



Audit and Risk Committee Agenda

4.00 pm 11th May 2026 – Boardroom Motherwell Campus and Via Teams.

1. Chair's welcome
2. Apologies for Absence
3. Declarations of Interest
4. Minute of meeting 16th February 2026 **(FA)** Minutes Posted
5. Matters Arising from Minutes Paper Posted - YF
6. Technical Bulletin Audit Scotland Jan-March 2026 Papers Posted – LM
7. NCL Risk Register* **(FI)** Paper Posted -RG
8. External Audit Plan Paper Posted - LY
9. Internal Audit Reports **(FI)** * Papers Posted: Wbj
 - 9.1 Business Continuity Planning
 - 9.2 Staff Wellbeing
10. Report on the dental training contract with China ***(FI)** Verbal Update – CM/LM
11. Follow Up Report **(FI)** * Paper Posted – LM
12. Strategy 2030 Update Paper Posted - ES
13. Approval of Publication of Committee Papers **(FA)** Verbal report - BS
14. AOB
15. The date of the next meeting of the NCL ARC is Monday 31st August 2026 at the Coatbridge Campus.

Key Abbreviations: **FI= (For Information) FA (For Approval) FR = (For Recommendation):** * = non – disclosable # = for future publication

Wbj= Internal Auditors; AS = Audit Scotland CM = Christopher Moore; GP=Governance Professional ; RG= Ronnie Gilmour; RS = Ronne Smith; YF- Yvonne Finlayson; RS= Ronnie Smith; LY=Louisa Yuill AS;LM= Lynn MacKenzie.

Minute Audit and Risk Committee

4.00 pm 16th February 2026 – Via Teams

Present: Yvonne Finlayson, Catherine Pollock, Alastair Rennie, Kellyann McGraith,

In Attendance: Emma- Rose Drummond (Audit Scotland), Ronnie Gilmour, Nicola Mulholland, Jennifer Lowe, Scott McCready (wbg), Diane McGill, Lynn MacKenzie, Christopher Moore, Penny Neish, Elliott Scott, Ronnie Smith and Louisa Yule (Audit Scotland)

- 1. Chair's welcome:** Yvonne Finlayson welcomed everyone to this first meeting of the ARC in 2026.
- 2. Apologies for Absence:** There were no apologies for absence.
- 3. Declarations of Interest:** Ronnie Smith declared an interest as a Director of AMCOL and Jennifer Lowe as the Chair of the Cumbernauld Nursery Group.
- 4. Minute of meeting 1st December 2025:** The minute was approved.
- 5. Matters Arising from Minutes:**

5.1. RE 7.2. Alastair Rennie informed the last meeting of the ARC that the UK Government had compiled a risk assessment template which was available on the central government web site and that this might be a useful tool for the college as it deals with the risk assessment for AI. Christopher Moore confirmed that this was being looked at and that it was quite a complex document. The risk Register Group would look at this and Alastair Rennie had been invited to attend this group.

5.2 RE 8.6 Stephen Pringle noted that, because of the dissolution of the region, a Regional Assurance Report had not been required this year and this had saved 6 days of time. There would be a concomitant discussion about the re-directed use of this time. This would be picked up at the Internal Audit item on the agenda.

5.3 RE 9. Follow Up Report: Lynn MacKenzie updated the ARC on progress with implementing recommendations saying that there had been progress in closing off the departmental action plans within the curriculum development plan, AI was now on the risk register, the catering manual had been received and laptop encryption was now at 72% and almost completed. In response to a question from Yvonne Finlayson about the spreadsheet format for the Follow Up report, Lynn MacKenzie noted that this was an interim report to the committee and there would be a full report to the next meeting which would include the agreed spreadsheet format. Lynn MacKenzie reported that work was undergoing on this and the format would be agreed.

6. Technical Bulletin Audit Scotland - October – December 2025. Lynn MacKenzie highlighted the following from the report:

- Section 2 advice to the auditors
- Section 3 advice for local government on indexation. This was an issue for the NCL accounts last year and this brings some further clarification. There is statutory guidance on equal pay.



- Section 4 includes advice on 2025/26 discount rates: HM Treasury has issued PES (2025)9* to announce changes in the discount rates for general provisions, post-employment benefit liabilities, leases, and financial instruments as at 31 March 2026.
- Section 5 is for the College Sector and the Further Education and Higher Education (FEHE) SORP Board has published the Statement of recommended practice: Accounting for further and higher education, 2026 edition, effective for accounting periods commencing after 1 January 2026 with early adoption allowed where the Accounts Direction permits. The changes made to the SORP are similar to the changes to the Charities SORP and reflect the FRC's *Periodic Review Amendments 2024* to FRS 102. One of the changes in the SORP relates to leases as follows:
 - Two recognition exemptions relating to short term leases (under 12 months) and to low value leases are available. (paragraph 14.4)
 - When implementing the changes, comparative information should not be restated. The cumulative effect should be recognised as an adjustment to the opening balance of reserves at the date of initial application. (paragraph 27.6)

7. NCL Risk Register:

7.1 Ronnie Gilmour informed the Committee that there is a total of 22 Strategic Risks logged by the CRMG as at 3rd February 2026. Risks are considered by the group and the register has a summary which highlights new risks, risks that have either gone up or down and risks which are high level. The risk register shows the level of assessed risk for each risk and where there are control action plans in place.

