Audit & Assurance Committee

Date of Meeting	**09 September 2026**
Paper No.	**AAC1-C**
Agenda Item	**2.3.1**
Subject of Paper	**Audit & Assurance Committee Annual Report 2025-26**
FOISA Status	**Disclosable**
Primary Contact	**Marcus Walker** **Associate Director of Governance & Risk**
Date of production	**01 September 2026**
Action	**For Decision**

1. Recommendations

1.1. The Committee is invited:

- To approve the Audit & Assurance Committee Annual Report for 2025/26.
- To note the assurance provided by the Committee regarding the effective discharge of its delegated responsibilities during the academic year.
- Reflect on the findings of the annual self-evaluation exercise and discuss any actions, enhancements or areas of focus that could further strengthen the Committee's effectiveness during 2026-27.

2. Purpose

2.1. The purpose of this paper is to present the Audit & Assurance Committee Annual Report 2025-26 for approval by the Committee prior to submission to the Board of Management. The report summarises the Committee's activities during the academic year and provides assurance that it has effectively discharged its delegated responsibilities in relation to governance, risk management, internal control, audit, statutory compliance and business continuity.

3. Consultation

3.1. The report has been prepared by the Associate Director of Governance & Risk in consultation with the Convener of the Audit & Assurance Committee and reflects matters considered by the Committee throughout academic year 2025-26.

3.2. The report draws upon Committee reports, minutes and assurance activities undertaken during the year, including internal and external audit activity, risk management reviews,

information governance reporting, complaints handling, business continuity arrangements and compliance monitoring.

4. Key Insights

Annual Report 2025-26

4.1. The attached annual report provides a summary of the work undertaken by the Audit & Assurance Committee during academic year 2025-26 and supports the Board's annual review of committee effectiveness and governance arrangements.

4.2. In accordance with its Terms of Reference, the Committee maintained oversight of governance arrangements, financial systems, internal controls, risk management, internal audit, external audit, data protection and statutory compliance matters throughout the year.

4.3. During 2025-26, the Committee considered a programme of internal audits covering Curriculum Planning, Outreach, Fair Work Practices, Data Protection, Staff Recruitment and Retention, Environmental Sustainability and IT Network Arrangements/Cyber Security. Members also monitored progress against agreed audit recommendations through quarterly Audit & Action Overview reports.

4.4. The Committee received the Audit Scotland External Audit Annual Report, reviewed the Annual Report and Accounts, maintained oversight of the Strategic Risk Register, and received assurance regarding Freedom of Information compliance, data protection, complaints handling, incident management and business continuity arrangements.

4.5. The Committee completed its annual review of the Assurance Framework and its own Terms of Reference and concluded that existing arrangements remained appropriate and fit for purpose.

Committee Self-Evaluation

4.6. Members completed the Committee's annual self-evaluation during summer 2026, assessing effectiveness against the principles and good practice guidance contained within the Scottish Government Audit & Assurance Committee Handbook. The outcome demonstrated a high level of assurance regarding the Committee's effectiveness, with members confirming that the Committee remained effective in discharging its responsibilities relating to governance, risk management, internal control, financial reporting and audit oversight.

4.7. The self-evaluation confirmed that members remained satisfied with the Committee's Terms of Reference, membership, meeting arrangements, information flows, risk management oversight, internal audit arrangements, external audit engagement and reporting processes. Members also confirmed that the Committee continued to provide effective assurance to the Board in relation to the areas within its remit.

4.8. Whilst the outcome of the self-evaluation was positive, and no significant weaknesses were identified; members may wish to consider opportunities to further enhance the Committee's effectiveness during 2026-27. Potential areas for discussion include the continued use of deep dives, horizon scanning of emerging governance and compliance issues, cyber security and organisational resilience, and the presentation of assurance information to support strategic discussion and challenge.

5. Impact and Implications

5.1. The annual report provides assurance to the Board regarding the discharge of the Committee's responsibilities under its Terms of Reference and demonstrates the effectiveness of the College's governance, risk management and internal control arrangements.

6. Appendices

Appendix 1: Audit & Assurance Committee Annual Report for 2025/26

Audit & Assurance Committee Annual Report 2025-26

Introduction

1. The Audit & Assurance Committee is responsible for reviewing the effectiveness of the College's governance arrangements, financial systems, internal controls and risk management practices. The Committee provides assurance to the Board of Management that the College continues to meet the legislative and regulatory requirements applicable to the college sector.

2. A Paterson convened the Committee and its membership consisted of M Ahmad and R Young. J Green also served as a co-opted committee member.

