

Agenda Item	8
Report No	AC/11/26

The Highland Council

Committee: Audit Committee

Date: 27 May 2026

Report Title: Audit Committee Annual Report 2025/26

Report By: Audit Committee Chair

1. Purpose/Executive Summary

1.1 This report has been prepared to inform the Highland Council of the work undertaken by the Council's Audit Committee during the financial year 2025/26. This has been prepared in accordance with the requirements of the CIPFA Audit Committee guidance.

2. Recommendations

2.1 The Committee is asked to:

- i. **Agree** the Audit Committee Chair's annual report including the identified areas for improvement. The report is provided at **Appendix 1**.
- ii. **Agree** that this report should be recommended to Council to acknowledge that the necessary assurances have been provided by the Audit Committee to demonstrate that it has fulfilled its purpose and can demonstrate its impact for 2025/26.

3. Implications

3.1 **Resource** – there are no additional resource implications identified as Officer time is available to support the Committee as required.

3.2 **Risk** – the CIPFA guidance sets out the role of the audit committee in ensuring the effectiveness of the Council's risk management arrangements.

3.3 There are no identified **Legal, Health and Safety** (risks arising from changes to plant, equipment, process, or people) or **Gaelic** implications arising from this report.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is an update report and therefore an impact assessment is not required.

Designation: Councillor Trish Robertson, Audit Committee Chair

Date: 12 May 2026

Background Papers: CIPFA Audit Committees: practical guidance for local authorities and police (2022 edition)

CIPFA Position Statement

ASC report 23/03/23 – Updated CIPFA guidance on Audit Committees

Appendices:

Appendix 1 – Annual report 2025/26

Appendix 2 – Self-assessment survey results

Annual report from the Audit Committee Chair

1. Introduction

This annual report has been prepared to inform the Highland Council of the work carried out by the Council's Audit Committee during the financial year 2025/26. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Guidance 2022 to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the impact and effectiveness of the Committee in meeting its purpose.

2. Compliance with the CIPFA Position Statement

It is considered that full compliance can be demonstrated as follows:

- the size of the Committee comprises of 14 Members thereby ensuring that it is not too large.
- the Committee is scheduled to meet 4 times a year. In 2025/26 the Committee met in May, August and November 2025, and February 2026.
- the Committee's Chair and Vice-Chair are from opposition parties and so the leadership is independent of the administration.
- the Committee reports directly to Council and is independent from other Committees.
- the Committee terms of reference sets out its core functions. This was last reviewed in October 2023.

3. Fulfilment of the Committee's Terms of Reference

The Committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. This purpose was met during 2025/26 by undertaking the following:

- Scrutiny of the Internal Audit reports provided during the year and their individual audit opinions.
- Requesting update reports from management as considered necessary on progress in addressing the findings from Internal Audit reports. Following consideration of an internal audit report on the review of the payroll control in June 2024, the Committee agreed that a 6-monthly update report would be provided on salary overpayments. The first update report was provided in November 2024. This has continued during the year with reports provided to the May and November 2025 meetings. A further update is considered elsewhere on today's agenda which reports a much improved position for 2025/26 compared to the previous year including a 13% reduction in the net overpayment amount, a reported payment accuracy rate of 99.89% (0.03% increased improvement on last year) and recovery rates now exceeding 70%. The role of the Audit Committee in scrutinising and monitoring progress in this significant area of expenditure (2025/26 staff costs budget is £498.5m) emphasises the importance of the Committee and how it can add value to improving the Council's control environment.
- Scrutiny of the regular action tracking reports which detail whether management agreed actions have been effectively implemented within the agreed timescales. In addition, the importance of adhering to the target dates was reinforced to officers by the Committee Chair.

- Consideration of the Internal Audit Annual Report 2025/26 and the opinion provided on the Council’s framework of governance, risk management and control. This report also contains information for the Council’s Annual Governance Statement (AGS). The draft Council AGS for 2025/26 is provided as separate agenda item for approval by the Committee.
- Scrutiny of the Fraud and Whistleblowing Annual Report 2025/26 and the National Fraud Initiative 2024/25 Exercise.
Note that the Internal Audit Annual Report and the Fraud and Whistleblowing Annual Reports for 2025/26 are provided as separate agenda items within today’s Committee papers.
- Approval of the Council’s and Charitable Trust’s annual audited accounts for 2024/25.
- Scrutiny and consideration of the reports from the Council’s External Auditors comprising of the “Report to those charged with governance” and annual report for 2024/25 for the Council, and the Charitable Trust Funds.
- Approval of the External Auditor’s 2025/26 Annual Audit Plan.
- Scrutiny of Audit Scotland’s Best Value 3 thematic report on Transformation.
- Regular scrutiny of the corporate risk register and the actions taken to mitigate the identified risks.
- Approving the Local Code of Corporate Governance 2025/26 and reviewing progress on delivery of the previous year’s actions.

4. Self-assessment of good practice

All Audit Committee Members were sent a link to a survey to enable them to complete their individual assessments against the CIPFA self-assessment of good practice. This assessment is published within the CIPFA Audit Committees guidance (2022 edition). The guidance also states that “A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”

A total of 5 responses were provided, and the details are shown in Appendix 2.

Areas of the self-assessment where no need for improvement was identified:

- Annual Report
- Terms of Reference addresses core areas in CIPFA’s Position Statement

There was mixed feedback for the following areas of the self-assessment with some members highlighting areas for major improvement whereas other members contrasted this with seeing no need for further improvement.

- Audit committee purpose and governance
- Functions of the committee
- Membership and support
- Effectiveness of the committee

One of the actions arising from the 2023/24 annual report was the provision of a programme of training for the Committee members. This was completed with the following training provided:

- February 2025 – refresher training on the role of the Audit Committee and that of Internal Audit
- May 2025 - risk management

- August 2025 – counter fraud arrangements
- November 2025 – role of External Audit (delivered by Audit Scotland).

I'm pleased to report that the training was both well attended and received by the Committee members.

5. Areas for improvement

The 2024/25 annual report contained 4 areas for improvement. These are detailed in the table below with an update provided showing the actions undertaken.

Area for improvement	Action undertaken
Ensuring that management agreed actions are completed by the agreed target date and there is a reduction in the number of actions with revised dates. This action from the 2023/24 annual report will continue to be monitored during this year.	This continues to be actively managed and monitored with reporting to each meeting of the Audit Committee. In addition, monthly updates are sent to each Service Cluster.
Ensuring a higher response rate to the self-assessment of good practice in order that this information can be used to assist in assessing the effectiveness of the Audit Committee.	As detailed in section 4 above, an improved response rate was achieved. Analysis of the information provided has assisted in demonstrating the effectiveness of the Committee.
It will be ensured that private sessions are arranged for the Audit Committee Members to meet separately with the Strategic Lead and the External Auditors on an annual basis. For the latter this will be arranged to coincide with the presentation of the External Auditor's annual report when they will attend Committee in person.	The Committee met in private with Audit Scotland, the External Auditors on 12 th November 2025. The Strategic Lead meets monthly with the Audit Committee Chair. In addition, the Strategic Lead will meet in private with the full Audit Committee on 27 th May 2026 following consideration of the Internal Audit Annual Report 2025/26.
A review of the Committee Members will be undertaken including consideration of lay members.	This action has not been completed and so will be carried forward into 2026/27.

6. Assurance statement

In my role as the Audit Committee Chair, I am satisfied that the Committee complies with the CIPFA Position Statement. The work undertaken by the Committee during 2025/26 fulfils the Committee remit and provides reasonable assurance that the Council's control environment, risk management arrangements, and governance framework operated as expected.

Councillor Trish Robertson
Audit Committee Chair

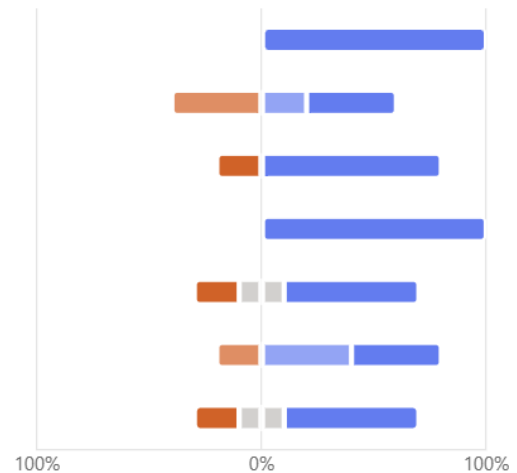
Appendix 2 – Self-assessment survey results

1. Audit committee purpose and governance:



- Major improvement (Does not comply) ● Significant improvement ● Moderate improvement ● Minor improvement
- No further improvement (Fully complies)

- Does the authority have a dedicated audit committee that is not combined with other functions (e.g. standards, ethics, scrutiny)?
- Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc.)?
- Has the committee maintained its advisory role by not taking on any decision-making powers?
- Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- Does the governing body hold the audit committee to account for its performance at least annually?

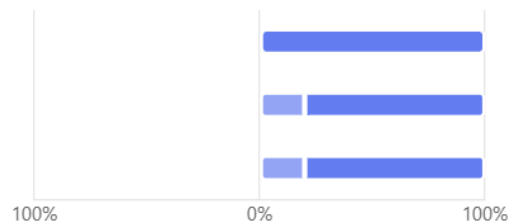


2. Does the committee publish an annual report in accordance with the 2022 guidance, including:



- Major improvement (Does not comply) ● Significant improvement ● Moderate improvement ● Minor improvement
- No further improvement (Fully complies)

- Compliance with the CIPFA Position Statement 2022?
- Results of the annual evaluation, development work undertaken and planned improvements?
- How it has fulfilled its terms of reference and the key issues escalated in the year?



3. If you have any further comments relating to the committees purpose and governance, please provide information in the space below.

[More details](#)

2
Responses

Latest Responses

- "I would like to see the questions openly discussed at the next Audit Commit... "
- "Doesn't appear to adapt/be flexible to new issues raised. Sticks to program... "

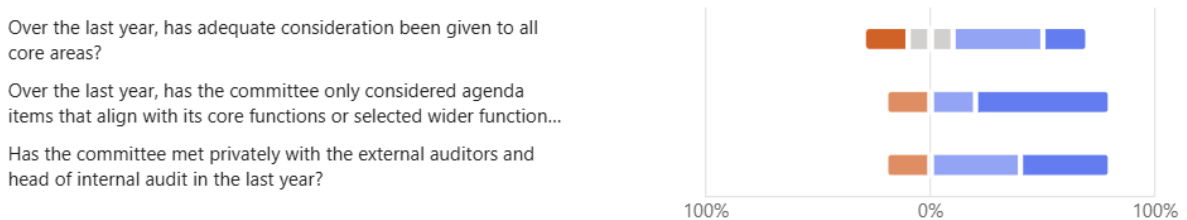
4. Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows? [!](#)

- Major improvement (Does not comply) ● Significant improvement ● Moderate improvement ● Minor improvement
- No further improvement (Fully complies)



5. Functions of the committee: [M](#)

- Major improvement (Does not comply) ● Significant improvement ● Moderate improvement ● Minor improvement
- No further improvement (Fully complies)

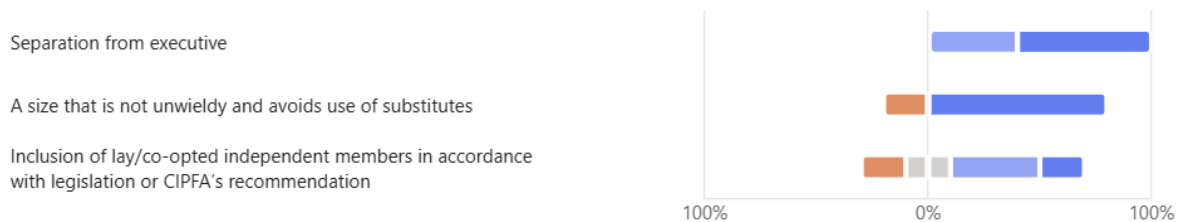


6. If you have any further comments relating to the functions of the committee, please provide information in the space below.

0 responses submitted

7. Has the committee been established in accordance with the 2022 guidance as follows? [M](#)

- Major improvement (Does not comply) ● Significant improvement ● Moderate improvement ● Minor improvement
- No further improvement (Fully complies)

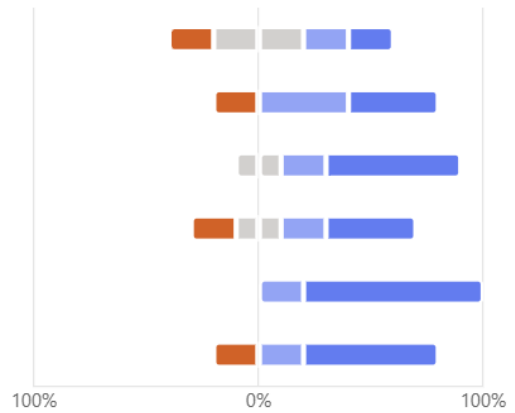


8. Membership and support:

[N](#)

- Major improvement (Does not comply) ● Significant improvement ● Moderate improvement ● Minor improvement
- No further improvement (Fully complies)

- Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and...
- Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the la...
- Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?
- Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?
- Is adequate secretariat and administrative support provided to the committee?
- Does the committee have good working relations with key people and organisations, including external audit, internal audit and th...



9. If you have any further comments relating to the membership and support of the committee, please provide information in the space below.

1 Responses

Latest Responses

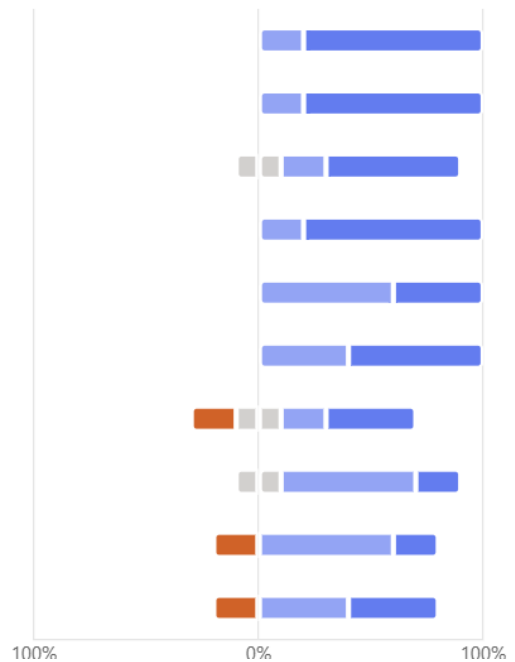
"I have not been on the committee for long."

10. Effectiveness of the committee:

[N](#)

- Major improvement (Does not comply) ● Significant improvement ● Moderate improvement ● Minor improvement
- No further improvement (Fully complies)

- Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?
- Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?
- Are meetings effective with a good level of discussion and engagement from all the members?
- Has the committee maintained a non-political approach to discussions throughout?
- Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action...
- Does the committee make recommendations for the improvement of governance, risk and control arrangements?
- Do audit committee recommendations have traction with those in leadership roles?
- Has the committee evaluated whether and how it is adding value to the organisation?
- Does the committee have an action plan to improve any areas of weakness?
- Has this assessment been undertaken collaboratively with the audit committee members?



11. If you have any further comments relating to the effectiveness of the committee, please provide information in the space below.

0 responses submitted