- There are no risk movements.
- There are two new risks: Risk U –Risk of not being able to recruit appropriate staff to key strategic areas to support the delivery of the curriculum and in particular Modern Apprenticeships and Risk V - non -compliance with Martyn's Law (Terrorism (Protection of Premises) Act 2025).
- Two risks are above the committee's threshold level and therefore are subject to Control Action Planning. These are: Risk A - The college may not have sufficient liquid funds to meet short-term or medium-term cash commitments. Risk B - The College may be unable to sustain short-term operations at the required standard due to insufficient levels of funding.

7.2 Alastair Rennie highlighted the difficulties of complying with Martyn's law and striking a balance with financial cost. For example, the college buildings are open and not gated and there will be no additional funding from the SFC. The Committee noted the risk report.

8. Internal Audit Reports.

Scott McCready presented the internal audit reports saying that all reports were strong reports

8.1 Budgetary & Financial Reporting: The purpose of the review was to assess whether New College Lanarkshire (the College) has appropriate budgetary and financial reporting arrangements in place and that these have been embedded throughout the whole of the College. This review looked to provide assurance to the Executive Board, via the Audit & Risk Committee, that the College's budgetary and financial reporting arrangements are adequate. Following the review, wbg can provide a **strong level of assurance** over the College's budget and reporting

controls. There are a number of good practice points and there is one low graded recommendation for improvement and one observation for consideration.

8.2 Health & Safety: The purpose of this review was to assess if New College Lanarkshire (the College) has the appropriate policies and procedures in place that comply with Health & Safety Legislation. This review sought to provide assurance to the Audit & Risk Committee that the College's Health and Safety arrangements are adequate. From the review, wbg are able to provide the College with a **strong assurance** surrounding Health & Safety arrangements in place. wbg have raised a number of good practice points and 1 low grade recommendation for improvement and 1 observation for consideration.

8.3 Equality and Diversity: The purpose of the review was to assess whether New College Lanarkshire (the College) has appropriate policies and procedures in place related to Equality, Diversity and Inclusion, that complies with the Equalities Act 2010. We also looked to assess whether there is communication of these policies and procedures throughout the College and that they are consistently applied. Following the review, wbg can provide **strong level of assurance** to the College regarding their EDI arrangements, including their compliance with the Public Sector Equality Duties and the Equalities Act 2010. Wbg have identified one observation for consideration.

9. Follow Up Report: Lynn MacKenzie updated the ARC on progress with implementing recommendations saying that there had been progress in closing off the departmental action plans within the curriculum development plan, AI was now on the risk register, the catering manual had been received and laptop encryption was now almost completed. Over the areas of follow up, AI, Estates Management and Safeguarding there were no high recommendations, 8 medium and 6 low level recommendations. There are 3 partially implemented recommendations and 1 not implemented.

10. Governance Reports: The Committee had received the following reports: SFC Expectations of Good Governance, CDN on SFC Expectations of Good Governance, NCL External Evaluation and Self -Evaluation Approach 2026. The Governance Professional presented these reports noting the new emphasis from the SFC on Governance External Reports (GERS) and financial assurances in those reports, the CDN response and engagement with this, the CDN external report undertaken last year which had been very positive. This had gone to the Board last June and recommendations had been included in the Board Development plan also presented to the Board. The external evaluation report had also acknowledged "survey fatigue" in the current approach to self-evaluation and had suggested a workshop approach. This was set out in the paper from the Governance Professional – Self-evaluation approach 2026.

Action: After discussion the ARC agreed that the suggested approach be applied to the self-evaluation of the committee.

11. Committee Business

11.1 Terms of Reference of the ARC Committee: The Governance Professional informed the Committee that the Terms of reference had been updated to remove the aspects that applied to the role of an RSB.

Decision: The ARC agreed the updated Terms of Reference for the ARC Committee.

11.2 Committee Self- Evaluation Questionnaire: The Committee considered the points that had been raised in the previous self- evaluation and the general comments in the CDN External Evaluation Report as set out in the ARC self- evaluation paper. It also considered the questions posed for the ARC in this paper as follows:

Was the joint meeting with the Finance Committee useful? Should we continue to do this?

The Chair commented that the joint meeting with the Finance Committee which took place in December and was a recommendation captured in the Board Development Plan had been useful and this was supported by other committee Board Members. This was a good time of the year to hold the meeting.

How can we continue to develop members' understanding of the work carried out by the college to enable better understanding of the financial pressures the college and the sector are currently experiencing?

The commented that being a member of the Chairs Committee helped with this for those who were committee chairs. Alastair Rennie commented that there was a lot of information on this and a lot of oversight on this at Committee and at the Board. Information was available. Cath Pollock agreed and commented that the risk register was also a source of information.

Any other points you wish to make with regard to the committee structure currently in place?

There was discussion about formal succession planning to step up to the role of a Chair and whether there should be committee Vice Chairs. Ronnie Smith flagged up to the ARC that Dave Winning the CSAO Chair was not going to apply in the up- coming Board Member recruitment round. Barbara Philliben would Chair the CSAO meeting this time round and had agreed to being nominated by Ronnie Smith for the Chair of the CSAO Committee. This would go to the Board in March for a decision. He noted that it was open to any other Board Member who also wished to be nominated to contact him or the Governance Professional.

Are there any other points we should be taking into consideration to ensure that the ARC serves the college's strategy 2030?

The ARC is actively involved in the work of the Board and in Strategy 2030 and it should continue with its engagement.

These points will be included in the Committee self-evaluation.