3. During this academic year, four meetings of the Committee were held to consider the work and priorities of the College within its remit. Members received reports and presentations from the Executive Leadership Team (ELT) and Senior Management Team (SMT), as well as from the College's internal and external auditors - Henderson Loggie and Audit Scotland respectively. A summary of key issues and business of note is enclosed below.

Annual Report and Accounts

4. At a joint meeting of the Audit & Assurance Committee and Finance Committee, held in November 2025, the Chief Financial Officer and the Associate Director of Governance and Risk presented the draft Annual Report and Accounts for 2024-25. After consideration, the Joint Committee agreed to recommend the Annual Report and Accounts to the Board of Management, which issued final approval in December 2025.

External Audit Annual Report

5. Audit Scotland, the College's external auditor, is appointed by the Auditor General for Scotland to examine and report on the College's financial management, sustainability, corporate governance and performance. This annual audit, undertaken for all public bodies in Scotland, is conducted in accordance with Audit Scotland's Code of Audit Practice, the International Standards on Auditing (UK) and the Ethical Standard for Auditors. It provides independent assurance that the College is managed effectively, uses public funds efficiently and complies with relevant legislation and regulations.

6. Audit Scotland presented the External Audit Annual Report 2024/25 to the Committee in December 2025. Members welcomed that the College received unmodified (unqualified) audit opinions on the annual report and accounts, including regularity and other prescribed matters. Key messages in the report included:

    - **Financial Management and Sustainability:** The College has appropriate financial arrangements in place, with controls generally operating as expected. For 2024/25, the College reported an adjusted operating surplus of £0.1 million. While the College has experienced both adjusted operating surpluses and deficits over the past five years, auditors noted that the 2025/26 budget forecasts an adjusted operating deficit. The College has a five-year financial plan covering the period to 2029/30; however, auditors also noted that the College's cash balance had fallen below its target level.

    - **Vision, Leadership and Governance:** The College continues to demonstrate a clear vision and strategic direction, supported by appropriate arrangements to monitor performance and progress. Governance arrangements remain appropriate and effective, although changes were implemented after the year end to reflect the

College's change in regional status. Auditors concluded that the College has suitable leadership and governance arrangements in place to support the achievement of its objectives.

- **Use of Resources to Improve Outcomes:** The College has clear arrangements to ensure resources are directed towards improving strategic outcomes, meeting the needs of learners and stakeholders, taking account of equalities, and delivering continuous improvement. Auditors concluded that the College has effective and appropriate high-level arrangements in place to support Best Value and the efficient use of resources.

- **Audit Findings**: Audit Scotland identified one recommendation relating to the College's staff expenses policy. While no inappropriate expenditure was identified, auditors recommended that the policy be strengthened to provide greater clarity on allowable expenditure, spending limits and approval requirements, helping to support consistency and achievement of Best Value.

Internal Audit Reports

7. Internal audits provide an important independent assessment of the College's governance, risk management and control framework. They help identify opportunities for improvement and provide assurance on the effectiveness of arrangements across a wide range of operational and strategic areas. The Committee receives individual audit reports throughout the year and monitors the implementation of agreed actions arising from audit recommendations.

8. During 2025-26, the Committee considered a programme of internal audits covering Curriculum Planning, Outreach, Fair Work Practices, Data Protection, Staff Recruitment and Retention, Environmental Sustainability and IT Network Arrangements/Cyber Security. Of these audits, two received a Good level of assurance, four received Satisfactory assurance and one received a Requires Improvement assurance rating. Members noted that no high-priority recommendations were identified during the year. A total of six medium-priority and seventeen low-priority recommendations were made and accepted by management.

9. The Committee welcomed the positive assurance provided across most areas reviewed. The Curriculum Planning and Data Protection audits both concluded with a Good level of assurance, confirming that robust controls and effective arrangements were in place. The Outreach, Fair Work Practices, Environmental Sustainability and IT Network Arrangements/Cyber Security audits each received Satisfactory assurance, indicating that systems generally met their control objectives with only minor weaknesses identified. The Staff Recruitment and Retention audit received a Requires Improvement assurance rating and identified opportunities to strengthen workforce planning, succession planning, retention arrangements and workforce analytics. Management accepted all recommendations and developed action plans to address the areas identified.

10. The Committee also maintained oversight of the implementation of agreed audit recommendations through quarterly Audit & Action Overview reports. Members noted that management continued to engage positively with the audit process and that arrangements were in place to monitor progress against all agreed actions. The Committee was satisfied that appropriate measures had been established to address findings arising from internal audit activity and support the continuous improvement of the College's control environment.

11. The Scottish Funding Council requires colleges to obtain independent assurance on the student activity data submitted through the Further Education Statistics (FES) return.

