BOARD OF MANAGEMENT
ACTION TRACKER

Ayrshire College

COMMITTEE: **Audit Committee 17.03.20** *(Paper 1a)*

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
19.09.17	1	Consideration of cross representation between Audit Committee and BRIC	June 2018	A Walker	Completed	Two BRIC members are also members of Audit Committee
05.12.17	2	Raise with SFC the Committee's concerns over the SFC instructed rebadging of Net Depreciation in the 2016/17 Financial Statements as "Cash Budget for Government Directed Priorities"	March 2018	A Walker	Completed	
20.03.18	3	Progress report on the on the work being undertaken by the College in response to the recommendations contained in the internal audit report on Business Continuity Planning	September 2018	M Breen	Completed	
20.03.18	4	The Committee to monitor and receive progress reports on the cascading of operational risk registers down through the management structure of the College	September 2018	M Breen	Completed	

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
18.09.18	5	The receipt, consideration and approval of the Ayrshire College Business Continuity Plan to be an annual requirement of Committee business at the second meeting of each session.	November 2019	M Breen	Completed for 2018-19. Completed for 2019-20 Rolling thereafter	This will be a requirement to be completed during each new academic year going forward.
18.09.18	6	Discuss with Chair of LTC ownership of the Student Curriculum/Experience Review	June 2019	Chair of Audit	Completed	
18.09.18	7	Risk Register: BOM4 – Include PFI mitigation actions as included in the Financial Sustainability Plan. BRIC 7 – Be enhanced to 20 as recommended by BRIC	September 2018	M Breen	Completed	
27.11.18	8	Risk Register: BRIC7 Chair of Audit to discuss The proposed decrease in risk level with the Chair of BRIC following agreement of a timeline for the appointment of a new Principal and a new Vice Principal	December 2018	Chair of Audit	Completed	

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
19.03.19	9	The College Management to discuss with BDO Recommendation ref 2, of the IT Internal Audit Report and bring a fuller explanation to the next meeting of the Committee as to why it feels this recommendation should not be accepted.	June 2019	M Breen	Completed	
19.03.19	10	Discuss with BDO bringing forward the Income Generation Internal Audit, with the addition of the Flexible Workforce Development fund, and the use of additional days as appropriate.	June 2019	M Breen/J Thomson	Completed	
11.06.19	11	Bring to the Audit Committee a brief summary of any GDPR issues that arise	Appropriate Meeting	M Breen	In Progress	This item will be reported to the Committee as and when there is anything to report
11.06.19	12	A training/refresher session on Risk Appetite, using FFR as the exemplar, be conducted at the scheduled November 7 2019 Board Members Induction Day.	November 2019	J Thomson/B Ferguson	Completed	
17.09.19	13	Due date for the Business Continuity Plan (Action 5) be amended to November annually	March 2020	M Breen	Completed	

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
17.09.19	14	A Risk Workshop, to include a review of Risk Appetite, be incorporated into the internal Board Induction/Development Day in November 2019.	January 2020	M Breen/J Thomson	In Progress	Moved by agreement with the Committee Chair to the Board Development Day on 30.01.20
17.09.19	15	An annual update paper on the long-term strategy for the PFI at Kilwinning campus to be provided annually at the third quarterly meeting of each session beginning in March 2020.	March 2020	M Breen	In Progress	Reported at the 26.11.19 Meeting that a Paper will be presented to the Board in March 2020.
26.11.19	16	Audit Committee Chair to discuss with the LTC Chair the conclusions of the Internal Audit Report on the Application, Recruitment, Induction & Enrolment of Students.	Prior to the March 2020 Cycle of meetings	G James (Chair)	In Progress	
26.11.19	17	Set out how the annual update of the Ayrshire College Business Continuity Plan may best be communicated to Board Members.	December 2019	G James/M Breen	In Progress	
26.11.19	18	Ensure that Risk BOM5, in relation to legislative requirements surrounding equality and diversity, is subsumed into the scheduled Internal Audit Review of Recruitment & Retention.	Immediate	M Breen	In Progress	
26.11.19	19	Audit Committee Chair to discuss with BRIC Chair a review of the assessment of BRIC3 in the light of the 2018-19 Financial Statements.	Prior to the March 2020 Cycle of meetings	G James (Chair)	In Progress	

* *Not Started* / *In Progress* / *Completed*

AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT - FINAL

DATA PROTECTION (GDPR)
FEBRUARY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Limited

DISTRIBUTION	
James Thomson	Director of Finance, Student Funding and Estates
Members of the Audit Committee	
REPORT STATUS LIST	
Auditors:	Gemma Rickman
Dates work performed:	11 November – 2 December 2019
Draft report issued:	6 December 2019
Final report issued:	10 February 2020

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	🟦	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	🟧	Non-compliance with key procedures and controls places the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	🔺	
Medium	🟧	4
Low	🟢	1
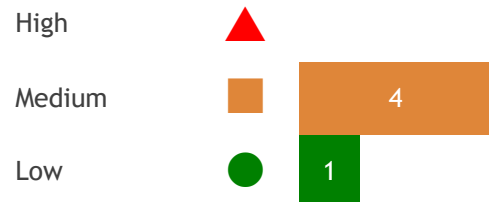
TOTAL NUMBER OF RECOMMENDATIONS: 5

BACKGROUND:

As part of the 2019-20 Internal Audit Plan, it was agreed that Internal Audit would carry out an analysis of the arrangements in place at Ayrshire College (the College) for managing compliance with General Data Protection Regulation (GDPR) legislation. The purpose of this review is to provide management and the Audit Committee with a level of assurance around the current GDPR compliance arrangements, and to provide management with advice and recommendations for improving the arrangements further.

The European Commission enacted the GDPR, which applied to the UK from 25 May 2018 and replaced the existing Data Protection Act (DPA) of 1998. The GDPR was then incorporated into UK law by the Data Protection Act 2018.

GDPR introduced a number of specific changes from the previous DPA, in particular, granting individuals' additional rights with respect to how their personal information is processed and stored, and expanding the definition of personal data covered by the regulations. Specific changes to previous regulations include:

- The requirement for the appointment of a Data Protection Officer (DPO) by organisations who are either a public authority, who carry out large scale systematic monitoring of individuals, or who carry out large scale processing of special categories of data or data relating to criminal convictions and offences;
- Changes to how consent should be obtained from data subjects for the use of their information. Under the GDPR, consent must be "freely given, specific, informed and unambiguous";
- Data processors are now obliged to comply directly with data protection requirements meaning that, where necessary, controllers and processors should have revised any contractual agreements to ensure that they are GDPR compliant;

- GDPR introduces further rights for data subjects, including data portability, requiring organisations to have a clear understanding and record of exactly where information relating to a subject is held;
- GDPR is clearer around the need to ensure that data is held only for the purposes it was gathered and is destroyed when it is no longer needed for this specific purpose; and
- Organisations that fail to comply with the regulation risk fines of up to €20m, or 4% of their annual global turnover (whichever is higher). Even more minor infringements could result in fines of €10m, or 2% of global annual turnover.

Failure to comply with GDPR obligations is stated as a key risk area under the Business, Resources & Infrastructure Committee's risk 'Non-compliance with statutory obligations due to the lack of adequate monitoring arrangements resulting in financial penalties and reputational damage'. This risk is reported in line with the College's risk reporting arrangements, which includes presentation of risk registers at quarterly Audit Committee meetings.

Ayrshire College began preparing for the introduction of GDPR since 2017. This has included key staff attending external training events, internal training for staff, and work by every area of the business to review the personal data they use and how it is used. Preparing for GDPR was a College wide responsibility. Whilst it was coordinated centrally significant work took place within directorates to ensure that their arrangements are compliant with GDPR. For example, in February 2018 College wide training took place on GDPR to ensure staff gained an understanding of the principles of GDPR, what it means for them as individuals and how it will affect the College. During the period from March to May 2018 training sessions were held with key directorate staff to review the data held by each directorate and the extent to which directorates can demonstrate that protocols and data protection arrangements required under GDPR were being complied with.