11.3 Board Development Plan: The Committee noted the Board Development Plan and that there had been progress on implementing the plan.

12. Approval of Publication of Committee: The Committee approved the publication of the agenda, the minute and the technical bulletin and the papers at Items 10 and 11.

13. AOB: There was no other business.

14. The date of the next meeting of the NCL ARC is Monday 11th May 2026 at the Motherwell Campus.

15. This meeting of the ARC was followed by a meeting of the Board members of the Committee as per the attendance list for the ARC with Ronnie Smith, Louisa Yule and Emma- Rose Drummond and the Governance Professional. In summary, Audit Scotland noted that the audit had been smoother this year with deadlines



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brought forward by the Finance Team, better planning work and there had been meetings that included senior members of the Finance Team and this had been useful.

Action: After discussion, it was agreed that it would be useful to have this meeting with the external auditors at the December meeting of the ARC – a pre-meeting.



Item 5 Matters Arising Report

ARC Meeting 16th February 2026

5.1. RE 7.2. Alastair Rennie informed the last meeting of the ARC that the UK Government had compiled a risk assessment template which was available on the central government web site and that this might be a useful tool for the college as it deals with the risk assessment for AI. Christopher Moore confirmed that this was being looked at and that it was quite a complex document. **The risk Register Group would look at this and Alastair Rennie had been invited to attend this group.**

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15. This meeting of the ARC was followed by a meeting of the Board members of the Committee as per the attendance list for the ARC with Ronnie Smith, Louisa Yule and Emma- Rose Drummond and the Governance Professional. In summary, Audit Scotland noted that the audit had been smoother this year with deadlines brought forward by the Finance Team, better planning work and there had been meetings that included senior members of the Finance Team and this had been useful.

Action: After discussion, it was agreed that it would be useful to have this meeting with the external auditors at the December meeting of the ARC – a pre-meeting.

Technical Bulletin

2026/1

Technical developments and emerging risks from
January to March 2026



 AUDIT SCOTLAND

Prepared by Audit Scotland for appointed auditors and audited bodies in all sectors
31 March 2026

Contents

1: Introduction	3
2: All sectors	5
3: Local Government Sector	9
4: Central Government Sector	11
5: Health Sector	14

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 (*) link to files on Audit Scotland's [SharePoint*](#) and are only accessible by auditors.

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		
I&Q has published guidance on potential misstatements in 2025/26 accounts	I&Q has published model Independent Auditors Reports for 2025/26	The Scottish Government has issued statutory guidance on climate change duties
[paragraph 1]	[paragraph 7]	[paragraph 13]
The Scottish Government has issued statutory guidance on the use of capital grant for 2025/26	Treasury has re-issued the 2025/26 FReM and issued the 2026/27 FReM	The Scottish Government has issued the NHS Accounts Manual and Capital Accounting Manual for 2025/26
[paragraph 23]	[paragraph 32 and 44]	[paragraph 45 and 51]

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

TGN on potential misstatements in 2025/26 annual accounts

1. I&Q has published Technical Guidance Note (TGN) 2026/1 to provide auditors with guidance on potential misstatements in the 2025/26 annual accounts of public bodies.
2. The TGN is accessible for auditors on [SharePoint*](#), along with supporting material, and is also available from the Audit Scotland [website](#).
3. The TGN is intended to inform auditors' professional judgement and promote the exercise of professional scepticism. The TGN supplements the Code of Audit Practice and auditors are expected to pay it due regard and use it as a primary reference source when performing 2025/26 audits. Auditors should advise I&Q of any intended departures from the guidance.
4. The TGN comprises a number of modules as summarised in the following table:

Module	Potential misstatement area	Purpose
Overview	Areas that are pervasive to the financial statements as a whole	Concise explains the appropriate accounting treatment related to each potential misstatement
1-9	Specific classes of transactions, balances and disclosures in the financial statements.	
10A	Audited part of Remuneration Report in Local Government	Explains the requirements and provides guidance on the potential misstatements in the audited part of the Remuneration Report
10B	Audited part of Remuneration and Staff Report in other sectors	
11A	Statutory Other Information in Local Government (e.g. Management Commentary and Annual Governance Statement)	Sets out the procedures for considering Statutory Other Information
11B	Statutory Other Information in Central Government (e.g. Performance Report and Governance Statement)	
12	Irregular transactions in Central Government	Explains the requirements and sets out the action auditors should undertake
13	Integration joint boards	

Module	Potential misstatement area	Purpose
14	Pension fund accounts	Provides guidance on the application of the above modules to these specific bodies
15	Section 106 charities – Local Government	
16	Charitable NDPBs – Central Government	

5. Modules 17 and 18 which include guidance on potential misstatements specific to health boards and colleges respectively will be published in due course.

6. The guidance on potential misstatements reflects areas of complexity, subjectivity and uncertainty. The modules have been updated to reflect new requirements which emerged during the 2024/25 audits that remain applicable. A separate note summarises the main changes from 2024/25.

Independent auditors' reports for accounts in 2025/26

7. I&Q has published the following TGN 2026/2 to provide auditors with model forms of Independent Auditor's Reports (IAR) to be used for the 2025/26 annual accounts.

8. Auditors are required by the Code of Audit Practice to prepare their IARs in accordance with the TGN. The TGN, along with model IARs and supporting material is available to auditors on [SharePoint*](#), and is freely available from the Audit Scotland [website](#).

9. As a change for 2025/26, a combined TGN has been prepared covering the model IARs for all sectors. The following changes have been made to the guidance to reflect this change:

- terminology has been standardised to align the language used across sectors, for example using "Remuneration and Staff Report" instead of "Remuneration Report"
- where relevant, guidance that is specific only to certain sectors has been highlighted

10. In addition to the above changes, from 2025/26 health board auditors will no longer be required to report by exception where there has been a failure to achieve a prescribed financial objective. Where a health board fails to meet a prescribed objective, auditors should consider reporting this within their Annual Audit Report.

11. The model forms of IARs have been tailored to reflect relevant legislation and augmented by the reporting requirements of the Auditor General and Accounts Commission.

12. For the 2025/26 audits of public bodies, **auditors should:**

- **use the relevant model form of IAR for each audited body**
- **follow the specified wording other than where tailoring adjustments are set out in the application guidance in the TGN**

- consult with I&Q on any modified opinion or conclusion
- complete an Auditor Action Checklist for each IAR prepared.

Climate change statutory guidance

13. The [Scottish Government](#) has issued [statutory guidance](#), under the Climate Change (Scotland) Act 2009, to support Scottish public bodies in meeting their legal climate change duties to:

- Reduce emissions in ways that best support national emissions reduction targets, including the 2045 net-zero target.
- Support climate adaptation by contributing to the Scottish National Adaptation Plan.
- Act sustainably, ensuring decisions reflect long-term environmental, social and economic wellbeing.

14. The guidance is advisory and aims to help bodies cut operational emissions, build resilience to climate impacts, stay within environmental limits, and contribute to a fair and healthy society. Actions should be proportionate to each body's scale, function and influence.

15. Key areas include:

Area	Guidance
Leadership and Governance	Bodies should make visible climate commitments, embed responsibility at senior levels, and mainstream climate awareness.
Mitigation (Duty 1)	Bodies should develop strategies, plans, targets and reporting to reduce emissions.
Adaptation (Duty 2):	Bodies should assess and manage climate risks and work collaboratively on adaptation initiatives.
Sustainability (Duty 3):	Sustainability should be embedded in decision-making, aligned with the National Performance Framework, and supported by sustainability impact assessments.
Reporting:	Requirements for statutory and voluntary reporting are outlined. Bodies should develop focus on scope 3 emissions across their value chains, such as travel, procurement and construction, in addition to direct (scope 1) and energy-related (scope 2) emissions.

16. A [Climate Adaptation Checklist](#) is provided for senior leaders to benchmark their organisations and identify the next steps needed to build resilience.

17. Environmental Standards Scotland will monitor bodies' delivery of climate activity including compliance with the guidance.

Guidance on summary financial information in 2025/26

18. I&Q has published TGN/SFI/26 to provide auditors with guidance on examining and reporting on summary financial information for 2025/26. The TGN is available to auditors on [SharePoint*](#) and is also freely available from the Audit Scotland [website](#).

19. Summary financial information refers to a structured representation of financial information that is derived from, but contains less detail than, a full set of financial statements. An audited body may include summary financial information in:

- a separate annual report required by its sponsoring body
- a report or other document that it chooses to produce.

20. In either event, **auditors should express an opinion on the summary financial information's consistency with the audited financial statements.**

TGN/SFI/26:

- provides guidance for auditors on the examination of the summary financial information
- sets out and explains the testing and reporting procedures that auditors should carry out (all summarised in the checklist at Appendix 1)
- provides a model form of report at Appendix 2

Trade union facility time disclosures

21. Paragraph 6.5.31(h) of the 2025/26 Government Financial Reporting Manual (FReM) (see paragraph 32) sets out the statutory requirement for public bodies to disclose Trade Union Facility Time information in the Staff Report.

22. However, relevant public bodies in Scotland are no longer required to include disclosures in their annual report and accounts. This is due to the commencement of Section 66 of the Employment Rights Act 2025, which revokes the statutory requirement to report Trade Union Facility Time.

3: Local Government Sector

Statutory guidance on the use of capital grant

23. The [Scottish Government](#) has issued three circulars providing statutory guidance on the use of capital grant.

24. [Finance Circular 9/2025](#) and [Finance Circular 3/2026](#) grant a temporary amendment to the statutory accounting requirements for capital grant set out in Finance Circular 3/2018. The amendment allows local authorities to replace reserves held for capital investment with general capital grant, to allow those reserves to be used to fund other pressures during 2025/26.

25. The amendment allows local authorities to use the general capital grant, detailed in the capital consent letter issued in December 2025 and updated in March 2026, to fund housing revenue account (HRA) or general fund capital expenditure.

26. The temporary amendments to the accounting requirements for capital grant are summarised in the following table:

Use of capital grant	Proposals
Repayment of loan principal	Where the capital grant is transferred to the Capital Fund, the statutory adjustments in Part 2 of Finance Circular 3/2018 are not required. The statutory repayment of debt must still be charged to the General Fund (debit General Fund, credit Capital Adjustment Account). When the capital grant is applied, a separate transaction is required to transfer the capital grant from the Capital Fund (debit) to the General Fund or HRA (credit).
HRA	When the capital grant is utilised, it is transferred to the Capital Adjustment Account (debit General Fund, credit Capital Adjustment Account)

27. [Finance Circular 10/2025](#) also provides a temporary amendment to Finance Circular 3/2018. This amendment allows local authorities to replace reserves held in the capital fund with 2025/26 general capital grant. This allows those reserves to be used to fund RAAC affected buildings.

28. This flexibility applies only to 2025/26. A letter from the Scottish Ministers is required to vary the terms of the general capital grant, including its amount and permitted uses.

Assurance protocols for 2025/26

29. I&Q has published two protocols to provide agreed frameworks for auditors to seek and provide certain information from auditors of other public bodies (assurance protocols). The protocols are available to auditors on [SharePoint*](#) and also freely available from the Audit Scotland [website](#). The purpose of the assurance protocols is summarised in the following table:

Protocol subject	Nature of information
Local Government Pension Scheme (LGPS)	LGPS pension fund auditors request information from employer body auditors in respect of pension contributions payable by the employer body to the pension fund. Employer body auditors request information from pension fund auditors in respect of information provided by the pension fund to the actuary in relation to their reports on employer bodies.
Integration joint boards (IJBs)	IJB auditors request information from the auditors of the constituent authorities regarding information not held by the IJB.

30. The assurance protocols set out the potential range of information but do not compel any specific information to be sought. It is not expected that any information outwith the specified range will generally be requested but that will be a matter for local agreement.

31. Auditors should:

- judge whether it is necessary to request any information from other auditors in 2025/26
- follow the agreed frameworks in each protocol when requesting or providing information.

4: Central Government Sector

2025/26 FReM

32. [HM Treasury](#) has issued a revised version of the [2025/26 Government Financial Reporting Manual](#) (the FReM). The main changes are explained in the following paragraphs.

33. The 2025/26 FReM was originally issued in December 2024 and the main changes from the 2024/25 FReM were explained in paragraphs 41 to 47 of [Technical Bulletin 2025/1](#). The main changes in this edition are explained in the following table:

Area	Guidance
Fair pay disclosure Paragraphs 6.5.21 to 6.5.27	Clarification that non-executive directors (NEDs) are outside the scope of fair pay disclosures because they are not considered employees. Where fair pay disclosures included NEDs in 2024/25, restatement is not required but a footnote should be added to confirm that they were previously included. Comparative information for each fair pay ratio must be disclosed for the prior year.
Machinery of government changes Section 8.2	Provides an adaptation to IAS 1 removing the requirement to present a third Statement of Financial Position (SoFP) when merger accounting is applied, unless a restatement is required for an accounting policy change or correction of prior period errors
Property, plant and equipment Paragraph 10.1.15	Clarification that, when valuing a modern equivalent asset using the depreciated replacement cost method, the land area applied may differ from that of the actual asset.

Disclosure guide for 2025/26 financial statements

34. [The National Audit Office](#) has published a [disclosure guide](#) on the 2025/26 financial Statements for bodies covered by the FReM.

35. 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.

36. 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.

FReM application guidance

37. Treasury has issued updated application guidance on [fair pay disclosures](#), and [accounting for business combinations within the public sector](#), both of which were originally issued in 2012.

38. The updated guidance reflects changes since 2012 including the changes made to the 2025/26 FReM, explained in more detail in the table at paragraph 33.

Amendments to SPFM

39. The Scottish Government has issued [Finance Guidance Note 2026/1](#) updating the [certificates of assurance: internal control checklist](#) section of the Scottish Public Finance Manual (SPFM).

40. The main changes are summarised in the following table:

Area	Amendment
Finance management	Guidance notes have been updated to include consideration of Accountable Officer assessments.
Human resources	New questions have been added covering topics including: • workforce support, performance and conduct • management of outside interests, gifts and hospitality.
Information	A new question has been added regarding mobile messaging policy and guidance.
Sponsored bodies	Questions have been added covering: • Terms included in a framework document • Updating of framework documents • Reviewing and challenging financial information

2025/26 Remuneration Report disclosure timescales

41. [The Cabinet Office](#) has issued [Employers Pension Notice \(EPN\) 746](#) on the preparation of disclosures for the Remuneration and Staff Report for 2025/26.

42. To allow pension information to be provided earlier than in previous years, bodies were required to submit Annex 13A by 31 January 2026.

43. Pension information will be provided in two stages:

- Stage one: by 31 May 2026

- Stage two: by 26 June 2026, for late Annex 13A submissions or where data changes are required.

2026/27 FReM

44. Treasury has also issued the [2026/27 FReM](#). There are no significant changes in 2026/27. Minor changes relevant to Scottish bodies are summarised in the following table:

Area	Change
Depreciated replacement cost (DRC) valuations	Bodies are permitted to disclose the difference between the land area of a modern equivalent asset (MEA) and the actual land area of the property. A new adaptation has been added in section 8.2, explaining that from 2028/29, the requirement to consider alternative sites as part of DRC property valuations will be removed.
Machinery of government changes – transfers by absorption	Paragraph 9.1.14 has been amended to require any gain or loss arising from the transfer of a function by absorption to be recognised in the general fund. Previously, such transfers were recognised within net expenditure.

5: Health Sector

2025/26 accounts manual

45. The Scottish Government has issued the 2025/26 Manual for the Annual Report and Accounts of NHS Boards* (accounts manual). The accounts manual complements the guidance contained in the 2025/26 FReM but contains some additional or specific requirements.

46. The main changes are set out in the following paragraphs.

47. The Financial Disclosures on pages 11 and 12 have been updated for 2025/26 to reflect that brokerage has been replaced with Deficit Support Funding.

48. Page 13 has been updated for *Statutory Guidance for Public Bodies: putting the climate change duties into practice*. The guidance requires bodies to comply with the relevant sections of the FReM and the Task Force on Climate-related Financial Disclosures (TCFD).

Remuneration report

49. The following table explains the main changes to the remuneration and staff report requirements for 2025/26:

Area	Change
Director remuneration	Page 28 clarifies that salary and allowances should include pensionable and non-pensionable amounts
Facility Time data	Disclosure of Facility Time data is no longer required (see paragraph 21).
Fair pay disclosures	Page 39 clarifies that: - the mid-point of the highest paid director's remuneration banding should be used for the disclosure - where performance pay and bonuses have been paid, disclosure is required - non-executive directors should be excluded from the fair pay disclosure calculations as they are not considered employees.
Remuneration bands	The minimum band in the ranges for remuneration disclosure has been increased from £70k to £90k.

50. The following table explains the other changes, to the accounts manual for 2025/26, these are largely to reflect changes to the 2025/26 FReM (see paragraphs 41 to 47 of [Technical Bulletin 2025/1](#)):

Area	Change
Non-current assets	Page 102 explains that revaluations should now be undertaken using either: • A quinquennial revaluation supplemented by annual indexation; • A rolling programme of valuations over a 5-year cycle, with annual indexation applied to the assets during intervening years; • For non-property assets only, appropriate indices. In rare circumstances where an index is not available, boards should revalue the given asset using a quinquennial revaluation supplemented by a desktop revaluation in year 3. Page 84 confirms that if there is a change in the asset valuation programme in 2025/26, this should be disclosed. References to: • the service potential of operational assets have been replaced with operational capacity. • specialised and non-specialised assets have been removed. Page 73 confirms that intangible assets that are held for their operational capacity should be measured using the cost model.
Financial instruments	Page 144 clarifies the classification of trade and other receivables and cash and cash equivalents as 'Financial assets at amortised costs' rather than 'Financial Assets at fair value through Other comprehensive income (OCI)'. The 'Amounts payable to General Fund' and 'Holiday pay accrual' have been excluded from Financial Liabilities.

2025/26 CAM

51. The Scottish Government has also issued the NHS Scotland Capital Accounting Manual 2025/26* (CAM) to interpret the accounting guidance contained in the 2025/26 FReM on capital accounting issues in the health sector.

52. The main changes to the CAM are to reflect amendments in the 2025/26 FReM (see paragraphs 41 to 47 of [Technical Bulletin 2025/1](#)). These changes are also reflected in the accounts manual as explained in the table above.

Consolidation Schedules

53. 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. The TGN is available

to auditors on [SharePoint](#)* and is also freely available from the Audit Scotland [website](#).

54. 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

Technical Bulletin 2026/1

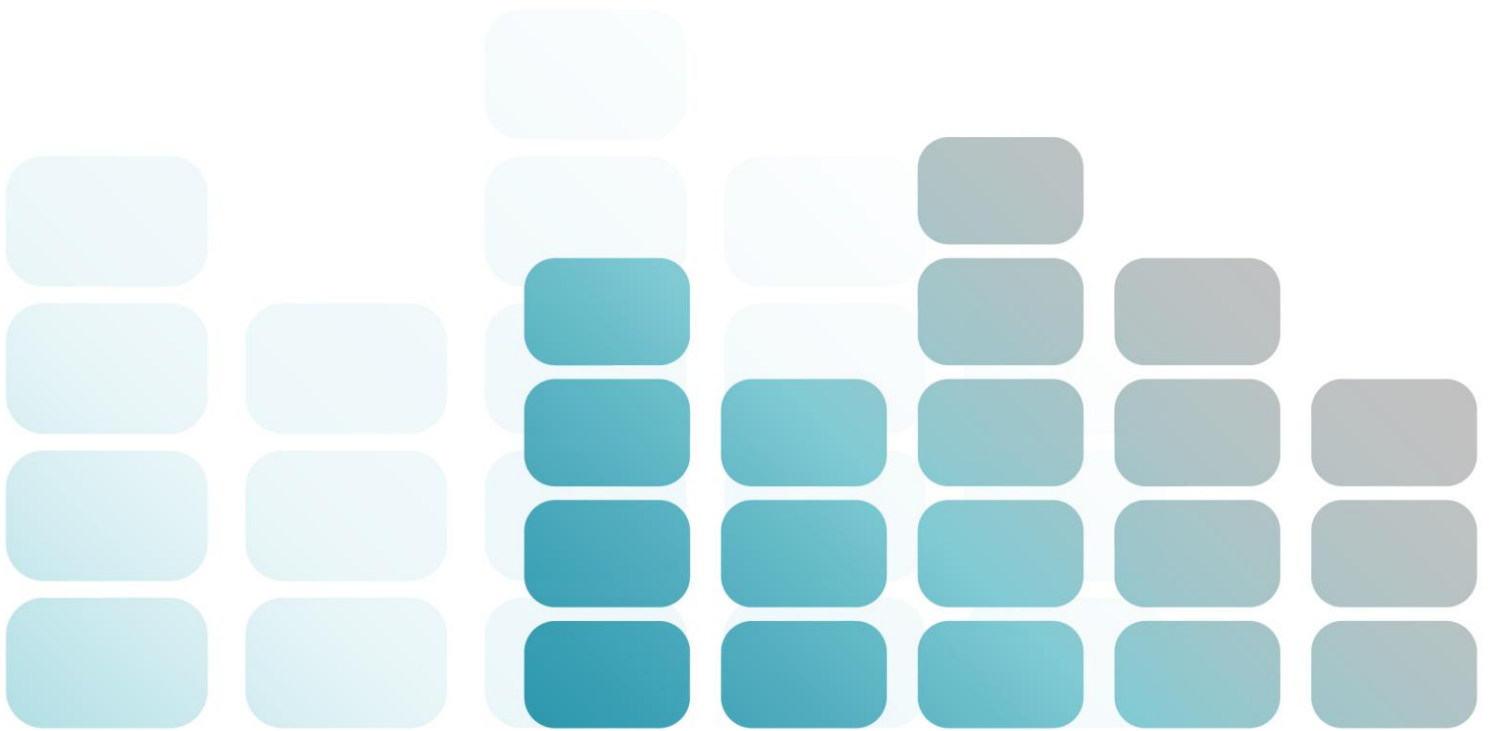
Technical developments and emerging risks from January to March 2026



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New College Lanarkshire

Annual Audit Plan 2025/26



Prepared for New College Lanarkshire
May 2026

Contents

Introduction	3
Audit scope and responsibilities	4
Audit of the annual report and accounts	6
Wider scope and Best Value	11
Reporting arrangements, timetable and audit fee	13
Other matters	16

Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2025/26 audit of New College Lanarkshire's annual report and accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. Louisa Yule, of Audit Scotland, has been appointed by the Auditor General for Scotland as external auditor of New College Lanarkshire, hereafter referred to as 'the college', for the period from 2022/23 until 2026/27. The 2025/26 financial year is therefore the fourth of the five-year audit appointment.

3. Louisa Yule and the audit team are independent of the college in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the college to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on the regularity of income and expenditure.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and the Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Conclusions on the college's arrangements in relation to the wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership, and Governance, and Use of Resources to Improve Outcomes.
- Reporting on the college's arrangements for securing Best Value.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual report and accounts and the wider scope areas specified in the Code of Audit Practice.

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of the college and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on the college's arrangements in place for the wider scope areas.

The college's responsibilities

8. The college has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements that give a true and fair view and other information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual report and accounts

Introduction

9. The audit of the annual report and accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

11. Broadly, the concept of materiality is to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

12. The materiality levels determined for the audit of the college and its group are outlined in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for the college and its group

Materiality	College	Group
Materiality – based on an assessment of the needs of users of the financial statements and the nature of the college's operations, the benchmark used to determine materiality is gross expenditure based on the audited 2024/25 financial statements. Materiality has been set at 2% of the benchmark.	£1.161 million	£1.250 million
Performance materiality – this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that	£0.638 million	£0.687 million

Materiality	College	Group
further audit procedures are required. Using professional judgement, performance materiality has been set at 55% of planning materiality.		
Reporting threshold – all misstatements greater than the reporting threshold will be reported.	£0.058 million	£0.062 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

13. The risk assessment process draws on the audit team's cumulative knowledge of the college, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

14. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks are outlined in Exhibit 2.

15. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and Exhibit 2 may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to the college and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journal entries, focusing on those that are assessed as higher risk, such as those affecting

Risk of material misstatement	Planned audit response
	revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • Substantive testing of income and expenditure around the year-end to confirm they are accounted for in the correct financial year. • Focused testing of accounting accruals and prepayments.
Valuation of land and buildings The college's land and buildings assets at 31 July 2025 were valued at £131.569 million. There is a significant degree of subjectivity in the valuation of these assets. Valuations are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations. Asset values can change materially year on year. The college must ensure that the value of its land and building assets is not materially misstated. All land and buildings assets are valued every five years with the last full valuation completed on 31 July 2023. The Government Financial Reporting Manual (FReM) requires annual indexation in the intervening years between revaluations. Where a valuation is not carried out, there is a risk that there is a material difference between the carrying value and fair value of land and buildings.	The audit team will: • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2025/26 valuation process, and challenge these where required. • Review the indices applied by management to assets not subject to valuation in 2025/26 and assess if these are reasonable and have been correctly applied.

Key audit matters

16. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

17. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

18. The matters determined to be key audit matters will be communicated in the Annual Audit Report. Exhibit 2 outlines the significant risks of material misstatement to the financial statements that have been identified, including those that have greatest impact on the planned audit procedures and require most attention when performing the audit.

Group audit

19. The college is part of a group and prepares group financial statements. The group is made up of two components, including the college which is the parent of the group. Risk assessment procedures have been performed on the group audit to identify if there are any risks of material misstatement to the group financial statements, or any components where audit procedures are required for the purposes of the group audit. The outcome of the risk assessment procedures on the group audit is outlined in [Exhibit 3](#).

Exhibit 3

Outcome of risk assessment procedures on the group audit

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
New College Lanarkshire	Consolidated on a line-by-line basis.	Yes – Exhibit 2.	Yes – full scope audit.	Audit Scotland.

Group component	Accounting treatment	Risk of material misstatement	Audit procedures required	Auditor
Amcol Limited	Consolidated on a line-by-line basis.	No – see paragraph 20.	Yes – audit procedures on material classes of transactions, balances and disclosures.	McDaid & Partners.

Source: Audit Scotland

20. Where audit procedures are required on a component's financial statements, and the component auditor is different to the college's appointed auditor, group audit instructions will be issued to the component auditor outlining expectations and requirements in performing these audit procedures.

21. A risk assessment questionnaire has been issued to the component auditor, McDaid & Partners. Further discussions will take place with the component auditor to outline our expectations and requirements in respect of the audit procedures to be performed for the purposes of the group audit.

Wider scope and Best Value

Introduction

22. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual report and accounts to include consideration of additional aspects or risks in four wider scope areas, which are summarised below:

- **Financial Management** – this means having sound budgetary processes. Factors that can impact on the college being able to secure sound financial management include the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption.
- **Financial Sustainability** – this means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the college's medium to longer-term planning for service delivery.
- **Vision, Leadership and Governance** – this means having a clear vision and strategy, with set priorities within the vision and strategy. This is assessed by considering the clarity of plans in place to deliver the vision and strategy and the effectiveness of the governance arrangements to support delivery.
- **Use of Resources to Improve Outcomes** – this means using resources to meet stated outcomes and improvement objectives through effective planning and working with partners and communities. This is assessed by considering the college's arrangements for ensuring resources are deployed to improve strategic outcomes, meet the needs of service users, and deliver continuous improvement.

23. A conclusion on the effectiveness and appropriateness of arrangements the college has in place for each of the wider scope areas will be reported in the Annual Audit Report.

Duty of Best Value

24. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have

been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

25. Consideration of the arrangements the college has in place to secure Best Value will be carried out alongside the wider scope audit, and a conclusion on the arrangements the college has in place will be reported in the Annual Audit Report.

26. Auditors may also carry out specific audit work covering the seven Best Value themes set out in the SPFM. The risk assessment process did not identify a need to carry out specific audit work on any of the themes. However, auditors are required to carry out a review of the ‘fairness and equality’ theme at least once during the audit appointment, and this was carried out as part of a prior year audit.

Significant wider scope and Best Value risks

27. The risk assessment process has identified one significant risk in the wider scope areas and Best Value as outlined in Exhibit 4, and this includes the planned audit procedures in response to the risks.

Exhibit 4

Significant wider scope and Best Value risks

Description of risk	Planned audit response
Financial sustainability The college continues to experience significant financial sustainability and cash flow challenges. The mid-year 2025/26 return forecasts a £0.375 million deficit for the college, with the group projecting an overall breakeven position. The college has previously required a £4.5 million funding advance from the Scottish Funding Council (SFC) which is yet to be repaid. Further short-term support was provided by the SFC in March 2026, and additional support will be required in July 2026 to enable the college to meet its financial commitments. The college is reliant on the continued support from the SFC. The college is working closely and transparently with the SFC to develop a Forward Plan.	The audit team will: • Review the college’s year-end outturn, and consider the income generated from new initiatives – the Undergraduate School, and The Learning Well. • Consider the college’s three-year financial forecast return (FFR) submitted to the Scottish Funding Council. • Evaluate plans to address any forecasted budget deficits in the FFR. • Assess whether the college has sufficient plans in place to deliver its objectives within the financial constraints it faces.

Reporting arrangements, timetable and audit fee

Audit outputs

28. The outputs from the 2025/26 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to the body, the Auditor General for Scotland, and the Scottish Parliament setting out opinions on the annual report and accounts.
- An Annual Audit Report to the college and the Auditor General for Scotland setting out significant matters identified from the audit of the annual report and accounts, conclusions from the wider scope and Best Value audit, recommendations, where required, and any good practice identified.

29. The matters to be reported in the outputs will be discussed with the college for factual accuracy before they are issued. All outputs from the audit will be published on [Audit Scotland's website](#), apart from the Independent Auditor's Report, which is included in the audited annual report and accounts.

30. Target dates for the audit outputs are set by the Auditor General for Scotland. In setting the target dates for the audit outputs, consideration is given to the target date for laying the annual report and accounts, which is 31 December 2026 for colleges.

31. The Independent Auditor's Report and Annual Audit Report are planned to be issued by the target date of 31 December 2026.

Audit timetable

32. Achieving the timetable for production of the annual report and accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 5](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required, and their potential impact, will be discussed with the college and reported to those charged with governance, where required.

Exhibit 5**2025/26 audit timetable**

Audit activity	College target date	Audit team target date	Relevant committee date
Issue of Annual Audit Plan		22 April 2026	11 May 2026
Annual report and accounts:			
• Consideration of unaudited annual report and accounts by those charged with governance	12 October 2026		
• Submission of unaudited annual report and accounts and all working papers to audit team	19 October 2026		
• Latest date for audit clearance meeting	18 November 2026	18 November 2026	
• Issue of draft Letter of Representation, proposed Independent Auditor's Report, and proposed Annual Audit Report		23 November 2026	30 November 2026
• Agreement of audited and unsigned annual report and accounts	30 November 2026		
• Approval by those charged with governance and signing of audited annual report and accounts	7 December 2026		7 December 2026
• Signing of Independent Auditor's Report and issue of Annual Audit Report		7 December 2026	

Source: Audit Scotland

Audit fee

33. The college's audit fee is determined in line with Audit Scotland's fee setting arrangements. The agreed audit fee for the 2025/26 audit is £80,230.

34. In setting the audit fee, it is assumed that the college has effective governance arrangements in place and the complete annual report and

accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Internal audit

35. The college is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

36. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2025/26 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

37. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

38. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2025/26 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

39. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

40. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

41. Audit Scotland may periodically seek the views of the college on the quality of audit services provided. The audit team would also welcome feedback at any time.

New College Lanarkshire

Annual Audit Plan 2025/26



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