

# South Lanarkshire College

2024/25 Annual Audit Report



Prepared for South Lanarkshire College and the Auditor General for Scotland  
December 2025

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# Key messages

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## Audit of the annual report and accounts

- 1 All audit opinions stated that the Annual Report and Financial Statements were free from material misstatement.
- 2 All audit adjustments required to correct the financial statements were processed by South Lanarkshire College.
- 3 The College has made very limited progress in implementing the agreed prior year audit recommendations.

## Wider scope and Best Value audit

- 4 The College operated outside of its fiscal resource, reporting an adjusted operating deficit of £1.454 million.
- 5 Progress has been made on resolving historical failures in financial controls around the processing of payroll and pension payments.
- 6 Control weaknesses and improvements to internal control arrangements over payroll and journal processes were identified.
- 7 The 2025/26 budget forecasts an adjusted operating deficit of £0.213 million, with increasing deficits projected to 2027/28.
- 8 The College has a clear vision supported by strong leadership and robust governance arrangements.
- 9 Governance arrangements remain appropriate but changed after the year-end to reflect the change in regional status.
- 10 The audit work reviewing how the College's use of resources is focused on improving outcomes found that arrangements are effective and appropriate.
- 11 The College has arrangements in place to promote and secure Best Value.

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# Introduction

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## Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of South Lanarkshire College Annual Report and Financial Statements and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to South Lanarkshire College, hereafter referred to as 'the College' and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

## Scope of the audit

3. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (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, including the regularity of income and expenditure.
  - An opinion on statutory other information published with the financial statements in the Annual Report and Financial Statements, namely the Performance Report and 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 this Annual Audit Report.

## Appointed auditor and independence

4. Andrew Kerr, of Audit Scotland, was appointed as external auditor of the College for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Andrew Kerr and the audit team are independent of the College in accordance with relevant ethical requirements, including the

Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the College, including no provision of non-audit services.

5. Following Andrew's departure from Audit Scotland in July 2025, the Auditor General appointed Kerry Tonner (Audit Scotland – Senior Audit Manager) as the appointed external auditor of the College, and she has assumed responsibility for the 2024/25 audit.

## Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the College and the auditor, with a summary 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 Financial Statements and concluding on the College's arrangements in place for the wider scope areas and Best Value.

8. The Annual Audit Report includes an agreed action plan at [Appendix 1](#). The matters reported are those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the College from its responsibilities outlined below.

### The College's responsibilities

9. 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 Financial Statements, comprising financial statements for the College that gives a true and fair view and other specified 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.

## National and performance audit reporting

**10.** The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the College and the Audit and Risk Committee. Details of national and performance audit reports published over the last year which may be relevant to the College can be seen in [Appendix 3](#).

## Acknowledgements

**11.** We would like to thank the College and its staff, particularly those involved in preparation of the Annual Report and Financial Statements, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

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# Audit of the Annual Report and Financial Statements

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## Main judgements

All audit opinions stated that the Annual Report and Financial Statements were free from material misstatement.

All audit adjustments required to correct the financial statements were processed by South Lanarkshire College.

The College has made very limited progress in implementing the agreed prior year audit recommendations

## Audit opinions on the annual report and financial statements are unmodified

**12.** The College's Annual Report and Financial Statements were approved by the Board of Management on and signed by the appointed auditor on 9 December 2025. The Independent Auditor's Report is included in the College's Annual Report and Financial Statements, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



## The Annual Report and Financial Statements are in line to be certified in line with the agreed timetable despite resourcing pressures within the college's Finance function

**13.** Our audit plan agreed the date for the submission of the unaudited Annual Report and Financial Statements and all working papers to the audit team as 6 October 2025. A financial statements workbook and selected working papers were received on 8 October 2025. The unaudited Annual Report and Financial Statements and further working papers were received on 14 October 2025. Despite the initial delay in receiving the Annual Report and Financial Statements, the agreed timetable was able to be resumed.

**14.** This delay was due to limitations within the Finance team to support the preparation of the Annual Report and Financial Statements. The Vice Principal – Finance, Resources & Sustainability (VP) has acted as the

main point of contact during the audit with support from the new Head of Finance, who took up post in March 2025.

**15.** We noted in our prior year annual audit report that the scale of involvement of the VP in operational activities is unusual given the VP's seniority and strategic position within the organisation. Now that the Head of Finance role has been filled, we would expect to see less operational involvement and more strategic oversight from the VP in the coming year.

### The audit fee is unchanged from the level reported at planning

**16.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £26,080. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

### Materiality was reviewed on receipt of the unaudited Annual Report and Financial Statements

**17.** Materiality is applied by auditors in planning and performing an audit. The concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the Annual Report and 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.

**18.** Materiality levels for the audit of the College were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited Annual Report and Financial Statements. Materiality levels were updated and these can be seen in [Exhibit 1](#).

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#### Exhibit 1 2024/25 Materiality levels for the College

Materiality	Amount
<b>Materiality</b> – set at 2% of gross expenditure	£0.438 million
<b>Performance materiality</b> – set at 60% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£0.263 million
<b>Reporting threshold</b> – set at 5% of materiality.	£0.022 million

Source: Audit Scotland

## The audit has identified significant findings and key audit matters

**19.** ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the College is the Audit and Risk Committee.

**20.** The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and include:

- 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.