Henderson Loggie undertook the annual Credits Audit and confirmed that the College's student activity returns complied with relevant guidance, that adequate procedures were in place to ensure accurate data collection and recording, and that the return was free from material misstatement. The Committee therefore received assurance regarding the accuracy and reliability of the College's student data returns.

	Recommendation Level			
Internal Audit Report	**High**	**Medium**	**Low**	**Assurance Level**
Curriculum Planning	0	0	0	Good
Outreach	0	1	5	Satisfactory
Fair Work Practices	0	1	1	Satisfactory
Data Protection	0	0	1	Good
Staff Recruitment & Retention	0	4	2	Requires Improvement
Environmental Sustainability	0	0	3	Satisfactory
IT Network Arrangements / Cyber Security	0	0	5	Satisfactory
	0	**6**	**17**	

Assurance Framework

12. Members completed a review of the Assurance Framework, which outlines the College's approach to governance, risk management, control and assurance. The new Sources of Assurance table, aligned with the Strategic Plan and Risk Register, documents information and controls through the Three Lines of Defence model.

Audit & Assurance Committee Self-Evaluation

13. Members completed their annual self-evaluation assessing the effectiveness of the Committee and the internal controls, financial reporting and internal/external audit arrangements in place at the College. When discussing the results, the Committee noted the assurance recorded in the self-evaluation and the progress made against the actions agreed in the previous academic year.

Freedom of Information and Data Protection

14. The Committee received the Annual Freedom of Information Report for academic year 2025-26, providing assurance regarding the College's compliance with the Freedom of Information (Scotland) Act 2002 and the Environmental Information (Scotland) Regulations 2004. Members noted that the College received 77 information requests during the year, representing a 60% increase on the previous academic year and the second-highest volume of requests recorded by the College. Despite the significant increase in workload, 96% of requests were responded to within the statutory 20-working-day timescale. The Committee noted that all three late responses occurred during September and October 2025 prior to the appointment of the current governance staff, and no late responses were recorded thereafter. Members also noted that 22 internal review requests were received during the year, with the College's original decision either upheld or partially upheld in every case. No applications were made to the Scottish Information Commissioner and no enforcement action was taken against the College. The Committee welcomed the continued effectiveness of the College's information governance arrangements and its commitment to openness, transparency and accountability.

15. The Data Protection Officer (DPO) submitted quarterly reports to provide members with oversight of data protection compliance, training and support across the College. Members noted that 11 data breaches were recorded during academic year 2025-26, none of which met the threshold for notification to the Information Commissioner's Office (ICO). The Committee received assurance that all incidents were managed in accordance with the College's Data Breach Reporting Policy and Procedure and that data protection health checks and action plans had been completed across all faculties and directorates during the year. The Committee noted that, while no reportable breaches occurred, continued vigilance remains essential given the significant legal, financial and reputational risks associated with personal data breaches.

Complaints and Compliance

16. The Director of Excellence presented the Annual Complaint Handling Report for academic year 2025-26. Members noted that the College handled 60 complaints during the year, continuing a six-year trend of declining complaint volumes and representing a reduction from 62 complaints in 2024-25. Of the complaints investigated, 3 were upheld and 6 partially upheld, with actions and lessons learned identified and monitored through the College's improvement processes. Members welcomed the continued improvement in complaint handling performance, particularly the increase in Stage 2 complaints resolved within the prescribed 20-working-day timescale, and noted that one complaint considered by the Scottish Public Services Ombudsman was not upheld. The Committee also received assurance that effective arrangements were in place to identify learning from complaints and drive service improvements, including the introduction of Course Assessment Boards to improve the accuracy and consistency of communicating student results.

17. The Committee were also apprised of the College's compliance with external quality standards and awarding body requirements. Members welcomed the strong levels of compliance reported across the College and noted that all institutional and programme accreditations had been successfully retained during the academic year, providing assurance that effective arrangements remained in place to support compliance and continuous improvement.

Incident Management and Business Continuity

18. The Associate Director of Governance & Risk presented an update on incident management and business continuity activity, including the outcomes of the College’s 2026 Business Continuity Exercise and progress on key resilience plans. Members noted that the College had undertaken an unannounced business continuity desktop exercise in April 2026 which simulated a major security-related incident affecting both campuses. The exercise provided a realistic test of the College’s Incident Management Plan and Business Recovery Plans, with senior leaders required to respond without prior preparation.

19. The Committee was assured that the exercise demonstrated strong engagement from the Senior Management Team, effective collaboration and a clear commitment to incident management and business continuity. Members noted that all exercise objectives were achieved, including testing the effectiveness of the updated Incident Management Plan and assessing organisational preparedness. Assurance was also provided by the successful annual review of all 16 Business Recovery Plans and the introduction of automated review processes. Members noted that a substantive review of the Incident Management Plan would be completed before the end of the academic year, incorporating lessons learned from the exercise, recent management changes and preparations for compliance with the Terrorism (Protection of Premises) Act 2025 (Martyn’s Law).