A GDPR action plan has been developed by the DPO to develop and enhance the arrangements put in place for the introduction of GDPR. Actions required have been categorised under the relevant '12 steps' introduced by the ICO for preparing for the GDPR. The format of the action plan prompts for the task to be detailed, along with who is responsible for completion, a target completion date, and confirmation that the task has been completed. This is a working document, and the College is continuing to make progress against the tasks identified.

A range of policies and procedures are in place which reflect the changes that the GDPR has introduced. These include, but are not limited to, the following:

- Data Protection: A Data Protection Policy has been developed, which was approved by the SMT at its meeting in January 2019. The purpose of the policy is to 'raise awareness of the College's data protection arrangements to ensure that a common and consistent approach is adopted in relation to the management of information and the protection of personal data'. The Policy states the specific responsibilities of a range of roles, including managers, directors, and all users of College information, and also provides information on the six data protection principles, and what these mean to the College. In addition, the Policy also provides information on other key GDPR matters, including data breaches, data subjects rights, lawful basis for processing, data sharing and data security.

- Subject Access Request: A Subject Access Request Procedure is in place, which outlines the steps to be taken for processing a subject access request (from

receiving the data to closing the request). Guidance notes have been developed which detail how a subject access request can be made, along with a standard request form. Data subject requests are recorded within a register, including confirmation of whether the request was closed (responded to) within the one month deadline, with the option to provide further commentary.

- Data Breaches: The process for handling data breaches has been documented within the College's Data Breach Procedure. The procedure defines a data breach as 'a breach of security leading to the unlawful destruction, loss, alteration, unauthorised disclosure of, or access to personal data transmitted, stored or otherwise processed'. The procedure considers the following steps in managing data breaches: containment and recovery, assessment of risks, consideration of further notification, and evaluation and response. A Data Security Incident Reporting Form has been developed which is completed for potential breaches, and summary of the event, including actions taken, to be recorded. A Risk Assessment Matrix is completed for all potential breaches, which considers the number of data subjects affected, the impact of the event, the overall severity of the event, and confirmation of whether notifications are required, for example to the ICO and/or data subjects. A breach log has also been implemented to support the management and monitoring of breaches.

- Data Protection Impact Assessment (DPIA): A DPIA assessment template has been developed, for completion for projects or new processes being implemented that may impact privacy risks. This prompts users to provide details about the project/process, and consider relevant risks and the mitigations that will be implemented. Guidance notes for users have been included within the template.

A range of privacy notices have been developed and can be viewed on the College's website. Privacy notices are in place for student funding, staff occupational health, student application and enrolment processes, and procurement (amongst others) and detail why certain information is collected and the reason for processing.

The College developed a GDPR Worksheet which provides a record of the data held within the College. Information recorded within the worksheet includes the relevant directorate and department, a description of the data held and the location held, the format of how the data is held, and the length of time the data is held for. Records on data held by others (for example, other departments or external organisations) detail additional information, such as confirmation of whether the data can be accessed when required, and whether there is a data sharing agreement in place.

The College is using the template outline in GDPR recommended best practice, referred to as a Record of Processing Activities (ROPA). This worksheet will combine the data currently held by the College into the ROPA template. The College's ROPA builds on the existing data held by the College in directorates' records, data sharing agreements and privacy notices. The ROPA template prompts the College to ensure additional information is recorded, such as the purpose of processing and the lawful basis amongst others.

The College has appointed a DPO through a shared services agreement provided by HEFESTIS Ltd (a not-for-profit organisation jointly owned by member institutions across the Scottish university and colleges sectors). The DPO was officially appointed on 29 May 2018 and works specifically for the College three days per week. Utilisation of the shared services agreement provides a range of benefits. For example, when the DPO designated to Ayrshire College is on annual leave, or on sick leave, the College has access to another DPO under the arrangement during these times. As detailed within the Data Protection Policy, the DPO is

responsible for activities including developing data protection policies and procedures with relevant senior managers; monitoring and reporting on compliance; and acting as the point of contact for and cooperating with the ICO on issues relating to processing.

A GDPR Working Group has been established to oversee key GDPR matters. The Group meets on a quarterly basis, and attendees include the Director of Finance, Student Funding and Estates, DPO, and representatives from relevant key areas of the College. Agenda items include a review of data breaches, key GDPR issues and review on progress made against the GDPR action plan.

All College staff are required to complete an online GDPR training module on an annual basis. The module informs participants of various elements and requirements of the GDPR. For example, the module confirms who the GDPR affects, and confirms the seven data protection principles (lawfulness, fairness and transparency; purpose limitation; data minimisation; accuracy; storage limitation; integrity and confidentiality; and accountability) and the lawful bases for processing. It confirms that the GDPR provides individuals with eight rights, including the right to rectification and the right to erasure, and also responsibilities in relation to the reporting of data breaches.

SCOPE AND APPROACH:

The scope of our review was to assess whether:
- Additional GDPR resources required to ensure compliance have been identified, and have now been deployed; and
- Adequate plans have been developed to ensure:
  - project management and operational staff responsible for implementing and maintaining GDPR compliance receive suitable levels of training to ensure Ayrshire College complies with the new data protection requirements;
  - business processes are redesigned and or implemented to ensure compliance with GDPR;
  - data protection policies and codes of conduct are updated in line with GDPR requirements;
  - data governance arrangements are enhanced and a framework to implement and maintain compliance with GDPR is developed;
  - Ayrshire College is able to demonstrate compliance with GDPR;
  - prior grounds established to process sensitive data are still applicable under GDPR have been determined;
  - processes relating to the right to be forgotten (erasure) are enhanced and processing (including management of information handled by suppliers and or made public) is restricted.

GOOD PRACTICE:

Our review identified elements of good practice being demonstrated in relation to the GDPR and many of these have been detailed above. For example, data breach processes have been established to ensure these can be identified, monitored and reported. A range of policies, procedures and related documents have been developed as a result of the introduction of the GDPR, including a data protection policy, a privacy impact assessment template, and a subject access request procedure. In addition, a DPO has been formally appointed, and the ICO have been notified of this appointment.

Our review identified areas where further improvements are required in relation to GDPR compliance. We have listed these below:

- **Information audit / ROPA:** The College developed a GDPR Worksheet which provides a record of the data held by area and by others, for example external parties, within the College. Information recorded within the worksheet includes the relevant directorate and department, a description of the data held and the location held, the format of how the data is held, and the length of time the data is held for. Records on data held by others detail additional information, such a confirmation of whether the data can be accessed when required, and whether there is a data sharing agreement in place. However, the College is currently combining data held centrally with additional information from directorates, into what will be formally referred to as the Records of Processing Activities (ROPA). The additional information which will be recorded (which is not currently included within the GDPR Worksheet) includes the purpose of processing and the lawful basis amongst others. This process commenced in June 2019, and is currently ongoing.

- **GDPR action plan:** A GDPR action plan has been developed by the College's DPO (with input from relevant staff members), and is monitored at the GDPR Working Group meetings. Actions required have been categorised under the relevant '12 steps' introduced by the ICO for preparing for the GDPR. The format of the action plan prompts for the task to be detailed, along with who is responsible for completion, a target completion date, and confirmation that the task has been completed. This is a working document, updated on a quarterly basis and the College is continuing to make progress against the tasks identified. Our review of the latest version (November 2019) of the action plan identified the following:
    - Dates for completion have not been recorded for all of the tasks listed; and
    - There are tasks overdue for completion based on the target date stated.

  In addition, the action plan indicates that there are a number of actions which are yet to be fully carried out, for example, introducing procedures for the remaining data subject rights, and providing tailored training to key staff members, amongst others.

- **Audits and compliance checks:** Internal Audit have been advised that it is anticipated that the DPO will perform audits to determine the College's compliance with the GDPR, and the overall functionality of the processes in place. We recognise that the current priority is to ensure required actions identified are completed, which is why no audits have yet been completed.   However, there are no formal plans in place in relation to the following:
    - Audits on management and the adequacy of systems in operation;
    - Regular and on-going compliance checks; and
    - Scenario testing to verify the functionality of processes. For example, in the event of multiple requests being received, or the operation of processes in the event of key staff absence.

  We would expect such audits to be completed by the DPO, and given when the GDPR was introduced, we would have expected these to have commenced.

- **SAR closure times:** The College has identified two instances out of nine data subject requests logged to date where a response was not provided by the one month deadline. Although there is a formally documented procedure in place for processing subject access requests which clearly states the one month timescale for response, management have explained that there were sensitive circumstances which contributed to the delay in closure.

- **Training records:** Staff members are required to complete the mandatory GDPR training on an annual basis. Internal Audit obtained training records, to determine whether this requirement was being achieved. However, the functionality within the

HR system for a 'due by' date to be recorded for each staff member is not yet implemented due to the functionality testing being conducted by the College. Using this function would allow for management to easily identify any staff members who have not completed the training before the required deadline, and therefore allow for timely action to be taken to ensure the training is completed.

CONCLUSION:

At this stage, we can provide moderate assurance over the design, and limited assurance over the operational effectiveness of the controls in place relating to data protection. We recommend management implement the noted control improvements to develop the current arrangements, and ensure they operate consistently across the College.

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

✓ Additional GDPR resource requirements required to ensure compliance have not been identified and plans put in place to secure these to ensure Ayrshire College has implemented the required GDPR processes.

DETAILED FINDINGS

RISK: ADEQUATE PLANS MAY NOT HAVE BEEN DEVELOPED TO ENSURE: BUSINESS PROCESSES HAVE BEEN REDESIGNED AND IMPLEMENTED TO ENSURE COMPLIANCE WITH GDPR; DATA GOVERNANCE ARRANGEMENTS HAVE BEEN ENHANCED AND A FRAMEWORK TO IMPLEMENT AND MAINTAIN COMPLIANCE WITH GDPR HAS BEEN DEVELOPED; DATA PROTECTION POLICIES AND CODES OF CONDUCT HAVE BEEN UPDATED IN LINE WITH GDPR REQUIREMENTS; AND PRIOR GROUNDS ESTABLISHED TO PROCESS SENSITIVE DATA STILL APPLICABLE UNDER GDPR HAVE BEEN DETERMINED.

Ref	Sig.	Finding
1	🟧	It is important that the College performs an analysis of the data it holds, and holds sufficient documentation in relation to this that will evidence its consideration of and compliance with the GDPR.

The College developed a GDPR Worksheet which provides a record of the data held by area and by others, for example external parties, within the College. Information recorded within the worksheet includes the relevant directorate and department, a description of the data held and the location held, the format of how the data is held, and the length of time the data is held for. Records on data held by others detail additional information, such a confirmation of whether the data can be accessed when required, and whether there is a data sharing agreement in place. The College is currently combining data held centrally with additional information from directorates, into the ROPA template recommended by the ICO. The additional information which will be recorded (which is not currently included within the GDPR Worksheet) includes the purpose of processing and the lawful basis amongst others. This process commenced in August 2019, and is currently ongoing.

There is a risk that the College's documentation around the information it processes is incomplete, and therefore does not evidence compliance with the GDPR.

RECOMMENDATION:

We recommend that the College ensures the ROPA is fully completed in a timely manner. Whilst we recognise that previous work was completed in recording the data processed, key elements were not recorded in the central worksheet, for example, the legal basis.

Upon completion of the information audit/ROPA, we recommend that any further activities and developments (including policies, procedures, data sharing agreements and privacy notices) identified as required should be completed in a timely manner.

MANAGEMENT RESPONSE:

Only five areas of the College did not complete their ROPA template within the required timescales. This prevented the College compiling a centrally ROPA within the planned timescales. Since the completion of the audit these areas have submitted their ROPA template returns. The Data Protection Officer is working with the areas concerned to review the data submitted before compiling all the returns into the central ROPA.

The information within the ROPA will be used to identify further activities and developments required.

Responsible Officer:	Data Protection Officer
Implementation Date:	31 March 2020

RISK: ADEQUATE PLANS MAY NOT HAVE BEEN DEVELOPED TO ENSURE DATA GOVERNANCE ARRANGEMENTS HAVE BEEN ENHANCED AND A FRAMEWORK TO IMPLEMENT AND MAINTAIN COMPLIANCE WITH GDPR HAS BEEN DEVELOPED.

Ref	Sig.	Finding
2	▇	A GDPR action plan has been developed by the College's DPO (with input from relevant staff members), and is monitored at the GDPR Working Group meetings. Actions required have been categorised under the relevant '12 steps' introduced by the ICO for preparing for the GDPR. The format of the action plan prompts for the task to be detailed, along with who is responsible for completion, a target completion date, and confirmation that the task has been completed. This is a working document, updated on a quarterly basis and the College is continuing to make progress against the tasks identified.

Our review of the latest version (November 2019) of the action plan identified the following:
- Dates for completion have not been recorded for all of the tasks listed;
- There are tasks overdue for completion based on the target date stated; and

In addition, the action plan indicates that there are a number of actions which are yet to be fully carried out, for example, introducing procedures for the remaining data subject rights, and providing tailored training to key staff members, amongst others.

There is a risk that progress against GDPR actions is not effectively tracked and recorded, and actions are not completed in a timely manner. |

RECOMMENDATION:

We recommend that the College ensures the GDPR action plan clearly states target completion dates for each task, and explicitly confirms whether tasks have been completed. Continued efforts should be made to ensure that outstanding tasks are completed as soon as practically possible, to ensure the College complies with the GDPR, and continues to improve the current arrangements in place.

MANAGEMENT RESPONSE:

This audit point is linked to finding number 1.

The failure of five College areas to complete their ROPA returns prevented completion dates to be set for subsequent tasks. Revised dates for all actions are now in place. Failure to achieve key GDPR dates will be reported to SLT on an exceptions basis.

Responsible Officer:	Director of Finance, Student Funding and Estates

Implementation Date:	31 March 2020

RISK: ADEQUATE PLANS MAY NOT HAVE BEEN DEVELOPED TO ENSURE AYRSHIRE COLLEGE IS ABLE TO DEMONSTRATE COMPLIANCE WITH GDPR.		
Ref	**Sig.**	**Finding**

3	🟧	It is expected that the College has plans in place to perform ongoing compliance checks, to ensure the organisation is and continues to be fully compliant with GDPR requirements.
		
		Internal Audit have been advised that it is anticipated that the DPO will perform audits to determine the College's compliance with the GDPR, and the overall functionality of the processes in place. We recognise that the current priority is to ensure required actions identified are completed, which is why no audits have yet been completed. However, there are no formal plans in place in relation to the following:
		
		   - Audits on management and the adequacy of systems in operation;
		   - Regular and on-going compliance checks; and
		   - Scenario testing to verify the functionality of processes. For example, in the event of multiple requests being received, or the operation of processes in the event of key staff absence.
		
		We would expect such audits to be completed by the DPO, and given when the GDPR was introduced, we would have expected these to have commenced.
		
		There is a risk that the College may not meet the GDPR compliance criteria, from a lack of functionality and compliance checks.

RECOMMENDATION:

We recommend that the College introduces plans to perform audits and compliance check activities on an on-going basis, to identify any issues with systems or processes which may result in non-compliance, and take appropriate action where necessary. Results should be formally recorded and appropriately reported or escalated.

MANAGEMENT RESPONSE:

A schedule for the audits, checks and scenario testing outlined will be developed by the DPO. The schedule will be approved by the GDPR Working Group.

Progress against this schedule will be reported quarterly to the GDPR Working Group.

Responsible Officer:	Data Protection Officer
Implementation Date:	30 April 2020

RISK: ADEQUATE PLANS MAY NOT HAVE BEEN DEVELOPED TO ENSURE: BUSINESS PROCESSES HAVE BEEN REDESIGNED AND IMPLEMENTED TO ENSURE COMPLIANCE WITH GDPR; PROCESSES RELATING TO THE RIGHT TO BE FORGOTTEN (ERASURE) ARE ENHANCED AND PROCESSING (INCLUDING MANAGEMENT OF INFORMATION HANDLED BY SUPPLIERS AND OR MADE PUBLIC) IS RESTRICTED; AND AYRSHIRE COLLEGE IS ABLE TO DEMONSTRATE COMPLIANCE WITH GDPR;

Ref	Sig.	Finding
4	🟧	Subject access requests are required to be fully responded to within one month from the date of request received.

The College has identified two instances out of nine data subject requests logged to date where a response was not provided by the one month deadline. Although there is a formally documented procedure in place for processing subject access requests which clearly states the one month timescale for response, management have explained that there were sensitive circumstances which contributed to the delay in closure.

There is a risk that subject access requests are not fully responded to and closed in a timely manner, in line with the deadlines applied.

RECOMMENDATION:

We recommend that the College reviews subject access requests at an early stage to identify any events or issues which may result in a delay in response, and the identified delay should be communicated to the relevant parties, before this takes place. The College should however, take early action on subject access requests to mitigate the risk of delays in full responses occurring.

MANAGEMENT RESPONSE:

Refresher training on SAR procedures will be delivered to the areas who did not meet the deadline in the two instances identified. Failure to comply with SAR deadlines will be reported to SLT on an exceptions basis.

Further SAR training and support will be provided to relevant areas of the College on a risk based approach and / or where a training need is identified.

Responsible Officer:	Data Protection Officer
Implementation Date:	30 June 2020

RISK: ADEQUATE PLANS MAY NOT HAVE BEEN DEVELOPED TO ENSURE PROJECT MANAGEMENT AND OPERATIONAL STAFF RESPONSIBLE FOR IMPLEMENTING AND MAINTAINING GDPR COMPLIANCE HAVE RECEIVED SUITABLE LEVELS OF TRAINING TO ENSURE AYRSHIRE COLLEGE COMPLIES WITH THE NEW DATA PROTECTION REQUIREMENTS.

Ref	Sig.	Finding
5	🟢	It is important that sufficient training records are available, to support that staff have completed required training in the applicable timescales.

Staff members are required to complete the mandatory GDPR training on an annual basis. Internal Audit obtained training records, to determine whether this requirement was being achieved. However, the functionality within the HR system for a 'due by' date to be recorded for each staff member is not yet implemented due to the functionality testing being conducted by the College. Using this function would allow for management to easily identify any staff members who have not completed the training before the required deadline, and therefore allow for timely action to be taken to ensure the training is completed.

There is a risk that the current system does not provide records which will effectively allow for overdue training to be identified, therefore potentially resulting in staff members not completing training within the required timescales.

RECOMMENDATION:

We recommend that the College implements a 'due by' function within the HR system. This will allow for staff members with upcoming training due dates to be identified, and action taken to ensure the training is completed in a timely manner. This function would also allow for managers to identify staff members who have not completed any training prior to the given deadline, for further appropriate measures to be taken.

MANAGEMENT RESPONSE:

This functionality is being rolled out across all aspects of mandatory training, in line with the new staff learning portal. This includes GDPR training.

Responsible Officer:	HR Manager
Implementation Date:	31 August 2020

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

James Thomson	Director of Finance, Student Funding and Estates
Lisa Powell	Data Protection Officer
Brad Johnstone	Head of ICT
Richard Simson	Head of Business Intelligence and Information Systems
Angela Sheridan	Head of Learning – Hair, Beauty, Complementary Therapies & Make-Up Artistry

APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial 🟢	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 🟦	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 🟧	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 🔺	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High 🔺 A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.

Medium 🟧 A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.

Low 🟢 Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review will be to analyse Ayrshire College's arrangements for managing its compliance with GDPR and identifying areas of non-compliance. This will include an assessment of the approach taken to identifying compliance gaps (i.e. changes required from current DPA 1998 arrangements); the identification and planning of additional resourced to support GDPR compliance; staff training; and the implementation of GDPR processes and to ensure workflows have been suitably re-designed (where required) to comply with the enhanced data protection requirements in due course.

KEY RISKS:

Based upon the risk assessment undertaken, discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- Additional GDPR resource requirements required to ensure compliance have not been identified and plans put in place to secure these to ensure Ayrshire College has implemented the required GDPR processes.

- Adequate plans may not have been developed to ensure:
    - project management and operational staff responsible for implementing and maintaining GDPR compliance have received suitable levels of training to ensure Ayrshire College complies with the new data protection requirements;
    - business processes have been redesigned and implemented to ensure compliance with GDPR;
    - data protection policies and codes of conduct have been updated in line with GDPR requirements;
    - data governance arrangements have been enhanced and a framework to implement and maintain compliance with GDPR has been developed;
    - Ayrshire College is able to demonstrate compliance with GDPR;
    - prior grounds established to process sensitive data are still applicable under GDPR have been determined;
    - processes relating to the right to be forgotten (erasure) are enhanced and processing (including management of information handled by suppliers and or made public) is restricted.

SCOPE OF REVIEW:

The scope of our review was to assess whether:
- Additional GDPR resources required to ensure compliance have been identified, and have now been deployed; and
- Adequate plans have been developed to ensure:
  - project management and operational staff responsible for implementing and maintaining GDPR compliance receive suitable levels of training to ensure Ayrshire College complies with the new data protection requirements;
  - business processes are redesigned and or implemented to ensure compliance with GDPR;
  - data protection policies and codes of conduct are updated in line with GDPR requirements;
  - data governance arrangements are enhanced and a framework to implement and maintain compliance with GDPR is developed;
  - Ayrshire College is able to demonstrate compliance with GDPR;
  - prior grounds established to process sensitive data are still applicable under GDPR have been determined;
  - processes relating to the right to be forgotten (erasure) are enhanced and processing (including management of information handled by suppliers and or made public) is restricted.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

During the course of the review we will keep management informed of any issues which arise as a result of our testing.

A de-brief meeting will be undertaken before completing the review on-site to discuss findings and initial recommendations.

FOR MORE INFORMATION:

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BDO

AYRSHIRE COLLEGE
INTERNAL AUDIT REPORT – FINAL

BUSINESS CONTINUITY MANAGEMENT
JANUARY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

DISTRIBUTION	
James Thomson	Director of Finance, Student Funding and Estates
Members of the Audit Committee	
REPORT STATUS LIST	
Auditors:	Gemma Rickman
Dates work performed:	2 – 6 December 2019
Draft report issued:	20 December 2019
Final report issued:	15 January 2020

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	■	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	■	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	▲	
Medium	■	1
Low	●	3
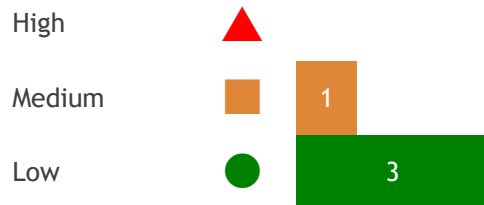
TOTAL NUMBER OF RECOMMENDATIONS: 4

BACKGROUND:

In accordance with the 2019-20 Internal Audit Plan, it was agreed that we would carry out a review of the business continuity management arrangements in place at Ayrshire College ('the College'). The purpose of this review was to assess the arrangements in place to minimise disruption to business activities in the event of an unforeseen event, and evaluate the design and effectiveness of key controls relating to the College's business continuity arrangements.

A Business Continuity Steering Group has been formed which oversees all matters relating to business continuity. The Group membership consists of staff from both curriculum and service areas, to ensure representation from across the College. The Group meets on a quarterly basis and is responsible for reviewing and considering any BCP events that have taken place and the outcomes, and reviewing and updating the BCP where relevant. The Group is chaired by the Director of Finance, Student Funding and Estates.

The College has a Business Continuity Plan (BCP/Plan). The Plan is reviewed by the Business Continuity Steering Group at least on an annual basis, and approved on an annual basis by the Audit Committee. The most recent iteration of the Plan was approved by the Audit Committee in November 2019. The Plan details a range of critical functions and incidents or events that could cause it to be enacted, along with procedures to be followed for each.

A Business Continuity Response Team (BCRT) will be established for each business continuity event. The members of the BCRT will be the strategic coordinators of the College's response and reaction to the incident. The Plan states that the BCRT will provide support, guidance and advice as the event(s) develops. The membership of the BCRT is dependent on the incident and the skills and expertise required.

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

The plan is split into the following key sections:

- *Introduction and Purpose:* Explains the purpose of the Plan, being 'to minimise the effect of any sudden or unforeseen event that could seriously disrupt College operations and impair its ability to operate effectively'.
- *Responsibility/oversight of BCP:* Confirms that the Steering Group is responsible for regularly reviewing the BCP and reviewing the results and outcomes of events.
- *Critical Functions:* outlines key 'critical functions' with risks/potential incidents related to each. For example, the critical function 'accommodation' has two relevant risks, being 'Denial of Workplace Access - short term (up to 1 day)' and 'Denial of Workplace Access - long term (greater than 1 day)'. For each critical function and risk, the Plan states the Recovery Time Objective (RTO), Maximum Tolerable Period of Disruption, and Recovery Point Objective (RPO) (where appropriate). A risk assessment is also provided for each (likelihood/impact/risk score), along with responsibilities and resources required for recovery (including staff, data/systems, premises, communications, equipment, and supplies). Triggers or key decisions are recorded for each risk. For example, for the risk 'Denial of Workplace Access - Short Term', a trigger/key decision recorded is 'premises evacuated, implementation of emergency evacuation'. Actions are recorded for each key decision, and procedures are also stated.
- *Procedures:* This section records generic procedures for a range of incidents, listed under the categories of technical operations, student activity operations, infrastructure operations and general. These procedures provide guidelines on the steps to be taken, dependent on the incident or event taking place.
- *Contacts:* a list of key internal and external contacts, including the Executive Leadership Team, Senior Leadership Team, and staff members by department/function. External contacts include emergency suppliers, SFC, SAAS and service providers amongst others. Phone numbers and/or email addresses are provided for each contact listed within the Plan.

The BCP can be accessed remotely by members of the Steering Group on their mobile devices, via Admincontrol (a digital portal where electronic documents can be stored and viewed). Within Admincontrol, the BCP can be reviewed as a whole, however each key section of the BCP can be viewed separately, for ease of access during an incident. The Director of Finance, Student Funding and Estates is responsible for ensuring the most up to date version of the BCP is accessible.

There has been a range of training and awareness raising provided to staff that relates to business continuity. For example, emails are issued to staff on the importance of fire safety, and fire drills are regularly performed. In addition, specific guidance and training is provided to fire wardens, evacuations controllers, and evening duty supervisors.

SCOPE AND APPROACH:

The scope of our review was to assess whether:

- The College has a Business Continuity Plan in place and has communicated it to relevant staff;
- The College has clearly defined business critical systems and processes and maximum acceptable downtime in the event of an incident;

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

- The BCP is sufficient to enable business critical processes to be back up and running within required timeframes to prevent significant business disruption;
- The BCP is tested regularly and is kept up to date; and
- There is a process in place to highlight lessons learned and offer necessary training to improve future response to incidents.

Our approach was to conduct interviews to establish the controls and processes in operation, and to review documentary evidence that these controls are designed as described. We then evaluated these controls to identify whether they adequately address the risks.

GOOD PRACTICE:

We note a number of areas of good practice from our review, which include the following:

- The BCP is subject to regular review and approval, with the most recent Audit Committee approval provided in November 2019.
- Critical functions have been identified and are clearly documented within the BCP.
- RTO, RPOs and Maximum Downtime periods have been considered and recorded for each critical function.
- Actions and procedures to be followed are documented within the BCP and linked to the relevant critical function.
- Admincontrol is utilised to ensure the BCP can be accessed remotely by key members of staff.

KEY FINDINGS:

Notwithstanding the elements of good practice noted above, we have identified opportunities where improvements could be made to the current business continuity arrangements and documentation, which are summarised below:

- **Remote access to the BCP:** The BCP can be accessed remotely via Admincontrol. We reviewed the access rights to the Plan on Admincontrol and identified two users whose invitation to access Admincontrol was not accepted, and therefore expired. As a result of this, the two staff members are unable to access the Plan via Admincontrol, which would be required during an incident. Internal Audit was advised that this would be corrected immediately to ensure the two staff members could access the Plan.
- **Testing:** Testing of the BCP is carried out through desktop scenario exercises conducted by the Steering Group and through reviewing live incidents and lessons learnt. The College has however not developed a formal testing plan/schedule for the BCP. Although we note that the BCP has been tested in the past, for example through live events and scenario planning, there is no schedule documented that shows the areas previously tested and the outcomes, and the areas planned for testing in the future. In addition, we note that there is no standard template, such as a summary report, for recording the results of tests, including lessons learned and further actions required.
- **Kilwinning PFI agreement:** Agreements are in place with the College's Private Finance Initiative (PFI) and Non-Profit Distributing (NPD) operators for the Kilmarnock and Kilwinning campuses, with the aim of ensuring roles and responsibilities are understood where required during a relevant event. In respect of the Kilwinning campus Internal Audit were provided with a copy of the original

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

Project Agreement between Ayrshire College's predecessor James Watt College and the PFI operator KE Project Ltd. Unlike the agreement in place for the Kilmarnock campus, there is no specific reference to disaster recovery or business continuity in the Project Agreement and no evidence that the PFI operator has clear contingency plan in place. In addition, Internal Audit has been advised that the agreement in place for the Kilwinning campus contains out of date information, for example changes in providers have not been reflected within the document.

- **Steering Group and BCRT membership:** The BCP confirms that a Steering Group is in place, and that a BRCT will be established should a potential incident occur. The membership of the BRCT is dependent on the incident, however, no details are provided on the members of the BCRT teams.

CONCLUSION:

At this stage, we are able to provide moderate assurance over the design and operational effectiveness of the arrangements in place relating to business continuity management. We recommend management implement the noted control improvements to develop the current arrangements, and ensure they operate consistently across the College.

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

✓ Roles and responsibilities in relation to business continuity may not be defined within the business continuity plan.

✓ The College may not have clearly defined business critical systems and processes within the business continuity plan.

✓ The plan may not be suitable to allow the College to recover from a significant disruption in required timescales.

✓ The plan may not be suitably located to allow it to be put into effect in the event of an emergency incident.

✓ Staff contact details may not be kept up to date in the business continuity plan.

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

DETAILED FINDINGS

RISK: THE BUSINESS CONTINUITY PLAN MAY NOT BE REGULARLY TESTED, AND THE RESULTS APPROPRIATELY REPORTED TO MANAGEMENT.

Ref	Sig.	Finding
1	🟧	It is important that key contacts have access to the BCP, particularly remote access, should an event or incident occur that requires the Plan to be enacted. The BCP can be accessed remotely via Admincontrol. We reviewed the access rights to the Plan on Admincontrol, and identified two users whose invitation to access Admincontrol was not accepted, and therefore expired. As a result of this, the two staff members are unable to access the Plan via Admincontrol, which would be required during an incident. Internal Audit were advised that this would be corrected immediately to ensure the two staff members could access the Plan. There is a risk that key staff do not have appropriate remote access to the BCP.

RECOMMENDATION:

We recommend that the College ensures that key staff members have remote access to the BCP. It is recommended that those who should have access, confirm that they can access the Plan remotely on a regular basis.

MANAGEMENT RESPONSE:

Completed. This was actioned as soon as it was brought to management's attention.

Responsible Officer:	Director of Finance, Student Funding and Estates
Implementation Date:	N/A

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

RISK: THE BUSINESS CONTINUITY PLAN MAY NOT BE REGULARLY TESTED, AND THE RESULTS APPROPRIATELY REPORTED TO MANAGEMENT.

Ref	Sig.	Finding
2	🟢	Ensuring that a clear testing strategy is in place increases the opportunity for weakness to be identified and improvements to the business continuity process to be implemented.
		Testing of the BCP is carried out through desktop scenario exercises conducted by the Steering Group and through reviewing live incidents and lessons learnt. The College has however not developed a formal testing plan/schedule for the BCP. Although we note that the BCP has been tested in the past, for example through live events and scenario planning, there is no schedule documented that shows the areas previously tested and the outcomes, and the areas planned for testing in the future.
		In addition, we note that there is no standard template, such as a summary report, for recording the results of tests, including lessons learned and further actions required.
		There is a risk that key weaknesses or exclusions have not been identified within the business continuity plan due to the limitations identified.

RECOMMENDATION:

We recommend that the College develops a testing plan/schedule for BCP which should be reviewed regularly to ensure a strategic approach to testing is developed and implemented. This plan should ensure that varying categories of events are scheduled to be tested on a regular basis based upon likelihood and overall risk.

In addition, we recommend that the outcomes, lessons learned and required actions are documented, and thereafter reflected within the plan for each test where applicable. Testing should consider whether the timescales within the plan are achievable.

MANAGEMENT RESPONSE:

The BCP plan is reviewed and updated based on the desktop scenario testing and live testing of the BCP plan. For example, following the bomb scare incident the College led a meeting of strategic BCP partners (including police and fire) to review arrangements and learn lessons from the incident. This resulted in the development of a bomb scare protocol, emergency communication plan and enhanced partnership working relationships between key individuals. In addition, high risk categories of BCP events happen on a regular basis, for example, the closure of campuses due to adverse weather conditions.

This part of the recommendation is therefore already being achieved.

Recording the areas tested and documenting future testing schedules will give an audit trail of what the College has been doing and is doing. Relevant College staff currently obtain this same information from reviewing Steering Group minutes, papers and tracked changes between BCP revisions.

Responsible Officer:	Director of Finance, Student Funding and Estates
Implementation Date:	30 April 2020

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

RISK: THE PLAN MAY NOT BE SUITABLE TO ALLOW THE COLLEGE TO RECOVER FROM A SIGNIFICANT DISRUPTION IN REQUIRED TIMESCALES.

Ref	Sig.	Finding
3	🟢	Agreements are in place with the College's Private Finance Initiative (PFI) and Non-Profit Distributing (NPD) operators for the Kilmarnock and Kilwinning campuses respectively, with the aim of ensuring roles and responsibilities are understood where required during a relevant event. In respect of the Kilwinning campus Internal Audit were provided with a copy of the original Project Agreement between Ayrshire College's predecessor James Watt College and the PFI operator KE Project Ltd. Unlike the agreement in place for the Kilmarnock campus, there is no specific reference to disaster recovery or business continuity in the Project Agreement and no evidence that the PFI operator has clear contingency plan in place. In addition, Internal Audit has been advised that the agreement in place for the Kilwinning campus contains out of date information, for example changes in providers have not been reflected within the document. There is a risk that the agreement in place may not be effective in ensuring operations are continued and recovered during an event.

RECOMMENDATION:

We recommend that the College, in partnership with the operator, ensures that the Kilwinning campus agreement is updated to reflect changes in providers, and includes a contingency plan, in line with the format of the Kilmarnock campus plan.

MANAGEMENT RESPONSE:

The Kilwinning PFI Project Agreement was assigned to Ayrshire College at the time of its creation. The College has previously asked Infrastructure Managers Ltd to confirm on KE Project Ltd's behalf that it has a contingency plan and to provide a copy thereof.

This request was reiterated at the monthly contract meeting on 17 December 2019 and the College will continue to pursue this issue to a conclusion.

Responsible Officer:	Head of Estates and Sustainability
Implementation Date:	31 March 2020

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

RISK: ROLES AND RESPONSIBILITIES IN RELATION TO BUSINESS CONTINUITY MAY NOT BE DEFINED WITHIN THE BUSINESS CONTINUITY PLAN.

Ref	Sig.	Finding
4	🟢	It is important that key teams or roles are identified in managing and responding to a business disruptive incident. The BCP confirms that a Steering Group is in place, and that a BRCT will be established should a potential incident occur. However, no details are provided on the members of these teams. There is a risk that the responsibilities of the BCRT may not be rolled out in the event of an incident, due to the membership of the team being unknown.

RECOMMENDATION:

We recommend that the College documents each member of the Steering Group. The BCP should clarify that, as we have been advised by management, the BCRT established for each event will depend on the nature of event and availability of staff, but will however include of members of the ELT and members of the Steering Group, who have remote access to the BCP.

MANAGEMENT RESPONSE:

The members of the Steering Group are all currently included within the contact lists of the BCP. The BCP will be updated to state that the membership of each BCRT is dependent on the incident and the relevant skills and expertise required to address it. The BCP will also be amended to show the members of the Steering Group within the relevant section of the document.

Responsible Officer:	Director of Finance, Student Funding and Estates
Implementation Date:	30 November 2020

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

James Thomson	Director of Finance, Student Funding and Estates
Ray Walkinshaw	Head of Estates and Sustainability
Brad Johnstone	Head of ICT
Martin Hammond	Health, Safety & Wellbeing Manager

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

APPENDIX I – DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial ●	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate ■	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited ⬣	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No ▲	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High ▲	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium ■	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low ●	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

As part of the 2019-20 Internal Audit Plan, it was agreed that we would carry out a review of the business continuity management arrangements in place at Ayrshire College.

KEY RISKS:

- Roles and responsibilities in relation to business continuity may not be defined within the business continuity plan.

- The College may not have clearly defined business critical systems and processes within the business continuity plan.

- The plan may not be suitable to allow the College to recover from a significant disruption in required timescales.

- The business continuity plan may not be regularly tested, and the results appropriately reported to management.

- The plan may not be appropriately communicated to staff, and key staff may not be aware of their roles to instigate the plan.

- The plan may not be suitably located to allow it to be put into effect in the event of an emergency incident.

- Staff contact details may not be kept up to date in the business continuity plan.

SCOPE OF REVIEW:

Our review will assess whether:
- The College has a business continuity plan in place and has communicated it to relevant staff;
- The College has clearly defined business critical systems and processes and maximum acceptable downtime in the event of an incident;
- The business continuity plan is sufficient to enable business critical processes to be back up and running within required timeframes to prevent significant business disruption;
- The business continuity plan is tested regularly and is kept up to date; and
- There is a process in place to highlight lessons learned and offer necessary training to improve future response to incidents.

AYRSHIRE COLLEGE, BUSINESS CONTINUITY MANAGEMENT

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

During the course of the review we will keep management informed of any issues which arise as a result of our testing.

A de-brief meeting will be undertaken before completing the review on-site to discuss findings and initial recommendations.

FOR MORE INFORMATION:

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BDO

AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT

REVIEW OF SCHOOL & COMMUNITY PROVISIONS
FEBRUARY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Substantial

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

DISTRIBUTION	
James Thomson	Director of Finance, Student Funding & Estates
Anne Campbell	Vice Principal – Curriculum
Carol Nisbet	Head of Schools, Engagement and Widening Access
REPORT STATUS LIST	
Auditors:	Chloe Ridley
Dates work performed:	11 February - 17 February 2020
Draft report issued:	28 February 2020
Final report issued:	8 April 2020

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AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design — Generally a sound system of internal control designed to achieve system objectives with some exceptions.

Effectiveness — Evidence of non-compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	▲	0
Medium	■	1
Low	●	2

TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

It was agreed with management and the Audit Committee within the 2019-2020 internal audit plan that Internal Audit would assess whether management have conducted a detailed analysis of the local school and community provision by Ayrshire College ('the College'.

The Scottish Government's '*Youth Employment Strategy*' outlines their ambition to improve youth employment levels beyond where they were pre-recession (pre 2008). There is an overarching target to reduce 2014 levels of youth unemployment by 40% by 2021, with 14 KPIs sitting beneath this. The Scottish Government report annually on performance against these measures.

Key themes in this strategy are for young people to have access to more vocational options at secondary school and improving opportunities and experiences for all learners, with a focus on reducing gender imbalance on course take up.

The College's Regional Outcome Agreement (ROA) outlines how they specifically plan to achieve the objectives included within Scotland's Youth Employment Strategy.

The College reports annually on their performance against targets set within their ROA. The College's Learning & Teaching Committee, meets on a quarterly basis and monitors performance against the ROA. Additionally, the Vice-Principal- Curriculum meets with the Scottish Funding Council (SFC) on a quarterly basis to discuss performance against the ROA.

ROA targets are cascaded down, each Directorate and Curriculum Manager has their own targets to meet. Curriculum Heads and Managers can monitor their performance in Qlikview. Qlikview is the College's business intelligence application, which allows staff to monitor student activity.

The South West Educational Collaborative, which comprises the three local authorities in Ayrshire and Dumfries and Galloway Council, has been set up to support regional

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

development and identify shared improvement outcomes. Each year they submit a plan which is submitted to the Scottish Government. The College helps support the skills and employment ambitions of this.

The College considers the skills employers require when considering courses to run and when developing their Curriculum Development Plan (CDP). The College responds to forecast skills needs identified in the Regional Skills Assessment (RSA). Skills Development Scotland (SDS) develop RSAs to provide a coherent evidence base to inform future investment in skills, which are built from existing data sets and forecasts. Curriculum Managers also engage with industry and local employers in their sector through employer skills forums to secure feedback from employers on the relevance of the college provision.

The College has three School College Partnership Officers (SCPO), each is responsible for liaising with schools in their assigned local authority. They each attend their Local Authority's School College Partnership meetings which are held on a quarterly basis. The Deputy Head Teacher (DHT) from each secondary school attends along with the Local Authority's Quality Officer.

The planning process for the school college curriculum starts over a year in advance. The Head of Schools, Engagement & Widening Access (HOSEWA) meets with Curriculum Managers to evaluate the previous year and plan for the next year. The HOSEWA and the School Partnership Officer meet with the Head Teacher of each secondary school to discuss courses which could be offered at the College and which of these courses the school may be interested in. At the September School College Partnership meetings a draft version of the College's School College Programme (SCP) is presented for consideration. This feedback is passed to curriculum and incorporated into the CDP.

A priority of the College is to increase the educational choices available to school pupils primarily through offering vocational courses which are not being offered by the schools.

The College offers a variety of different courses to school pupils:

- Main School Programme: courses offered to S4-S6 school pupils, the student attends the college for an afternoon 1 or 2 days a week. The students apply for these courses via the College's website;
- Vocational Bursts: a hands on 6 week programme where S2-S3 pupils can attend an introduction to a vocational course. This allows pupils to make informed decisions about potential vocational career choices;
- Developing Young Workforce: in partnership with the Princes Trust these programmes are designed to develop the employability skills of young people who are at risk of leaving school without achieving 5 National 5 qualifications; and
- Personal Development: courses designed to focus on employability rather than being vocational such as introduction to computing and communication skills.

The split of uptake by school pupils in 2019/20 can be seen in the pie chart below:
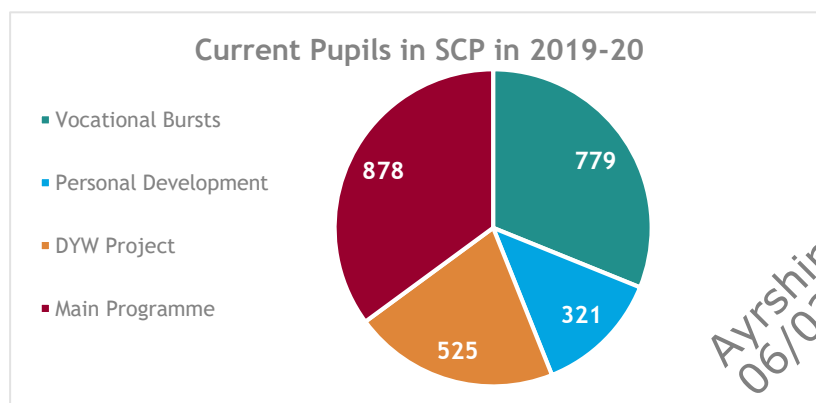
Current Pupils in SCP in 2019-20

- Vocational Bursts: 779
- Personal Development: 321
- DYW Project: 525
- Main Programme: 878

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

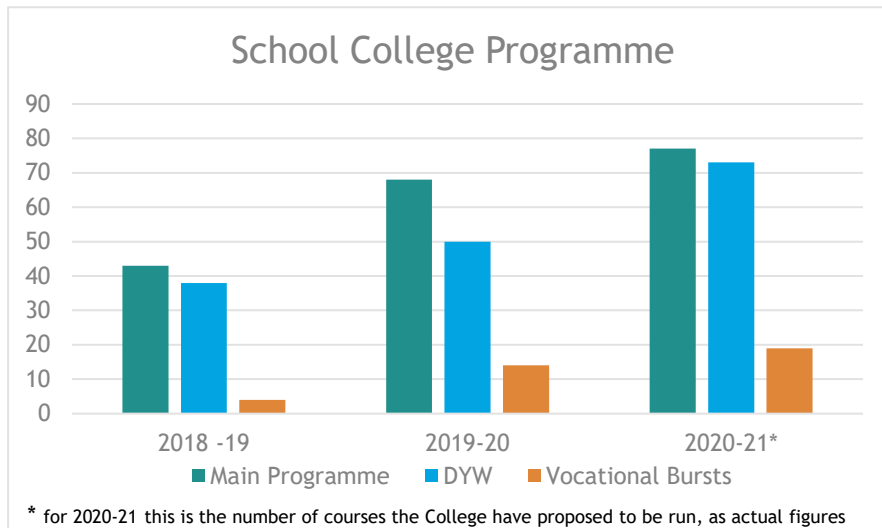The College has increased the number of courses offered to school pupils over the last three years. There was a 55% increase from 2018/19 to 2019/20. In 2020/21 this is expected to level-off, in line with the College's planned service provision. This can be evidenced in the chart below:

School College Programme

Legend: Main Programme, DYW, Vocational Bursts

* for 2020-21 this is the number of courses the College have proposed to be run, as actual figures

Once a year there is a Pan Ayrshire School College Partnership meeting, where everyone from the three Ayrshire authorities meets.

There are 24 secondary schools across the three local authorities, each with their own agenda. Each school wants the College to run different courses for their pupils. The College offers support and engages with schools in a variety of ways, including:

- Sending non-attendance reports to schools on the same day, for pupil safeguarding purposes;
- The SCPO meets with each school's DHT on a monthly basis to discuss attendance and any issues arising;
- The SCPO attends assemblies and options evenings to engage with pupils, parents and guidance teachers to discuss options which are available at the College; and
- The College has a variety of SCP policies and guidance in place to help support and standardise the process, including having handbooks for staff, parents, schools and pupils.

The College offers a variety of courses which are delivered in the community and focus on employability. There are a number of established courses the College offers, and further bespoke courses can be developed to provide the correct content, level and experience for learners. All courses can be delivered flexibly to meet the needs of partners and learners.

Community courses are not planned a year in advance like the SCP. Partners will contact the College's Community Team Leader when they have a cohort of people wanting to take a course. The Community Team Leader reports to the HOSEWA on a monthly basis on the performance of community courses.

An exceptional entry is a pupil who is too young to leave full time education and who wants to learn at College rather than school. The College has checks in place to identify exceptional students which have applied to study at the College. SCPO's will notify the pupil's school and the curriculum manager. The College requires approval from the pupil's Local Authority to allow the pupil to attend the College.

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

SCOPE AND APPROACH:

The scope of the review assessed the effectiveness of the following key control areas in ensuring the achievement of the College's business objectives:

- We determined how effectively the College is working with the Local Authority partners to deliver on Scottish Government and local priorities and determine whether the College is adding value to the curriculum choice;
- We sought to establish the extent to which the College supports increased educational choices for school pupils to progress to further learning or employment;
- We confirmed the extent to which the College is able to plan and deliver appropriate local community provision to support educational aspirations;
- We sought to establish the extent to which agreements for the effective sharing of data for transitions have been established; and
- We confirmed that appropriate cross-college arrangement for exceptional entries are in place.

Our approach was to interview management and a sample of relevant staff to discuss the areas within our scope, and assess the design and effectiveness of the controls in place. We reviewed all relevant documentary evidence, and performed sample testing to confirm satisfactory operation of the controls.

A de-brief meeting was undertaken before completing the review on-site to discuss findings and initial recommendations.

GOOD PRACTICE:

We identified a number of areas of good practice during the course of our review:

- At the June 2019 Pan-Ayrshire School College Partnership meeting Ayrshire was evaluated against the 'How good is our school' Quality Indicators. What is working well and key priorities and actions were taken from this;
- The College ensures courses offered have a pathway to further education or employment. These pathways are included with the School College Prospectus which is available to pupils on the College website. The College has developed alternative pathways for vocational courses which is available to school pupils;
- The College has strong established relationships with schools. Positive feedback from the Local Authorities' Quality Improvement Officers was obtained confirming the College is responsive to school needs, including providing staff where there are shortages at schools;
- SCPOs regularly attend assemblies and options evenings to engage with pupils, parents and guidance teachers to discuss the options which are available at the College;
- The College has increased the number of courses offered to school pupils; and
- The College is targeting younger students for vocational courses and offering vocational bursts to allow pupils to make informed decisions about potential vocational career choices.

KEY FINDINGS:

During our review we identified three areas where improvement may be made:

- **Data Sharing Agreements:** The College does not have data sharing agreements in place with each of the 24 schools it engages with or the three Ayrshire local

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

authorities. A draft version of the agreement is expected to be completed by the end of February 2020;

- **SCP Timetable**: The SCP team has an annual Planning Calendar which includes, amongst other things, documentation of SCP meetings, holidays, and deadlines for marketing. However there is no timetable which documents the timeline for the overall planning process;

- **Exceptional Entrant:** The approval process and the information provided to the College is not consistent across the Local Authorities for an exceptional entrant. The Local Authorities note they are planning to standardise the process. The College is in the process of drafting an Exceptional Entrant Process Policy, however it is not complete and actions and responsible persons are not yet documented; and

CONCLUSION:

We are able to provide moderate assurance over the design and operational effectiveness of the controls in place relating to the College's school college programme and community provision. In this report, we have made some recommendations which will serve to improve the process further.

OUR TESTING DID NOT IDENTIFY ANY CONCERNS SURROUNDING THE CONTROLS IN PLACE TO MITIGATE THE FOLLOWING RISKS:

✔ There is inadequate college planning and monitoring systems

✔ The School curriculum offer is too similar to that of the College curriculum offer

✔ The College fails to plan effectively for the delivery of the curriculum across Ayrshire through the Curriculum Development Plan (CDP) process

✔ The College fails to meet the targets set out in the College's Outcome Agreement

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

DETAILED FINDINGS

RISK: there is a failure to understand and respond to student, stakeholder or employer needs

Ref	Sig.	Finding
1	🟧	**Data Sharing Agreements** It is good practice for the College to have Data Sharing Agreements in place with all organisations it shares information with. The College shares sensitive information about school pupils with their school and local authority. The College does not have data sharing agreements in place with each of the 24 schools it engages with or the three Ayrshire local authorities. A draft version of the agreement is expected to be completed by the end of February 2020. There is a risk data governance arrangements are not being consistently applied. There is also a risk that business processes to ensure compliance with GDPR are not being consistently applied.

RECOMMENDATION:

We recommend the College has data sharing agreements in place with the local authorities it engages with.

We also recommend these agreements are reviewed on a regular basis.

MANAGEMENT RESPONSE:

The College will share the draft data sharing agreement with each of the three local authorities. This will be discussed and agreed with each of the directors of education and formally approved.

The draft data sharing agreement has been prepared in line with the data sharing agreements already in place across the rest of the College.

Responsible Officer:	Head of Schools, Communities and Widening Access
Implementation Date:	30 November 2020

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

RISK: there is inadequate college planning and monitoring systems		
Ref	Sig.	Finding
2	🟢	**SCP Timetable** It is good practice to have a timetable which documents all the necessary steps to ensure the school college curriculum is completed and approved in a timely manner. The SCP team has an annual Planning Calendar which includes, amongst other things, documentation of SCP meetings, holidays, and deadlines for marketing. The College has implemented a new structure and appointed new members of staff to key senior posts. These changes have not resulted in delays to approving the CDP However there is no timetable which documents the timeline for the overall planning process. There is a risk staff are not aware of the school college planning process and relevant deadlines.

RECOMMENDATION:

We recommend a timetable is created for the SCP which includes key dates and deadlines, such as deadlines for meeting with curriculum and head teachers.

MANAGEMENT RESPONSE:

We will create a timetable for the SCP which includes key dates and deadlines, such as deadlines for meeting with curriculum and head teachers.

Responsible Officer:	Head of Schools, Communities and Widening Access
Implementation Date:	31 August 2020

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

RISK: there is a failure to understand and respond to student, stakeholder or employer needs		

Ref	Sig.	Finding
3	●	**Exceptional Entrant** An exceptional entrant is a pupil who is too young to leave full time education and who wants to learn at College rather than school. The College requires prior approval from the Local Authority to allow the pupil to attend College. The approval process and the information provided to the College by the three Local Authorities is not consistent. The Local Authorities note they are planning to standardise the process. The College is in the process of drafting an Exceptional Entrant Process Policy, however it is not complete and actions and responsible persons are not yet documented. There is a risk the exceptional entry process across the three local authorities is not understood by relevant staff.

RECOMMENDATION:

We recommend the Exceptional Entrant Process is completed and approved by the College.

MANAGEMENT RESPONSE:

We will complete and approve the Exceptional Entrant Process.

Responsible Officer:	Head of Schools, Communities and Widening Access
Implementation Date:	30 November 2020

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

OBSERVATIONS

1. Options Matrix

An Options Matrix outlines all the courses the schools are offering and ensures the college is aware of all courses schools are offering.

An options matrix has been prepared for South Ayrshire, however this has not been completed for North Ayrshire or East Ayrshire. The College is aware of what courses schools are offering through the quarterly School College Partnership meetings and the SCPO's monthly meetings with the DHT of each school.

We recommend an options matrix is created for North Ayrshire and East Ayrshire. However we recognise this is not fully within the College's control.

2. Community Courses

A main concern for the College in providing the community provision is having enough people turn up for the course to be run. The College needs around 10 students to complete the course for the College to cover its costs.

Partners are responsible for communicating with applicants prior to the course commencing. The partner involved may say 14 people have signed up, but then only 3 turn up on the day. In these cases the college has to cancel the course.

The College works with multiple partners and in almost all cases it is the partner who sends the applicants to these courses. The College does engage in dialogue with partners, however it cannot control course numbers prior to commencement of community courses.

There are 160 courses delivered in the year, however there many more which have been organised and then there have been partner pull outs or the course has been cancelled due to low numbers.

A lot of time and effort goes into setting up these community courses, which is a cost to the college.

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Anne Campbell	Vice Principal – Curriculum
Carol Nisbet	Head of Schools, Engagement and Widening Access
Kirsty Taylor	Team Leader Schools
Fraser Lennox	Team Leader Community
Yvonne Adamson	Schools/College Partnership Officer
Ashleigh Brown	Schools/College Partnership Officer
Caroline Allison	Schools/College Partnership Officer
Laura Cook	Quality Improvement Officer, North Ayrshire Council
Ian Burgoyne	Strategic Education Manager, East Ayrshire Council
Gavin Pitt	Quality Improvement, South Ayrshire Council

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

APPENDIX I – DEFINITIONS				
LEVEL OF ASSURANCE	**DESIGN OF INTERNAL CONTROL FRAMEWORK**		**OPERATIONAL EFFECTIVENESS OF CONTROLS**	
	FINDINGS FROM REVIEW	**DESIGN OPINION**	**FINDINGS FROM REVIEW**	**EFFECTIVENESS OPINION**
Substantial ●	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate ■	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited ