Planning principle which sets out a specific commitment to a) maintain a rolling three year financial plan aligned with the College's Strategy 2030 and SFC requirements; b) model multiple financial scenarios, including downside risks, demographic changes, and funding variations; and c) ensure capital planning supports estate condition, digital transformation, and net zero commitments.
- The Financial Sustainability Policy also sets out the responsibilities relating to financial sustainability for the Board of Management, the Principal and the Executive Team, the Head of Finance, Budget Holders and all College staff. This reinforces the message that all staff have a role to play in achieving financial sustainability for the College.
- A financial planning framework is in place, which includes commitments around Long-Term Financial Planning, annual budgeting, cashflow management and forecasting.
- It was evident from our discussions with the Principal, the Vice Principal Student Experience & Innovation and the Vice Principal – Finance, Resources & Sustainability that there is a shared granular understanding of the cost of curriculum provision versus the funding which will be secured for delivery. This means that the Executive Team now has a cohesive shared understanding of the cost base for the College (including the cost of academic, no academic revenue expenditure and also capital expenditure.
- A Board of Management Strategy Day on Income Diversification was held in June 2026 which provided the opportunity to appraise the Board on the financial challenges facing the College and the opportunities to diversify and expand on the current income generating activity, with a view to reducing the reliance on core SFC funding.
- The paper which accompanied the draft budget for 2026/27, which was presented for Board approval in June 2026, set out in detail the assumptions which underpin both the expenditure and income position for 2026/27.
- The paper sought explicit Board approval of the College's decision "*to adopt a more realistic 4% pay award increase, and note that the SFC's Financial Forecast Return assumption of 3.4% for 2026 27 does not align with expected levels indicated in the latest CES sector update*".

Weaknesses

- In our view there is a need to develop a detailed income delivery plan, which will set out the investment costs of developing new income streams (or expanding existing provision) and the likely timing of achievement of the revenue streams. by setting out quarterly income targets and RAG rating the various initiatives which underpin the forecast other income figure, will allow much more effective monitoring by management and the Board against the income targets built into the budget.
- In order to provide enhanced clarity for senior management, the Finance and Resources Committee, and the Board going forward, we would advocate the inclusion of narrative within the covering paper, which accompanies the financial reporting throughout the year, which tracks the actual position against these key budget assumptions.

Acknowledgments

We would like to take this opportunity to thank the staff at South Lanarkshire College who helped us during the course of our review.

Main Findings and Action Plan

Objective 1 – The College has developed a long-term financial strategy, which includes long-term financial forecasts.

We reviewed version 1.0 of the Financial Sustainability Policy, which was issued in January 2026. This policy was authored by the Vice Principal – Finance, Resources & Sustainability and is designed to inform the approach to financial sustainability for the College.

The purpose of the Financial Sustainability Policy is described as follows:

"*This policy sets out the principles, responsibilities, and practices that ensure the long-term financial sustainability of the College. It supports the College's mission to deliver high-quality learning, teaching, and skills development while maintaining robust stewardship of public funds. The policy aligns with requirements set by the Scottish Funding Council (SFC), the Scottish Public Finance Manual (SPFM), and relevant legislation governing Scotland's FE sector*".

The Financial Sustainability Policy reinforces the College commitment to operating in a financially sustainable manner that:

- Ensures long-term viability and resilience.
- Protects the quality of the learner experience.
- Demonstrates value for money in the use of public funds.
- Supports strategic ambitions, regional priorities, and national skills needs.
- Enables investment in people, infrastructure, digital capability, and innovation.

The Financial Sustainability Policy also makes it clear that "*Financial sustainability is achieved through prudent planning, effective risk management, strong governance, and continuous improvement in operational efficiency*", and sets out a range of principles which should be applied:

- Long-Term Financial Planning
- Balanced and Responsible Budgeting
- Income Diversification
- Cost Control and Efficiency
- Risk Management
- Governance and Accountability
- Ethical and Sustainable Financial Practice

Objective 1 – The College has developed a long-term financial strategy, which includes long-term financial forecasts (continued).

The Long-Term Financial Planning principle includes a specific commitment to a) maintain a rolling three-year financial plan aligned with the College's Strategy 2030 and SFC requirements; b) model multiple financial scenarios, including downside risks, demographic changes, and funding variations; and c) ensure capital planning supports estate condition, digital transformation, and net-zero commitments.

The Financial Sustainability Policy also sets out the responsibilities relating to financial sustainability for the Board of Management, the Principal and the Executive Team, the Head of Finance, Budget Holders and all College staff. This reinforces the message that all staff have a role to play in achieving financial sustainability for the College. This message has also been reflected in all staff briefings delivered by the Principal, which have transparently set out for staff the financial challenges facing both the HE/FE sector and the College in particular.

We also reviewed the Finance Strategy, which was issued in February 2026 and was authored by the Vice Principal – Finance, Resources & Sustainability. We were advised that the title for this document was under review at the time of our fieldwork. This document sets out how the College will achieve long term financial sustainability while delivering high-quality learning, teaching, and skills development. It provides a framework for financial planning, decision making, and resource allocation that supports the College's strategic ambitions, statutory responsibilities, and regional role. The document sets out a financial planning framework, which includes commitments around Long-Term Financial Planning, annual budgeting, cashflow management and forecasting. It also sets out an income strategy which covers both Core Public Funding and income diversification. This is designed to meet the recurring messaging from the SFC regarding the need for Colleges to reduce reliance on core funding and explore ways to diversify the income stream by developing existing and new commercial income opportunities.

Taken together the Financial Sustainability Policy and the Finance Strategy set out a clear framework for the achievement of financial sustainability, reinforcing the message that positive action on both cost control and income generation are required to achieve a financially sustainable position.

In terms of long-term financial forecasts, we were provided with the Financial Forecast Returns for 2025, which set out the forecast position for financial years 2025/26, 2026/27 and 2027/28. The assumptions which underpin this return are explored in more detail under objective 2 below. This document was developed and submitted in line with the SFC guidance and timelines and demonstrates a challenging financial position with a deficit budget of £788K set for 2025/26 (in line with the Budget approved by the Board in May 2025) and a forecast deficit position of £1037K in 2026/27 and 1519K in 2027/28. However, it should be noted that these 2026/27 and 2027/28 forecast deficit positions predate the March 2026 announcement which provided a headline 10% uplift in funding for 2026/27. The report which accompanied the draft Budget for 2026/27, which was presented to the Board in June 2026, explained that "*the SFC funding settlement for 2026-27 represents a 9.3% increase on prior year, which results in a £1.5m cash increase in core funding for 2026/27*".

The Draft Budget 2026-27 (including Final Funding Allocation analysis) was submitted to the Board of Management meeting on 16 June 2026. This report sets out in detail the funding allocation received from SFC for 2026/27 and describes the financial uncertainty beyond 2026/27, given the lack of clarity regarding the funding position beyond 2026/27 – and in particular the position re fully funding future pay awards. The paper also describes in some detail the assumptions built into the budgeted figures for 2026/27.

Objective 1 – The College has developed a long-term financial strategy, which includes long-term financial forecasts (continued).

This draft budget for 2026/27 builds on the work undertaken in recent years to restructure the College and to review the curriculum offering. This is reflected in the improved financial position budgeted for 2026/27, in comparison to previous years. The steps taken to understand the cost base and to improve the efficiency of the delivery model are described in more detail within internal audit report 2026/04 - Student Experience – Curriculum, which highlighted a number of strengths which are pertinent to financial sustainability, such as:

- A Curriculum Leadership Team is in place, which meets regularly to review the College's curriculum offering.
- Courses are reviewed each year to examine recruitment, retention and attainment data against the College's credits requirements to ensure that all courses remain financially viable.
- A dashboard is in place which demonstrates the achievement of credits targets for each course in each of the eight curriculum areas.
- Student recruitment and attendance is reviewed by the Curriculum Quality Managers on an ongoing basis using live data.
- Business cases require to be submitted for all new programmes to the Curriculum Leadership Team, the Quality Team and the Principalship for sign off.
- A course costings template is in place, which defines the necessary targets required for setting up a new course.
- Within the costings template, costs for staff, resources, working materials and other overheads are broken down and assessed against the fees received per student.
- The credits target for the College is documented on the College's curriculum dashboard, with each curriculum area allocated its own targets based on the courses it delivers.
- Power BI reports are in place, which generate data on the current status of course delivery against targets.
- New budgeting processes are in place at the College which mean that monthly meetings are now held between the Head of Finance and the Curriculum Quality Managers.
- Finance training was delivered in 2025 for the Curriculum Leadership Team to ensure they collectively have an understanding of their budgeting requirements.
- Reporting on progress around the College's curriculum planning process is provided to the Senior Leadership Team at their monthly meetings.

It was evident from our discussions with the Principal, the Vice Principal Student Experience & Innovation and the Vice Principal – Finance, Resources & Sustainability that there is a shared granular understanding of the cost of curriculum provision versus the funding which will be secured for delivery. This means that the Executive Team now has a cohesive, shared understanding of the cost base for the College (including the cost of academic and non-academic revenue expenditure and also capital expenditure). This provides a solid foundation for future financial planning, given the uncertainty regarding funding levels beyond the current financial year. It was also evident that the Executive Team also have a strong understanding of the capacity available within academic areas to take on future delivery of commercial activity - over and above the core curriculum delivery.

Objective 1 – The College has developed a long-term financial strategy, which includes long-term financial forecasts (continued).

We also reviewed the Income Growth summary, which underpinned the projections for 2025/26 set out in the Mid-Year Return submitted to the SFC and also the draft budget for 2026/27. This summary demonstrates the ambition to reduce the percentage of non SFC income from 18.9% for 2025/26 to a budgeted percentage of 18.5% by 31 July 2027. We also attended the Board of Management Strategy Day on Income Diversification on 26 June 2026. This event allowed the Principal and the Vice Principal – Finance, Resources & Sustainability to set the scene in terms of reinforcing the importance of income diversification in achieving financial stability.

The session also allowed useful Board discussion on 1. What areas should the College prioritise for diversification and why? 2. What are the critical barriers and constraints we need to overcome to evolve the commercial model of the college (both revenue generation and retention)? 3. What can the Board meaningfully do to advance opportunities in partnership with the management team?

Objective 1 – The College has developed a long-term financial strategy, which includes long-term financial forecasts (continued).

Observation	Risk	Recommendation	Management Response	
Although there is a deeper understanding of the cost base of the College going forward the timing of delivery of budgeted income streams remains uncertain. The Board of Management Strategy Day in June 2026 allowed the Head of Business Innovation and Development to showcase the range of opportunities which are available to the College to grow existing income streams and to pursue new opportunities for commercial revenue. Therefore, as a natural progression from the work completed to understand the cost base and the associated SFC grant position and tuition fee and education contracts income position, in our view there is a need to develop a detailed income delivery plan which will set out the investment costs of developing new income streams (or expanding existing provision) and the likely timing of achievement of the revenue streams. This will allow the College to develop a granular income delivery plan which will help the College deliver on the commitment to "*maintain a rolling three year financial plan aligned with the College's Strategy 2030 and SFC requirements*". We recognise that the Head of Business Innovation and Development postholder is relatively new and that a number of the proposed income streams are at the very early stages of development. However, by setting out quarterly income targets and RAG rating the various initiatives which underpin the forecast other income figure, will allow much more effective monitoring by management and the Board against the income targets built into the budget.	Without clarity on the precise timing of the achievement of all income, it is not possible to identify where income achievement is not aligned to budgeted income figures.	**R1** A schedule should be developed which provides granular detail on the income targets which are included in the FFR for 2026, to provide improved clarity on quarterly targets for income generation for the next three years. Each income generation initiative should be RAG rated to allow effective monitoring of the achievement of quarterly targets and to inform future investment decision in commercial activity.	Recommendation agreed. A financial plan is already in progress at the College with a stronger link to the Budgeting and FFR processes anticipated. With a financial plan in place, there will be interdependencies with the Finance team, Business Innovation and Development teams and Curriculum teams for reporting and monitoring progress against it and therefore the deadline has been set to enable internal processes to form that will support effective tracking and seamless integration with financial monthly processes. **To be actioned by:** Vice Principal – Finance, Resources & Sustainability **No later than:** 31 March 2027	
				Grade **3**

Objective 2 – Assumptions used in the financial forecasting returns submitted to the SFC are robust, realistic and are applied consistently. Any departure from the SFC guidance on common sector assumptions is justified to the Board and the SFC.

The paper which accompanied the draft budget for 2026/27, which was presented for Board approval in June 2026, highlighted that:

"*Despite the increased core funding settlement for 2026-27, the College has recognised a pay award accrual of 3.4% for professional services staff and 4% for curriculum staff, which adds a further £0.5m to staff costs. In addition, the increased employer pension contribution rate for the Strathclyde Pension Fund adds a further £0.3m on cost to staff costs. The College is also aware that there are likely additional sources of funding that may present during the year, for example a new version of the Flexible Workforce Development Fund, but for which no accurate provision can be made in the budget currently. In the absence of any information regarding such funding streams, the College is impacted by an effective loss of income from both local and national government*".

In addition, the paper sought explicit Board approval of the College's decision "*to adopt a more realistic 4% pay award increase, and note that the SFC's Financial Forecast Return assumption of 3.4% for 2026 27 does not align with expected levels indicated in the latest CES sector update*". Given the proportion of the revenue budget which relates to staff costs, this decision represents a significant departure from the forecast which would have been produced had the College deployed the SFC assumed pay award of 3.4% for 2026/27. Therefore, we are comfortable that this departure from the SFC assumptions has been explained to the Board and justified on the basis that this is seen as a more realistic pay award level to build into the budget. We commend the College for taking this stance in arriving at the budgeted adjusted operating surplus of £338K for 2026/27.

Objective 2 – Assumptions used in the financial forecasting returns submitted to the SFC are robust, realistic and are applied consistently. Any departure from the SFC guidance on common sector assumptions is justified to the Board and the SFC. (continued).

Observation	Risk	Recommendation	Management Response	
The paper which accompanied the draft budget for 2026/27, which was presented for Board approval in June 2026, set out in detail the assumptions which underpin both the expenditure and income position for 2026/27. Therefore, in order to provide enhanced clarity for senior management, the Finance and Resources Committee, and the Board going forward, we would advocate the inclusion of narrative within the covering paper, which accompanies the financial reporting throughout the year, which tracks the actual position against these key budget assumptions. We would also advocate that management set out any remedial actions (already in motion or planned) to address any adverse departures from the assumptions built into the budget (for both expenditure and income).	Without close monitoring against the key assumptions which underpin the budget the ability of management to understand adverse movements in expenditure and income may be impaired.	**R2** We recommend that future financial reports presented to the Finance and Resources Committee and the Board contain a schedule which tracks the actual position against the assumptions built into the approved budget (for both expenditure and income). In addition, we would recommend that any remedial actions planned or underway should be described to demonstrate that adverse movements against the assumptions built into the budget are understood and are being managed appropriately.	Recommendation agreed. Ongoing work required to enhance financial reporting over the next 6/7 months with appropriate levels of staff resource to support implementation of more detailed forecasts and monitoring. **To be actioned by:** Vice Principal – Finance, Resources and Sustainability **No later than:** 31 March 2027	
			Grade	**3**

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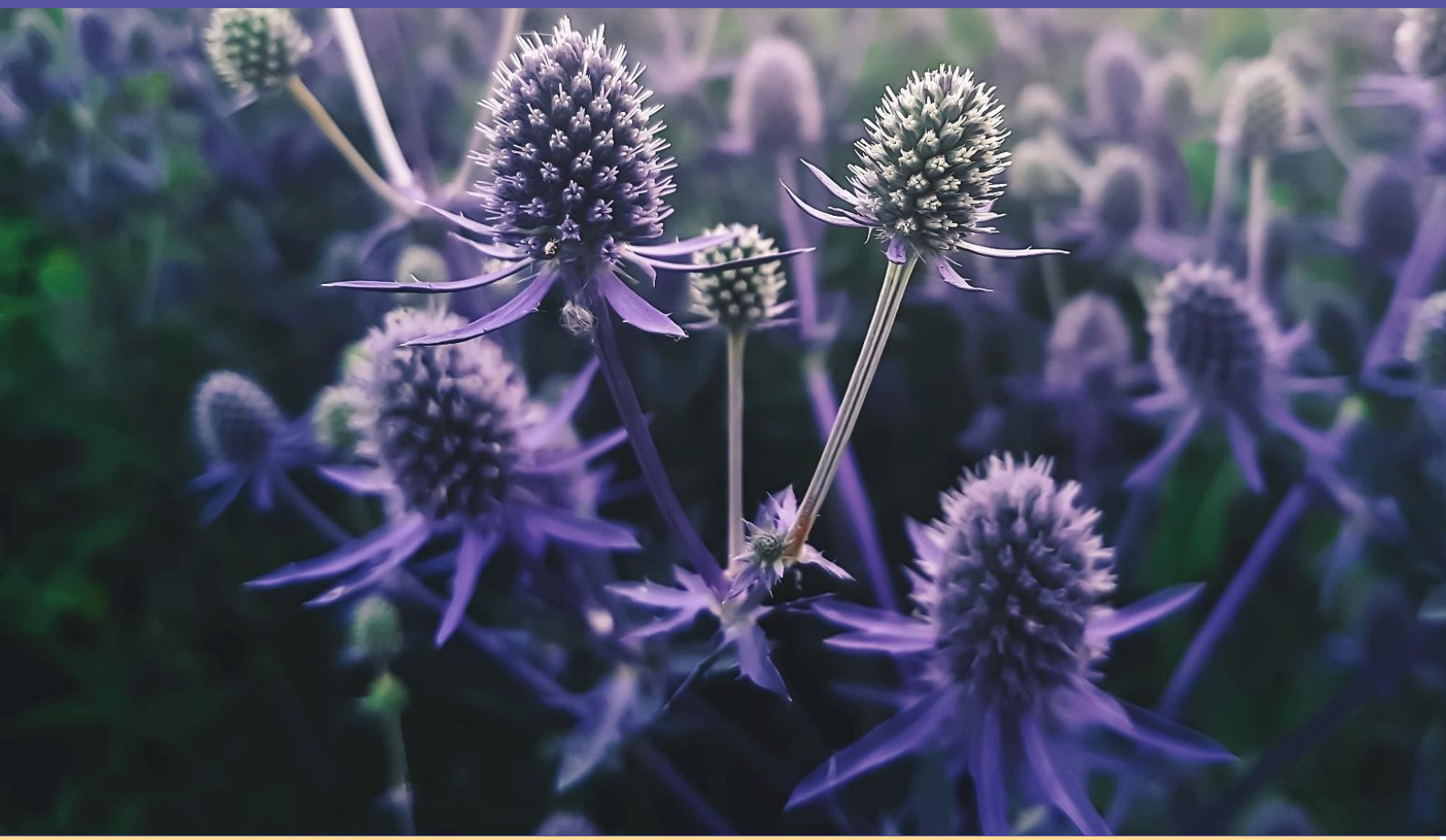
South Lanarkshire College

Follow Up Reviews 2025/26

Internal Audit report No: 2026/05

Draft issued: 17 August 2026

Final issued: 18 August 2026



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Contents

Management Summary

Introduction and Background

The Internal Audit Plan at South Lanarkshire College ('the College) for 2025/26 includes two days for a follow-up of the recommendations made in Internal Audit reports issued during 2024/25 and reports from earlier years where previous follow-up identified that there were recommendations outstanding. These were:

- Internal Audit Report 2025/02 – Payroll
- Internal Audit Report 2025/05 – Corporate Governance
- Internal Audit Report 2025/06 – Environmental Sustainability
- Internal Audit Report 2025/07 – Student Activity Data
- Internal Audit Report 2025/08 – Building Maintenance
- Internal Audit Report 2025/10 – Follow Up Reviews 2025/26

Objectives of the Audit

The objective of each of our follow-up reviews is to assess whether recommendations made in previous reports have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

Audit Approach

For the recommendations made in each of the reports listed above we ascertained by enquiry or sample testing, as appropriate, whether they had been completed or what stage they had reached in terms of completion and whether the due date needed to be revised.

Action plans from the original reports, updated to include a column for progress made to date, are appended to this report.

Overall Conclusion

The College has made some progress in implementing the recommendations followed-up as part of this review with 14 of 38 (37%) recommendations that were past their agreed completion date being categorised as 'fully implemented'. 22 (55%) recommendations have been assessed as 'partially implemented' and two (5%) recommendations were assessed as showing 'Little or No Progress Made'. One recommendation (3%) was classified as Considered But Not Implemented. This recommendation was contained in the Corporate Governance report and related to the recommendation that consideration should be given to aligning the oversight of specific strategic risks to individual Board sub committees. All of the recommendations classified as Partially Implemented or Little or No Progress will be subject to follow-up review in 2026/27.

Overall Conclusion (Continued)

Our findings from each of the follow-up reviews has been summarised below:

From Original Reports			*From Follow-Up Work Performed*				
Area	**Rec. Priority**	**Number Agreed**	**Fully Implem-ented**	**Partially Implem-ented**	**Little or No Progress Made**	**Not Past Agreed Completion Date**	**Considered But Not Implemented**
2025/02 – Payroll	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	1	1	-	-	-	-
Total		**1**	**1**	**-**	**-**	**-**	**-**
2025/05 – Corporate Governance	**Not Graded**	6	3	2	-	-	1
Total		**6**	**3**	**2**	**-**	**-**	**1**
2025/06 – Environmental Sustainability	1	-	-	-	-	-	-
	2	-	-	-	-	-	-
	3	4	3	1	-	-	-
Total		**4**	**3**	**1**	**-**	**-**	**-**
2025/07 – Student Activity Data	1	-	-	-	-	-	-
	2	1	-	1	-	-	-
	3	3	-	3	-	-	-
Total		**4**	**-**	**4**	**-**	**-**	**-**
2025/08 – Building Maintenance	1	-	-	-	-	-	-
	2	1	-	1	-	-	-
	3	3	1	2	-	-	-
Total		**4**	**1**	**3**	**-**	**-**	**-**
2025/10 – Follow Up Reviews 2024/25	1	-	-	-	-	-	-
	2	2	1	-	1	-	-
	3	14	4	10	-	-	-
	Not Graded	3	1	1	1	-	-
Total		**19**	**6**	**11**	**2**	**-**	**-**
Grand Totals		**38**	**14**	**21**	**2**	**-**	**1**

Overall Conclusion (continued)

The grades, as detailed below, denote the level of importance that should have been given to each recommendation within the internal audit reports:

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

Acknowledgements

We would like to thank all staff for the co-operation and assistance we received during the course of our reviews.

Appendix I - Updated Action Plan
Internal Audit Report 2025/02 – Payroll

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R1 The College should establish a procedure for processing changes to employee standing data. This procedure should introduce a requirement that the staff member receiving and processing the request should independently confirm the request as genuine via a direct conversation with the relevant employee, for example by making a phone call and asking the employee to verify their new bank details (if the change relates to bank details). This should be carried out whether the request was received from a College email account or a non-College email account. A note to confirm that the change has been verified directly with the relevant employee should be retained on file. **(continued on next page)**	**3**	Agreed.	Head of People Services	31 May 2025	Procedure developed. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R1 (continued) Payroll Administrators, who are processing any requests for changes to employee standing data, should ensure that the source of the request to change employee data (such as a letter or email) is filed down appropriately, in order to provide an audit trail.					

Appendix II - Updated Action Plan
Internal Audit Report 2025/05 – Corporate Governance

Original Recommendation	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R1 It is recommended that as part of the agenda setting meeting with the relevant Chair, the Governance Professional could complete a checklist or aide memoire, which would provide the respective Chair with advance warning of any specific agenda items where a particular perspective is being sought. This would allow the opportunity for further discussion on the topic in advance of the relevant meeting. Although this issue was raised in the context of Student Board Members, this could equally apply to Staff Board Members or Trade Union Board Members.	The Executive Team meet with the Student Association President and Vice President on a monthly basis to discuss key issues both operational and governance. Agree with recommendation.	Governance Professional	August 2025	Prior to each Committee meeting, the executive lead meets with the Committee Chair to review the agenda and provide additional context on the papers. In general, the College does not require a particular perspective. However, should a situation arise where support is needed, the Governance Professional and executive lead would fully support the individual in advance of the meeting. ***Fully Implemented***

Follow Up Reviews 2025/26

Original Recommendation	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R2 It is recommended that as part of the strategic planning process to develop the next iteration of the College Strategy beyond 2025, the Board should consider mapping the ongoing and planned initiatives and projects with local, regional and national priorities and defining performance metrics which will allow internal and external reporting on the impact which these initiatives and projects are delivering. This will also allow alignment of responsibility for oversight of specific strategic priorities with the Board and Board sub committees.	Agreed this is a work in progress for the next Board meeting.	Principal	August 2025	In preparation for launching the 2030 Strategy, the College held a series of strategy-building workshops beginning in 2023. These sessions covered Labour Market Intelligence, sector and financial analysis and a strategic review of national policies and reforms. The College is currently developing a strategic dashboard. At the time of writing, the dashboard has not yet been implemented however KPI updates are provided at both Committee and Board level every quarter. ***Partially Implemented*** **Revised Completion Date:** 1 February 2027
R3 It is recommended that discretion should be given to each Board subcommittee Chair to invite Board Members from other Board sub committees to attend their meetings, depending on the subject matter to be discussed at individual meetings and the linkages to matters being discussed in other committees.	Agreed.	Board Members with guidance from the Governance Professional	Immediate.	Board Members have been reminded that they are welcome to attend any other Committee meeting. Where more appropriate, committees have met together to discuss certain items, such as AI Guidance where the LTSE and ARC met. Each Committee's remit promotes cross-committee engagement, and this is further reinforced through the Board induction process. ***Fully Implemented***

Follow Up Reviews 2025/26

Original Recommendation	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R4 It is recommended that the relevant College leads on partnership activity should conduct an annual self-evaluation exercise to assess the relative importance of the partnership activity in delivering a) the strategic objectives of the College, and b) the extent to which the partnership activity provides mitigations against any identified corporate risks around effective stakeholder engagement to inform curriculum planning and current/future commercial activity delivered by the College.	There is a stage before this recommendation which also includes potential partnership work and pipeline activity which will be going to the FRC in August 2025. Note that the college does not as yet have a great deal of partnership work, this is mainly with the SL Council and the local employers. Furthermore, curriculum planning centres around labour market intelligence, Scottish Government priorities and skills gaps, this is also part of routine audit.	Vice Principals of Finance and Student Experience and Innovation.	February 2026	At present, the College has a limited range of formal partnership activity, primarily involving South Lanarkshire Council and local employers. The executive team notes that prior to progressing this recommendation, there is an interim stage focused on potential partnership opportunities and pipeline development. ***Partially Implemented*** **Revised Completion Date:** 1 February 2027
R5 It is recommended that consideration should be given to the development of tailored induction to prepare new members for their role on Board sub committees.	Agreed and work is in train on this by the Governance Professional.	Governance Professional	September 2025	The Board Induction was refreshed in 2025 to strengthen support for new members. All new Board members are invited to participate in the induction programme with the Governance Professional, meet with the Committee's executive lead and Committee Chair, and have introductory meetings with the Principal and the Chair of the Board of Management. A Board Induction Hub has been created on the Board Teams page with bite-sized presentations both for new members and as a refresher for current members. ***Fully Implemented***

Follow Up Reviews 2025/26

Original Recommendation	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R6 It is recommended that consideration be given to aligning the oversight of specific strategic risks to individual Board sub committees. This would ensure that the detailed discussions on mitigations for these risks, which happen at Board subcommittee level, are fed in to the Audit and Risk Committee and Board considerations of the Strategic Risk Register.	Much work has been done, with further sessions being held on risk with the Board as well as adding risk appetite to the risk register. Each board paper has a section on specific risks related to the specific issue being reported in the paper. It may be that as part of the committee agenda there is a standing item on risks from the strategic risk register pertaining to that particular committee, which members could feed into.	VP Finance and Governance Professional	December 2025	The College recognises the Board's recent focus on risk. Each Board and Committee paper includes a dedicated section outlining the specific risks associated with the matter being presented. Additional sessions on risk will be delivered at the beginning of the next academic year to further strengthen understanding and oversight. Following feedback at Committee level, adaptations have been made to the risk register. It was suggested that Committees could assume oversight of the risks relevant to their specific areas of business. However, due to the timing of the Committee cycle, any committee-driven updates could not be incorporated into the risk register until the subsequent meeting, resulting in the register becoming outdated in the interim. ***Considered but not Implemented***

Appendix III - Updated Action Plan
Internal Audit Report 2025/06 – Environmental Sustainability

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R1 Management should update the CCAT remit and define key stakeholder groups that must attend, for example, the Strategic Lead, APUC / Supply Chain Manager, ICT, the Business Innovation Team, or HR, or those with partnership responsibilities. Meeting minutes should track attendance and apologies, to encourage attendance.	**3**	Agreed, relevant changes will be made post restructure and will be set out clearly by the Senior Leadership Team.	Sustainability Officer	30 June 2026	The Remit of the Climate Change Action Team (CCAT) has been amended to reflect Staff members from all Departments. The last CCAT meeting that was held saw invitation being extended to groups that must attend, as reflect in the CCAT remit document. The last CCAT Meeting agenda had items for tracking attendance and apologies. ***Fully Implemented***
R2 Management should take steps to ensure that there is sufficient capacity within the Sustainability Officer role, particularly as key Net Zero deadlines approach. Additionally, CCEAP actions should be distributed more widely across the CCAT so to strengthen delivery and accountability.	**3**	Agreed, this post needs to be full time role to drive forward the actions required.	Sustainability Officer	31 March 2026	The College has recruited a Sustainability officer to drive its Net zero objectives. CCAT members have been informed that actions within the CCEAP will be distributed amongst them. The Climate Change Operational Leads meet regularly to ensure sufficient capacity and support is available for the Sustainability Officer. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R3 The Environmental Sustainability Policy should either be updated, or related guidance created, to reference the GHG Protocol, clearly defining the College's categories that define Scope 1, 2, and 3 emissions in order to ensure alignment with the GHG protocol. This may require discussion with other similar organisations to ensure consistency across the sector.	**3**	Agreed.	Sustainability Officer	30 June 2026	The Environmental Sustainability Policy has been updated, approved by the Board and forwarded to the Marketing Department for publishing. The Updated document references how the various College's operation fits into the GHG protocol scopes. Targets have also been set on how the College intends to achieve Net zero. ***Fully Implemented***
R4 Management should consider developing a zero-to-landfill strategy with clearly defined commodity targets, actions (not just key commodities) and assigning ownership of actions within a waste management plan across key stakeholder groups, including staff and students. Consideration should be given to linking plans to performance indicators, such as performance achieved with waste contractors.	**3**	Agreed, in recent months the landfill waste has decreased but is still high. There needs to be a joint working approach with curriculum, procurement and the waste contractors.	Sustainability Officer	30 June 2026	A draft copy of The Zero-waste-to Landfill strategy has been prepared. This document is currently being reviewed by the Climate Change Operations Lead and a deadline of the 17 August 2026 has been set for presentation to the Senior Leadership Team with presentation to the Board thereafter in August / September 2026. The strategy targets various commodities that are destined for landfill. Action plans are also featured in the strategy, with actions being assigned to individuals. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026

Appendix IV - Updated Action Plan
Internal Audit Report 2025/07 – Student Activity Data

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
Systems and Procedures for Compilation of Returns **Non fundable Activity** **R1** Ensure courses are assigned correct Source of Finance codes and checks are in place to confirm no Credits are claimed against programmes fully funded from non-SFC sources.	**3**	This was due to the overall course setup in some areas where the master course may have had one type of source of finance and the class area had not been updated. This is a manual process and not easily noticed in the older systems. The initial test of the FES return from unit-e and credit claims shows that the credits are only added to the student based on the correct criteria for the source of finance so this issue, shouldn't happen again. With many of these recommendations I would prefer to have an in-year check and confirmation with HL to confirm that the system is performing before the final return for 25/26 in October 2026	Head of Digital	30 April 2026	In-year FES data was reviewed by the internal auditors in May 2026. Internal audit reviewed the Source of Fee (SoF) Codes assigned at a course level and concluded that the SoF codes appeared reasonable based on other course data such as course title, mode of attendance, qualification, etc, and that Credits were not being claimed, at a course level, against programmes fully funded from non-SFC sources. A review of SoF codes will be performed as part of the 2025/26 Credits audit to confirm that the correct treatment has been applied. ***Partially Implemented*** **Revised Completion Date:** 1 October 2026

Follow Up Reviews 2025/26

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
Required Dates and Attendance R2 For courses of 20 weeks or less, the required date should be calculated based on the date 25% of the length of the course has lapsed.	**3**	This is a regular issue with the systems we have had previously, we do have controls in place for monitoring the change of required dates based on the change of mode of attendance but it's also clear that the SFC guidance has two parameters for the rule for short full time and when the 25% applies which has confused the operators. Going forward, we are hoping that we already have the validation applied to the unit-e system. An in-year review of this around April 2026 to confirm would be appreciated, if HL could confirm what evidence they would like from this to close this before we get to the final return.	Head of Digital	30 April 2026	The in-year FES data reviewed by the internal auditors in May 2026, included sample checking of the calculation of the required dates based on the stated course start/end dates. No errors or differences were identified. Further sampling of required dates will be performed as part of the 2025/26 Credits audit to confirm that the correct treatment has been applied. ***Partially Implemented*** **Revised Completion Date:** 1 October 2026

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
Classification of Programmes R3 Ensure that in-year data integrity checks include a review of Modes of Attendance, and other key data such as Credits claimed, to identify conflicts and that data is amended as required.	**2**	The short full-time (SFT) courses have been the issue in this situation. There needs to a better strictness of the 18 weeks or less rule for the SFT course and not allowing CQM's extending beyond that 18-week period. Extending the period forces the MIS staff to change this to a full-time mode of attendance. This is a process issue and needs checked at the curriculum planning process rather than the system side. Evidence of controls is difficult with this other than to display the check of all short full-time courses at the beginning of the year and then an in-year check to ensure the full-time and short full time courses match in terms of weeks on the system. To fully close this audit point, would only display in the final return in Sept / October 2026.	Head of Digital	31 October 2026	Implementation to be considered as part of the 2025/26 Credits audit. ***Partially Implemented*** **Revised Completion Date:** 1 October 2026

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
Credit Values R4 Ensure that Credits claimed agree to the course framework or individual modules undertaken by students, based on SQA (or other awarding body) credit rating or planned learning hours/40.	**3**	We already have a process known as “Credit matching” between the credits within the units and the claim against the student in the system. The improvement here would be to have the credit match completed more regularly and ensure that the units added are not modified excessively during the academic year. To fully close this audit point, would only display in the final return in Sept / October 2026.	Head of Digital	31 October 2026	Implementation to be considered as part of the 2025/26 Credits audit. ***Partially Implemented*** **Revised Completion Date:** 1 October 2026

Appendix V - Updated Action Plan
Internal Audit Report 2025/08 – Building Maintenance

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R1 It is recommended that the College develops its new Estates Strategy, which reflects the College's financial landscape, student needs and physical condition, in a timely manner to ensure alignment with the wider College Strategy.	**2**	The College is currently considering a longer-term plan to renovate some areas of the Campus to better support both student and staff needs and expects to use the residual months of academic year 2025-2026 to engage consultancy support to help design a fit for purpose infrastructure plan that will underpin and help to shape a revision of the Estates strategy.	Vice Principal – Finance, Resources & Sustainability	31 July 2026	The Estates Strategy has now been devised in draft using input from the Board Development Day in April 2026 and insights from a staff session to consider Estate priorities in June 2025. The College is also currently using architectural consultancy services to devise a medium-term plan for estate capital investment. The College will present the draft Strategy to the Finance & Resource Committee for remittance to Board in due course. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026
R2 Consideration should be given to scheduling condition surveys in the coming years to identify the areas of focus in line with the College's strategic goals and the new Estates Strategy, once this is in place.	**3**	The College will consider scheduling more routine condition surveys and will provide a timeline in 2026 for work to be undertaken in future years.	Head of Facilities	31 July 2026	A new PPM Schedule is being compiled. Scheduled surveys will be included within this. Condition surveys will be carried out bi-annually. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026

Follow Up Reviews 2025/26

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress at August 2026
R3 Review the system for monitoring PPM to ensure that all is completed in line with the agreed PPM schedule and that evidence to confirm this is retained.	**3**	The College has requested an update from the contractor as to why the 6 -monthly PPM check performed in April 2025 was only returned to the College in September 2025, with no recurring PPM check in October 2025 noted. This will be reported back to the contractor as part of its standard contract monitoring with improvements expected and a further PPM check to be initiated in place of the October 2025 check. Additionally, an enhancement of the PPM schedule as noted at R4 will better support monitoring and provide a means to evidence the completion of PPM works.	Head of Facilities	31 March 2026	The Infrastructure and Estates approach (Strategy) was concluded and brought to the May 2026 Finance & Resources Committee and Board for approval in June 2026. ***Fully Implemented***
R4 It is recommended that the College formalises the specific times planned for each of the PPM works to ensure that these are accurately recorded, and that the costs of these works are clearly documented and understood prior to them being undertaken.	**3**	The College is currently enhancing its PPM to include a lower level of detail, including specific timelines for PPMs and the costs associated with these works. Initially this will be retained and updated manually with the expectation that a Computer Aided Facilities Management (CAFM) system could be utilised in future years.	Head of Facilities	31 March 2026	A new PPM Schedule is in draft format and continues to be compiled for all aspects of planned maintenance including legislative requirements. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026

Appendix V - Updated Action Plan
Internal Audit Report 2025/10 – Follow Up Reviews 2024/25

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2022/09 – Student Support Funds 2021/22						
R2 The College should undertake a review to identify digital study materials and determine a basis for apportioning costs to Bursary students, ensuring that the cost of any core teaching materials that should be covered by the core grant and any costs relating to non- Bursary students are excluded.	**2**	The College will analyse digital study costs and prepare a system of apportionment that differentiates between support provided to bursary funded and non-bursary funded students.	Head of Finance	31 March 2023	**August 2024** We are currently working with our MIS/IT team to develop an evidence-based report that shows a list of bursary students and usage amounts of digital study materials. **November 2025** The College has been unable to make significant progress on this requirement to date. There is a new Head of Finance in position who will have a focus on all audit requirements going forward. The Head of Finance has reached out to the various business units that may be able to identify the costs. ***Little or no Progress Made*** **Revised Completion Date:** 30 September 2026	The Head of Finance (HoF) left the college before this could be fully investigated, so this task will be passed to new HoF once in place. ***Little or no Progress Made*** **Revised Completion Date:** 30 September 2026

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/03 – Staff Recruitment and Retention						
R1 It is recommended that the College define timeframes for completion of the ongoing review of its recruitment and selection policies to ensure that these are completed in a timely manner and are issued to the relevant staff for their understanding.	**2**	Whilst the College has never had a recruitment policy, the College follows a strict procedure with recruitment and ensures consistency and quality for all employees. Following a review, the College is currently refreshing dated policies and implementing policies where there are gaps. This year, the Human Resources Committee has agreed to a recruitment policy being part of the next suite of new policies being implemented.	Head of People Services	20 January 2024	**August 2024** On track for completion, management are expecting this to be by the end of December 2024. **November 2025** Due to capacity issues within the HR team, the development of the Policy has been delayed. The Policy is now in draft form and is currently going through an internal HR review before moving to the Senior Leadership Team, the Joint Negotiation Committee, the HR Committee and then the Board of Management. ***Partially Implemented*** **Revised Completion Date:** 1 December 2025	The Recruitment Policy was approved by the Senior Leadership Team and the Board in November 2025. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/03 – Staff Recruitment and Retention						
R2 It is recommended that the College prepare procedural documents to formally document the administration processes to be followed when recruiting a new member of staff, to ensure that the process can be consistently performed by anyone in the event of staff absences / unexpected turnover.	**3**	Whilst the College has never had a documented recruitment procedure, the College follows a strict procedure with recruitment and ensures consistency and quality for all employees. This will be updated with the current HR automation activities. Following a review, the College is currently refreshing dated procedures and implementing procedures where there are gaps. This year, the Human Resources Committee has agreed to a recruitment procedure being part of the next suite of new procedures being implemented.	Head of People Services	20 May 2024	**August 2024** Due to delays in the implementation of the College's new HR & Payroll system, the Recruitment Procedure has been delayed. It is envisaged that this will happen by March 2025. **November 2025** There have been delays with the role out of iTrent features, including the Recruitment module. The priority has been in ensuring payroll and pensions accuracy. Employee Self-Service has now been rolled out, and the College is seeking to implement the recruitment module during the first half of the next academic year. In saying that, the module is already well developed and partially tested. ***Partially Implemented*** **Revised Completion Date:** 22 December 2025	Implementation of the iTrent Recruitment module has been delayed due to resource constraints and intermittent external consultancy support. The module is now substantially developed, testing and rollout activity have resumed, and revised recruitment procedures will be implemented alongside system go-live. Current operational resilience remains in place, with the team trained and able to deliver recruitment processes consistently under existing arrangements. ***Partially Implemented*** **Revised Completion Date:** 30 November 2026.

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/03 – Staff Recruitment and Retention						
R5 It is recommended that the College set out a clear timeline for importing all relevant hard copy documentation to the new HR system iTrent, to ensure that this data transfer is completed in a timely manner and to avoid a protracted scenario where some information is held electronically and some information is still held in hardcopy files.	**3**	Following the implementation of the new HR System, the College will propose the importing of hard copy documentation. This will allow the College time to understand the time and process necessary to undertake this task. The College will aim to have a project plan for the importation by 20th May 2024.	Head of People Services	20 May 2024	**August 2024** The new HR & Payroll system is not in place. It is envisaged that a subsequent project to upload hard-copy documentation will follow this and will likely commence around May 2025. **November 2025** The new HR & Payroll system is not fully in place yet. It is envisaged that a subsequent project to upload hard-copy documentation will follow this and will likely commence around December 2025. ***Little or No Progress Made*** **Revised Completion Date:** 31 May 2026	The iTrent core HR and payroll system is live and providing a single source of workforce data for operational reporting. Further system enhancements, including digital personnel file functionality, will be considered following implementation of the Recruitment module, which provides the underlying document and file structure required to support this development. ***Partially Implemented*** **Revised Completion Date:** 28 February 2027

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/03 – Staff Recruitment and Retention						
R6 It is recommended that the College implement ongoing engagement measures to capture levels of staff satisfaction to reduce the risk of employees leaving the employment of the College due to issues which could have been managed and resolved had they been identified earlier.	**3**	The College has historically measured engagement through various surveys. Whilst there have been regular surveys, they have followed the structure required by third party accreditations and have not provided the College with an engagement framework that is measured over time and across the employee journey. The College recognises this. It is included it in the HR & People Strategy.	Head of People Services	20 November 2025	**August 2024** The College is on track with this and is rolling out an Employee Engagement framework, along with an initial action plan. **November 2025** An employee engagement framework has been researched, developed and implemented. Initial baseline measures have taken place to assess the current status of engagement. Further activities will take place during the 2025-26 Academic Year to refine a process for assessment, measuring and responding to employee satisfaction and engagement. ***Partially Implemented*** **Revised Completion Date:** 29 January 2026	The college has been refining processes for assessment, measuring and responding to employee satisfaction and engagement over the last quarter, including: • A signposting to the College's 'Tell Us' mechanism for staff to communicate observations. • A Proposed Staff Pulse Survey has been developed by People Services for roll out in August 2026 at the Staff Development Day. • Relaunch of a similar 'Pastries with a Purpose' initiative, inviting Colleagues to meet with Senior Leadership Team members for hot beverages and cakes. • Agreement to include 'staff voice' as standing-agenda item on Departmental Meetings to ensure space and time to reflect on staff views. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/04 – Budgetary Control						
R1 The College should develop a formal budget setting timetable, setting out all key activities in the budget setting process from end to end, to ensure that all activities are completed timeously. The timetable may also assign tasks to responsible individuals, with target completion dates aligned with the Finance and Resources Committee meeting as appropriate.	**3**	Agreed.	VP for Finance, Resources and Sustainability	31 January 2024	**August 2024** This is still in progress. Budget Preparation guidance document prepared, which builds out the intended timeline for budget setting in accordance with the wider curriculum planning exercise. This requires further update across the latter part of 2024 - early 2025. **November 2025** Alongside the Budget Preparation guide, Finance is developing a GANTT chart to formalise the timetable. ***Partially Implemented*** **Revised Completion Date:** 31 May 2026	Budget Preparation Guidance document has been updated to include the Curriculum Planning cycle and the process that was followed for setting budgets for 2026-27. A GANNT chart was developed, acting as a formal timetable for budget setting, with responsible parties noted. This will be rolled forward for 2027/28 and on enrolment of additional staff into Finance, tasks will be further delegated to reduce reliance on existing key individuals. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/04 – Budgetary Control						
R2 The College should consider developing enhanced real time financial information and dashboards, perhaps via Power BI, to allow Budget Holders to monitor actual income and expenditure against budget in real time.	**3**	Agreed. Finance will work with the Head of IT to further develop Power Bi information dissemination and monitoring.	VP for Finance, Resources and Sustainability	29 February 2024	**August 2024** The College currently utilises Power BI for many reporting purposes within finance - one example is the temporary lecturing budgets. Further enhancements are required to ensure quality of data entry. The MIS developer team have also worked with Finance during the year to develop a schedule of reportable monthly income to enable income accruals to be booked for month end reporting purposes. This needs to be further developed to improve accuracy and to ensure it captures all income sources. The College is also targeting a larger commercial income drive to bolster reduced government grant funding. Power BI has been updated to enable courses to be identified as full cost recovery courses (i.e. not Credit bearing courses). Curriculum managers and relevant teams have been briefed on the importance of making time critical updates to Power BI in order to deliver greater accuracy. **(continued on next page)**	Ongoing refinement to Power BI reports forms part of the data reporting plan that has been devised internally by the College during 2025/26. The College however has been targeting the use of Bluqube, the finance system, to automate reports which will allow Budget holders to monitor actual income and expenditure in real time. Whilst that project is ongoing, an excel workbook has been devised to collate financial results, reconcile against the TB and distribute relevant cost centre extracts with budget holders in excel on a timely basis. This has enabled budget review meetings to take place with budget holders and finance over the period April – June 2026. There is still some refinement to be made to current reporting arrangements, but the College is moving forward proactively, and Budget holders now have data that allows them to track actual spend against budget. ***Partially Implemented*** **Revised completion Date:** 31 March 2027

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/04 – Budgetary Control						
R2 (continued)					**November 2025** Work has been undertaken to develop a monthly management account pack, which will give enhanced information to budget holders. This will include area specific actual vs budget data, with two-way commentary. ***Partially Implemented*** **Revised Completion Date:** 31 May 2026	

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/04 – Budgetary Control						
R3 The Finance team should document the month end process currently followed by Finance, including preparation of budgeting information to allow for prompt publication of income and expenditure by budget line for review and monitoring by Budget Holders. This should be adapted as the capabilities of BluQube are enhanced to include generation of reports immediately following the completion of the month end close process to provide timely information.	**3**	Agreed. The Finance Department are in the process of updating and formalising its operating and reporting calendar.	VP for Finance, Resources and Sustainability	31 March 2024	**August 2024** A high-level timeframe has been discussed at Finance Team meetings in preparation for formal month end, albeit process not yet operational. The capabilities of Bluqube are now being discussed. A kick off meeting with Bluqube has been initiated for Thursday 29th August, with a consultant coming on site to enable changes on Sept 3rd. The College has now purchased the reporting package that bolts onto Bluqube and this will enable purpose built reports to be run once structures are set up. Additionally, an intended structure for cost centre roll ups was provided by Finance which will form the basis of structures required for reporting. The College has also provided an indication of the type of finance grid that it hopes to put in place. **(continued on next page)**	The documentation of the Month end process is contained within the Month end checklist with links to relevant process notes. Additionally, the Senior Leadership Team received the annual briefing in September 2025 setting out the intention for reporting across 2025/26 (with September 2026 in the making). While work is ongoing with Bluqube to automate reports, the functionality now exists in the form of excel to ensure that we can promptly publish income and expenditure for review and monitoring by budget holders. As Bluqube is now seen as an enhancement, not a critical part of completing this recommendation, the College would consider this closed on the basis that further refinements / Bluqube automation will serve to enhance the underlying process, not create it. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2023/04 – Budgetary Control						
R3 (continued)					**November 2025** Finance use a checklist to complete the monthly management accounts. There are plans to replace the current management account pack to enhance the process. There are also plans to enhance BluQube to include budget information, to allow for a better user experience. ***Partially Implemented*** **Revised Completion Date:** 31 May 2026	
R4 The College should develop a formal training programme for Budget Holders, which they are required to complete before they undertake their budget monitoring role. Detailed written procedures and guidance documents should also be developed (in parallel with the development of this tailored training for Budget Holders). This will provide a useful reference document for all Budget Holders, which they can consult, as required, following the training.	**3**	Agreed. Staff absences have hampered the training of all staff re budgeting, but it is the intention of the Finance Department to have a manual covering financial processes and procedures, with this incorporating an emphasis on the dissemination of Budget preparation and Budgeting information and monitoring. A face-to-face budget training session will also be delivered to staff during a meeting of Curriculum Managers in early 2024.	VP for Finance, Resources and Sustainability	31 May 2024	**August 2024** A formal training programme has yet to be put in place, but the College is allowing for a six-month period to embed the Bluqube reporting package and have it fully operational. The College would expect to roll out training to budget holders in conjunction with new reporting system capabilities. **November 2025** Progress was hampered by the restructure, following the VS process. The relevant users have now all been identified, so work can begin to train them. Budget process set for 2025/26, so focus will be on the next financial year. ***Little or no Progress*** **Revised Completion Date:** 31 May 2026	Training was developed and rolled out to SLT, Heads of Service, Curriculum and Quality Managers and Curriculum and Quality Leads on 10 March 2026. An accompanying document has also been prepared to explain the role each budget holder must take when budget monitoring. ***Fully Implemented***

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2024/02 – Publicity and Communications						
R2 Crisis communication training should be delivered for the Principalship and the Marketing and Communications Manager	**3**	SLC agree with the need for Crisis Communication Training.	Vice Principal - Student Experience and Innovation	31 July 2024	**November 2025** Some key members of the Executive team have received crisis communication training. However, due to absence and new Executive staff members joining the College, there is a need for a further training date to be organised with CDN. ***Partially Implemented*** **Revised Completion Date:** 31 March 2026	Media training is booked for the Board Chair, Depute Chair, 3 members of the executive team, and 2 members of the marketing team. There was no availability to undertake this via Colleges Development Network by the end of March as it was fully subscribed. ***Partially Implemented*** **Revised Completion Date:** 5 October 2026

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2024/03 – Procurement and Creditors / Purchasing						
R1 It is recommended that consideration be given to amending the approvals of low value purchase orders in PECOS to Vice Principals and Associate Principals (rather than requiring sign off by the Principal), to reduce the risk of a bottleneck.	**3**	The College agrees this recommendation and the Vice Principal – Finance, Resources & Sustainability has included a revised proposal for PO authorisation / delegation within the finance regulation updates for FRC committee on 15th May 2024. Assuming approval is granted, the College will then embed changes in PECOS to support the new structure.	Vice Principal – Finance, Resources & Sustainability	30 June 2024	**November 2025** Since this audit recommendation was presented, there has been significant restructuring within the College. As such, the College has only recently identified who the signatories will be for the year 2025/26. As a direct result of this restructure the College, more specifically the Head of Finance was tasked with updating the Procurement Thresholds, the Financial Regulations and the Expense Policy, among others, and standardising limits and approvals throughout the College. Procurement thresholds to be taken to Board for approval, and implementation will occur thereafter. ***Partially Implemented*** **Revised Completion Date:** 31 March 2026	The College has progressed this recommendation following the College restructure and has now included a proposed PECOS approval structure in its Finance Regulations which were approved by the Board in February 2026. Unfortunately, the Finance Team has been affected by long term absences and a senior resignation which has meant that there has been limited capacity to implement the required changes in PECOS. With new staff resource appointed into the team in July / August 2026, the College hopes to resolve this recommendation imminently. ***Partially Implemented*** **Revised Completion Date:** 31 January 2027

Original Recommendation	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
2024/05 – Space Management / Room Utilisation Business Process Review					
R1 A refresh of the College Estate Strategy is necessary to address the evolving needs of all estate users. This should be based on a thorough review of space requirements for curriculum delivery, support staff (including workspaces and meeting rooms), and students (including social and self-study areas). The strategy should also explore how blended learning and hot desking practices could reduce the need for physical space.	The existing Estates Strategy is very outdated, and update has started. However, it is integral to understand the requirements of the College moving forward, thinking well ahead to enable us to tailor the College estate and facilities to meet the future requirements. This knowledge and discussion should result in the Estate Strategy being a genuinely useful document. The review of existing space and modular furniture will also involve the Estates Strategy and is currently part of the Curriculum Operational Planning process that happens year on year. This process is a good opportunity for the users of the room to review the best use of their rooms and suggest cosmetic or structural room changes.	Head of Facilities	30 November 2024	**November 2025** An internal session was held on 24 June 2025 to start a discussion on updating the Estates Strategy. This session explored a variety of questions in relation to how the estate can work more effectively for the College and was based on user experiences across curriculum and support staff areas. The next step is to update and revise the existing Strategy document in cognisance of stakeholder views. This draft will then be made available to both the wider Senior Leadership Team and Board for inputs and approvals, which will underpin the capital investment plans for the next 1-5 years. ***Partially Implemented*** **Revised Completion Date:** 31 March 2026	The College has sought and gained approval from the Board in May 2026 for its Estates and Infrastructure Approach. In conjunction with the strategy / approach refresh, targeted sessions are being facilitated by Graven Design Studio, Glasgow and held at the College with the Board of Management, students, staff and wider stakeholder groups to better understand the future needs of the Campus. This will help to ensure that the Estates and Infrastructure Approach is put into action. ***Fully Implemented***

Original Recommendation	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
R2 Develop space management policies and procedures that include optimal room utilisation targets (both in terms of frequency and occupancy) for specialised and general teaching areas. Implement a process to regularly review and audit room utilisation data, integrating information from attendance records, timetabling, and room occupancy sensors. This will help identify areas of over- or under-utilisation, enabling better planning for alternative uses.	Management agree that policies and procedures (timetabling protocols and room booking) should be developed for cross college use. This is to be led by the curriculum area to enable support function departments to have systems in place. A process for monitoring space utilisation is to be developed by the Head of Facilities/IT using current data sources. This should be user friendly and not time consuming, maybe even tied to existing curriculum systems (attendance etc). However, it will be the department who ensure non bias room booking through the electronic booking system. This whole process should be overseen by the Associate Principals.	Head of Facilities, Head of Digital, Vice Principal Finance, Resources and Sustainability, and Head of Curriculum.	23 December 2025	**November 2025** This recommendation is largely pinned on the implementation of an access control and class timetabling systems which are a work in progress and in varying stages of procurement and / or implementation. ***Not Past Agreed Completion Date*** **Revised Completion Date:** 31 May 2026	This is in progress alongside the SFC infrastructure Baseline reporting project which was completed in June 2026. The latest version of the Estates Strategy has been produced, and there has been progress on the room utilisation from the curriculum reporting. A New Access Control System is also in the process of being installed. ***Little or No Progress*** **Revised Completion Date:** 31 March 2027

Original Recommendation	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
R3 Management should consider implementing a Room Booking System that consolidates timetabling information and other rooms to provide information on real-time room availability, enabling staff to easily review and identify appropriate rooms.	Agree. There needs to be timetabling protocols and a room booking system that is visible and can be used by the whole College. This then allows for room utilisation data to be monitored.	Head of Facilities and Head of Digital	30 August 2025	**November 2025** This recommendation is largely pinned on the implementation of an access control and class timetabling systems which are a work in progress and in varying stages of procurement and / or implementation. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026	The College agrees that there needs to be timetabling protocols and a room booking system that is visible and can be used by the whole College. This then allows for room utilisation data to be monitored. A New Access Control System is in the process of being installed, with further progress to be scheduled thereafter. ***Partially Implemented*** **Revised Completion Date:** 31 December 2026

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2024/07 – Student Activity Data						
Required Dates and Attendance **R2** Ensure that the required dates for programmes and students recorded on the FES1 and FES2, respectively, are calculated in line with the Credits guidance.	**3**	Required date issues was not an issue at course level but it was at student level if the student finished early. The power bi report we use for checking the required date has been modified so we can see the student required date might be incorrect and reviewed at each FES quarter returns.	Head of Digital	30 September 2025	**November 2025** The Head of Digital advised that this has been reviewed, and the correct controls should now be in place. Issues were however noted with the calculation of required dates during our sample testing for 2024/25. ***Partially Implemented*** **Revised Completion Date:** 30 April 2026	Similar issues were identified during the 2024/25 Credits audit, as reported in Internal Audit Report 2025/07 – Student Data Activity. The in-year FES data for 2025/26 was reviewed by the internal auditors in May 2026 and included sample checking of the calculation of the required dates based on the stated course start/end dates. No errors or differences were identified. Further sampling of required dates will be performed as part of the 2025/26 Credits audit to confirm that the correct treatment has been applied. ***Partially Implemented*** **Revised Completion Date:** 1 October 2026

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2024/08 – Student Support Funds						
Bursary Return – Study Costs **R1** We would repeat last year's recommendation that the College should ensure that distribution lists identifying Bursary students in receipt of study materials are maintained for each purchase invoice charged to the Bursary fund, and based on the current approach, that the planned study costs for each course still reflect the specific items or materials needed for the course and the current price from suppliers.	**3**	The College will continue to analyse all study costs monthly and reconcile back to Cost of Course forms, adjusting the Teqios system where required, and reconciling this to the general ledger. With regards to distribution lists, we have implemented a document during the monthly reconciliation process that lists all bursary students and their course code / spend available etc however this was deemed insufficient as it did not tie in to actual spend. We now just need to find a way of attaching actual spend to this document. I will work with the CM's on this to see if there perhaps needs to be a better record kept of study cost spend at class level.	Management accountant	28 February 2025	**November 2025** The College initiated the set-up of study kit lists for each dept. in a similar format to those used by the Hairdressing dept. For each student, these show the product description and quantity for each kit item provided. Distribution lists are not maintained for each purchase invoice. The College is focussing on tracking actual spend per class and is working to further improve tracking processes for 2025/26. Audit testing for 2024/25 noted that the difference in budget v actual spend per cost category within each course, and overall budgeted spend v actual spend appear to be much tighter this year, indicating that improvements to tracking costs is having a positive impact. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026	Bursary study costs vs actual now forms part of the monthly budget reporting and subsequent meeting with CM's, this was implemented Apr/May 2026 to ensure all bursary study costs for the year were accurate and this process will continue into 26-27. The intention for 26-27 is to support each department to build a more detailed kit list for each student relevant to their courses of study. This will then be used to calculate the cost of course forms going forward leading to more accurate categorisation and recognition of actual spend. ***Partially Implemented*** **Revised Completion Date:** 28 February 2027

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2024/08 – Student Support Funds						
R2 The College should ensure that expenditure is correctly categorised on the study costs spreadsheet to allow a more accurate comparison of planned and actual expenditure.	**3**	The cost of course forms will be updated to show a more realistic split of bursary spend for each department, departments that have 'other' as a category of spend with no history of any actual spend within this category will have this amount spread over the other categories based on likely spend. Invoices that have a number of different categories of bursary spend will be allocated accordingly.	Management Accountant	31 December 2024	**November 2025** This work will tie in with the development of the study kit lists to get a better idea of what each course will likely spend on each category. Cost of course forms will be tailored to match the study kit lists. Audit testing for 2024/25 noted that the difference in budget v actual spend per cost category within each course, and overall budgeted spend v actual spend appear to be much tighter this year, indicating that improvements to tracking costs is having a positive impact. ***Partially Implemented*** **Revised Completion Date:** 28 February 2026	As above the detailed kit list to be implemented for 26-27 sessions will allow more defined categories of spend to be entered on the cost of course forms ***Partially Implemented*** **Revised Completion Date:** 28 February 2027
Bursary Return – Categorisation **R3** The College should review student Award Assessment categorisation on the FES and ensure that any apparent misstatements are fully investigated and resolved.	**3**	A monthly check of FES categories will be implemented to ensure any mis-categorised student will have their details corrected by the student support team before any over / under payment takes place.	Management Accountant	31 December 2024	**November 2025** The Student Support team was not able to check a monthly FES due to time constraints of other departments. However, no similar issues were noted during testing in 2024/25. ***Partially Implemented*** **Revised Completion Date:** 28 February 2026	To be reviewed as part of the 2025/26 audit of student support funds in September 2026. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026

Original Recommendation	Priority	Management Response	To Be Actioned By	No Later Than	Progress Previously Reported	Progress at August 2026
Report 2024/08 – Student Support Funds						
Bursary Return – Additional Support Needs (ASN) Costs **R4** Ensure that a check is made on the categorisation of ASN costs to ensure that they are correctly disclosed on the FES.	**3**	The monthly category check above will also include a quick check of ASN costs to ensure they are being disclosed correctly.	Management Accountant	31 December 2024	**November 2025** The Student Support team was not able to check a monthly FES due to time constraints of other departments. However, no similar issues were noted during testing in 2024/25. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026	To be reviewed as part of the 2025/26 audit of student support funds in September 2026. ***Partially Implemented*** **Revised Completion Date:** 30 September 2026

Henderson Loggie

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AUDIT AND RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	Rolling Audit Recommendations Monitor
REFERENCE	08.0
AUTHOR AND CONTACT DETAILS	Elaine McKechnie, Vice Principal – Finance, Resources & Sustainability Elaine.mckechnie@slc.ac.uk
PURPOSE:	To present an update on the work that has been undertaken by the College to address previous audit recommendations.
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • note 9 new recommendations added in the period from the Business Continuity internal audit; and • note a total of 28 recommendations remain on the register as at August 2026, with 10 recommendations having been completed in the quarter and 5 temporarily reinstated to align with Henderson Loggie's assessment of completion (expected imminently).
RISKS	• That the College does not have appropriate internal controls to safeguard its staff, students and assets. • That the College does not have adequate risk management processes and procedures in place.
RELEVANT STRATEGIC AIM:	• The Student Experience • People and Culture Development • Growth and Innovation • Sustainability
SUMMARY OF REPORT:	• The College currently has 28 recommendations outstanding. The College reported 21 recommendations outstanding in May 2026. A reconciliation of the movement in the quarter and alignment with Henderson Loggie's Follow-up Review 2025/26 is contained in section 3. • The remaining 28 recommendations cover the following areas: 1 Pension and Payroll Management, 5 Student Support Funds, 2 Staff Recruitment, 1 Budgetary Control, 1 Publicity & Communications, 1 Procurement & Purchasing/Creditors, 2 Business Process Review Space Management/Room Utilisation, 5 Student Activity (Credits), 1 Environmental Sustainability, 3 Building Maintenance, 3 Corporate Governance and 3 Business Continuity. • The College closed 10 recommendations in the quarter. Main actions taken to achieve completion since May 2026 included the roll out of new policies and strategies, such as the Recruitment Policy, Business Continuity Strategy, and the Estates and Infrastructure Approach together with the conclusion of the budget setting process and preparation of required supporting documentation and guidance notes.

1. INTRODUCTION

1.1. This paper provides an update of the College's progress in responding to Internal Audit Recommendations from prior audit engagements. It is a centralised point of reference for logging of all actions taken to ensure that the recommendations are enacted. The report is subject to an internal review by the Senior Leadership Team (SLT) on a quarterly basis, with updates provided by the owner of the recommendations. This ensures sufficient focus and commitment from the College to ensure that recommendations are accepted and enacted.

1.2. The College has managed to close 10 recommendations primarily due to the introduction of new policies and strategies, such as the Recruitment Policy, Business Continuity Policy and Estates and Infrastructure Approach, together with the conclusion of the budget setting process and preparation of required supporting documentation and guidance notes for staff.

2. BACKGROUND

2.1. Internal Audit is a necessary function to ensure good governance and control within each area of college operations. The report details findings from Internal Audits with College management response to those findings and suggestions as to timeframes for completion of work required to address concerns raised.

3. RECONCILIATION OF OUTSTANDING RECOMMENDATIONS: QUARTER ON QUARTER (QoQ)

3.1. The below table contains a reconciliation of the QoQ movement from May 2026 to August 2026 and is closely aligned with the results of Henderson's Loggie's Follow Up Review 2025-26.

3.1.1. Table 1: QoQ movement

Period	Description	No. Of Outstanding Recommendations
May-2026	**College assessment of Progress**	**21**
Audit undertaken 2025/26	Add: Corporate Governance Audit (2025/05)	3
Audit undertaken 2025/26	Add; Business Continuity (2026/03)	3
Add: Student Activity Data (2024/07)	Recommendation completed internally but won't be evidenced until audit in September 2026.	1
Add: Student Activity Data (2025/07)	Recommendations completed internally but won't be evidenced until audit in September 2026.	2
Add: Publicity and	Media Training not yet evidenced albeit booked	1

Communications (2024/02)		
Add: Building Maintenance (2025/08)	Condition Survey not yet evidenced albeit on Planned Preventative Maintenance (PPM) Schedule	1
Add: Staff Recruitment & Retention (2023/03)	All HR standing data to be digitally held in iTrent to remove need for separate paper or scanned files (detailed exercise not yet complete).	1
Add:	Recommendations re-opened to align with Henderson Loggie Follow-up Review 2025/26*	5
Aug-2026	Recommendations closed	(10)
Aug-2026	**College assessment of Progress**	**28**

**Temporarily only; closure expected imminently once evidenced*

3.1.2. *Table 1: Reconciliation of College recommendations monitor to Henderson Loggie's Follow Up Reviews 2025-26 report*

Recommendations	Description	Total
Outstanding recommendations	**Per Henderson Loggie Follow Up Review 25-26**	**24**
Add: Business Continuity (2026/03)	Recent audit report not yet subject to Internal Audit Follow Ups given very recent conclusion	3
Add: Internal Consultancy Exercise	Payroll and Pensions Management (separately instructed exercise but retained on monitor for ease of tracking progress)	1
Outstanding recommendations	**Per College Internal Audit Recommendation monitor**	**28**

4. STUDENT SUPPORT FUNDS

4.1. The College recognises the importance of the student support funds audit and the role that the College plays in administering public funds to qualifying students. There are 5 outstanding audit recommendations on the monitor as of August 2026.

4.2. These recommendations are now expected to be completed by September 2026, once the full quota of students is contained within the FES return and new processes can be tested and evidenced during the audit preparation phases for the return. The closure of the residual recommendations is therefore dependent on the FES audit taking place to demonstrate their completion.

4.3. Monthly check of FES categories will be implemented to ensure any miscategorised students will have their details corrected by the student support team before any over/under payment takes place prior to the end of the academic year.

5. STAFF RECRUITMENT & RETENTION

5.1. As a result of the Follow-up reviews 2025/26, the College has reinstated 1 recommendation in the period to be partially completed, not fully completed. This revision makes two completed recommendations in total.

5.2. Two recommendation remains in progress. The College remains committed to improving its staff recruitment and retention management and work is underway to ensure full compliance with the following recommendations through refreshment of key policies and procedures and through the implementation of the new HR system which is and will continue to improve reporting capabilities. In addition, the College awaits further enhancement to iTrent to transfer remaining hardcopy files digitally into the system.

6. BUDGETARY CONTROL

6.1. The College has concluded 3 of these recommendations in the last reporting period, owing to the conclusion of the budget setting process for 2026-27. However, the College remains committed to enhancing the quality of financial reporting through enhancements to the finance system and Power BI.

7. PROCUREMENT AND PURCHASING/CREDITORS

7.1. There is 1 recommendation remaining in respect of the amendment of approvals of low value purchase orders in PECOS to Vice Principals (rather than requiring sign off by the Principal), to reduce the risk of a bottleneck at senior level. This recommendation is now marked as Partially Complete.

7.2. The changes identified need to be reflected through the purchase order system PECOS to enable the physical transfer of system access privileges to relevant budget holders.

8. BUSINESS PROCESS REVIEW: SPACE MANAGEMENT & ROOM UTILISATION

8.1. There are 2 recommendations in progress for this audit.

8.2. The new access control system will support with the production of a centralised room booking system. In addition, space management policies and procedures that include optimal room utilisation targets (both in terms of frequency and occupancy) for specialised and general teaching areas have yet to be prepared and approved by the Board.

9. STUDENT ACTIVITY (CREDITS)

9.1. The College is committed to ensuring upmost accuracy in credit claims for student activity through greater data checks and through the latter implementation of a new student record system to auto-enhance data integrity.

9.2. There are five audit recommendations outstanding for Student Activity, which the Head of Digital hoping to close by October 2026 when the internal credit audit occurs, as it is not physically possible to do so prior to this date.

10. ENVIRONMENTAL SUSTAINABILITY

10.1. From the Environmental Sustainability audit, only 1 recommendation remains outstanding.

10.2. The College has developed a zero-to-landfill strategy with clearly defined commodity targets which is intended for review by the Finance & Resource Committee in September 2026. Once approved, the College intends to close this recommendation.

11. BUILDING MAINTENANCE

11.1. There are three audit recommendations outstanding from the Building Maintenance audit.

11.2. The audit recommended that the College enhance the current Planned Preventative Maintenance (PPM). The Head of Facilities has enhanced this document to include a more granular level of detail with further edits still to be made, including anticipated costs for identified works. Once this schedule is fully updated, the College hopes to close the residual recommendations

12. CONSULTANCY REVIEW: PAYROLL AND PENSIONS MANAGEMENT

12.1. Only one recommendation remains open in this quarter.

12.2. The College continues to work with the HR system provider to ensure the completion of the final recommendation which requires the delivery of specific modules to fully complete the implementation process. The College continues to liaise extensively with the system provider and is hopeful that the recommendation will be closed by the end of the year. Further updates will be brought to the Committee in due course.

13. BUSINESS CONTINUITY

13.1. Nine recommendations were identified from this audit and as at August 2026, only three recommendations remain open.

13.2. Departmental Business Impact Assessments and Business Continuity Plans need to be prepared. The College must formalise arrangements with stakeholders for classroom support or digital technologies in the event of an incident. Training and induction processes for staff are to include business continuity sessions.

13.3. The College has set an internal deadline of 30 November 2026 for the completion of all three residual recommendations.

14. EQUALITIES

14.1. There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

15. RISK AND ASSURANCE

15.1. That the College does not have appropriate internal controls to safeguard its staff, students and assets; and

15.2. That the College does not have adequate risk management processes and procedures in place.is is on the front cover as well, so suggest retaining if further detail is required.

16. RECOMMENDATIONS

16.1. The Committee is asked to:

16.1.1. note 9 new recommendations added in the period from the Business Continuity internal audit; and

16.1.2. note a total of 28 recommendations remain on the register as at August 2026, with 10 recommendations having been completed in the quarter and 5 temporarily

reinstated to align with Henderson Loggie's assessment of completion (expected imminently).

Appendix 08.1 Audit Recommendations Monitor

AUDIT AND RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	SLC Strategic Risk Register Commentary
REFERENCE	09.0
AUTHOR AND CONTACT DETAILS	Elaine McKechnie, Vice Principal – Finance, Resources & Sustainability Elaine.mckechnie@slc.ac.uk
PURPOSE:	To provide members with an update to the risk management arrangements of the College.
KEY RECOMMENDATIONS/ DECISIONS:	Members are recommended to: • review and approve the strategic risk analysis contained in the College's Strategic Risk Register and the commentary therein; • note the addition of a new risk (number 16) in respect of employee relations and workforce capacity; and • note two increases to inherent risk scorings since May 2026 in respect of financial controls and capital funding and one increase to post mitigation risk scorings in respect of capital funding.
RISK	• That College strategic risks are not identified, and mitigating actions are not taken.
RELEVANT STRATEGIC AIM:	• The Student Experience • People and Culture Development • Growth and Innovation • Sustainability
SUMMARY OF REPORT:	• Of the fifteen risks previously identified, 1 post mitigation score has increased, and 1 pre mitigation score has increased. • A new risk has been identified in recognition of employee relations and workforce capacity • The highest risk to the College in August 2026 remained financial stability, including financial controls.

1. INTRODUCTION

1.1. This paper provides a commentary on the College's strategic risk register as reviewed by the Risk Management Group (Senior Leadership Team) on 12 August 2026. The risk register is an important document that demonstrates the College's commitment to the establishment and maintenance of effective governance and control arrangements.

1.2. Commentary has been added to each risk to justify decisions to maintain risks at current levels where required.

2. RISK ONE - FINANCIAL STABILITY

2.1 Inherent and post-mitigation risk both remain at 20. The political landscape is not within the control of the College and as grant funding makes up circa 70% of total income, financial sustainability for the College and the wider sector remains a challenge.

2.2 The College continues to seek to diversify income streams through the provision of full cost recovery courses however without a well-documented financial sustainability plan in place, the College is exposed to risk in the form of lost revenue and increased costs.

3. RISK TWO - FAILURE OF FINANCIAL CONTROLS

3.1. Inherent risk score has been increased from 15 to 20, owing to the realisation that the probability of a failure in controls prior to any mitigating actions being imposed is greater than it previously was. The post mitigation remains at 15.

3.2. The resignation of the Head of FInance in June 2026 also poses further risk on the financial control environment.

3.3. Furthermore, the Audit Scotland Management Letter that the College has yet to fully implement refers to control weaknesses that need to be addressed. Once the prior year recommendations have been addressed and evidenced to give assurances over the robustness of the control environment, the College will review the post-mitigation risk score.

3.4. Progress continues to be made on the Finance Improvement plan.

4. RISK THREE - FUNDING TARGET (Including CREDITS)

4.1. Inherent risk remains at 15, and the post mitigation risk score stays at 10.

4.2. At the point of review, core recruitment appears to be robust and updates are brought to the Senior Leadership Team on a frequent basis.

4.3. The College actively pursues additional funding streams and has good working relationships with the local authority and other stakeholders to collaborate on funding bids.

5. RISK FOUR – THERE IS A BREACH OF LEGISLATION AND ASSOCIATED REGULATIONS

5.1. The risk scoring has been maintained at 6 for inherent risk, and 4 for post-mitigation risk respectively.

5.2. The College continues to be confident that its arrangements for legislation compliance means that it can retain a low score. The latest review has not flagged any concerns or requirement to change the inherent risk score or the post mitigation score.

5.3. Work is ongoing within the College to ensure legislation relating to each area is embedded through all policies. The project is being overseen by the Governance Professional, but all Heads of Department are accountable for their areas.

5.4. It should be noted that there was also college wide recognition of policies at the All-Staff Conference in August 2026 and external training provided to raise awareness of health and safety legislation.

6. RISK FIVE - CAPITAL FUNDING REQUIREMENTS

6.1. The inherent risk score has increase from 16 to 20. The post-mitigation risk score is 15.

6.2. The College acknowledges that there is likely insufficient funding for capital and maintenance works and as the Campus continues to age, there will be a higher demand for capital funding to support renovations.

6.3. The College may consider bidding for phase 2 of the SFC's emergency capital funding.as required depending on the full extent of the lift replacement costs. The College has also participated in the SFC Baseline infrastructure project and has provided details of anticipated capital works that may be required in the future.

7. RISK SIX – THERE IS A BREACH OF LEGISLATION AND ASSOCIATED REGULATIONS IN RESPECT OF HEALTH AND SAFETY

7.1. The inherent risk score remains at 20, with post mitigation risk remaining at a score of 15.

7.2. The College has appointed a new Health and Safety Advisor. There has been an increase in the reporting of near misses, largely due to the placement of QR codes around the College. This has allowed the College to mitigate the risks as they are reported.

7.3. The College also undertook a training session in August 2026 at the All-Staff Conference in which Health and Safety at Work was explored and facilitated by an external provider. Awareness raising of Health and Safety across all staff represents a further mitigation against this risk.

7.4. The current implementation of an Occupational Health Surveillance and Monitoring service at the College will help to mitigate this risk going forward, with staff Health Surveillance reports being regularly conducted, formally documented and retained as evidence of safe and effective working conditions.

8. RISK SEVEN – BUSINESS INTERRUPTION

8.1. Inherent risk score remains at 20 and the post mitigation risk score remains at 16.

8.2. While the College recognises that it can react well to storms and unexpected Campus closures and staff can perform their duties remotely, it cannot evidence that it has robust procedures in place for longer term business continuity without the completion of training for a broader range and severity of incidents (e.g. fire, flood damage, cyber-attack).

8.3. The Business Continuity internal audit took place during March 2026 and three audit recommendations remain outstanding for completion by November 2026. The College

hopes to reduce post-mitigation scores on the completion of all outstanding recommendations.

9. RISK EIGHT - DAMAGE TO THE INTEGRITY OF MANAGEMENT INFORMATION SYSTEMS

9.1. The risk scoring has been maintained at 6 (inherent risk) and 3 (post-mitigation risk) respectively.

9.2. As per last quarter, the College is aware that to keep this area in green status, completion of the audit recommendation for incident response for SLT and continual staff training will need to be maintained. Internal and externally facilitated training has now taken place,

9.3. Improvements to the cyber security platform continue and the Board reviewed the cyber bi-annual report in May 2026 which showed key progress.

10. RISK NINE – FAILURE TO ACHIEVE ACCEPTABLY HIGH LEVELS OF LEARNING AND TEACHING AND ASSESSMENT

10.1. The inherent risk score stays at 12, whilst the post-mitigation risk remains at 8.

10.2. The Quality, Learning and Teaching Innovation Department in the College continues to engage proactively with the Quality Assurance Agency (QAA) to ensure the quality of teaching, learning and academic standards within the College. The Team will be fully deployed by September 2026.

10.3. The QAA Institutional Liaison Meeting took place in April 2026, in preparation of full review in 2028/2029. SFC Outcomes Framework and Assurance Model (OFAM) quarterly meetings took place as planned in 2025/26. Operational and Enhancement Planning Process now in place. Full participation expected in 26/27. Institution-led Quality Review (ILQR) process agreed by SLT and Learning Teaching and Student Experience Committee. The 2026/27 plan is expected to be complete by October 2026.

11. RISK TEN - THERE IS A FAILURE TO PROVIDE AN ENGAGING AND EFFECTIVE EMPLOYEE JOURNEY

11.1. The risk scores remain the same, with inherent risk at 16 and post-mitigation risk of 8.

11.2. Following on from the Middle management training in 2025/26, further management training is now in view to support the ongoing development of skills and confidence. The College is also implementing a series of Staff Voice solutions.

12. RISK ELEVEN - THERE IS A FAILURE TO SAFEGUARD THE HEALTH AND WELLBEING OF STAFF AND STUDENTS

12.1. There has been no change to risk scorings, with inherent risk at 9 and post-mitigation risk remaining at 3.

12.2. As advised previously, this is a positive area for the College. Student and Staff wellbeing and safety continues to be of upmost importance. Policies and procedures are well embedded.

13. RISK TWELVE - THERE IS A FAILURE TO PROVIDE A ROBUST LEARNER EXPERIENCE TO SUPPORT ONWARD PROGRESSION

13.1. There has been no change to the inherent risk scoring (staying at 8) or to the post-mitigation risk remaining at 4.

13.2. Mitigations include the College data/reporting plan that contains a request to create leaver destination reports for both full-time and part-time provision. New appointees to the Student Experience Team include a Student Engagement Manager and a Support Services and Wellbeing Manager. Both post holders will work closely with developers and QLTI to ensure that positive destination data is captured effectively.

13.3. The ongoing embedding of Extended Learning Support (ELS) at the College post restructure will further support the student experience when postholders are appointed.

14. RISK THIRTEEN - FAILURE OF CORPORATE GOVERNANCE

14.1. The inherent risk remains at 12, and the post mitigation score stays at 6.

14.2. The Board continue to actively recruit dynamic members to enhance the membership.

14.3. SLT are aware that the ongoing appeals in the ET hearing is still a risk, and as a result may cause reputational damage to our governance arrangements.

15. RISK FOURTEEN – ADVERSE REPUTATIONAL RISK

15.1. There has been no change to risk scorings, with inherent risk at 12 and post-mitigation risk remaining at 9.

15.2. The employment tribunal concluded in December 2024 with the result going in favour of the College. However, the on-going employment tribunal appeal remains a risk for the College.

15.3. There is an ongoing focus on progressing the positive view of the college throughout the campus, and the local community. Stakeholder engagement approach also in train as there is a need for the College to engage more politically.

16. RISK FIFTEEN – THE MEETING OF NET ZERO SUSTAINABILITY PRIORITIES

16.1. The inherent risk scoring has been maintained at 9, with post-mitigation risk remaining at 6. It will be increasingly difficult for the College to drive forward with larger capital investments to support net zero if funding is not available.

16.2. The College, through its Sustainability Officer and the wider Climate Change Action Team, continues to demonstrate a healthy engagement with all internal and external requirements in respect of environmental sustainability.

17. RISK SIXTEEN–EMPLOYEE RELATIONS AND WORKFORCE CAPACITY

17.1. The Risk Management Group has implemented a new risk this quarter, owing to concerns that employee relations challenges and workforce capacity, capability, accountability and attendance issues impact organisational performance and service delivery, result in legal, financial, operational, and reputational consequences.

17.2. Inherent risk scoring has been set at 16, with post-mitigation risk set at 12. Mitigations include the enhancement of management development, including the development of coaching skills, interaction skills, policy and procedure awareness; retaining employment law solutions, to ensure ease-of-access and continued development of HR and employment law knowledge.

18. EQUALITIES

18.1. There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

19. RISK AND ASSURANCE

19.1. That College strategic risks are not identified, and mitigating actions are not taken.

20. RECOMMENDATIONS

20.1. Members are recommended to:

20.1.1. review and approve the strategic risk analysis contained in the College's Strategic Risk Register and the commentary therein;

20.1.2. note the addition of a new risk (number 16) in respect of employee relations and workforce capacity; and

20.1.3. note 2 increases to inherent risk scorings since May 2026 in respect of financial controls and capital funding; and 1 increase to post mitigation risk scorings in respect of capital funding.

APPENDICES

Document 09.1 **The College's Strategic Risk Register**

Document 09.2 **The College's Cyber Risk Register**

AUDIT & RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	Institution-Led Quality Review (ILQR) Group: EMA Block 2 results
REFERENCE	10.0
AUTHOR AND CONTACT DETAILS	Elaine McKechnie – Vice Principal, Finance Resources & Sustainability Elaine.McKechine@slc.ac.uk Lisa Doonan – Curriculum Manager – Quality Lisa.Doonan@slc.ac.uk
PURPOSE:	To present to the Committee the results of the recent Education Maintenance Allowance (EMA) 2nd Spot Check on 30 April 2026.
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • note the results from Education Maintenance Allowance (EMA) 2nd Spot Check, with an action for the Digital Team to resolve the discrepancy within the 'Open and Close Attendance' portal.
RISK	• That the College does not meet the quality assurance requirements of awarding and/or scrutiny bodies. • That the College does not meet governance requirements due to a lack of scrutiny of core processes and controls internally.
RELEVANT STRATEGIC AIMS:	• The Student Experience • Sustainability
SUMMARY OF REPORTS:	• The results of EMA Audit from Block 2 are positive, noting no further actions or recommendations.

1. INTRODUCTION

1.1. This paper presents the Institution-Led Quality Review (ILQR) Group's results of the recent EMA 2nd Spot Check.

1.2. The quality function in the College plays a crucial role in ensuring that the College can provide high-quality education and training, can give assurances, demonstrate continuous improvement, provide development opportunities for students and staff and can demonstrate that it is engaging with stakeholders in a meaningful way to gather feedback on how the services offered meet both learner and staff needs.

1.3. The quality function therefore underpins and helps to strengthen the validity of core processes that are subject to audit; the results of which are brought to this Committee for information when published.

2. INSTITUTION-LED QUALITY REVIEW (ILQR) GROUP

2.1. During 2025-26, the Quality Audit Group was refreshed as the ILQR Group to reflect the adoption of the Tertiary Quality Enhancement Framework and provide robust evidence to support the Tertiary Quality Enhancement Review process.

2.2. The ILQR Group's remit and scope remain unchanged: delivering a programme of pre-planned and responsive detailed quality reviews. The ILQR Group will retain the authority to set actions and make recommendations; including the requirement to formally include actions within departmental/curriculum area Operational and Enhancement Plans, as appropriate.

3. INSTITUTION-LED QUALITY REVIEW GROUP (ILQR) AUDIT SCHEDULE 2026-27

3.1. The table below contains the mandatory audits on which the ILQR will lead.

3.2. *Table 1: ILQR Group Audit Schedule 2026-27*

Internal Audit	Audit reason code *see	Proposed Date/ Month TBC	Confirmed Date	Audit Team *Lead writer in bold
EMA (1st audit)	**1**	November 2026		**AJ,** LD
EMA (2nd audit)	**1**	April 2027		**AJ,** LD
BPEC Level 5 Gas Installation & Maintenance SCQF 5	**2**	Now under Curriculum Team ownership		**Curriculum Leads**
BPEC - pre-audit for ACS and Foundation programmes	**2**	Now under Curriculum Team ownership		**Curriculum Leads**

Audit Reason codes:

1 - Mandatory requirement
2 - College risk analysis
3 - Awarding body requirement

2.1 The SLC reports are presented to the Senior Leadership Team and the Audit & Risk Committee. This also include the Education Maintenance Allowance (EMA) Audit from Block 2 as discussed in section 3.

3 EMA BLOCK 2 AUDIT

3.1 The EMA audit was undertaken on 30 April 2026 in response to statutory requirements placed on the College and set out by the Scottish Funding Council.

3.2 A sample of 12 student applications across the Curriculum areas were reviewed and the results were positive. The 12 applications sampled contained the required student details. The appropriate sections of the application form were answered and all necessary documents used by the Bursary Team were available to view through the College secure system.

3.3 Detailed BACs payment records were kept. Authorised and sickness absences were recorded methodically, and all payments had been confirmed against attendance.

3.4 However, there were two student records showing conflicting information regarding whether attendance should be marked as <100% or ineligible. On discussion with the Bursary Team, it was discovered that there was a discrepancy between the “Open and Close Attendance” portal, which is used by the team to collate attendance data and by Curriculum Teams to record attendances, from the Enquirer View, which is accessed by the auditor. This has been raised with the Depute Head of Digital Services and is being investigated, with resolution expected imminently.

4 EQUALITIES

4.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

5 RISK AND ASSURANCE

5.1 That the College does not meet the quality assurance requirements of awarding and/or scrutiny bodies.

5.2 That the College does not meet governance requirements due to a lack of scrutiny of core processes and controls internally.

6 RECOMMENDATIONS

6.1 The Committee is asked to:

6.1.1 note the results from Education Maintenance Allowance (EMA) 2nd Spot Check, with an action for the Digital Team to resolve the discrepancy within the ‘Open and Close Attendance’ portal.

Appendix 10.1 EMA 2nd Spot Check April 2026

Quality Audit Group

Audit Report

EMA 'Spot Check' – part 2

30th April 2026

Audit Number: 02-2025-2026

South Lanarkshire College
East Kilbride

Contents

1.0 Executive Summary

This report seeks to inform the Quality Audit Group of the audit activity and findings from the first EMA targeted audit.

2.0 Audit Rationale

The selection rationale is discussed and agreed by the Quality Audit Group.

2.1 Scope and Range

The scope, range and methods of gathering evidence are agreed by the Quality Audit Group.

2.2 Audit Findings

The audit findings are outlined in relation to the evidence gathered.

2.3 Previous Actions/Recommendations for Improvement

There were no previous actions/recommendations for improvement proposed during the audit in December 2025.

2.4 Actions/Recommendations for Improvement

The findings are discussed by the Quality Audit Group and actions/recommendations for improvement proposed.

3.0 Audit Rationale

The rationale for conducting this audit is in response to statutory requirements placed on the College set out in the Scottish Funding Council document *Education Maintenance Allowance Guidance for Colleges 2025-26, 23rd October 2025*

3.1 Scope and Range

The design of the audit ensured a student-centred focus by sampling 12 student applications out of 179, across the Curriculum Areas (6.7%) and actual payments over each month for this academic session. The range of evidence sampled included:

Evidence from the EMA applications log.

Application forms for every applicant supported by documentary evidence of:

- Birth certificate
- EMA reference number
- Residency

- Bank details
- Income records
- Supporting documentation
- Signed learning agreement
- Sickness and authorised absence record
- Confirmed BACs payments

Access to the comprehensive Electronic Bursary Application system was made available by the Bursary Team on the day. This facilitated the identification of evidence for each student sampled.

Qualitative evidence was also gathered through professional discussions with the Bursary Team who administer EMA provision.

The scope of the audit also covered Scotland's Tertiary Quality Enhancement Framework – EQC1 Principle and Qualifications Scotland criteria 1.1 and 1.4.

3.2 Audit Findings

The audit progressed smoothly. Online access to student applications, attendance and payment records was provided by the Bursary Team.

Bursary staff were available to provide clarification, answer questions and provide additional evidence as required. Record keeping was thorough, and any supporting information/documentation was available.

Applications and supporting documentation were sampled across a range of students and payment dates.

The 12 applications sampled contained the required student details including address, date of birth, residency and income information. The appropriate sections of the application form were answered for students within the sample.

All necessary documents used by the Bursary Team were available to view through the College secure system.

Individual payment records were available for all students in the sample. These records were checked against attendance records and BACS payment records up to payment week 35. Payment records were consistent with attendances.

Detailed BACs payment records were kept. Authorised and sickness absences were recorded methodically, and all payments had been confirmed against attendance.

There were two student records showing conflicting information regarding whether attendance should be marked as <100% or 'ineligible'. On discussion with the Bursary Team, it was discovered that there was a discrepancy between the 'Open

and Close Attendance' portal, which is used by the team to collate attendance data and by Curriculum Teams to record attendances, from the 'Enquirer View' which is accessed by the auditor. This has been raised with the Depute Head of Digital Services and is being investigated.

3.3 Previous Actions/Recommendations for Improvement

There were no previous actions/recommendations for improvement proposed during the audit in December 2025.

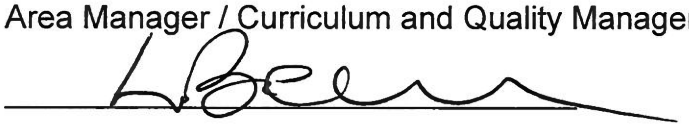
3.4 Required Action

Digital Services to implement an enhancement action to eliminate the conflict between the 'Curriculum Team View' and the 'enquirer view' used by the Bursary Team to ensure consistency and accuracy.

Lead Auditor : Audrey Jamieson

Signed off by:

Area Manager / Curriculum and Quality Manager:



Head of Quality and Learning & Teaching Innovation
(Chair of Quality Audit Group):

ACTION PLAN

South Lanarkshire College East Kilbride

INTERNAL AUDIT REPORT TITLE: EMA Audit – Part 2 (30th April 2026)

REPORT NUMBER: 02-2025-2026

To be completed by audit team				To be completed by Department/ Faculty			
No	Action(s) / Recommendation(s)	Priority *	Agreed Target date	Action to be taken	By whom	Completion Date	Evidence
1.	Digital Services to implement an enhancement action to eliminate the conflict between the 'Curriculum Team View' and the 'enquirer view' used by the Bursary Team to ensure consistency and accuracy.	**2**	Before start of next academic year	Digital Services to implement an enhancement action to eliminate the conflict between the 'Curriculum Team View' and the 'enquirer view' used by the Bursary Team to ensure consistency and accuracy.	Digital Services		

* PRIORITY: **1** Immediate **2** Within current academic year.

AUDIT & RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	Audit Workplan and Remit review for the Committee
REFERENCE	11.0
AUTHOR AND CONTACT DETAILS	Elaine McKechnie (VP – Finance, Resources & Sustainability) Elaine.mckechnie@slc.ac.uk
PURPOSE:	To review the workplan of the Audit and Risk Committee as across 2026-27 and consider any amendments required to the Committee remit, as is required every 2 years.
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • Review the workplan and ensure it is complete; • Agree to similar timeframes for scheduling of work for 2026/27 as in 2025/26; • Instruct College management to arrange for the appropriate supporting documents to be available according to the timetable; and • Review the Committee Remit and ensure it reflects an accurate representation of duties.
RISK	• That there is a failure of financial controls • That there is a failure of Corporate Governance arrangements • That there is a reputational risk to the College.
RELEVANT STRATEGIC AIM:	• The Student Experience • Culture and People Development • Growth and Innovation • Sustainability
EQUALITIES	• There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.
SUMMARY OF REPORT:	• The workplan is a suggested timetable for the year, incorporating formal requirements which the Committee is invited to consider. It is included as appendix 11.1 to this summary. • There are no proposed changes to the work plan. • The remit of the Audit Committee is prepared and agreed every two years. As it was approved in August 2024, the Remit has been brought to this meeting for approval. The Committee should note the following key changes since the last review in August 2024: a) Removal of references to the Regional Strategic Board on dissolution on 30th July 2025. b) Updates to the 'Alignment with strategic Priorities' to take account of Strategy 2030 c) Change in title from the College Quality Audit Group to the Institution-led Quality Review (ILQR) Group in

	alignment with the recently launched Tertiary Quality Enhancement Framework (TQEF).

Appendix 11.1 Audit Workplan for 2026-27

Appendix 11.2 Audit Committee Remit 2026

1. INTRODUCTION

1.1. This paper provides an overview of the intended Audit & Risk Committee work plan for 2025-26.

2. BACKGROUND

2.1 The College needs an Audit & Risk Committee work plan annually to ensure robust governance, accountability, and strategic oversight.

- 2.1.1 It outlines scheduled reviews, audits, and reporting cycles, ensuring nothing critical is missed.
- 2.1.2 It aligns the Committee's activities with the college's risk register and strategic priorities.
- 2.1.3 It supports the Committee in producing its required annual report, including opinions on governance and value for money; and
- 2.1.4 It helps meet obligations under the Post-16 Audit Code of Practice and the Code of Good Governance for Scotland's Colleges.

2.2 Separately, the remit covers the composition and membership of the committee and highlights that the Committee and its Chair will be appointed by the Board and will consist of members with no executive responsibility for the management of the College.

- 2.2.1 At least one member should have a background in finance, accounting or auditing but membership should not be drawn exclusively from people with such a background.
- 2.2.2 The Principal and the Chairing Member of the Board of Management cannot be members of the Audit and Risk Committee.
- 2.2.3 No member of the Committee can also be a member of the Finance and Resources Committee.

3 THE WORK PLAN

3.1 The Work plan is contained in appendix 11.1. There are no proposed changes to the work plan since 2025/26,

4 COMMITTEE REMIT

4.1 The Committee remit is contained in appendix 11.2. The remit of the Audit Committee is prepared and agreed every two years. As it was last approved in August 2024, the Remit has been brought to this meeting for approval.

4.2 The Committee should note the following key changes since the last review in August 2024:

- 4.2.1 Removal of references to the Regional Strategic Board/New College Lanarkshire on dissolution on 30th July 2025.
- 4.2.2 Updates to the 'Alignment with Strategic Priorities' to take account of Strategy 2030.
- 4.2.3 Change in title from the College Quality Audit Group to the Institution-led Quality Review (ILQR) Group in alignment with the recently launched Tertiary Quality Enhancement Framework (TQEF).

4.3 No other changes have been made to the document.

5 EQUALITIES

5.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

6 RISK AND ASSURANCE

6.1 The Main risks are that

6.1.1 there is a failure of financial controls,
6.1.2 there is a failure of Corporate Governance arrangements; and
6.1.3 that there is a reputational risk to the College**.**

7 RECOMMENDATIONS

7.1 The Committee is recommended to:

7.1.1 Review the workplan and ensure it is complete;
7.1.2 Agree to similar timeframes for scheduling of work for 2026/27 as in 2025/26;
7.1.3 Instruct College management to arrange for the appropriate supporting documents to be available according to the timetable; and
7.1.4 Review the Committee Remit and ensure it reflects an accurate representation of duties.

Audit and Risk Committee		**Colour key:**	Item duly presented to this meeting
Activity Monitor			Item planned to be presented

		2026/27			
	Feb / Mar	May / Jun	Aug / Sept	Nov / Dec
Standing agenda items				
Consideration of reports received from the College's internal audit providers				
External Auditor update				
College and Region Risk Registers and Commentary				
Quarterly Procurement Report				
Log of audit recommendations				
Audit Scotland Technical Bulletin extract				
Update of Governance from Governance Porofessional				
Update from College Institution-Led Quality Review Group (ILQR)				
Non Financial Audits (SDS, etc)				
Quarterly Complaints Report				
Spring (Feb / Mar)				
The determination of the external audit fee, the range of which is advised by Audit Scotland				
Review of the College's Risk Policy				
Review of ARC Performance				
Review of the audit programme of the College's Quality Audit Group				
Committee self-evaluation				
Summer (May / Jun)				
Completion of the self-assessment checklist from the Audit and Assurance Committee Handbook				
Biannual report of cyber security by Head of Digital				
Consideration of the Audit Assurance Framework for the year				
Review of the audit plan presented by the external audit service providers				
Autumn (August / September)				
Review of the remit of the Audit and Risk Committee and its annual workplan			2026/27	
Review of the draft plan for work presented by the internal audit providers for the following year, with reference to the initial appointment documentation			2026/27*	
Consideration of the annual Accounts Direction guidance issued by SFC*			2025/26	
Consideration of the draft Annual Report of the Audit and Risk Committee to the Board of Management and to recommend its acceptance to the Board.			2026/26	
**If published on time*				
Winter (Nov / Dec) - Joint with FRC				
Review of the external audit report produced in respect of SLC financial statements and accounts				2025/26
Review and evaluation of the internal and external audit provision services				2025/26
Consideration of the College's Risk Appetite				Board Strategy Day
Biannual report of cyber security by Head of Digital				
Consideration and, if appropriate, recommend approval of the external auditor's draft Annual Audit Report to the Board of Management				2025/26
Audit and Risk Committee to recommend to the members of the Finance and Resources Committee that they can consider the draft audited Financial Statements.				2025/26
Note: Finance and Resources Committee to consider the audited Financial Statements and recommend their approval to the Board of Management				2025/26
Discussion of matters of concern with the College's external and internal audit providers that may have arisen during the year. This should be done in the absence of College staff and executive officers,				2025/26
Review of the College's compliance with the "Code of Good Governance for Scotland's Colleges".				2025/26
Review of the audit certification of student activity and student support funds (included in appendices of IA Annual Report)				2025/26

SOUTH LANARKSHIRE COLLEGE (BOARD OF MANAGEMENT)

AUDIT AND RISK COMMITTEE REMIT

Composition and Membership

The Board of Management will establish a Committee to the Board to be known as the Audit and Risk Committee.

The Committee and its Chair will be appointed by the Board and will consist of members with no executive responsibility for the management of the College. There shall be not less than three members. A quorum shall be three members. At least one member should have a background in finance, accounting or auditing but membership should not be drawn exclusively from people with such a background. The Committee may, if it considers it necessary or desirable, co-opt members with expertise to assist its work but co-opted members shall not count towards the quorum nor shall they have voting rights. The Principal and the Chairing Member of the Board of Management cannot be members of the Audit and Risk Committee. No member of the Committee can also be a member of the Finance and Resources Committee.

In terms of the Audit & Assurance Handbook, Elected Staff and Student Board Members, being classified as executive members, should not normally be appointed to membership of this Committee but if any such are appointed then non-executive members must constitute a majority both of the committee itself and of those present and voting.

The Principal and the Vice Principal – Finance, Resources and Sustainability should normally attend each meeting at the request of the Chair.

Attendance of other Board Members shall be entirely at the discretion of the Committee Chair

The Committee will hold annually a private meeting (without College Executives present) with internal and external auditors to discuss audit issues. Audit and Risk Committee Members or the internal or external auditors may request an additional private meeting at any time should there be issues that require to be discussed.

Purpose

The purpose of the Audit and Risk Committee is to assure the Board of Management that the College has in place a system of governance, internal control and risk management which is being maintained and developed to meet legislation and regulations applying to the sector. The Committee must support the Board and the Principal by reviewing the comprehensiveness, reliability and integrity of assurances: the College's governance, risk management and internal control framework. Further detail is provided in Annex A.

Alignment with Strategic Priorities

The Audit and Risk Committee is aligned to the College's strategic priorities of:

- The Student Experience
- People and Culture Development
- Growth and Innovation
- Sustainability

With a particular focus on the following values:

- Togetherness

Visionary and transparent leadership, common purposeful goals and build on values.

- Connectedness

Meaningful participation in decision-making, a listening organisation and developing collaboration.

- Recognition

Culture of values-based recognition, celebration of individual and team contributions and effective, frequent praise.

- Enablement

Providing valuable feedback, developing manager effectiveness and individualised training and development.

- Motivating work

Autonomous working, learning organisation and meaningful work.

Terms of Reference

The role of this Committee is to provide oversight and challenge regarding the progress the college is making against the duties outlined below but in addition the Committee shall consider any issues relating to strategic risk as may have been referred to it by any other Committee or by Management

Equalities

In addition to the overarching role in respect of Audit & Risk, the Committee is required to consider the implications of all decisions and recommendations being considered from the perspective of Equalities – and this will be a standing item on all committee agendas.

In addition to the protected characteristics as defined by the Equalities Act 2010, the Committee shall consider equality of opportunity for all irrespective of socio-economic background.

In the event that the Committee identifies any concerns with Equalities, the same shall be referred as appropriate to the Curriculum Quality & Development Committee and/or the Human Resource Committee

Collaboration and Partnership

The Committee is required, wherever possible and appropriate, to work in partnership with Local Community Bodies to achieve the best learning outcomes for students and the most cost- effective use of resources.

Proceedings

The Committee should normally meet four times a year. The internal auditor should normally attend all Audit Committee meetings, together with other staff invited to attend. The external auditor should normally attend any meetings where external audit issues are being considered or otherwise at the request of the Chair.

Authority

The Committee is authorised by the Board to investigate any activity within the terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary.

Duties of the Audit Committee (see Annex B)

The duties of the Committee include:

Effectiveness and Financial Control

- Reviewing the processes for ensuring the effectiveness of the financial and other internal control systems;

- Ensuring that all significant losses and cases of impropriety have been properly investigated and that the internal and external auditors, the Board of Management, and SFC have been fully informed of the matter where appropriate;

- Approving and monitoring of the College's policy on fraud, irregularity and whistleblowing, and how they are applied;

- Reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance;

- Monitoring, annually or more frequently if necessary, the implementation of approved recommendations relating to both internal and external audit services and promote co-ordination of the two services;

- As regards securing Value for Money, ensuring that the College has systems and procedures to promote economy, efficiency and effectiveness. This may require identifying specific value for money studies.

Risk Management

- Advising the Board of Management on the concepts and requirements of risk management;

- Acting as a catalyst for risk management activity across the institution;

- Ensuring appropriate audit work on risk management;

- Bringing higher level risks, as identified in the Risk Register and discussed at Audit and Risk Committee meetings, to the attention of the Board of Management.

- For the avoidance of doubt, Risk will be a standing item on all Board and Committee agendas

Internal Audit

- Advising the Board on the criteria for the selection, appointment and remuneration of the internal auditor;

- Considering and advising the Board of Management on the audit needs assessment and the strategic and annual audit plans;

- Considering and advising the Board of Management on internal audit reports;

- Receiving an annual report from the internal auditor, which should include an opinion on the degree of assurance that can be placed on the systems of internal control.

External Audit

- Whilst it is now the responsibility of Audit Scotland to appoint the College's external auditors, the Audit Committee should review the remuneration of the external auditor and the scope of their work, including any non-audit services provided;

- Reviewing the external auditor's Management Letter and management response and having direct access to the external auditor; reporting to the Board where contents of Management Letter contain references to lack of effectiveness of financial controls;

- Considering and advising the Board of Management on external audit reports and management letters, taking into account: comments on accounting policies; compliance with accounting standards and the most recent SFC Accounts Direction; estimates and judgements used in the preparation of the financial statements; completeness of disclosure and context; and the statements on corporate governance, risk management and internal control;

- Considering the College's financial statements in conjunction with the Finance Committee and recommending, in tandem with the Finance and Resources Committee, that the Board of Management approve the Annual Report and Financial Statements each year;

- Facilitating one meeting per annum without the attendance of College officers, between Committee members and the external and internal audit providers to discuss the work undertaken during the year and any issues that may have arisen.

Other Duties

- Reviewing relevant reports from the Scottish Funding Council, Audit Scotland, the Scottish Government and other organisations;

- Monitoring the performance and effectiveness of external and internal audit, and reporting on this to the Board of Management;

- Meeting with audit providers at the joint meeting with the Finance Committee, and as required, out with the presence of College staff, to discuss the remit of the Committee or issues arising from the audit of the financial statements.

- Monitoring the performance and effectiveness of the College's procurement arrangements, as measured via audits and reviews undertaken by APUC;

- Monitoring the College's compliance with the Code of Good Governance for Scotland's Colleges

- Considering the College's risk appetite annually or as deemed appropriate, during the year and make a recommendation to the Board of Management for its approval;

Reporting Procedures

The Committee should direct the minutes and appropriate papers of its meetings to the Board of Management After approval, the Committee's minutes, and any appropriate papers, must then also be published on the College's website.

The Committee will produce an annual report which it will submit to the Board, accompanied by the internal auditor's annual report. A copy of this annual report must be submitted to the Funding Council within one month of being presented to the Board of Management.

Effectiveness of the Committee

The Committee shall refer to the Code for Good Governance for Scotland's Colleges and:

- Undertake an annual self-evaluation exercise of the performance of the Audit and Risk Committee which will be forwarded to the Board of Management for their information

- Prepare an annual report for the Board of Management on the performance and duties undertaken by the Committee.

Annex A

Terms of Reference

Terms of reference take due cognisance of the current version of the following:

- "Statement of Responsibilities of Auditors and of Audited Bodies" (Audit Scotland);
- "Audit Committee Handbook" (Scottish Government);
- "Statement of Recommended Practice - Accounting for Further and Higher Education" (HE / FE SORP Board);
- "Code of Audit Practice" (Audit Scotland);
- “Financial Memorandum”
- “UK Corporate Governance Code” (Financial Reporting Council);
- “Scottish Public Finance Manual” (Scottish Government);
- “Government Financial Reporting Manual” (FReM) (UK Government)
- Financial Reporting Standards (FRS 102)
- Code of Good Governance for Scotland’s Colleges

The main consideration is to ensure that the Audit Committee is independent and has sufficient authority and resources to form an opinion and to report on adequacy and effectiveness of the internal control system, including risk management and governance.

Responsibility for internal control remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced by the College. Risk management provides the opportunity for internal audit work to be efficient and focused. It does not necessarily imply that internal audit activity has to be increased.

Internal audit can also provide independent and objective consultancy advice specifically to help management improve the internal control system, including risk management and governance. In such circumstances, internal auditors apply their professional skills in a systematic and disciplined way to contribute to the achievement of corporate objectives. Such advisory work contributes to the opinion that internal audit provides on internal control, including risk management and governance.

Audit Appointment – Internal Audit

- The overview of the tender process for the appointment of internal audit providers, deciding the length of the agreement and any other pertinent factors to be considered
- The consideration of the appointment of the internal audit providers following the tender process and the subsequent recommendation to the Board.
- Review of the draft plan for work presented by the internal audit providers for the term of their appointment

Governance

- Review of the remit of the Audit and Risk Committee (annual – August meeting)

Annually

(a) Duties related to the review of the annual audited financial statements (at the November meeting)

- Review of the Annual Report of the to the Board of Management and the Auditor General for Scotland (the "Annual Report"). This is to be done in conjunction with the review of the audited Financial Statements. The Committee must agree that the draft Financial statements can be considered by the Finance Committee. The Committee must also agree to forward the Annual Report to the Board of Management for their approval.
- Review of the external audit report of consolidated accounts
- Discussion of matters of concern with the College's external and internal audit providers that may have arisen during the year. This should be done in the absence of College staff and executive officers.

(b) Other annual duties

- Preparation of the Annual Report of the Audit and Risk Committee to the Board of Management (August/September meeting)
- The determination of the external audit fee, the range of which is advised by Audit Scotland, and the external audit plan (May / June meeting)
- Review of the draft plan for work presented by the internal audit providers for the following year, with reference to the initial appointment documentation (August / September meeting)
- Review of the audit programme of the College's Institution-Led Quality Review (November meeting)
- Completion of the self-assessment checklist from the Audit and Assurance Committee Handbook (February / March meeting)
- Consideration of Risk Appetite (May / June meeting)

Quarterly meetings

Consideration of :

- internal audit reports, including an update on progress of the annual cycle of internal audits
- College Risk Register
- the Technical Bulletins issued by Audit Scotland
- audits undertaken by external organisations such as Skills Development Scotland and the local authorities
- audits undertaken by the College's own Institution-Led Quality Review (ILQR)

AUDIT & RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	Draft Report from the Audit and Risk Committee to the Board of Management and Audit Scotland
REFERENCE	12.0
AUTHOR AND CONTACT DETAILS	Peter Sweeney – Chair of Audit & Risk Committee Peter.Sweeney@slc.ac.uk
PURPOSE:	To provide members with oversight of the final report given to the Board of Management in connection with the year ended 31st July 2026.
KEY RECOMMENDATIONS/ DECISIONS:	Members are asked to: • To note that the Committee has received satisfactory assurances from the College in respect of Governance, risk management and operational controls • To note and approve the contents of this report for submission to the Board of Management.
RISK	• That College governance, strategic risks and controls are not identified, and mitigating actions are not taken to ensure the College can continue to operate efficiently and legally through full compliance with both internal and external audits.
RELEVANT STRATEGIC AIMS	• The Student Experience • Sustainability
SUMMARY OF REPORT:	• The College continued to closely monitor all aspects of risk management, control, and governance during the year with Committee membership and Composition requirements being fully met. • The Committee continues to work well within its current remit and cooperates fully with Internal, External and non-financial Audit findings and recommendations.

1. INTRODUCTION

1.1 It is an annual requirement that the Audit and Risk Committee report to the Board of Management every year to comply with the Code of Good Governance for Scotland's Colleges.

2 BACKGROUND

2.1 This report contains a review of all audit related activity undertaken, including internal, external and non-financial audits, and raises any concerns which should be highlighted to the Board The report should provide the Board of Management with assurance that the current control environment is effective to ensure the smooth running of all College affairs. This in turn allows us to adhere to our strategic aims of the student experience, people and culture development, growth and innovation and sustainability.

3 DISCUSSION

3.1 ***Meetings and Composition of the Committee***

3.2 The Audit and Risk Committee met on four occasions during the 2025-26 academic year and minutes and associated papers were presented to the Board of Management. The dates of the meetings were: 19 August 2025, 2 December 2025, 12 February 2026 and 19 May 2026.

3.3 The Committee was chaired by Peter Sweeney

3.4 Table 1: The Committee attendance record for the year was as follows:

Board Member	19 August 2025	02 December 2025	12 February 2026	19 May 2026
P. Sweeney (Chair ARC; Non-Executive Board Member)	Y	Y	N	Y
S. Coutts (Senior Independent Member; Non-Executive Member)	Y	Y	Y	Y
J. Morrison (Non-Executive Member)	Y	Y	Y Acting Chair	Y
K. Pinnell (Non-Executive Member)	Y	Y	Y	Y
Also attending:				
L Wright (FRC Member)	N	Y	N	N
S Gray (FRC Member, TU Member)	N	Y	N	Y

C Sumner (Head of Digital, Board Member)	Y	Y	Y	Y
Principal	Y	Y	Y	Y
Head of Finance	Y	Y	Y	N
Vice Principal – Finance	Y	Y	Y	Y
Chair to the Board	Y	Y	Y	Y
Internal Audit	Y	Y	Y	Y
External Audit	Y	Y	Y	Y
Governance Professional	Y	Y	Y	Y
Executive & Governance Administrator	Y	Y	Y	Y

3.5 The Financial Statements for the year ended 31 July 2025 were presented to the Committee at its meeting on 2 December 2025. This was a joint meeting of the Audit and Risk Committee and the Finance and Resources Committee. Members of the Finance and Resources Committee were permitted by the Chair to attend the Audit and Risk Committee meeting as observers. It was noted that, in their observer capacity, they were not involved in, and could not be perceived as influencing, the Audit and Risk Committee's consideration or decision-making in relation to the Financial Statements.

3.6 **TERMS OF REFERENCE**

3.7 The remit of the Committee was reviewed and approved during the August 2026 Committee cycle. The Committee's role is to provide oversight and challenge regarding the progress the college is making against the duties outlined below but in addition, the Committee shall consider any issues relating to strategic risk as may have been referred to it by any other Committee or by Management.

3.8 The Committee undertook a self-evaluation exercise, with all members confirming that their roles and responsibilities are clearly defined and that they are able to contribute effectively to committee decisions. Members agreed that the Committee addresses its responsibilities, as set out in the Terms of Reference, very effectively and that meetings are productive and result in clear, actionable outcomes.

3.9 **INTERNAL AUDIT**

Henderson Loggie

3.10 The firm of Henderson Loggie has continued to provide internal audit services across 2025-26.

3.11 Five internal audit reviews concluded across the period of August 2025 – July 2026 with two routine audits taking place in September 2025 in the following areas:

- Audit Report 2025/04 – Student Welfare (Duty of Care) (August 2025)

- Audit Report 2025/03 - Student Invoicing and Debts (August 2025)

3.12 Audit Report 2025/05 – Corporate Governance

3.13 Audit Report 2026/03 – Business Continuity

3.14 Audit Report 2026/04 – Student Experience (Curriculum)

Routine audits were as follows:

- Student Activity (Credits)

3.15 Student Support (Funding)

3.16 The overall internal audit opinion for 2024/25 concluded that the College has adequate and effective arrangements for risk management, control and governance, as contained in the Annual Internal Audit Report.

3.17 Internal audit reported to the SFC on 3 October 2025 and the Committee on 2 December 2025 that the student data returns had been compiled in accordance with all relevant guidance and adequate procedures are in place to ensure accurate collection and recording of data.

3.18 Internal Audit was also able to provide assurances over the student support (funding) audit, certifying that all three fund statements were accurate and could be submitted to the appropriate bodies, without reservation.

3.19 The Committee received quarterly updates on progress of all outstanding audit recommendations via the Rolling Audit Recommendation Monitor. Following last year's operational and staffing challenges in closing some historic audit recommendations, the College has sought to address these shortcomings during 2025-26 with many being evidenced as closed in the follow-up review that is being presented to the Committee during this meeting in August 2026.

Internal Audit Annual Report

3.20 A summary of all internal audit work undertaken during the year 2024/25 dated December 2025 was contained in the Annual Report, which was presented to, and approved by, the Audit and Risk Committee at this meeting on 2 December 2025.

EXTERNAL AUDIT

3.21 From 2001/02, the responsibility for arranging and monitoring the external audit of the further education sector passed to Audit Scotland. As noted in 2024/25, following a tendering exercise undertaken by that organisation, Audit Scotland was appointed and concluded the financial statements and the annual audit report for year ended 31 July 2025 on 2 December 2025.

3.22 The Committee noted an unmodified audit opinion on the financial statements and annual report for the year ended 31 July 2025. The Committee also noted that the Annual Report and Financial Statements were scheduled to be certified by the 31 December 2025 deadline, despite significant resourcing pressures within the college's Finance function.

Audit Fees 2025/26

3.23 A letter from Audit Scotland setting out a 4.3% increase in audit fees was shared with the Committee in February 2026. The proposed fee of £27,200 represented an increase of £1,120 from £26,080 in 2024/25.

3.24 It was stated that fee levels have been developed to reduce costs and drive efficiencies within Audit Scotland, where possible, but at the same time recognition was given to the ongoing fiscal context for the bodies audited by only increasing fees by that which is necessary to fulfil their role effectively.

Audit Scotland Technical Bulletins

3.25 Audit Scotland produces quarterly bulletins which include details of audit and finance-related matters and Circulars issued by the Funding Council. Relevant extracts from these Bulletins are presented to Audit Committee meetings for the benefit of members.

Other Audits Presented to the Committee

3.26 Financial and non-financial audits, such as those undertaken by the College's own Institution-led Quality Review Group (ILQR) and external bodies such as Skills Development Scotland (SDS) are ordinarily presented to the Committee for review.

Report on the Financial Statements for the year to 31st July 2025

3.27 The Report was considered at the Committee meeting on 2 December 2025 with the view to a recommendation being made to the Board of Management for final approval on 9 December 2025. The report was subsequently approved by the Board and was certified by the 31 December 2025 deadline.

COMPLIANCE WITH THE 2024-25 CODE OF GOOD GOVERNANCE

3.28 Progress has been made in the monitoring and review of Governance by the College. The Board has a robust self-evaluation process, as required by The Code of Good Governance for Scotland's Colleges. Following a procurement process, the Board appointed the College Development Network to conduct its External Governance Effectiveness Review in summer 2025 with the final report being considered by the Committee in December 2025. The report concluded that "*Effective governance structures and systems are evident and there is a strong working relationship between the Chair, Principal and Governance Professional based on a clear understanding of roles and responsibilities".*

3.29 The College reported in its 2024-25 Governance Statement that it believes it has complied with the Code of Good Governance for the entire year in four areas: Legal minimum membership; availability of minutes and the service of a clerk to the Board; induction; and engagement with internal auditors. Throughout quarterly Committee meetings, the Committee sought assurance of on-going compliance to the Code during 2025-26, which continues to be the case as at current date and is evidenced in the Rolling Review

RISK MANAGEMENT

3.30 Risk continues to be a priority for the College, noting risks around financial sustainability, achievement of credit targets, health and safety, cyber security and safeguarding of students and staff.

4 MEETING OF THE AUDIT COMMITTEE AND THE INTERNAL AND EXTERNAL AUDIT PROVIDERS

4.1 As per prior years and in line with best practice, an opportunity for the internal and external audit service providers to discuss any matters which were pertinent to members of the Committee, but without the presence of College Management, was given at the Committee meeting on 2 December 2025. One matter of concern was raised in respect of staffing within the Finance

Department and work has been ongoing throughout the year in this area with the Committee receiving progress updates within the Finance Improvement Plan.

OPINION

4.2 The Committee has overseen the internal and external audits of the College based on audit needs and appropriate guidance from bodies such as the Scottish Funding Council, Colleges Scotland and Audit Scotland.

4.3 The Committee recognises that it has additional ethical and professional requirements placed on it to adhere to the new GIAS. The Committee will continue to challenge items brought for discussion to each Committee.

4.4 Based on reports received from the College's internal and external auditors, and on information received from College management, despite the historic payroll issues, the Committee is of the opinion that the College's internal financial and management systems are adequate and effective. Its arrangements for securing economy, efficiency and effectiveness are also considered adequate and effective.

4.5 The Committee is also of the opinion that there is an ongoing process for identifying, evaluating and managing the College's significant risks and an overview can be found in the Annual Report and Financial Statements.

4.6 The Committee and College management continue to work closely with the external auditors during 2024/25 to mitigate the effects of past issues, ensuring the production and approval of the Financial Statements could be done by the deadline of 31st December 2025.

4.7 The Committee has also worked closely with College Management during the year to ensure that the College remains complaint with the Code of Good Governance for Scotland's Colleges. Governance is, and will remain, a continued focus and priority for the College going forward.

Peter Sweeney -
Chair; Audit and
Risk Committee
of the Board of
Management

25 August 2026

5 EQUALITIES

5.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

6 RISK AND ASSURANCE

6.1 There is a risk that College governance, strategic risks and controls are not identified, and mitigating actions are not taken to ensure the College can continue to operate efficiently and legally through full compliance with both internal and external audits. However, the purpose of the Audit and Risk Committee is to ensure that there is regular review and discussion of all College affairs including governance and operational management, and the Committee is

confident that sufficient procedures are in place to ensure that the College is fully compliant with the external regulatory environment.

7 COMMUNICATIONS

7.1 This paper is for the Board of Management's consumption and contains the salient points from discussions and interactions with all relevant audit authorities throughout the year. The Committee would ask that the Board of Management take assurance from the work undertaken throughout the year and place confidence in decisions that have been made and actions that have been taken because of audit outcomes. The Committee believes that it is well placed to deliver and meet its aims going forward given the review of governance structures and review processes that are now in place.

7.2 RECOMMENDATIONS

7.3 Members are recommended to:

- To note that the Committee has received satisfactory assurances from the College in respect of Governance, risk management and operational controls; and
- To note and approve the contents of this report for submission to the Board of Management.

AUDIT AND RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	2025-2026 Quarter 4 Complaints Handling Report
REFERENCE	13.0
AUTHOR AND CONTACT DETAILS	Vari Anderson Vari.anderson@slc.ac.uk
PURPOSE:	To provide Committee Members with an overview of the: complaints received by the College during Quarter 4 (1 May 2026 to 31 July 2026), and an update on the continuing governance of the complaints handling process.
KEY RECOMMENDATIONS/ DECISIONS:	Members are recommended to note: • all complaints are logged on the College complaints handling system; • the College complies with Scottish Public Service Ombudsman (SPSO) governance;
RISK	That the College does not deal with complaints within the time scales required by the SPSO resulting in a poor experience for our learners and stakeholders.
RELEVANT STRATEGIC AIM:	• The Student Experience • People and Culture Development • Growth and Innovation • Sustainability
SUMMARY OF REPORT:	• Five complaints were received, all of which were closed within the timescales set by the SPSO. • This represents an increase in complaint volumes compared with Quarter 4 of 2024/25. • Lessons learned from complaints have been identified and appropriate improvement actions are being taken. • Of the give complaints received, two were upheld and three were not upheld.

South Lanarkshire College

Complaints Report

Quarter 4

1. Introduction

1.1 South Lanarkshire College (SLC) has adopted the Scottish Public Services Ombudsman (SPSO) Model Complaints Handing Procedure for Further Education Institutions, ensuring that all complaints are recorded, investigated, and concluded within the prescribed timescales.

1.2 There are four mandatory Key Performance Indicators (KPIs) applicable to further education institutions, which require formal reporting. These are:

- The total number of complaints received;
- The number and percentage of complaints at each stage that were closed in full within the set timescales of five and 20 working days.
- The average time in working days for a full responses to complaints at each stage
- The outcome of complaints at each stage

1.3 There are four complaints outcomes:

- Upheld (where the organisation is at fault)
- Not Upheld (where the organisation is not at fault)
- Partially Upheld (where some parts of the complaint are upheld and others are not) and;
- Resolved (when both the organisation and the customer agree what action (if any) will be taken to provide full and final resolution for the customer, without making a decision about whether the complaint is upheld or not upheld).

1.4 In addition to publishing the four mandatory KPIs, the College also provides an overview on complaint trends and any actions taken to improve service delivery.

1.5 South Lanarkshire College reports quarterly to senior management on the KPIs and analysis of the trends and outcomes of complaints. These reports are also considered at Committee level and published on the SLC website.

1.6 An annual complaints performance report is published detailing KPIs, complaint trends and actions that have been taken or will be taken to improve services as a result.

2. Scottish Public Service Ombudsman (SPSO) KPIs and Mandatory Reporting Data

2.1 Indicator One: Total Number of Complaints Received

This indicator records the total number of complaints received. This is the sum of the number of complaints received at Stage 1 (this includes escalated complaints, as they were first received at Stage 1), and the number of complaints received directly at Stage 2.

Complaints Received Stage 1	Complaints Received Stage 2	Total Number of Complaints as % of College Population (4014)
5	0	0.12%

2.2 Indicator Two: Number and Percentage of Complaints at each stage that were closed in full within the set timescales of five and 20 working days.

Stage	Percentage of Complaints Closed	Number of Complaints
Stage 1 Complaints	100%	4
Stage 2 Complaints	N/A	0
Complaints After Escalation	100%	1

During the reporting period, five complaints were recorded. Four complaints were considered at Stage 1 and all were closed, resulting in a 100% closure rate. No stage 2 complaints were received. One complaint was escalated to Stage 2 following the customer's dissatisfaction with the Stage 1 response, this complaint was also successfully concluded.

2.3 Indicator Three: The average time in working days for a full response to complaints at each stage.

Stage	Average Time for Response
Stage 1 Complaints	4 days
Stage 2 Complaints	N/A
Complaint After Escalation	17 days

The average response time for Stage 1 complaints was 4 days, indicating that complaints were addressed promptly and within a relatively short time frame. The escalated complaint took an average of 17 days to conclude due to the greater complexity and more detailed investigation required. Overall, complaint response times indicate an effective and timely complaints-handling process.

2.4 Indicator Four: The outcome of complaints at each stage

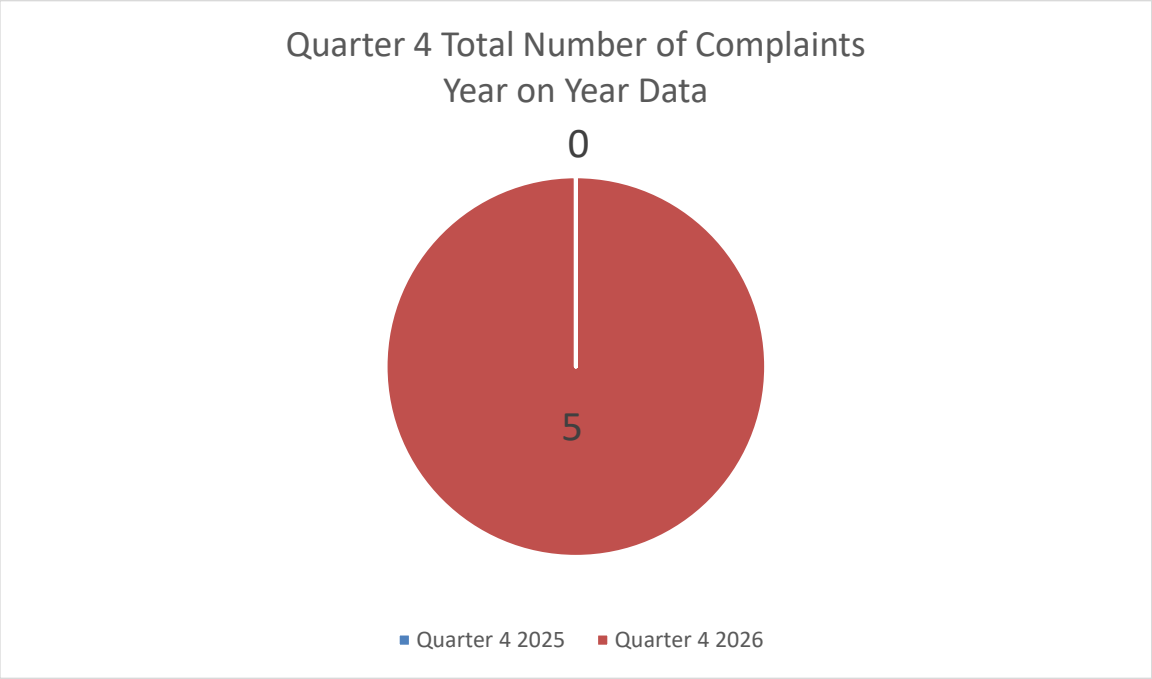
Outcome	Stage 1	Stage 2	After Escalation	Total
Upheld	1		1	2
Partially Upheld				
Not Upheld	3			3
Resolved				
Total				5

Outcome	Stage 1	Stage 2	After Escalation
Upheld	25%		100%
Partially Upheld			
Not Upheld	75%		
Resolved			
Total	100%		100%

Five complaints were concluded during the reporting period. Of the four complaints considered at Stage 1, one was upheld (25%) and three (75%) were not upheld. One complaint was escalated to stage 2 which was upheld following further investigation.

3. Trends and Lessons Learned

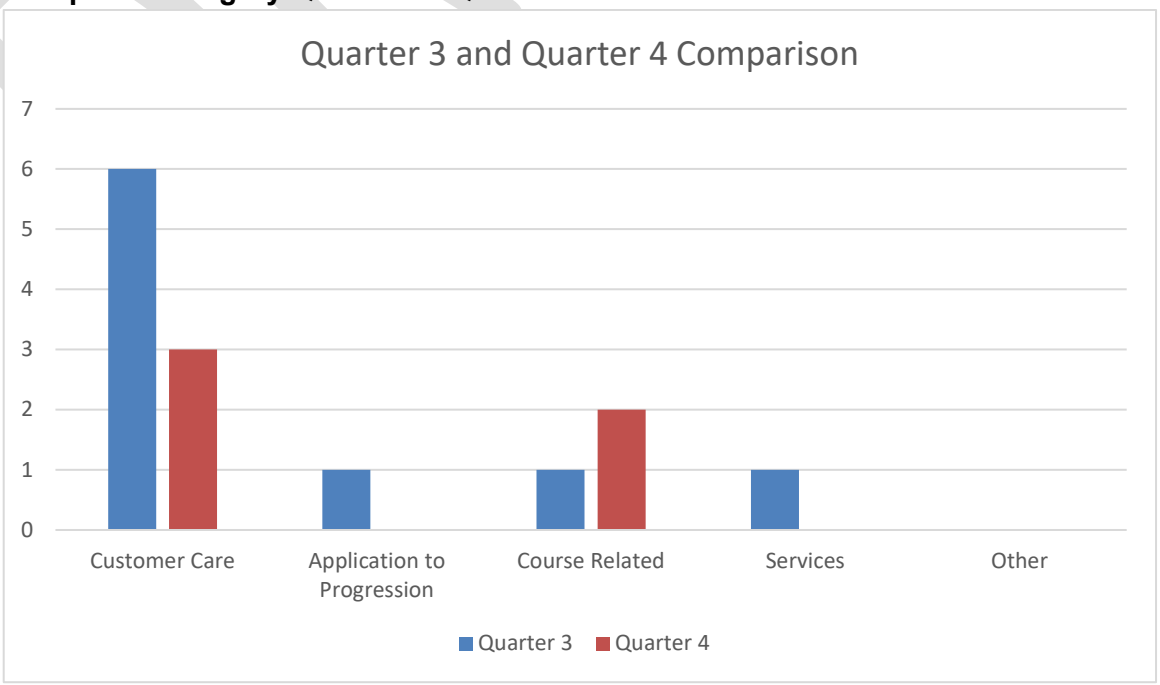
3.1 Total Complaints Quarter 4 Year on Year Data



3.1.1 Five complaints were received during Quarter 4 2026, compared with no complaints during Quarter 4 2025. While this represents a year-on-year increase, complaint volumes remain low overall.

3.1.2 While no formal complaints were recorded in Quarter 4 of 2024/25, five submissions were received via the complaints inbox and were subsequently dealt with under other College policies and procedures.

3.2 Complaint Category Quarter on Quarter Data



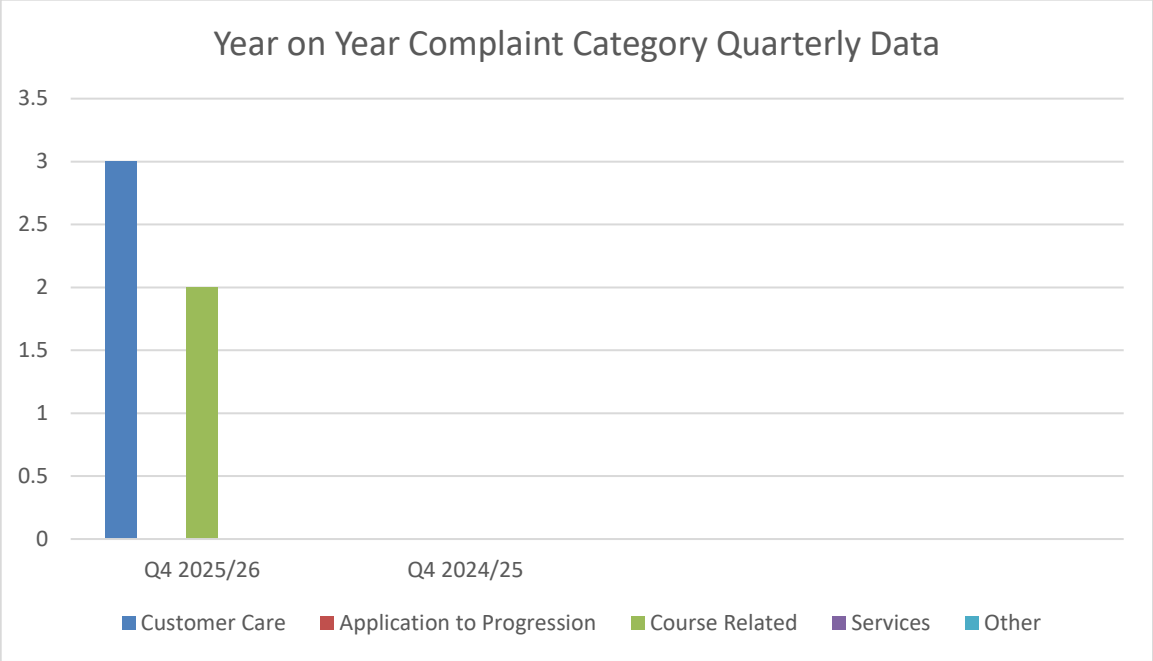
3.2.1 Total complaints fell from 9 in Quarter 3 to 5 in Quarter 4, representing at 44% decrease.

3.2.2 Customer Care complaints reduced significantly from 6 to 3 complaints. Despite the improvement, Customer Care remains the largest complaint category accounting for:

- 67% of all complaints in Quarter 3
- 60% of all complaints in Quarter 4

3.2.3 This indicates that customer interactions continue to be the primary area requiring attention. Analysis of complaint content has identified the need for a new complaint category, 'Staff Conduct', which will be implemented for the next academic year.

3.3 Year on Year Complaint Category Quarterly Data



3.3.1 Customer Care was the largest complaint category, comprising 60% of all complaints received. The College will continue to monitor complaint trends and themes to identify any underlying issues and support continuous improvement in service delivery.

3.4 Lessons Learned/Action Points

Curriculum/Subject Area	Action
Student Fees	• **Clearer Fee Communication Process –** students will be encouraged at enrolment to seek guidance from the Student Fees Team to confirm the correct fee level for their programme. Lecturing staff will be expected to signpost students to the Student Fees Team, particularly where a learner on a PTFG structure considers taking on additional units that may increase their total fee liability beyond the full-time rate. • **Central Fee Information** – the College will undertake a review of its website to ensure that tuition-fee information is transparent,

	consistent and easily accessible, supporting students to make informed decisions about course choices and likely fees.
Customer Care	• **Staff Conduct** – a new complaint category will be introduced for academic year 2026/27 to reflect themes identified through complaint analysis.

AUDIT & RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	Accounting Policies for Financial Statements 2025/26
REFERENCE	17.0
AUTHOR AND CONTACT DETAILS	Elaine McKechnie Vice Principal – Finance, Resources & Sustainability Elaine.mckechnie@slc.ac.uk
PURPOSE:	To present and seek approval from Members for the accounting policies within the Financial Statements for year ended 31 July 2026.
KEY RECOMMENDATIONS/ DECISIONS:	The Committee is asked to: • Note and approve the proposed accounting policies contained within the appendix. • Note that the policies are not expected to change from last year however there may be narrative changes to policies ahead, such as income recognition and recognition of operating leases on the balance which will need to be put in place to ensure reporting in 2026/27 is accurate.
RISKS	The main risks in failing to adhere to accounting policies are to: • Going concern due to poor financial oversight and management; • operational failure as financial Statements are a prerequisite for contracts and for continued central funding, and • statutory non-compliance with sponsors and regional bodies such as Lanarkshire Regional Strategic Body, the Scottish Funding Council, Audit Scotland and, ultimately, the Scottish Parliament.
RELEVANT STRATEGIC AIM:	• The Student Experience • Culture and People Development • Growth and Innovation • Sustainability
SUMMARY OF REPORT:	• The Committee is asked to review and agree the anticipated accounting policies for use within the financial statements. • No updates are proposed to accounting policies this year.

1. INTRODUCTION

1.1. This paper provides an overview of the College's anticipated accounting policies for use within the Financial Statements for the year ended 31st July 2026.

2 BACKGROUND

2.1 Accounting policies are the rules and guidelines that are selected by the College for use in preparing and presenting its financial statements. Accounting policies are important, as they set a framework, which all Colleges follow, and provide comparable and consistent standard financial statements across years and relative to other Colleges.

2.1 The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) 2019: 'Accounting for Further and Higher Education' and the 2023/24 Government Financial Reporting Manual (FReM) issued by the Scottish Government and in accordance with Financial Reporting Standards (FRS 102). The College is a public benefit entity and therefore applies the public benefit requirements of FRS102. They conform to relevant parts of the Scottish Public Finance Manual (SPFM), the Accounts Direction and other guidance issued by the Scottish Funding Council (SFC).

2.2 Significant accounting policies should be disclosed particularly in the event of a change in policy or in relation to a material item. The accounting policy for a particular item within the financial statements may be disclosed within the note for that item.

3 PROPOSED CHANGES

3.1 Minor changes in the 2026 FE/HE SORP relate mainly to enhanced clarification, presentation and disclosure guidance. While the College has reviewed these updates carefully to ensure that disclosures and narrative reporting remain compliant with the revised SORP, no further material changes to accounting policies affecting recognition or measurement have been identified.

3.2 The Committee is also advised that the College has not engaged in any activity during the year which would require a change or introduction of an additional accounting policy.

3.3 Nevertheless, the Committee is asked to note that there will be changes ahead in 2026/27, owing to the implementation of income recognition policy amendments and the incorporation of operating leases onto the balance sheet.

3.4 The College is therefore continuing to work towards changes ahead, ensuring readiness for the new requirements this year. The College will provide further updates on the impact of the proposed SORP updates at a subsequent Committee meeting.

4 RESOURCE IMPLICATIONS

4.1 The successful compilation of the Financial Statements is dependent on compliance with these policies.

4.2 The College must ensure that its knowledge is up to date on all accounting policies to ensure the accuracy of the accounts that they prepare.

5 EQUALITIES

5.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

6 RISK AND ASSURANCE

6.1 The main risks in failing to adhere to accounting policies are to:

6.1.1 Going concern due to poor financial oversight and management of results;
6.1.2 operational failure as financial Statements are a prerequisite for contracts and for continued central funding, and
6.1.3 statutory non-compliance with sponsors and other bodies such as the Scottish Funding Council, Audit Scotland and, ultimately, the Scottish Parliament.

7 RECOMMENDATIONS

7.1 The Committee is asked to:
7.1.1 Note and approve the proposed accounting policies contained within the appendix.

APPENDIX 1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 2019: 'Accounting for Further and Higher Education' and the 2024/25 Government Financial Reporting Manual (FReM) issued by the Scottish Government and in accordance with Financial Reporting Standards (FRS 102). The College is a public benefit entity and has therefore applied the public benefit requirements of FRS102. They conform to relevant parts of the Scottish Public Finance Manual (SPFM), the Accounts Direction and other guidance issued by the Scottish Funding Council.

The annual financial statements have been prepared on a 'going concern' basis. For further information refer to the Going Concern section in the Accountability Report on page 48.

Accounting Standards Issued but Not Yet Effective

At the date of approval of these financial statements, certain new or revised accounting standards and interpretations are not yet effective and have therefore not been adopted by the College. FRS 102 Amendments (Periodic Review 2025) has introduced changes to revenue recognition, lease accounting, and financial instruments presentation, which will be effective for accounting periods commencing on or after 1 January 2026. The College is currently undertaking a preliminary assessment of the likely impact of these changes and will ensure compliance in future reporting periods from 1 August 2026.

Basis of Accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of land and buildings.

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM is contradicted by the SORP, the SORP has taken precedence. The particular policies adopted by the College in dealing with items that are considered material to the financial statements are set out below.

Income recognition

Income from the sale of goods or services is credited to the Statement of Comprehensive Income (SOCI) when the goods or services are supplied to the external customers, or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure and credited to the SOCI over the period in which students are studying. Investment income is credited to the statement of comprehensive income and expenditure on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the College where the College is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

Grant Funding

Government revenue grants including Funding Council block grant are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Donations and endowments

Non-exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised in income in the SOCI at the point when the College is entitled to the funds. They are subsequently retained within a restricted reserve until such time that expenditure is incurred in line with such restrictions at which point the income is released to unrestricted reserves through a reserves transfer. Donations with no restrictions are recognised in income in the SOCI when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

There are four main types of donations and endowments identified within reserves:

1. Restricted donations - the donor has specified that the donation must be used for a particular objective;
2. Unrestricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the College;
3. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the College has the power to use the capital;
4. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Fixed Assets

The College's buildings are specialised buildings and are revalued to fair value. They are revalued on a three-year cycle unless there is evidence of a material movement in them. Buildings, including the College's eco-house, are depreciated over their expected remaining useful economic life with no residual value, as assessed by an independent, qualified valuer. Land is not depreciated.

A full revaluation on land and buildings is carried out every three years with an interim indexation valuation annually or whenever market conditions require such a valuation.

Revaluation increases are recognised in Other Comprehensive Income with a corresponding entry to equity under the heading of Revaluation Reserve. except to the extent that the valuation reverses a revaluation decrease of the same asset previously recognised in Other Comprehensive Income.

Revaluation decreases in carrying amount are recognized directly in the statement of income and expenditure, except to the extent of any existing revaluation surplus in respect of that asset, in which case the decrease is recognized in Other Comprehensive Income to offset any previously accumulated revaluation reserve surplus.

Based on the most recent full revaluation as at 31 July 2024, buildings have been depreciated over their expected useful economic life within the following major components:

	Building Structure	Building services	Roof
Main Building	43 years	17 years	43 years
Annexe	52 years	17 years	52 years
Eco-House	27 years	12 years	27 years

The College employs a £10,000 threshold for capitalisation of fixed assets and assets purchased in year are only charged 6 months depreciation. Capital items that fall below the £10,000 threshold for capitalisation will be charged directly to the Income and Expenditure account in the period of purchase, and where applicable will have capital grant funding released against these items. This covers mainly lower value items from the college estate. Individual assets whose costs fall below the threshold but are of a similar type are grouped.

Where assets are purchased with the aid of government capital grants, they are capitalised and depreciated per the rates shown below. Government capital grants relating to specific capital expenditure on depreciable assets are treated as a deferred credit and are recognised in income on a systematic basis over the expected useful lives of the assets to which the grants relate.

A review for impairment of fixed assets is carried out at each reporting date.

Other fixed assets are carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing other assets, as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation on the revalued amount of these assets is transferred from revaluation reserve to unrestricted reserve together with any surplus or deficit on disposal.

Intangible Assets

Intangible assets are carried at fair value, these include software or development costs. They are amortised on a straight-line basis over estimated useful lives of four years. The college shall recognise an intangible asset only if:

(a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
(b) the cost or value of the asset can be measured reliably.

The College employs a £10,000 threshold for capitalization of intangible assets and assets purchased in year are only charge 6 months depreciation.

Depreciation

Depreciation is charged over the estimated useful life of the asset to the residual value of the asset where appropriate on a straight-line basis. Depreciation rates used are as follows:

Land	Land is not depreciated
Buildings	From 17 to 52 years
Furniture & Fittings	4 years
Computer Equipment	4 years
Intangible Assets	4 years
Plant & Equipment	From 10 to 25 years
Eco-House	From 12 to 27 years
Motor Vehicles	3 years

Stocks

Stocks are stated at the lower of cost and net realisable value.

Accounting for Retirement Benefits

All members of staff have the option of joining a pension scheme. The schemes currently open to members of staff are the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). These schemes are defined benefit schemes which are externally funded.

Full provision has been made for those pension costs which do not arise from external defined benefit schemes.

Defined Benefit Schemes

Defined benefit schemes are post-employment benefit plans other than defined contribution schemes. Under defined benefit schemes, the College's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the College. The College should recognise a liability for its obligations under defined benefit schemes net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of scheme assets. The calculation is performed by a qualified actuary using the projected unit credit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Strathclyde Pension Fund

The Strathclyde Pension Fund is a pension scheme providing benefits based on pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected

unit method and discounted at the current rate of return on a high- quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the SOCI represents the service cost expected to arise from employee service in the current period.

Scottish Teachers' Superannuation Scheme

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the period.

Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue and Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from Corporation Tax and Capital Gains Tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT is charged to SOCI in the year in which it is incurred.

Maintenance of Premises

The costs of maintaining College premises are charged to the SOCI in the year in which they are incurred.

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the lease term.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund which the College must hold in perpetuity. Other restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

a. the College has a present obligation (legal or constructive) as a result of a past event;

b. it is probable that an outflow of economic benefits will be required to settle the obligation; and

c. a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes to the financial statements.

Changes in accounting policy

There were no changes in accounting policies in the year.

AUDIT & RISK COMMITTEE

DATE	25 August 2026
TITLE OF REPORT	Consideration of the annual Accounts Direction Guidance issued by SFC
REFERENCE	18.0
AUTHOR AND CONTACT DETAILS	Elaine McKechnie, Vice Principal – Finance, Resources & Sustainability Elaine.mckechnie@slc.ac.uk
PURPOSE:	To update Board and Committees on annual Accounts Direction guidance, identifying any amendments in approach for the purposes of 2025-26 Financial Statements.
KEY RECOMMENDATIONS/ DECISIONS:	Members are asked to: • Note no significant changes in Accounts Direction guidance for 2025-26 Financial Statements production. • Note the contents of this report and the attachment in relation to the annual Financial Statements that will be produced for 2025-26.
RISK	• Risk of non-compliance with statutory and legal obligations by Board and Committees to ensure good corporate governance and accurate financial reporting.
RELEVANT STRATEGIC AIM:	• The Student Experience • Sustainability
SUMMARY OF REPORT:	There are no significant changes to the requirements contained in the Accounts Direction issued by SFC. There are 4 noted changes for 2025 from the SFC, which are detailed in the report. The document has been included as a hyperlink for the information of members. **Note that this report will also be made available to the Finance and Resources Committee**

1. INTRODUCTION

1.1. This paper provides a brief outline of annual Accounts Direction guidance as issued by the Scottish Funding Council (SFC) on 17 June 2026.

2 BACKGROUND

2.1 Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC).

2.2 The Scottish Funding Council set out specific, mandatory disclosures for incorporated Colleges annually and these should be considered internally by the College prior to Financial Statements preparation to ensure full compliance.

2.3 Moreover, Audit Scotland seeks to promote high-quality financial reporting in Scottish public bodies. Audit Scotland's Professional Support carries out reviews of the annual accounts of public bodies to identify and share examples of good practice reporting and highlight areas where enhancements can be made. These enhancements should be considered within the context of accounting disclosures and so it is pertinent that both are considered together within this report.

3 CHANGES FOR 2025-26

3.1 In terms of the Accounts Direction for Scotland's Colleges 2025-26, no significant changes have been noted since last year.

3.2 The SFC have however highlighted 3 areas of change for 2026.

3.3 PEOPLE/PAY-RELATED DISCLOSURES

3.3.1 **Fair Work reporting:** from 2026-27, the five desirable criteria will become mandatory with an onus on the College to demonstrate compliance via commentary where possible. Colleges should explore the implementation of required changes to activity in 2026-27, where commitment in 2025-26 cannot be demonstrated.

3.3.1.1 Investment in workforce development.
3.3.1.2 No inappropriate use of zero-hour contracts.
3.3.1.3 Address workplace inequalities, including pay and employment gaps for disabled people, racialised minorities, women and workers aged over 50.
3.3.1.4 Offer flexible and family-friendly working practices for all workers from day one of employment.
3.3.1.5 Oppose the use of fire and rehire practice.

3.3.2 There is now also a requirement to present comparative information for any disclosed pay ratios. In the Remuneration Report, the College must now disclose the 5th, 25th, 50th, 75th and 95th percentile pay ratios in 2025/26, compared to only the 25th, 50th and 75th in prior years.

3.3.3 The SFC encourages early adoption in 2025-26 annual report and accounts, despite changes only being mandatory for 2026-27 reporting. The College intends to comply in 2025/26.

3.4 ASSET VALUATION

3.4.1 The FReM, the Government's Financial Reporting Manual which underpins the Accounts Direction, clarifies assumptions regarding land area assumed for valuation purposes when using the depreciated replacement cost.

3.4.2 Entities must calculate the gross replacement cost of the whole asset by valuing a modern equivalent asset, which may not be as extensive in size as the actual site/Campus. This updated guidance has been passed to the independent surveyor for the purposes of their indexation valuation for 2025-26.

3.4.3 Entities can also choose to include the following narrative to explain the change in valuation regime from 2025-26:

3.4.3.1 From 1 April 2025 HM Treasury changed the requirements in the Government Financial Reporting Manual (FReM) in respect of revaluations of property, 104 plant and equipment. Where entities do not have a rolling programme of revaluations in place and/or the assets are not non property assets subject to indexation, entities revalue their assets every five years with annual indexation applied to assets during the four intervening years. In rare circumstances where an index is not available, entities revalue those assets using a quinquennial revaluation with a desktop revaluation in year 3.

3.4.4 The College Financial Statements already contain narrative to explain that a full revaluation on land and buildings is carried out every three years with an interim indexation valuation annually or whenever market conditions require such a valuation. Therefore, no further amendment will be required.

3.5 CLIMATE-RELATED FINANCIAL DISCLOSURES

3.5.1 The College is required to implement Phase 3 of the 'Task Force on Climate-related Financial Disclosures', (TCFD) in line with paragraphs 5.4.7-5.4.16 of the FReM.

3.5.2 Disclosures should align to the four thematic pillars of the framework:

3.5.2.1 Governance
3.5.2.2 Strategy
3.5.2.3 Risk Management.
3.5.2.4 Metrics and Targets.

3.5.3 Data should already be available through Sustainability Scotland Network reports that colleges are required to complete annually.

3.5.4 Colleges should refer to Audit Scotland's Good Practice Note on the preparation of the TCFD-aligned disclosures, published in November 2024: Audit Scotland Climate Change Disclosure: Good Practice Note.

3.5.5 The College is reviewing the disclosure requirements currently and will comply with the above framework and Good Practice Note.

4 DEADLINES

4.1 The preparation of Financial Statements internally has a deadline of 30 September 2026 to enable sufficient time for review of all narrative and financial data in preparation for the external audit beginning on 19 October 2026.

4.2 The annual report and accounts should be prepared with a 31 July year-end. The SFC require colleges to provide them with their annual report and account, together with the associated annual audit reports by 31 December 2026.

5 FUTURE OF THE SORP

5.1 The Financial Reporting Council has concluded its consultation on amendments to FRS102. The most consequential amendments relate to Leases, and how they are incorporated into FRS102.

5.2 The forthcoming SORP will be based on new FRS102. This will have an effective date 1 January 2026 and will therefore be applicable for 2026-27.

6 2022 CODE OF GOOD GOVERNANCE FOR SCOTLAND'S COLLEGES

6.1 The latest version of the Scottish Code of Good Governance was published in September 2022. Colleges are asked to comply with the 2022 Code.

7 EQUALITIES

7.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

8 RISK AND ASSURANCE

8.1 Risk of non-compliance with statutory and legal obligations by Board and Committees to ensure good corporate governance and accurate financial reporting.

9 RECOMMENDATIONS

9.1 Members are recommended to:

9.1.1 Note no significant changes in Accounts Direction guidance for 2025-26 Financial Statements production; and

9.1.2 note the contents of this report and the attachment in relation to the annual Financial Statements that will be produced for 2025-26.

AUDIT AND RISK COMMITTEE MEETING

DATE:	25 August 2026
AGENDA REF:	19.0
TITLE OF REPORT:	Governance Rolling Review
AUTHOR AND CONTACT DETAILS	Vari Anderson vari.anderson@slc.ac.uk
PURPOSE:	To update the Board on the most up-to-date Rolling Review document and the updates made thereto.
KEY RECOMMENDATIONS/ DECISIONS:	The Board is recommended to: • Note that the Rolling Review is a dynamic document and is therefore always a work in progress and comment as appropriate on the latest version, as attached. •
RISK	• Governance is recognised as a potential strategic management risk and appropriate mitigating actions such as maintaining a dynamic Rolling Review is fully consistent with best practice.
RELEVANT STRATEGIC AIM:	• The Student Experience • People and Culture Development • Growth and Innovation • Sustainability
SUMMARY	• This report sets out the latest version of the Rolling Governance Review for information and comment. • It focuses on the principles of good governance with subheadings of importance relating to each principle. • It also includes key policies and governance documents which the College is required to keep under review.

1. INTRODUCTION

1.1 This paper sets out the latest version of the Rolling Governance Review.
1.2 The Rolling Governance Review was fully updated in July/August 2026 to better align with the Code of Good Governance for Scotland's Colleges.

2. BACKGROUND

2.1 The Governance Improvement Plan was established to address any identified or emerging issues identified in the ongoing review of Governance at South Lanarkshire College. This plan was completed, and the Board of Management agreed that there should now be a "Governance Rolling Review".

3. GOVERNANCE ROLLING REVIEW

3.1 The principles of good governance are:

- Leadership and Strategy
- Quality of Student Experience
- Accountability
- Effectiveness
- Relationships and Collaboration

3.2 The Governance Rolling Review focuses on these areas, with relevant subheadings of importance.

3.3 The Rolling Review now provides visible audit evidence of the role of the Board in monitoring key Policies and key Governance documents such as the Scheme of Delegation, the Committee Terms of Reference and Standing Orders – all of which the College is obligated to keep under review. The review dates of key policies and procedures has been updated following the discovery that several policies had surpassed the recommended review date. Any policies in this category are in the process of being updated.

3.4 Robust operational systems are already in place, but it is consistent with best practice that the Board has visible oversight of all key matters affecting both governance and management.

3.5 Since the previous rolling review document was presented in May 2026, all issues and actions have been updated to better reflect the requirements of the Code of Good Governance for Scotland's Colleges. Following a review of progress and status, a greater number of items have been assigned an Amber rating, providing the College with a clear and structured programme of work to progress.

4 RISK

4.1 Governance is recognised as a potential strategic management risk and the Audit & Risk Committee has already requested that the Governance Rolling Review should be a standing item on its agenda.

5 EQUALITIES

5.1 There are no new matters for people with protected characteristics or from areas of multiple deprivation which arise from consideration of the report.

6 RECOMMENDATIONS

6.1 The Board is recommended to:

6.1.1 Note that the Rolling Review is a dynamic document and is therefore always a work in progress and comment as appropriate on the latest version, as attached.

6.1.2 Note the updates provided on the latest document.

ROLLING GOVERNANCE REVIEW DRAFT

The actions to deliver improvement contained in this plan will be developed and implemented to address any previously identified or emerging issues as noted by way of the "Ongoing Review of Governance" at South Lanarkshire College (SLC). This is proceeding following consultation with Board Members and Senior Staff. A RAG system has been used to enable tracking of progress against actions and timescales.

Development Categories	Issue	Action	By Whom and When	Status and Progress Update as August 2026
Leadership & Strategy	1.1 Conduct in Public Life	Every Board Member must ensure that they are familiar with, and their actions comply with the provisions of their board's code of conduct.	Board of Management (BoM) Governance Professional Ongoing	• All Board Members are required to complete an induction programme which includes training and guidance on the Code of Good Governance and the SLC Code of Conduct. • The online induction hub provides access to presentations and supporting materials, enabling Board Members to refresh and maintain their understanding of governance requirements and expected standards of conduct. Green
	1.2 Vision & Strategy	The Board must develop and articulate a clear vision for the College. This should detail its aims and desired outcomes.	Board of Management Executive Team	• The Board hosted six strategy planning sessions from 2023-2025 in preparation for launching the 2025-26 strategy. Green
	1.3 Performance	The Board must ensure that a comprehensive performance measurement system is in place	Board of Management Executive Team	• KPIs are reported to the Board and Committees on a quarterly basis, providing regular oversight of organisation performance. • Work is currently underway to develop a digital dashboard that will provide members

		which is linked to the strategic framework and identifies KPIs.	February 2027	with access to real-time performance information. This initiative forms part of the actions arising from the internal audit review. Amber
	1.4 Corporate Social Responsibility	Demonstrate high levels of corporate responsibility by ensuring it behaves ethically and contributes to economic development while seeking to improve the quality of life of the local community, society at large and its workforce.	Executive Team Ongoing	• The College embeds ethical standards and good governance practices throughout its operations. • The College conducted labour market research and is aware of the skills, training and workforce development needed in the community. • Wellbeing of employees is promoted through a range of measures including access to employee assistance, mindfulness classes and Access to Work. Amber
		Reflect in its membership, the make-up of the community by removing potential barriers to membership.	Governance Professional Board of Management Ongoing	• Board Information pack is updated when a vacancy arises to ensure information is clear and concise. • At interview, there is a focus on skills, experience and potential. • Alternative formats for documents are provided, where possible to ensure recruitment processes are accessible. • Board fosters a welcoming environment which is inclusive where members feel able to contribute. • Consideration to be given to new ways of interviewing candidates, such as providing questions in advance. Amber

2 Quality of Student Experience	2.1 Student Engagement	Ensure on-going engagement and dialogue with students, the students' association and as appropriate staff and TU in relation to the quality of the student experience	Vice Principal of Student Experience and Innovation Ongoing	• The appointment of a Student Engagement Manager in May 2026 has strengthened the College's arrangements for student engagement. • Since taking up post, the Manager has worked closely with the Students' Association on the development of its Strategic Plan, review of its Constitution and the creation of the College's first Student Partnership Agreement. This work is intended to move the relationship between the College and Students' Association towards one of equal partnership, ensuring students play an active role in shaping priorities, decision-making and enhancement activity, rather than being engaged solely through consultation and feedback mechanisms. • The Student Partnership Agreement will provide a framework for ongoing dialogue and collaborative working to enhance the quality of the student experience. Green
	2.2 Relevant and High-Quality Learning	Seek to secure coherent provision for students. Seek to foster good relationships and ensure the College works in partnership with external bodies to enhance the student experience.	Vice Principal of Student Experience and Innovation Ongoing	• The College continues to develop and strengthen partnerships that enhance both the curricular and co-curricular student experience. Through RISE and established relationships with South Lanarkshire Council, a new campus-based multi-agency hub model has been developed, bringing together the Council, South of Scotland Skills Development Scotland (SDS), Department for Work and Pensions (DWP),

				Routes to Work South and third-sector partners to provide coordinated support for students and the wider community. • The Student Engagement Manager is also developing relationships with external organisations including Student Sport Scotland, Kilbryde Hospice, Business Gateway Lanarkshire and Healthy & Active East Kilbride to create opportunities that support student wellbeing, employability, community engagement and personal development. • In addition, the College has established a partnership with MCR Pathways to support learner transition and retention by enabling young people who have benefitted from mentoring at school to continue these mentoring relationships as they progress into college. Amber
	2.3 Student and Engagement and Quality Monitoring & Oversight	Work with the Student Association (SA) and Class Reps to improve Quality Monitoring feedback. Identify mechanisms for recognising and rewarding input of	Vice Principal of Student Experience and Innovation Ongoing	• The Learning, Teaching and Student Experience Committee oversees progress of the Quality Enhancement Plan. • Where possible the College would welcome more Board member involvement, and there has been a “Dragons Den” initiative which has been successful. • Student Question Time was held on 21 April with 4 Board Members sitting on the panel.

		student body to support quality		• New Student Engagement Manager came into post in May 2026 and will work with the Quality and Learning and Teaching Innovation team to enhance and reward student engagement in quality processes. Green
3 Accountability	3.1 Accountability & Delegation	Ensure Board decision-making process is transparent, properly informed, rigorous and timely and that effective controls, risk assessment and management are established, monitored and continuously improved.	Executive Team Board of Management Ongoing	• Board decision-making processes are transparent, with all decisions formally recorded in Board and Committee minutes. • Where decisions are taken outwith scheduled meetings through electronic means, the Governance Professional prepares a report detailing the decision and the basis for it. This report is subsequently presented to the Board and published on the SLC website, ensuring transparency and accountability. • Work is ongoing to review committee and board papers to ensure that members are properly informed. (Amber)
	3.2 Risk Management	Ensure that sound risk management and internal controls are in place and maintained. Ensure there is a formal ongoing process for identifying, evaluating and managing risk.	Vice Principal Finance, Resources and Sustainability Ongoing	• Work is ongoing in the risk area. • Recruitment is ongoing for a Head of Finance • A further risk appetite session will be held with the Board in the latter part of 2026. Amber – although work is required in this area there are internal controls in place to manage risk.
			VP Finance	• Risk appetite is now connected to the risk register, with assurance mapping added to

		Connect risk appetite to risk register	Ongoing	each risk in November 2025. Subject to ongoing review Amber
		Consideration of a Risk Assurance Diagnostic Tool	Principal and VP for Finance, Resources and Sustainability	• Chair of Board, ARC, Exec Team met with Emma Tilley in early November 2025 to discuss how Henderson Loggie can support the Board on risk management through an exercise that asks Board members to rate their confidence in the College's ability to monitor and mitigate each risk. Concluded that an internal audit of the Risk Register may give Board members assurances but may consider this more detailed exercise in the future. Amber
	3.3 Audit Committee	Must have particular engagement with internal and external audit and must work with management and auditors to resolve any issues in relation to financial reporting.	Executive Team November 2026	• Audit and Risk Committee meet with auditors with no executive members present. • As agreed at the ARC meeting on 19 May 2026, EMcK to chair a monthly meeting on risk mitigation and outstanding actions in respect of Audit Scotland's Interim Management Letter. Updates to be incorporated within Finance Improvement Plan. Amber
	3.4 Remuneration Committee	Must have a formal procedure in place for setting the remuneration of the Principal. Members	Remuneration Committee	• New Chair has been appointed and will require to undertake CDN training. • Objectives were set in October 2025 and will be due to be reviewed in 2026.

		must undertake the online training module provided by CDN within one month of appointment.	October 2026	Amber
	3.5 Financial & Institutional Sustainability	Identify opportunities and address challenges in context of "flat cash" settlement.	Principal and Vice Principals Ongoing	• The Board hosted a Board Strategy Day on 26 June 2026 focusing on income diversification. • This work is collated to the overall financial sustainability plan for the college to be presented to Board in September 2026. Amber
		Explore options for best use of resources to generate income.		
		Explore options for 3rd sector partnerships.		
	3.6 Staff Governance	Responsible for promoting positive employee relations and ensuring effective partnership between recognised TU's and management.	Exec Team Board Ongoing	• EIS-FELA Board member reports to the People and Culture Committee and BOM regarding TU business. • New policies should be taken to JNC for consideration prior to implementation. • No update on staff support member but would welcome a report from this member upon appointment. Amber
		System of corporate accountability in place for the fair and effective	Executive Team	• People and Culture Committee report on changes to legislation • Staff development day (11 August) focused on policies to ensure staff are aware of how to implement policies.

		management of all staff, ensure all legal obligations are met and all policies are implemented.	Ongoing	• Health and safety training being provided to staff on 13 August 2026 by external facilitator. Green
4.1 Effectiveness	4.2 Board Chair	Ensure the Board and its committees have the appropriate balance of skills, experience, independence and knowledge.	Chair of Board Governance Professional Ongoing	• Board refresh skills matrix on a yearly basis and re-evaluate committee membership to ensure each committee has appropriate balance of skills. • Co-opted member recruited to support FRC due to a gap in experience. Green
	4.3 Senior Independent Member	Responsible for holding annual meetings with Board members to appraise the Chair's performance and provide the Chair with relevant feedback.	Senior Independent Member (SIM) Complete	• SIM met with all Board members to appraise the Chair's performance. • Feedback was provided to the Chair of the Board in June 2026. • Feedback of discussions can be found in the 2025/26 self-evaluation report. Green
	4.5 Board Members	Register any personal interests that could be seen as conflicting and keeping Register of Interests updated.	Board of Management Ongoing	• Governance Professional requested an update to Board Register of Interest in August 2026. Amber
	4.6 Principal & Chief Executive	Ensure a clear process is in place to set and agree	Remuneration Committee	• Objectives were set in October 2025; a review will be due in October 2026.

		personal performance measures for the principal.	October 2026	Amber
	4.7 Governance Professional	Facilitate good governance and be available to Board members when advice is sought.	Governance Professional Ongoing	• Governance Professional provides updates to the Board on governance and is available to meet with members whenever necessary. Green
		Agree overarching policy on resolving issues around grievance, breach of contract and conflict of interest	Governance Professional / Head of People Services	The new Chairs' Committee remit now provides a suitable mechanism. Green
	4.8 Appointment Induction & Training	Ensure that new Board members receive a formal induction and ensure that all Board members undertake appropriate training in respect of governance role.	Chair Governance Professional Complete	• Board Induction Hub created to help onboard new members • New members meet with Chair, Principal, Exec Lead and GP to ensure a full wraparound is provided. • New members received welcome e-mail and online materials from CDN Green
	4.9 Board Evaluation	Keep effectiveness under annual review and have in place a robust self-evaluation process.	Board of Management Governance Professional Complete	• Board self-evaluation process was updated for 2025-26 which introduced new questions in the Board survey and a new survey prior to the SIM interviews. • For the first time in a number of years a full development plan has also been introduced to complement the rolling review. Green
5 Relationships & Collaboration	5.1 Partnership Working	Build Collaborative initiatives with Regional Partner	Principal, Executive and Senior	Principal is the Chair of the College Partnership West group and Chair of the Skills Workstream group for regional empowerment for the Glasgow

			Leadership Team.	Skills Meeting. She attends Glasgow City Region Partnership meetings every quarter. Quarterly meetings are held with South Lanarkshire Council relating to collaboration. South Lanarkshire Council attended the Board Training Day in November to discuss opportunities. Work is in train to cement a head of terms and a regional skills group. Vice Principal of Student Experience and Innovation has cultivated excellent relationships with the University of Strathclyde and the Glasgow School of Art. Amber
		Community Development	Principal and Vice Principal for Learning Teaching and the Student Experience. [Ongoing]	The new Student Engagement Manager came into post in May 2026. Since taking up the role, they have been working closely with the Students' Association on the development of its Strategic Plan, the review of its Constitution and the creation of the College's first Student Partnership Agreement. They will work with external stakeholders to add value to on-campus curricular and co-curricular activities through the development of mutually beneficial relationships with a wide range of community partners. Work has already been initiated with Student Sport Scotland, Kilbride Hospice, Business Gateway Lanarkshire and Healthy & Active East Kilbride, creating new opportunities to enhance student engagement,

				wellbeing, employability and community participation. These early partnerships demonstrate positive progress towards embedding a more collaborative and connected student experience across the College. Amber
6 Other	6.1 Equalities	Equalities Awareness Training	Governance Professional Ongoing Training	A dedicated training session has already been provided by the former Governance Professional and is available on the Board Portal, but a refresher might usefully be considered at some future point. The Board manual now includes a briefing on this topic. Green
	6.2 Student Association Support & Recognition	Student Awards Funding	Management Ongoing Support	Senior staff are already supporting the SA in seeking funding from the Educational Foundation but further mechanisms for rewarding student effort are being considered. Amber

Schedule of Key Policies & Procedures		
Policy	**Date**	**Due for review**
Anti Bribery Policy	September 2024	September 2027
Disciplinary Policy & Procedure	July 2023	NJNC Policy – to be agreed nationally
Fee Waiver Policy	July 2023	On agenda for FRC
Fees Policy	June 2024	On agenda for FRC
Finance Regulations	June 2024	On agenda for FRC
Fraud & Anti Corruption Policy	June 2024	May 2027
Grievance Policy & Procedure	July 2023	November 2027
Lettings Policy	September 2024	September 2027
Procurement Policy	June 2024	April 2028
Safeguarding Policy	June 2024	August 2027
Staff Code of Conduct	Oct 2023	March 2026
Student Discipline Policy & Procedure	April 2023	August 2027
Whistleblowing Policy	July 2023	May 2031
Note that this element of the Rolling Review is under ongoing review and further policies may be added at request of Committees		

Schedule of Governance Documentation for Ongoing Review		
Code of Conduct	Reviewed as required by Standards Commission	Up to date
Committee Remits	For review four yearly or as required	Last review December 2025
Scheme of Delegation	Ditto	Last review December 2025
Standing Orders	Ditto	Last review 2024
Code of Good Governance	Current edition 2026	Adopted

Technical Bulletin 2026/2

Technical developments and emerging risks from April to June 2026

AUDIT SCOTLAND

Prepared by Audit Scotland for appointed auditors and audited bodies in all sectors

June 2026

Contents

Accessibility

Auditors can find out more and read this bulletin using assistive technology on the Audit Scotland website www.audit.scot/accessibility.

1: Introduction

Purpose

The purpose of Technical Bulletins from Audit Scotland's Innovation and Quality (I&Q) business group is to provide auditors appointed by the Auditor General for Scotland and Accounts Commission for Scotland with:

- information on the main technical developments in each sector during the quarter
- information on professional matters during the quarter that are expected to have applicability to the public sector
- summaries of responses to any requests from auditors for technical consultations with I&Q.

Appointed auditors are required by the Code of Audit Practice to pay due regard to Technical Bulletins. The information on technical developments is aimed at highlighting the key points that I&Q considers auditors in the Scottish public sector require generally to be aware of. It may still be necessary for auditors to read the source material if greater detail is required in the circumstances of a specific audited body. Source material can be accessed by using the hyperlinks.

Any specific actions that I&Q recommends that auditors take are highlighted in **bold**.

Technical Bulletins are also published on the Audit Scotland website and therefore are available for audited bodies and other stakeholders to access. However, hyperlinks to source material indicated with an asterisk (*)are held on Audit Scotland's SharePoint* and are not publicly accessible via the website.

Highlighted items

I&Q highlights in the following table a selection of the items in this Technical Bulletin that are of particular importance:

Highlighted items		
Audit Scotland has issued good practice guidance on auditor recommendations for 2025/26 **[paragraph 1]**	The Scottish Government has issued guidance on facility time disclosures for 2025/26 accounts **[paragraph 4]**	CIPFA has issued a bulletin on the 2025/26 financial statements **[paragraph 6]**
PWC has issued a report on IAS 19 actuarial valuations for 2025/26 **[paragraph 10]**	I&Q has issued guidance on objections to 2025/26 local government annual accounts **[paragraph 20]**	The NAO has issued a disclosure checklist for 2025/26 FReM based accounts **[paragraph 25]**
Deloitte has issued a report on the Civil Service Pension calculator for 2025/26 **[paragraph 28]**	Treasury has issued updated guidance on non-investment asset valuations **[paragraph 32]**	The SFC has issued the 2025/26 accounts direction and guidance notes for colleges **[paragraph 45]**

Consulting with I&Q

Auditors should consult with I&Q by completing an enquiry form and submitting it to TechnicalQueries@audit-scotland.gov.uk.

2: All sectors

Good practice on developing recommendations

1. Audit Scotland has published good practice guidance* intended to assist auditors develop recommendations in the 2025/26 Annual Audit Reports.

2. The Code of Audit Practice requires appointed auditors to make recommendations to audited bodies where they identify significant risks or weaknesses in wider scope reporting areas and in arrangements to secure Best Value. Recommendations should be:

- reported in the Annual Audit Report
- appropriate and proportionate based on the matters arising from the audit
- useful, specific, practicable, and focused on the public interest
- followed up at appropriate intervals to assess progress
- accompanied by management responses and actions taken or proposed, including target dates and responsibility for action.

3. The guidance aims to assist auditors identify when recommendations are required and design recommendations following SMART principles. Examples of good practice are included in an Appendix.

Facility time disclosures 2025/26

4. The Scottish Government has issued updated guidance* on the requirement to publish trade union facility time information.

5. The guidance highlights that requirements under the Trade Union (Facility Time Publication Requirements) Regulations 2017 have been repealed by the Employment Rights Act 2025. The changes are effective from 18 February 2026. Therefore, bodies are not required to publish facility time data in the 2025/26 annual report and accounts.

3: Local Government Sector

Guidance on 2025/26 annual accounts

6. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued Bulletin 23 Closure of the 2025/26 Financial Statements providing guidance on closing the financial statements. The guidance is intended to be best practice, but it does not have the formal status of the accounting code.

Indexation and valuation arrangements

7. The bulletin provides frequently asked questions on the introduction of indexation for non-current assets (explained at paragraph 10 of Technical Bulletin 2025/4). These include:

Question	Guidance
Can desktop revaluations be undertaken instead of indexation?	No. In rare circumstances where an index is not available, bodies should revalue the asset using a quinquennial revaluation, supplemented by a desktop revaluation in year three.
Can assets still be revalued annually/tri-annually?	Annual or tri-annual formal revaluations would not be Code compliant following the 2025/26 changes. However, the Code states that revaluations carried out prior to 2025/26, remain valid throughout the transition period (being 1 April 2025 to the date of the next revaluation). During the transition period, the maximum period between revaluations must not exceed five years. This means that bodies do not need to engage valuers to revalue all assets during 2025/26 and can move to a five-year cycle as and when formal revaluations become due.
What if there are no indices that cover the bodies geographic area?	Indices for smaller geographical areas such as electoral boundaries may not exist and therefore indices would instead need to cover a larger geographical area such as region. Bulletin 22 explained that differences are to be expected between a valuation and indexation using a region or national index, absolute precision is not expected, nor is it achievable. However, if a body feels that national indices are not suitable, they should evidence why this is the case.

Standards issued not yet adopted

8. Details of the following accounting standards introduced by the 2026/27 accounting code should be considered as "standards issued but not yet adopted" in 2025/26:

- Amendments to FRS 102 in relation to heritage assets
- Amendments IFRS 9 and IFRS 7 regarding
  - the classification and measurement of financial instruments
  - contracts referencing nature-dependent electricity.
- Annual improvements to IFRS accounting standards – Volume 11

9. The relevance of these standards is likely to be limited, and disclosure may not be required, although bodies should consider their individual circumstances.

2025/26 report on actuarial information

10. I&Q has arranged for PWC to provide a report* to support auditors when assessing the competence and objectivity of, and assumptions and approach adopted by, actuaries producing information required by IAS 19 figures in respect of the Local Government Pension scheme (LGPS) as at 31 March 2026. **Auditors should refer to paragraphs 19 in Module 4 of TGN 2026/1 for guidance on using the report and further information.**

11. PWC have confirmed the competence and objectivity of the actuaries involved in valuations for the LGPS in Scotland. They are also comfortable that in aggregate the assumptions adopted by all actuaries will lead to liabilities falling within their expected ranges for a typical employer at 31 March 2026.

12. However, the report advises **auditors to consider whether:**

- **local issues have been adequately covered in instructions issued by employers to actuaries (page 7)**
- **to subject the source data provided to the actuaries by employers to further audit procedures as discussed in section 5 of the report**
- **to establish actual asset returns and compare them with expected returns arrived at using market indices (see page 17).**

13. Page 12 of the report sets out the assumptions with the greatest impact on the IAS 19 figures (the discount rate, CPI inflation and mortality) and the consistency of the methodologies used between years and the refinements to approaches used by actuaries in 2026. Each of the material assumptions made by actuaries fall within the expected range at 31 March 2026.

14. Page 14 sets out the refinements to the approach adopted by individual actuaries in 2025/26. The review considered that the refinements were reasonable.

15. Page 26 of the report provides an update on Guaranteed Minimum Pension (GMP) indexation and equalisation, the McCloud judgement and other legal cases. In summary:

- There have been no relevant developments related to GMP and all actuaries are following an approach in 2025/26 consistent with 2024/25.
- In relation to the McCloud judgement, all actuaries are following an approach in 2025/26 consistent with prior years. Certain aspects of the McCloud ruling and its impact on the 2016 valuation cost cap results are currently being challenged. As the outcome of this challenge is not yet known none of the actuaries plan on making any additional allowance for this in the 31 March 2026 disclosures.
- No actuaries made specific allowance for the Virgin Media judgement at 31 March 2026.

16. Pages 20 to 23 of the report provide an update and guidance on IFRIC 14 and IAS 19 surpluses. Actuaries confirmed that the approach they follow is in line with the CIPFA guidance and, where the guidance is not clear, in line with the review's expectations.

17. Page 22 sets out additional guidance on the asset ceiling calculation following discussions with actuaries:

- future service contributions will be assumed to continue into perpetuity
- positive or negative past service contributions will be assumed to continue over the period they were originally calculated on.

18. Page 23 confirms that the net interest income recognised in 2025/26 should be reduced due to an asset restriction in 2024/25. **Auditors should clarify whether actuaries' calculations have taken into account any restrictions applied in 2024/25**.

19. Appendix E to the report provides additional guidance on the application of IFRIC 14.

Guidance on objections to 2025/26 annual accounts

20. I&Q has published TGN 2026/3(LG) to provide auditors with guidance on the right of an interested person under section 101 of the Local Government (Scotland) Act 1973 to:

- inspect the unaudited 2025/26 annual accounts of a local government body
- object to those accounts.

21. The TGN is available with supporting material to auditors on SharePoint* and is also freely available from the Audit Scotland website.

22. **Auditors should:**

- **evaluate whether the public inspection notice for 2025/26 is in accordance with applicable legislation**
- **carry out the actions set out in the TGN for any objections received.**

2026/27 accounting code

23. CIPFA/LASAAC has issued the accounting code* to set out local government accounting requirements for 2026/27. The financial reporting framework is based on International Financial Reporting Standards (IFRS) as adopted by the UK, adapted for the local government context where necessary.

24. The most significant changes to the 2026/27 accounting code relate to:

- clarification on the classification and measurement of financial instruments (IFRS 9 and IFRS 7)
- amended standards introduced in respect of the classification and measurement of financial instruments (IFRS 9 and IFRS 7), and to FRS 102 relating to heritage assets.

4: Central Government Sector

Disclosure guide for 2025/26 financial statements

25. The National Audit Office has published a disclosure guide on the 2025/26 financial Statements for bodies covered by the FReM.

26. The guide is designed to ensure that bodies covered by the FReM have prepared their 2025/26 financial statements in the appropriate form and have complied with all disclosure requirements. The guide is cross-referenced to the 2025/26 FReM, individual financial reporting standards, and the Companies Act 2006. A tailored checklist can be generated by selecting the criteria that are material to the body.

27. When checking that the FReM's disclosure requirements have been met, **auditors should in accordance with the Overview Module of TGN 2026/1:**

- **consider requesting that the body completes the disclosure checklist**
- **investigate the reasons for any non-compliance that the guide highlights**
- **evaluate whether the body's responses in the checklist are consistent with auditor's knowledge.**

2025/26 Civil Service pension calculator

28. Deloitte have prepared a report* for the National Audit Office on the tool used to calculate Civil Service Pension CETV disclosure information for 2025/26.

29. Administration of the Civil Service Pension transitioned to Capita during 2025/26, however the report notes that under the new arrangements, the tool and the “Disclosure Calculator” used by the previous administration remain in operation.

30. The report reviews how CETV factors and other variables are input and updated within the calculator, how it is monitored and controlled, and recalculates a sample of complex cases.

31. The processes and controls in place over changes to the disclosure calculator in 2026 were assessed as ‘Satisfactory’ which means they are considered adequate in the circumstances.

Updated guidance on non-investment property valuations

32. HM Treasury has issued updated application guidance on non-investment asset valuations. The guidance updates the previous version (referred to at paragraph 47 of Technical Bulletin 2025/1) to include guidance on the following areas:

Area	Key points
Valuation frequency	Three processes are available for revaluing assets: • A quinquennial revaluation with annual indexation in intervening years • A rolling programme of revaluations over a 5-year cycle with annual indexation applied to the non-inspected proportion in intervening years • For non-property assets only, use of appropriate indices An option to undertake a desktop valuation in year 3 should only be used in exceptional circumstances where no reliable index is available.
Depreciated Replacement Cost (DRC) Valuations	There is no change to the methodology used to determine size of modern equivalent asset (MEA) for DRC valuations. The methodology typically requires a smaller site than the actual site. From 2026/27, bodies have the option to disclose the difference between the size of MEA land and the actual land occupied by the asset. The alternative site methodology for determining the EUV of operational land associated with a DRC asset will be disallowed from 2028-29. However, bodies can disapply this method from 2026/27, with Treasury approval.
Indexation	Treasury is not mandating the use of any index; however, the recommended pathway is: • For DRC assets only, the use of BCIS “All in TPI” index is acceptable. The land element should be valued using a suitable land index • For other assets valued at EUV, an index using property transaction evidence by economic or government region is preferred • For land, an index of movement by region supported by market transactions in preferred. However, where there is no transactional evidence available, valuers may now utilise a Development Appraisals or a valuation beacon approach.
Right of Use (RoU) assets	In the majority of cases indexation will not be required as historical cost is an approximation for current value in existing use. Where cost is not a reasonable proxy, it is unlikely that a publicly available index will be suitable. In such cases, the recommended approach is to undertake a desktop valuation at year 3.
Impairments	Full revaluations to demonstrate there has not been a material impairment of an asset is not the default position. IAS 36 paragraphs 12-14 set out the indicators entities must consider when determining whether an asset is impaired.

Technical consultations with auditors

33. The following table summarises a request from auditors for a technical consultation with I&Q in respect of an issue arising from the audit of the 2025/26 annual accounts of central government bodies, along with the advice offered:

How should Non-Departmental Public Bodies (NDPBs) which are also companies account for grant in aid received?
Grant in aid (GIA) refers to funding provided by the Scottish Government to sponsored bodies, including NDPBs which are companies, to support their ongoing operational expenditure and objectives. IAS 1 requires that contributions from a controlling party, acting in its capacity as owner, are recognised in equity rather than income. The Government Financial Reporting Manual (FReM) interprets 'controlling party' for the public sector context as being a body's sponsoring department (e.g. the Scottish Government). Under FReM paragraph 11.1.12 GIA provided by the sponsor department is treated as financing, not income. This means it is recognised directly in taxpayers' equity, specifically within the General Fund, and presented through the Statement of Changes in Taxpayers' Equity (SoCTE). Although IAS 20 normally requires government grants to be recognised as income, the FReM limits its application where the government is acting as controlling party / owner. IAS 20 would apply only where funding is provided in a non-owner capacity (e.g. arm's length grants with conditions). Where the NDPB is also a company, the classification of GIA as financing (i.e. a transfer from a controlling party acting as owner) is not considered inconsistent with the Companies Act, because it reflects the substance of the relationship between the NDPB and the Scottish Government. The FReM approach is therefore regarded as compliant with both IFRS (as adapted) and the overarching requirement to present a true and fair view. Any departure from the default treatment (must be approved by the relevant authority (e.g. the Scottish Government). Where a body adopts an alternative treatment (for example, recognising GIA as income), **auditors should obtain sufficient appropriate evidence that:** • **The accounting treatment is justified, based on the substance of the arrangement (i.e. the Scottish Government is acting in a capacity other than the controlling party), and** • **Formal approval has been obtained from the Scottish Government, for example in the body's framework document.**

5: Health Sector

TGN on potential misstatements in 2025/26

34. I&Q has published Module 17 of the TGN 2026/1. The TGN is intended to inform auditors' judgement when identifying and assessing potential misstatements in the 2025/26 annual report and accounts of audited bodies generally. Module 17 provides:

- guidance on applying the other modules to the audit of the 2025/26 annual report and accounts of health bodies
- supplementary guidance on the risks of misstatements in areas specific to health bodies.

35. Auditors are expected to pay due regard to Module 17 and use it as a primary reference source when performing 2025/26 audits of health bodies.

36. Module 17 is available with the rest of the TGN and supporting material to auditors on SharePoint* and is also freely available from the Audit Scotland website.

Assurance report on 2025/26 clinical negligence claims

37. I&Q has issued a report* to auditors following an examination of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The purpose of the report is to:

- provide assurance on the methodology used by the Scottish Government in the calculation of the CNORIS national obligation at 31 March 2026
- inform auditors' evaluation of the role of the NHS Central Legal Office as a management expert.

38. Auditors should have referred to this report when auditing the 2025/26 provisions for CNORIS.

Consolidation Schedules

39. I&Q has published TGN/HCS/26 to provide appointed auditors of health boards with guidance on examining and reporting on consolidation schedules which boards are required to submit to the Scottish Government for 2025/26.

40. The TGN is available with supporting material to auditors on SharePoint* and is also freely available from the Audit Scotland website.

41. Auditors are required to examine the consolidation schedules and report on the results in an Assurance Statement. This TGN provides:

- guidance for auditors on the examination of the consolidation schedules (summarised in the checklist at Appendix 1)

- an Assurance Statement at Appendix 2

CETV calculator 2025/26

42. The auditors of the Scottish Public Pensions Agency (SPPA) have issued a report* providing information on the work undertaken and conclusion on the appropriateness of the cash equivalent transfer value (CETV) calculator for 2025/26.

43. As scheme manager for the NHS Pension Scheme (Scotland), SPPA provides a pension calculator to NHS bodies in Scotland. This is referred to as the NHS resource account calculator and supports NHS bodies to prepare their remuneration and staff reports.

44. The work was undertaken to aid auditors understanding of the basis for the 2025/26 CETV calculations, based on the process within SPPA. Auditors may consider this report when auditing the remuneration and staff report disclosures for their audited bodies.

6: College sector

2025/26 accounts direction and guidance

45. The Scottish Funding Council (SFC) has issued their Accounts Direction for Scotland's Colleges 2024/25 and guidance notes on completion of the 2024/25 financial statements. The direction requires colleges to:

- comply with the SORP in preparing their financial statements
- include a Performance Report and Accountability Report in their annual report and accounts in accordance with the FReM.

46. Specific mandatory disclosure requirements for colleges are set out in Appendix 1 to the direction.

47. The guidance notes are designed to supplement the accounts direction and cover key disclosures in the financial statements, including model disclosure notes set out at Annexes A to K. The SFC has reviewed the structure and content of the accounts direction and guidance notes. As a result, guidance on some disclosures has been moved from the direction to be included in the guidance notes.

48. There are no significant changes to the guidance included in the accounts direction or guidance notes from 2024/25. The changes included are in respect of:

- fair pay disclosures
- valuation changes introduced by the 2025/26 FReM
- climate-related financial disclosures.

49. I&Q will publish Module 18 of TGN 2025/1 providing supplementary guidance on the potential misstatements in areas specific to colleges in due course.

7: Professional Developments

Revised auditing standards

50. The Financial Reporting Council (FRC) has issued amendments to two auditing standards to align them with the recently amended equivalent international standard The revisions to:

- ISA(UK)240 (Revised March 26) The Auditor's Responsibilities Related to Fraud in the Financial Statements strengthen and clarify auditors' responsibilities in relation to fraud, including enhanced risk assessment procedures and greater transparency in audit reporting
- ISA(UK) 570 (Revised March 26) Going concern reinforce how auditors assess and report on an entity's ability to continue as a going concern, reflecting lessons learned from recent corporate failures and responding to heightened stakeholder expectations.

51. As both UK standards already included most of the changes to the international standard, the impact on UK auditors is expected to be minimal.

52. The revised standards are effective for audits of financial statements for periods commencing on or after 15 December 2026 (i.e. 2027/28 in the public sector).

Consultation on revisions to auditing standards

53. The FRC has launched a consultation on narrow scope amendments to ISA (UK) 620 and ISAE (UK) 3000.

54. The proposed revisions align the standards with the recently amended International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants which introduced explicit ethical requirements for using the work of external experts.

55. Responses should be sent to AAT@frc.org.uk by Friday 10 July 2026.

56. The key changes are to:

- align definitions and responsibilities for evaluating an external expert's competence, capabilities, and objectivity with the new IESBA ethical provisions
- clarify practitioner responsibilities when using the work of an external expert, and to reinforce the need for robust evaluation and documentation.

57. The revised standards would be effective for periods commencing on or after 15 December 2026 (i.e. 2027/28 in the public sector).

8: Fraud and irregularities

This chapter contains a summary of fraud cases and other irregularities facilitated by weaknesses in internal control at audited bodies that have recently been reported by auditors to I&Q.

Auditors should consider whether weaknesses in internal control which facilitated each fraud or irregularity may exist in their bodies and take the appropriate action.

Theft of third-party funds

58. A public sector employee misappropriated £27,000 of client money.

Key features
The perpetrator was responsible for maintaining a spreadsheet of client funds and cashing cheques to make these funds available to clients. However, the individual instead cashed cheques for their own benefit and altered the spreadsheet to conceal the theft and maintain the appearance of accurate balances.
The offences occurred during the COVID-19 pandemic, when reduced office staffing and a lack of segregation of duties weakened internal controls.
The fraud was identified through an internal investigation, initiated following concerns about potentially fraudulent activity in the handling of client funds.
Subsequently, changes have been made to the department's structure and processes to strengthen internal controls. The matter was referred to Police Scotland, and the perpetrator has since pled guilty in court.

Technical Bulletin 2026/2

Technical developments and emerging risks from April to June 2026

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