Risk Management

20. The Committee regularly reviewed the Strategic Risk Register and Management Action Plans for those risks within its remit throughout the academic year, recommending any changes to the Board for final approval. Risks are rated low, medium, high or critical. Members noted that no changes to risk scores were proposed during the Quarter 4 review, reflecting a stable risk profile across the areas within the Committee's remit.

- **SR9 - Performance:** This risk remained at a medium rating during 2025-26 following reductions in recent years. Members noted continued positive performance indicators, including improved student retention, a sector-leading 65% response rate to the student satisfaction survey, strong internal quality assurance activity, and a Highly Effective audit outcome from Qualifications Scotland. Performance and compliance risks were assessed as low, with continued assurance provided through quality enhancement and external recognition, including shortlisting for three Herald Higher Education Awards.

- **SR13 - ESG:** This risk remained at a medium rating during 2025-26. Members noted progress in developing the College's Sustainability Action Plan, increased staff capability through sustainability and climate-awareness training, and continued work on the Green Travel Plan supported by the re-established Environmental Sustainability Working Group. However, delivery risks remain due to limited specialist resources, funding pressures and new requirements relating to sustainability reporting and alignment of budgets with net-zero objectives.

- **SR12 - Statutory Compliance:** This risk remained at a medium rating. Members noted improvements in contract management and procurement controls, with all previous internal audit actions completed and no high-risk findings reported. The Committee also considered emerging compliance challenges relating to UKVI student sponsor requirements and ESOL learner eligibility arrangements.

- **SR14 - GDPR Compliance:** This risk remained at a medium rating. The Committee received assurance from a Data Protection Internal Audit which concluded that the College has a robust data protection compliance framework in place. Progress also continued on enhancing arrangements for managing data subject access requests.

- **SR16 - Business Continuity:** This risk remained at a medium rating. Members noted the successful completion of an unannounced business continuity exercise in April 2026 and welcomed the planned incorporation of lessons learned into the next revision of the Incident Management Plan. Assurance was also provided by the continued maintenance and testing of the College's incident management and business recovery arrangements.

- **SR15 - Corporate Governance:** This risk remained low. Members welcomed the successful completion of a non-executive recruitment exercise, resulting in the Board returning to full membership and further strengthening governance capacity and skills.

Deep Dives

21. During the academic year, the Committee undertook a series of deep dives to strengthen its understanding and oversight of key areas of governance, assurance and performance. These included detailed consideration of the College's response to the QAA Quality Enhancement Review activity, which provided assurance on the effectiveness of quality

enhancement arrangements and the progress being made in supporting improved learner outcomes and performance. The Committee also received updates on the College's governance framework and arrangements to ensure continued alignment with the recommendations of the *Independent Review of the Skills Delivery Landscape* (the Gillies Report), supporting effective governance, accountability and strategic decision-making across the institution.

Members' Attendance

22. The attendance of members of the Committee for this academic session, and the previous four academic years, is as follows:

Year	No. of Meetings	Possible Attendances	Actual Attendances	Percentage Attendance
2021-22	5	20	17	85%
2022-23	5	17	16	94%
2023-24	4	15	11	73%
2024-25	4	16	13	81%
2025-26	4	16	10	63%

23. Attendance levels reduced during the year due to changes in membership and individual availability. The Committee remains committed to maintaining strong attendance and effective participation.

Review

24. Committees review their Terms of Reference annually, recommending any changes to the Board for approval. This is an opportunity for members of committees to reflect on their purpose, remit, business, membership and meetings at the end of the academic year with the next session in mind.

25. The Committee undertook its annual review of the Terms of Reference in May 2026 and concluded that the existing arrangements remained appropriate and fit for purpose. In doing so, members considered Committee effectiveness, membership and quorum arrangements, noting the importance of maintaining robust membership to support effective scrutiny and decision-making. The Committee also discussed potential enhancements to the Terms of Reference, including clearer reference to private meetings with auditors and oversight of fraud-related matters. Having reviewed the existing governance framework and assurance mechanisms in place, the Committee was satisfied that these areas were subject to appropriate oversight and agreed that no amendments to the Terms of Reference were required at this time.

Overall Conclusion

26. Having considered the reports, assurances and evidence presented throughout the academic year, the Committee was satisfied that appropriate arrangements were in place for governance, risk management, internal control, audit, statutory compliance and business continuity. The Committee provided assurance to the Board of Management that the systems of internal control operating within the College were generally effective and supported the achievement of the College's strategic objectives.