**21.** The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

## Exhibit 2 Significant findings and key audit matters

Significant findings and key audit matters	Outcomes
<p><b>Accounting for fixed assets</b></p> <p>Our review of the accounting treatment of fixed assets identified the following issues:</p> <ul style="list-style-type: none"> <li>• <b>Indexation of buildings:</b> Indexation was incorrectly applied to the value of assets as at 31<sup>st</sup> July 2024 instead of to the net book value as at 31<sup>st</sup> July 2025, resulting in Buildings and the Eco-House being overstated by £1.240 million.</li> <li>• <b>Building depreciation:</b> Building depreciation was calculated on a weighted average of multiple component useful lives rather than the useful life assessed by the value for each component.</li> </ul>	<p><b>Indexation of buildings:</b> Indexation was recalculated and correctly adjusted in the 2024/25 annual report and accounts.</p> <p><b>Building depreciation:</b> Depreciation was adjusted resulting in an increase of £0.136 million to depreciation of buildings in year.</p> <p><b>Revaluation Reserve:</b> The revaluation reserve should be split by individual asset to ensure accurate accounting records and compliance with applicable standards.</p> <p><a href="#">(Recommendation 1, Appendix 1 action plan)</a>.</p> <p><b>Fully depreciated assets:</b></p> <p>The two assets identified were removed from the asset register reducing the value of fully depreciated assets to £2.613 million.</p>

- **Revaluation reserve:** The revaluation reserve is accounted for by category, not individual asset as required by International Accounting Standards 16 - Property, Plant and Equipment (IAS 16).
  - **Fully depreciated assets:** Our review of the asset register identified assets with an original cost and accumulated depreciation of £3.803 million. From testing done on a sample of fully depreciated assets it was identified that two assets with an original cost of £1.190 million should no longer be held on the asset register.
- Where assets are no longer in use they should be formally scrapped or sold. Significant assets continuing in use should be revalued and depreciated over their remaining useful economic life. The college should undertake a review of these assets ([Recommendation PY 5, Appendix 1 action plan](#)).

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Source: Audit Scotland

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**22.** In line with the Accounts Direction, the College includes a provision on its Statement of Financial Position concerning the job evaluation exercise which has been ongoing since 2018 as part of national bargaining discussions. During the 2024/25 financial year, an additional £0.177 million was provided for, increasing the total provision to £1.222 million at year-end.

**23.** Recent discussions with College Employers Scotland confirmed that while progress with the exercise has accelerated in recent months, a significant amount of work remains outstanding. No detailed information on potential financial implications is currently available and the exercise has not progressed to a stage that impacts the 2024/25 annual report and accounts. Formal agreement and funding for the next phase of the exercise are still pending. It is anticipated that colleges will be asked to review their identified posts against job descriptions provided by College Employers Scotland. Once this stage is complete, individual colleges may be able to reassess their provisions; however, this is not expected to occur within the next twelve months.

**25.** Updates on the progress of the exercise are available via the [National Joint Negotiating Committee website](#). Audit Scotland will continue to engage with College Employers Scotland to monitor developments.

### Qualitative aspects of accounting practices

**26.** ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the College's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

## Accounting policies

**27.** The appropriateness of accounting policies adopted by the College was assessed as part of the audit. It was recommended that the depreciation rates disclosed within the accounting policies should be updated to reflect the useful lives applied by the College. The accounting policies were otherwise considered to be appropriate to the circumstances of the College, and there were no significant departures from the accounting policies set out in the Accounts Direction for Scotland's Colleges 2024/25, the 2019 Statement of Recommended Practice: Accounting for Further and Higher education (SORP) and the Government Financial Reporting Manual (FRoM).

## Accounting estimates

**28.** Accounting estimates are used in the College's financial statements, including the valuation of land and buildings assets and the valuation of the pension asset. Audit work considered the process the College has in place, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

**29.** Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 4](#).

## Disclosures in the financial statements

**30.** The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

## We have other matters to report relating to weaknesses in internal control arrangements

**31.** Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. The matters identified or encountered on the audit of the College are outlined in [Exhibit 3](#).

## Exhibit 3

### Other matters to report

Auditing standard requirement	Matter to report	Outcome
<p><b>Internal control weaknesses</b></p> <p>ISA (UK) 265 requires auditors to report any significant deficiencies in internal control identified during the audit.</p>	<p><b>Payroll controls</b></p> <p><b>User access</b></p> <p>At April 2025, our review of user access controls identified that:</p> <ul style="list-style-type: none"> <li>• HR &amp; Payroll Administrator level access had been granted to most members of the People Services team.</li> <li>• HR Administrator level access had been granted to the Head of Digital.</li> <li>• System Administrator level access had been granted to most members of the People Services team and several members of the Digital team.</li> </ul> <p>System access should be tailored to job roles to ensure that there is a segregation of duties in place and staff only have access to information and functions required to fulfil their responsibilities.</p> <p><b>Changes to standing data</b></p> <p>Our review of controls over standing data identified that there are no formal documented checks retained following upgrades to system standing data. There is a risk that changes are not appropriately tested prior to being made live resulting in errors in payroll calculations.</p> <p><b>Reconciliations to general ledger</b></p>	<p>The College should assess the effectiveness of controls within the new payroll system to ensure they are robust enough to prevent or detect errors and irregularities.</p> <p><b>Recommendation 2</b></p> <p>(Refer to <a href="#">Appendix 1</a> - Action Plan)</p>

Auditing standard requirement	Matter to report	Outcome
	<p>Reconciliations between payroll outputs and the general ledger are currently carried out on an annual basis. To ensure that any issues or discrepancies are identified in a timely manner, the college should consider reconciling on a monthly basis.</p> <p><b>Exception Reporting</b></p> <p>Due to the functional limitations of the legacy payroll system, the college has not historically had exception reporting controls in place. The new payroll system offers a variety of reports for this function. The college should consider implementing exception reporting to detect errors in and unexpected changes to payroll outputs.</p>	
<p><b>Internal control weaknesses</b></p> <p>ISA (UK) 265 requires auditors to report any significant deficiencies in internal control identified during the audit.</p>	<p><b>General Ledger</b></p> <p><b>Journal Authorisation</b></p> <p>There is no segregation of duties between the originator and poster / approver of the journal.</p> <p>A monthly journal review process has been developed, however reviews have not been carried out on a timely basis in 2024/25 and the review does not include agreeing the journal to supporting evidence.</p>	<p>The review of journals should be undertaken in a timely manner and should include agreement to supporting evidence to support the purpose and appropriateness of each journal entry.</p> <p><b>Recommendation 3</b></p> <p>(Refer to <a href="#">Appendix 1</a> - Action Plan)</p>

Source: Audit Scotland

## There were misstatements identified during the audit process

**32.** Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. We identified total adjustments of £1.559 million. Details of all audit adjustments greater than the reporting threshold of £0.022 million are outlined in [Appendix 2](#).

**33.** Management of the College processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatement to report.

## Our audit work responded to the significant risks of material misstatement identified in the Annual Audit Plan

**34.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

### Exhibit 4

#### Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<b>Significant risks of material misstatement</b>		
<p><b>Fraud caused by management override of controls</b></p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> <li>Evaluate the design and implementation of controls over journal entry processing.</li> <li>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries.</li> <li>Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end.</li> </ul>	<p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>Control weaknesses over the design and implementation of controls over journal authorisation – See <a href="#">Exhibit 3</a>.</li> <li>No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting.</li> <li>No significant issues were identified from testing of journal entries.</li> <li>We reviewed transactions during the year - no issues were highlighted of</li> </ul>

Risk of material misstatement	Planned audit response	Outcome of audit work
	<ul style="list-style-type: none"> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> <li>• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.</li> </ul>	<p>transactions outside the normal course of business.</p> <ul style="list-style-type: none"> <li>• Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</li> <li>• Testing of accruals and prepayments did not identify any issues.</li> </ul> <p><b>Conclusion:</b> no evidence of fraud caused by management override of controls.</p>

Source: Audit Scotland

## Prior year recommendations have not been progressed

**35.** The College has made very limited progress in implementing the agreed prior year audit recommendations. Further action is required to ensure these recommendations are fully implemented and the associated risks mitigated.

**36.** For actions not yet implemented, revised responses and timescales have been agreed with the College and are outlined in [Appendix 1](#).

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# Wider scope and Best Value audit

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## Audit approach to wider scope and Best Value

### Wider scope

37. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

38. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of the arrangements the College has in place for each is reported in this chapter.

39. Where a significant risk was identified for a wider scope audit area, and detailed in our Annual Audit Plan, our audit work and conclusions are detailed within the relevant section below.

### Duty of Best Value

40. 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.

41. Consideration of the arrangements the College has in place to secure Best Value has been carried out alongside the wider scope audit.

## Financial Management

### Conclusion

The College operated outside of its fiscal resource, reporting an adjusted operating deficit of £1.454 million.

Progress has been made on resolving historical failures in financial controls around the processing of payroll and pension payments.

Control weaknesses and improvements to internal control arrangements over payroll and journal processes were identified.

### **The College reported a deficit of £1.454 million in its adjusted operating position due to the challenges of the current financial environment**

**42.** The College reported an operating deficit of £2.977 million for the year to 31 July 2025 (£1.677 million in 2023/24 and £1.023 million in 2022/23) in its Statement of Comprehensive Income, which is higher than the projected operating deficit of £1.308m set in the 2024/25 budget.

**43.** This more adverse outcome is attributable to an under-accrual of the pay awards settled in year, higher than anticipated voluntary severance costs, and an increase to expenditure required to remedy a historic underpayment of VAT on utility bills.

**44.** 2024/25 has been a transitional year for the College, centred on organisational restructuring to enable future growth and financial sustainability.

**45.** The 2024/25 Accounts Direction from the SFC requires the disclosure of an adjusted operating position. This is intended to reflect the underlying operating performance after allowing for material one-off or non-cash items (e.g. depreciation, pension adjustments, exceptional income or expenditure).

**46.** The College's adjusted operating position in 2024/25 was a deficit of £1.454 million, see [Exhibit 5](#). The adjusted deficit represents 7.8% of total income.

**47.** The position reported in 2024/25 is reflective of the challenging financial environment in which the College is operating. While core teaching and learning grant funding from the SFC was maintained at 2023/24 levels, the College experienced reductions in other funding sources. This combined with the effects of inflation have exacerbated existing financial challenges and further emphasised the need for colleges to adapt and identify ways to reduce costs while increasing and diversifying income.

## Exhibit 5

### Adjusted operating position in 2024/25

Adjusted operating position	2024/25 (£m)	2023/24 (£m)	Movement (£m)
Surplus / (Deficit) before other gains and losses	(2.977)	(1.677)	(1.300)
Depreciation (net of deferred capital grant release)	0.972	0.850	0.122
Impairment losses	-	0.152	(0.152)
Non-cash pension adjustments	0.357	0.053	0.304
Payments to early retirement provision	0.018	(0.045)	0.063
Job evaluation costs	0.176	1.045	(0.869)
<b>Adjusted Operating Surplus/Deficit</b>	<b>(1.454)</b>	<b>0.378</b>	<b>(1.832)</b>

Source: South Lanarkshire College Annual Report and Financial Statements 2024/25

### 37 employees left the College in 2024/25 through the voluntary severance scheme

**48.** During 2024/25, the College ran a voluntary severance scheme in conjunction with a restructuring of both its teaching and support staffing structures in order to provide future savings on staff costs. The restructuring also aims to support a new approach to income diversification through the Business Innovation Team (formerly the Alternative Funding Team). The scheme resulted in 37 employees leaving during 2024/2 at a total cost of £1.168 million. This is projected to achieve annual savings of £1.000 million.

**49.** While the College is certain that the voluntary severance scheme and restructuring will support financial stability in the short to medium term, it is anticipated that savings could be eroded should costs continue to increase without a corresponding increase to funding and other income sources.

**Progress has been made on resolving the historical operational failure that resulted in part-time college employees overpaying pension contributions, however progress has been slower than planned.**

**50.** As reported in our 2023/24 annual audit report, in 2015 the College failed to action required changes to the way employee pensions contribution rates are calculated for part-time employees. This resulted in

over-deduction of pension contributions for many part-time employees over several years.

**51.** This systemic error was confirmed by internal audit in February 2024 following a review of a sample of employee pension contributions. A project plan was subsequently created by Henderson Loggie, acting as external consultants, to review the contributions of all part-time employees from 2015 to 2023, when the correct rates were applied. Employees were organised into tranches for review and recalculation with a planned project completion date of February 2025.

**52.** We have monitored progress of the project over the course of our 2024/25 audit and confirmed that to date:

- The review of all part-time lecturing staff has been completed. A total of £0.218 million reimbursements owed to former and current employees were identified as a result. To date, repayments of £0.193 million have been made, leaving £0.025 million still to be reimbursed to former employees.
- To ensure appropriate PAYE deductions are made on repayments, former employees are required to be added to the College's new payroll system temporarily. Timely payment to former employees is therefore dependent on their engagement with the College.
- The review of part-time support staff has been concluded by Henderson Loggie with the outcome currently being reviewed by the College.
- Instances of under deduction of employee pension contributions have been identified throughout the course of the project. The total value of these is £0.022m. The College is currently liaising with EIS-FELA and the SFC, and is proposing to settle these costs on behalf of the affected employees.

**53.** The College outlined the issue and progress against the agreed plan in its 2024/25 Governance Statement. Based on our attendance at Audit and Risk Committee meetings throughout the year, updates on the project plan were presented to members and subjected to review and scrutiny. We will continue to monitor progress of the project.

### **Further historic failures were reported by Internal Audit in year.**

**54.** In 2023, Internal Audit (Henderson Loggie) were asked to conduct a review of known areas of concern around the management of payroll and pensions. This was reported to the Audit and Risk Committee in February 2025.

**55.** The report focussed on 4 key areas:

- Processing of Leavers

- Pension payments to former employees
- Long Term Absences Final Calculation
- Salary Advances

**56.** The review found historic weaknesses in payroll and pensions processes, including delayed and inaccurate leaver data submissions, inadequate verification of pensioner payments, and improper use of salary advances to offset overpayments.

**57.** While historic deficiencies were significant, the College has since improved oversight, introduced additional staff resources, and implemented the iTrent HR/payroll system to automate processes and strengthen internal controls. Recommendations focused on enhancing monitoring, segregation of duties, collaboration with pension agencies, and conducting a review of historical irregularities.

**58.** A summary of the report has been included in the Governance Statement in the annual report and accounts.

**59.** Our review of the design and implementation of controls over the new payroll system highlighted several weaknesses, see [Exhibit 3](#).

**60.** From our substantive testing of payroll costs, which included recalculating a sample of employees pay and pension contributions, we did not identify any issues.

### **Internal control weaknesses were identified**

**61.** In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

**62.** From our review of the design and implementation of systems of internal control, including those relating to IT, relevant to our audit approach, we identified several weaknesses in relation to payroll and general ledger controls, see [Exhibit 3](#).

**63.** The College's internal audit function is carried out by Henderson Loggie. The internal audit function, in any organisation, is an important element of internal controls, providing members and management with independent assurance on risk management, internal control, and corporate governance processes as well as providing a deterrent effect to potential fraud.

**64.** We considered internal audit's annual report as part of our review of the Governance Statement included in the 2024/25 Annual Report and Financial Statements. It is Henderson Loggie's opinion that the College

had adequate and effective arrangements for risk management, control and governance in place during 2024/25.

**65.** The College has a range of established procedures in place which are effective and appropriate for ensuring the prevention and detection of fraud and standards of conduct, including whistleblowing, fraud, and gifts and hospitality policies as well as staff and Board of Management member codes of conduct.

### **National Fraud Initiative**

**66.** The College also continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The College has engaged positively with the process and reviewed all very high-risk matches.

## **Financial Sustainability**

### **Conclusion**

The 2025/26 budget forecasts a deficit, with increasing deficits projected to 2027/28.

The college should enhance its financial planning beyond statutory Financial Forecasting Returns by setting out financial projections that clearly link to its Strategy 2030 and reflect priorities for growth and innovation and address cost pressures.

### **The SFC Report on *Financial Sustainability of Colleges in Scotland 2022/23 to 2027/28* outlines the financial implication on the college sector in Scotland**

**67.** The SFC Report on [Financial Sustainability of Colleges in Scotland 2022/23 to 2027/28](#) was issued in September 2025. The report highlighted that many colleges are at risk of becoming unsustainable, with 9 colleges reporting an adjusted operating deficit in 2023/24 compared to 21 colleges in 2022/23. A total of 17 colleges (68%) expect to report adjusted operating deficits in 2024/25, increasing to 22 colleges (92%) in 2025/26 before reducing to 21 colleges (88%) in 2026/27 and 20 colleges (83%) in 2027/28.

**68.** Significant staff reductions of 667 FTEs are projected over the forecast period (6.6% of FTE staff employed in the sector). Staff reductions are expected to be achieved through a combination of vacancy management, voluntary severance schemes and compulsory redundancy. Colleges have highlighted this could compromise their ability to deliver a range of high quality and diverse education services during a period of fundamental restructuring.

**69.** The sector reported an aggregate cash balance of £130.5 million at the end of 2023/24 but cash reserves are forecast to deteriorate to £35.1 million by the end of 2025/26 and a negative position of £46.2 million by the end of 2027/28. There is an imminent risk of some colleges becoming insolvent by the end of 2025/26. While no college reported a cash deficit at the end of 2023/24, four colleges are forecasting a cash deficit by the end 2025/26, increasing to 12 colleges by the end of 2027/28.

### **A budget deficit has been set for 2025/26**

**70.** The College's 2025/26 budget was agreed by the Board in June 2025 as a deficit of £0.788 million and a projected year-end cash balance of £1.534 million.

**71.** SFC funding for 2025/26 reflects a 3% increase overall. However, this includes an element of sector-wide mitigation. To ease the impact on colleges experiencing significant funding reductions, those receiving an increase have incurred a deduction. This resulted in a reduction of £0.092 million to South Lanarkshire College's allocation.

**72.** Anticipated savings from the reductions in salary costs from the voluntary severance scheme of £1.100 million have been reduced by the impact of pay awards, National Insurance increases and rises in employer pension contribution rates.

**73.** Latest financial forecasts predict a £0.750 million deficit for 2025/26. The College will continue in their efforts to reduce this deficit throughout the year. Overall, the financial position remains challenging, and achieving a break-even outcome will require close monitoring and robust execution of savings plans.

### **The College's medium-term position looks increasingly challenging**

**74.** As per [Scotland's colleges 2025](#), funding to the sector has decreased by 20% in real-terms since 2021/22. Consequently, colleges face significant financial challenges. In line with previous years, the SFC required that colleges provide a financial forecasting return (FFR) for 2024/25 to 2027/28 by 30 June 2025.

**75.** The latest FFR submitted by the College highlights a challenging medium-term position, with deficits projected from 2025/26 through 2027/28, see [Exhibit 6](#).

## Exhibit 6

South Lanarkshire College FFR 2024/25 to 2027/28 projected adjusted operating and closing cash balance positions.

Description	2025/26 £'million	2026/27 £'million	2027/28 £'million
Operating Position – Surplus/(Deficit)	(0.213)	(0.353)	(0.828)
Cash Position	1.534	1.035	0.208

Source: South Lanarkshire College Financial Forecast Return

**76.** Financial projections indicate that while the voluntary severance scheme delivers savings, anticipated pay awards across 2025–2028 are expected to absorb these savings in full. Consequently, the positive impact of the scheme is likely to be limited to approximately three years unless further measures are implemented.

**77.** A college's cash balance conveys the level of working capital available to meet operating costs. A key measurement is the number of days cash held. Colleges should set a target number of days cash which reflects normal income and expenditure patterns.

**78.** At 31st July 2025, the College held a cash balance of £1.906 million. The underlying cash balance represented 35 cash days in hand, a reduction from 96 days held as at 31<sup>st</sup> July 2024.

**79.** The projected underlying cash positions for 2025/26 to 2027/28 are shown in [Exhibit 6](#). The College's cash balance will continue to be depleted in the absence of further income streams, despite savings from the voluntary severance scheme.

### Recommendation 4

South Lanarkshire College should strengthen its financial planning beyond the statutory Financial Forecast Returns by developing projections aligned with Strategy 2030. These should include scenario planning incorporating income diversification strategies to reduce reliance on core funding. Stronger forecasting and reporting will improve transparency, decision-making, and long-term sustainability

## Vision, Leadership and Governance

### Conclusion

The College has a clear vision supported by strong leadership and robust governance arrangements.

Governance arrangements remain appropriate but changed after the year-end to reflect the change in regional status.

### The College has a clear vision and strategy

**80.** In August 2025, South Lanarkshire College unveiled its new Strategy 2030 which clearly sets out the mission, vision and values of the College and a set of strategic goals.

**81.** The strategy prioritises growth and innovation, financial sustainability through income diversification, and strong partnerships.

**82.** Work is underway to develop a set of standardised performance metrics and a high-level dashboard to track and report progress against strategic priorities. The College's Income diversification approach is now monitored through the SLC pipeline of additional activity, reported at each Finance and Resources Committee meeting.

### A Board External Effectiveness review highlighted effective governance structures

**83.** In June 2025, the College Development Network were appointed to assess South Lanarkshire College's Board against the Code of Good Governance.

**84.** The external review confirmed that the Board is effective, well-led, and strongly committed to good governance. Members are engaged, understand their roles, and provide constructive challenge, supported by a skilled Chair and Governance Professional. The Board has successfully overseen major change, including becoming a Regional College and launching Strategy 2030, with clear plans for monitoring progress through performance metrics and a strategic dashboard.

**85.** The review also recognised the Board is in transition, going through a period of significant turnover. Over half the Board members joined since 2024. Recommendations included strengthening Board cohesion through team-building and enhanced induction, and improvements to the clarity and conciseness of Board and committee papers to support effective governance.

**86.** The Code requires the College's Audit and Risk Committee to support the Board of Management and the Principal by reviewing the

comprehensiveness, reliability and integrity of assurances including the college's governance, risk management and internal control framework

**87.** Based on our attendance at Audit and Risk Committee meetings throughout the year, members demonstrate an understanding of their responsibilities and there was scrutiny and challenge of management, internal and external audit.

### **Governance arrangements continued to operate effectively and changed after the yearend to reflect the change in regional status**

**88.** The College's governance arrangements have been set out in the Governance Statement in the annual report and accounts. We have reviewed these arrangements and concluded that they are appropriate and effective.

**89.** On 1 October 2014, New College Lanarkshire (NCL) was designated the regional strategic body (RSB) for Lanarkshire with South Lanarkshire College assigned to NCL. From that date, the NCL Board (the Lanarkshire Board) assumed all of the responsibilities of the RSB for the region.

**90.** On 30 July 2025 the Lanarkshire Board was dissolved with South Lanarkshire College transitioning from an RSB/ assigned college to a regional college on that date. Consequently, the Scottish Government appointed a regional chair in August 2025 for a period of 4 years.

**91.** The appointment of the Chair, and subsequently non-executive Board members, was delayed due to delays in completion of pre-employment checks undertaken by the Scottish Government between 31 July 2025 and 11 August 2025.

**92.** The College was notified that Douglas Morrison was confirmed as Regional Chair on 11 August 2025. Scottish Government confirmed approval of Non-Executive Board members on 12 August 2025. The College took all reasonable steps to update the Audit and Risk Committee, Internal Auditors and External Auditors throughout the period of delay and this has been disclosed in their Governance Statement.

**93.** The change in regional arrangements has been managed well by the College and there has been no significant impact from this transition.

## **Use of Resources to Improve Outcomes**

### **Conclusion**

The audit work reviewing how the College's use of resources is focused on improving outcomes found that these arrangements were effective and appropriate.

The College has arrangements in place to promote and secure Best Value.

### The College has maintained strong performance levels.

**94.** The College and Board track performance using key metrics based on a balanced scorecard approach. Performance against these metrics is reported annually in the Annual Report and Financial Statements and to the Board of Management each December.

**95.** Following the launch of Strategy 2030 in August 2025, work is underway to develop a set of standardised performance metrics and a high-level dashboard to track and report progress against strategic priorities.

**96.** In the college sector, the credit target is a fundamental measure of institutional performance. A credit represents a unit of learning, typically linked to student activity and course delivery. The SFC allocates funding to colleges based on the number of credits delivered, which reflects the volume of learning provided.

**97.** The College has a strong track record of meeting its credits targets and again exceeded the SFC core target (43,601 credits), reporting delivery of 43,729 in 2024/25.

**98.** Despite reduced funding, student satisfaction rates nationally have remained high at over 90% for both full-time and part-time. Student satisfaction levels at the College remained broadly consistent with prior years, with FE Full-Time at 88%, FE Part-Time at 92%, HE Full-Time at 80%, and HE Part-Time at 89%.

**99.** Another key performance metric for colleges is the educational attainment achieved by its students. In 2024/25, the College recorded improvements in most areas, with three out of four attainment measures showing positive progress ([Exhibit 7](#)).

## Exhibit 7

### Key performance indicators – trend analysis

KPI	2024/25	2023/24	2022/23	2021/22	2020/21
Full-time FE	70.8%	69.2%	72.8%	60.8%	62.3%
Full-time HE	72.2%	68.3%	68.3%	68.7%	77.9%
Part-time HE	80.0%	84.1%	82.0%	73.9%	78.4%
Part-time FE	85.0%	78.5%	74.0%	80.4%	85.7%

Source: South Lanarkshire College Annual Report and Financial Statements 2024/25

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## Conclusions on duty of Best Value

**100.** 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.

**101.** The audit work performed on the arrangements the College has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- The College's well-established and effective governance arrangements.
- A clearly defined Strategic Plan supported by developing performance monitoring arrangements.
- Comprehensive arrangements across the four wider-scope audit areas, enabling the College to demonstrate and secure Best Value.

# Appendix 1 – Action plan 2024/25

## 2024/25 Recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p><b>1. Revaluation reserve</b></p> <p>The revaluation reserve is accounted for by category, not individual asset as required by International Accounting Standards 16 - Property, Plant and Equipment (IAS 16).</p> <p><b>Risk</b> – Future revaluation movements following the valuation of an asset are not accounted for appropriately through the SoCI resulting in a material misstatement.</p>	<p>The revaluation reserve should be split by individual asset to ensure accurate accounting records and compliance with applicable standards.</p>	<p><b>Accepted.</b></p> <p>The College will work towards the implementation of a full reconciliation of the revaluation reserve for 2025/26 reporting and beyond.</p> <p>Vice Principal – Finance, Resources &amp; Sustainability</p> <p>30 September 2026.</p>
<p><b>2. Payroll control weaknesses</b></p> <p>Several weaknesses have been identified within the new payroll system – see <a href="#">Exhibit 3</a>.</p> <p><b>Risk</b> – Inadequate controls may increase the likelihood of errors or unauthorised changes, which could result in financial loss and inaccurate payments being made.</p>	<p>The College should review and strengthen the controls within the new payroll system to ensure they are designed and operating effectively to prevent or detect errors, omissions, or fraudulent activity. This review should include an assessment of user access rights, segregation of duties, and use of exception reports.</p>	<p><b>Accepted.</b></p> <p>The College considers its existing controls sufficiently mitigate the risk of any fraudulent activity occurring and has taken assurances from the improved control environment because of the new, more automated HR and payroll system and the suite of reports used to identify errors, exceptions and changes. The College also notes that the iTrent system cannot make actual payments, and that the payroll process, with its controls, would prevent such transactions. Nevertheless, the College commits to a further review of system access rights on completion of system development with</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		<p>support from the system provider to ensure appropriate segregation of duties. Specifically, the Head of Digital will be removed and further consideration will be given to all remaining access privileges for People Services postholders, although this needs to be considered in the context of a small team and part-time roles.</p> <p>The College already uses a suite of exception reports to validate weekly and monthly payroll and will continue to enhance the suite of reports as development of the system continues.</p> <p>Head of People Services 31 May 2026</p>
<p><b>3. General ledger control weaknesses</b></p> <p>There is no segregation of duties between the originator and poster / approver of the journal.</p> <p>A monthly journal review process has been developed, however reviews have not been carried out on a timely basis in 2024/25 and the review does not include agreeing the journal to supporting evidence.</p> <p><b>Risk</b> - Fraudulent or erroneous journals may go undetected.</p>	<p>Management should review the controls over journal processing to ensure adequate segregation of duties are in place and that all journals are properly reviewed and evidenced.</p>	<p><b>Accepted.</b></p> <p>The Finance Team continues to target the launch of a more robust month end process and as part of that process, it will ensure that appropriate approvals and reviews are in place in respect of journals processed each month. This will include a sample check of journals back to source documentation.</p> <p>Vice-Principal, Finance, Resources &amp; Sustainability 31 March 2026</p>
<p><b>4. Financial Sustainability</b></p> <p>The College's latest financial forecast projects increasing operating deficits from</p>	<p>South Lanarkshire College should enhance its financial planning beyond the statutory Financial Forecast Returns by setting out medium-term projections aligned with its</p>	<p><b>Accepted.</b></p> <p>The College is looking to enhance its monthly reporting capability through its existing finance system Bluqube and it will ensure that regular</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>2025/26 to 2027/28 and depleting cash balances.</p> <p><b>Risk</b> - Without a comprehensive financial plan, the College may be unable to effectively manage projected deficits and declining cash reserves, limiting the College's ability to respond to unforeseen financial pressures and impact operational sustainability.</p>	<p>Strategy 2030, incorporating scenario planning to assess potential risks and opportunities. Strengthening forecasting and reporting will enable informed decision-making, improve transparency, and support long-term sustainability.</p>	<p>forecasting reports can be extracted and analysed routinely as part of the month end process.</p> <p>Vice-Principal, Finance, Resources &amp; Sustainability</p> <p>31 March 2026</p>

## Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>PY1. 23/24 Management Letter - Reconciliations</b></p> <p><b>Between payroll and general ledger:</b> This is performed as a year-end exercise.</p> <p><b>Between student fees and general ledger:</b> The college introduced this control in April 2023. The fee information held on the student fees system is compared to the aged debt report from the general ledger. The reconciliation is used to identify outstanding debt.</p> <p>However, our review identified that this monthly control has not been consistently carried out during 2023/24.</p> <p><b>Between accounts payable and general ledger:</b> There was no formal documented review of this monthly check retained by the college.</p>	<p>To help detect any issues and discrepancies in a timely manner the college should consider reconciling on a more regular basis. i.e. monthly. These reviews should be formally documented, reviewed, and retained.</p> <p><b>Management response</b></p> <p>The Vice Principal – Finance, Resources &amp; Sustainability accepts these points and appreciates the added benefits that more regular reconciliations and reviews will bring to the financial control environment.</p> <p>The intended roll out of a month end for May 2024 supported by a full complement of staff in due course to fulfil these operational requirements will help to minimise the College's exposure to any risk of inaccuracies in financial postings.</p>	<p><b>Not implemented</b></p> <p>The roll out of month end processes has been progressed but remains behind the initial timelines set out last year owing to challenges with staff resource. With a full team complement and proposals being actioned to recruit another accountant to join the team on an interim basis to support with workload, the College commits to monthly reconciliations between its general ledger and accounts payable, accounts receivable and payroll systems.</p> <p>Head of Finance</p> <p>31 March 2026.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>PY2. 23/24 Management Letter - User access</b></p> <p><b>General ledger:</b> A review of general ledger users identified instances of inappropriate access levels assigned to staff. Currently all members of the finance team, including the VP Finance, Resources &amp; Sustainability have 'ALL ACCESS' rights. This level of access has been extended to the college Principal and the Head of IT. Currently this access level allows individuals to setup account codes in the ledger without review or oversight. Additionally, there is currently a lack of clarity over who is responsible for user administration.</p> <p><b>Cash and banking:</b> The college stated they perform ongoing user access list reviews. However, we found instances where staff e.g. the former Head of Finance who left in October 2023, were still listed as active users in April 2024.</p>	<p>A review of users and their access level should be carried out to ensure that access to key systems system is appropriately restricted.</p> <p><b>Management response</b></p> <p>The Vice Principal – Finance, Resources &amp; Sustainability accepts that the long-term absence of the Assistant Finance Manager has hindered the control of this area in the absence of a backfill being appointed temporarily to fulfil this role. On the expected return of the Assistant Finance Manager, the Finance Team will target the documentation of User Access rights, with procedures for incorporating new starts and removing leavers being evidenced within it. Changes made to system access will be retained as a control measure each year.</p> <p>A review of any historical leavers will also be undertaken to ensure only relevant staff have access.</p> <p>Documentation of procedures will also allow a back-up resource to be appointed to support the Assistant Finance Manager with the management of the process in periods of annual leave/absence.</p>	<p><b>Not implemented</b></p> <p>As part of the work being targeted to enhance Bluqube functionality and ensure appropriate controls are in place, user access will be reviewed in full with Bluqube consultants.</p> <p>The College is also targeting the launch of a system access permissions document for e-signature from HR to Finance/relevant departments to ask for permissions to be set up when onboard staff/removing staff, including bank privileges. This will be reviewed and launched formally across 2025/26.</p> <p>Vice-Principal, Finance, Resources &amp; Sustainability 31 July 2026.</p>
<p><b>PY3. 23/24 Management Letter – Payroll - changes to data</b></p> <p>Annual upgrades to standing data (e.g. tax and NI rates) are applied to the system by the system provider. Updates to salaries, including pay awards, are</p>	<p>There should be evidence retained confirming the successful uprating / changes to the payroll data.</p> <p><b>Management response</b></p> <p>The College has outsourced responsibility for making changes to</p>	<p><b>Superseded - See <a href="#">Recommendation 2</a></b></p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>calculated by the HR team in a spreadsheet and then provided to payroll for manual input into the payroll system.</p> <p>There is no formal documented check or review retained of the above updates.</p>	<p>rates/standing payroll data (pension, tax, and NI rates) to the system provider, who conduct their own checks on system updates working correctly. There have been no errors as a result of this approach.</p> <p>The College has shared the formal documentation on the system updates with Audit Scotland.</p> <p>The College agrees to add an internal, annual check each April to ensure that rate uplifts/decreases reflect national policy.</p> <p>Whilst enhancing the payroll controls, it is noted that the current, informal checks during each monthly payroll review has been effective and that errors are not made with regards to applying the correct salary spinal point to each employee.</p> <p>For updates relating to salary bands, the HR team will formalise its monthly checks of salary payments and the Finance Team will run sample checks to ensure that updates are in line with agreed national pay awards.</p> <p>The College will leverage its new HR &amp; Payroll system to enhance &amp; formalise these reviews.</p>	
<p><b>PY4.23/24 Management Letter - General ledger – journal authorisation</b></p> <p>There is no segregation of duties between the originator and poster / approver of the journal.</p>	<p>The review of journals by the VP Finance, Resources &amp; Sustainability should be undertaken in a timely manner and evidence of this review retained.</p> <p><b>Management response</b></p>	<p><b>Superseded – see <a href="#">Recommendation 3</a></b></p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>A monthly journal review process has been developed by the VP Finance, Resources &amp; Sustainability, however reviews have not been carried out on a timely basis in 2023/24.</p>	<p>On appointment, the Head of Finance will ordinarily review the journals for the team as part of the month end process. The Vice Principal – Finance, Resources &amp; Sustainability will ensure that journals are reviewed on a timely basis and evidence is retained until such an appointment is made.</p>	
<p><b>PY 5. Annual Audit Report Asset register – fully depreciated assets</b></p> <p>Where assets are no longer in use they should be formally scrapped or sold. Significant assets continuing in use should be revalued and depreciated over the remaining useful economic life.</p> <p><b>Risk:</b> Depreciation may not be charged on assets in use.</p>	<p>Where significant fully depreciated assets are still in use they should be revalued and depreciated over their remaining useful economic life. Other assets should be considered for disposal.</p> <p><b>Management response</b></p> <p>The college notes that additional work is required internally across 2024/25 to ascertain status of fully written down assets to advise of any potential reinstatement of asset value, should it be required for more significant assets that remain on the fixed asset register.</p> <p><b>Actioned by</b></p> <p>VP Finance, Resources &amp; Sustainability.</p> <p><b>Actioned by</b></p> <p>30 September 2025</p>	<p><b>Not implemented</b></p> <p>The Finance team will more fully review the fixed asset register during 2025/26 and ensure that obsolete assets or disposals are removed, and any assets still in use with a £nil net book value are revalued when required.</p> <p>Vice Principal – Finance, Resources &amp; Sustainability</p> <p>July 2026.</p>
<p><b>PY 6. Annual Audit Report - Fixed asset register</b></p> <p>We identified instances of inaccurate records within the fixed asset register. This affected different categories of assets.</p>	<p>The fixed asset register should be reviewed to ensure the data and entries within it remain accurate. This could be carried out alongside incorporating the adjustments arising from the next revaluation as at 31 July 2024, and in advance of next year's audit.</p>	<p><b>Not implemented</b></p> <p>As above, the Finance team will more fully review the fixed asset register during 2025/26 and ensure greater accuracy in accounting for different categories of assets.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>Risk:</b> Assets are incorrectly accounted for in future Financial Statements.</p>	<p><b>Action Agreed</b></p> <p>Yes. During 2023/24, the College will undertake a full review of the fixed asset register to ensure data accuracy and appropriate categorisation of assets.</p> <p><b>Responsible Officer</b></p> <p>Elaine McKechnie - VP Finance, Resources &amp; Sustainability</p> <p><b>Agreed date</b></p> <p>31 August 2024</p> <p><b>2023/24 update - Overdue</b></p> <p>Our work in 2023/24 identified ongoing issues with the college's accounting for tangible assets together with the accuracy of the asset register.</p> <p>This recommendation remains open. We would encourage the college to consider implementing a new fixed asset register that will provide enhanced functionality and improve the accuracy of record keeping.</p>	<p>Vice Principal – Finance, Resources &amp; Sustainability</p> <p>July 2026.</p>

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# Appendix 2 – Misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Income (SoCI)		Statement of Financial Position (SoFP)	
		Dr	Cr	Dr	Cr
Adjusted misstatements		£000	£000	£000	£000
1. Indexation					
	Revaluation Reserve			1,240	
	Fixed Assets				1,240
2. Adjustment to building depreciation					
	Accumulated Depreciation				136
	Depreciation	136			
3. SPPA debtor balance within creditors					
	Debtors			160	
	Creditors				160
4. Prepayment not recognised					
	Prepayments			23	
	Expenditure		23		
<b>Net impact on financial statements</b>		<b>136</b>	<b>23</b>	<b>1,423</b>	<b>1536</b>

## Audit adjustments in disclosures

1. Note 8 Other Operating Expenses - There is an annual adjustment which reallocates 50% of administration and central costs to teaching support costs. This adjustment had been missed in the 24/25 unaudited accounts. This was corrected in the final version of the accounts and resulted in an increase to teaching support of £0.195 million and a corresponding decrease to administration and central services.

2. Note 9 Pensions - Changes were required to figures disclosed in the analysis of amounts charged to the Statement of Comprehensive Income to bring them in line with those provided by Hymans Robertson.

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# Appendix 3 – National reports

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Report name	Date published
<a href="#">Scotland's colleges 2024</a>	19 September 2024
<a href="#">The National Fraud Initiative in Scotland 2024</a>	15 August 2024
<a href="#">Fiscal sustainability and reform in Scotland</a>	21 November 2024
<a href="#">Public service reform in Scotland: how do we turn rhetoric into reality?</a>	26 November 2024
<a href="#">Auditing climate change</a>	7 January 2025
<a href="#">Additional support for learning</a>	27 February 2025
<a href="#">Delivering for the future: Responding to the workforce challenge</a>	7 August 2025
<a href="#">Scotland's colleges 2025</a>	2 October 2025

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# South Lanarkshire College

Proposed 2024/25 Annual Audit Report



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