Audit & Assurance Committee

Date of Meeting	2 September 2025
Paper No.	AAC1-B
Agenda Item	4.3
Subject of Paper	Audit & Assurance Committee Annual Report
FOISA Status	Disclosable
Primary Contact	Drew McGowan Associate Director of Governance and Risk
Date of production	21 August 2025
Action	For Decision

1. Recommendations

1.1. To review the Audit & Assurance Committee annual report for the 2024-25 academic year and approve it for tabling at the Board of Management for noting.

2. Consultation

2.1. Members are asked to discuss the Committee's annual report and, subject to any changes, approve the paper for tabling at the Board of Management's next meeting for noting.

3. Key Insights

3.1. Since 2014-15, following an internal audit recommendation, the Board of Management has established the practice of preparing an annual report for each committee. Annual committee reports are tabled early in the academic year.

3.2. The annual reports provide a high-level review and record of the Committee's deliberations and decision-making which can be used by members to reflect on the year, as well as to inform other stakeholders. In addition to the regular publication of Board and committee minutes and papers, annual committee reports demonstrate the College's commitment to openness and transparency.

3.3. All of the annual reports prepared for the committees will be used as a basis for the drafting of the College's annual report, in line with the original internal audit recommendation.

4. Impact and Implications

4.1. Annual committee reports are one aspect of the Board's established practices that aim to provide assurance to the College's students, staff and other stakeholders, including the Scottish Funding Council, that our systems of governance, effectiveness and accountability remain robust and delivered to a high standard

Appendix 1: Committee Annual Report 2024-25

Audit & Assurance Committee Annual Report 2024-25

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. P Hillard convened the Committee and its membership consisted of A Paterson, C Singh and M Ahmad. 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 the first joint meeting of the Audit & Assurance Committee and Finance Committee, held in November 2024, the Chief Financial Officer and the Associate Director of Governance and Risk presented the draft Annual Report and Accounts for 2023-24. After consideration, the Joint Committee agreed to recommend the Annual Report and Accounts to the Board of Management, which issued final approval in December 2024.

5. During the joint session, members expressed concern about the Scottish Funding Council's (SFC) Accounts Direction for 2023-24 being issued late and subsequently amended to include a contingent liability for the national job evaluation for support staff. Members agreed that the conveners, P Hillard and R Quinn, would write to the Chair of the SFC to express their concern about the process that was followed and the unsatisfactory outcome, and seek assurances that action would be taken to avoid this happening again.

6. In their response, the SFC acknowledged the concerns raised, emphasised the exceptional circumstances and provided an assurance that future changes would be implemented on a more timely basis.

External Audit Annual Report

7. 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.

8. Audit Scotland presented the External Audit Annual Report 2023-24 to the Committee in November 2024. Members welcomed that the College had received an unqualified opinion on the financial statements, regularity and other prescribed matters. Key messages in the report include:

   - **Financial Management and Sustainability:** The College had appropriate financial arrangements in place with controls operating as expected. For 2023-24, an operating deficit of £0.8 million and an underlying operating surplus of £130,000 were reported. The budget for 2024-25 forecasts a deficit for the fourth successive year, while the College has a five-year financial plan in place.
   - **Vision, Leadership and Governance:** The College has a clear vision and strategy and appropriate arrangements in place to monitor progress. Governance arrangements continue to be appropriate and effective, with a good range of information published on the website. Committee members provide a good degree of scrutiny and challenge. The recent external effectiveness review highlighted the strength of the Board but recognised a period of change in membership.
   - **Use of Resources to Improve Outcomes:** The College has clear arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users, taking account of equalities, and deliver continuous improvement. The College has developed an appropriate performance management framework which links to the Strategic Plan, and has effective high-level arrangements in place to help it achieve best value.

Internal Audit Reports

9. Internal audits are a valuable independent assessment and source of assurance of the College's operational effectiveness. They help identify strengths, weaknesses and risks and these findings support continuous improvement across the College.

10. The College worked in partnership with Henderson Loggie to plan and conduct a programme of internal audits throughout 2024-25 and reported findings to the Committee. The recommendations from internal audits are graded low, medium or high. Each audit is also graded with one of four overall levels of assurance which, from high to low, are: good, satisfactory, requires improvement, and unacceptable.

11. During 2024-25, eight internal audits were undertaken in areas across the College and reported to the Committee. Of these, three of the internal audits were graded as "good", the highest overall level of assurance, and five were graded as satisfactory. 14 low-level and one medium-level recommendations were made throughout the internal audits and accepted by the College's management. No high-level recommendations were made.

12. The SFC require colleges to have the student activity data they submit in their Further Education Statistics (FES) return audited. Henderson Loggie conducted an internal audit of the 2023-24 data and issued an independent opinion confirming the return complied with all relevant guidance and that adequate procedures were in place for

accurate data collection and recording. They could, therefore, provide a reasonable assurance that the College's return was free from material misstatements.

	Recommendation Level			
Internal Audit Report	**High**	**Medium**	**Low**	**Assurance Level**
Leadership and Management Development	0	0	3	Good
Cleaning Management	0	0	2	Satisfactory
Student Fees	0	0	0	Good
Project Management	0	1	1	Satisfactory
External Communications and Marketing	0	0	1	Good
Student Admissions, Engagement and MIS	0	0	3	Satisfactory
Research and Innovation	0	0	3	Satisfactory
Strategic Partnerships	0	0	1	Satisfactory
	0	**1**	**14**	

Assurance Framework

13. 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.

14. The Committee's assessment of the Sources of Assurance was supported by the Associate Director of Governance & Risk and our internal auditors, Henderson Loggie, through a tailored diagnostic tool. Members recorded high levels of assurance across all categories and agreed with a recommendation to extend assessment in the 2025-26 academic year to the full Board.

Audit & Assurance Committee Self-Evaluation

15. 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 high levels of 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

16. The Committee received an annual report on the requests submitted to, and handled by, the College under the Freedom of Information (Scotland) Act 2002 and the Environmental Information (Scotland) Regulations 2004 in the 2023-24 academic year. The Associate Director of Governance and Risk confirmed that 78 requests were received, a 15% increase in volume, and 99% were responded to within the statutory 20-day timescale in 2023-24. No appeals were made to the Scottish Information Commissioner (SIC) but members were advised that the two appeals made in 2022-23 were awaiting investigation and decision.

17. The Data Protection Officer (DPO) submitted quarterly reports to provide members with oversight of the current levels of data protection support, training and compliance across the College. It was reported to the Committee that eight data breaches were recorded in 2023-24, one of which required notification to the Information Commissioner's Office (ICO). Data protection health checks and action plans were undertaken and completed with all faculties and directorates throughout the year.

Complaints and Compliance

18. The Director of Excellence provided an annual report to the Committee on the volume and nature of complaints received and handled by the College. 68 complaints were received in 2023-24, a reduction of nearly 20% from the previous year. 67% complaints were resolved within five working days, while 25% were not upheld. For complaints that were either upheld (3%) or partially upheld (10%), actions and lessons learned were captured to inform improvements. No complaints were escalated to the Scottish Public Service Ombudsman.

19. The Committee were also apprised of the College's compliance with external quality standards and awarding bodies to provide them with assurance that effective arrangements were in place to meet requirements and identify non-compliance. Members welcomed the high levels of compliance across the College and that all accreditations had been successfully retained.

Incident Management and Business Continuity

20. The Associate Director of Governance & Risk presented a progress report on the College's review of incident management and business continuity. Members noted that the new Incident Management Plan, shaped by consultation with over 60 staff, had been significantly streamlined to improve usability and improvements had been made to roles, resources and communications.

21. The Committee was assured by successful testing through real and simulated incidents, including a live deployment during Storm Eowyn and an unannounced business continuity scenario, which demonstrated the plan's effectiveness. Members particularly welcomed the involvement of HND Acting and Performance students in the development of an information video and delivery of the simulated incident.

Risk Management

22. 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.

    - **SR9 - Performance:** This risk was rated high at the end of the previous academic year due to identified areas of non-compliance with external body standards and new Tertiary Quality Enhancement Framework (TQEF) arrangements being introduced. The College has since retained all external quality marks and improved its quality assurance arrangements. As a result, while the risk currently remains high, a reduction is anticipated in the new academic year.

- **SR13 – ESG:** This risk was upgraded from a low to medium risk following an external review of the College's environmental and sustainability work, which identified both strengths and areas for improvement. Implementation of the review's recommendations began in 2024-25 and will continue into the new academic year.

Deep Dives

23. At each meeting this academic year, the Committee undertook a series of deep dives to strengthen its awareness and oversight in key areas. These focused on complaints handling, cyber security, counter fraud and the new Global Internal Audit Standards.

Members' Attendance

24. 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
2020-21	4	19	15	79%
2021-22	5	20	17	85%
2022-23	5	17	16	94%
2023-24	4	15	11	73%
2024-25	4	16	13	81%

Review

25. 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.

26. Members approved a recommendation to amend the membership section to include a requirement to ensure at least one member has recent and relevant financial experience, in line with the Scottish Public Finance Manual. The Board approved this requested change in June 2025.

27. The Committee also agreed to undertake a further review of its Terms of Reference after an assessment of the new Global Internal Audit Standards had been completed and presented to members in the new academic year.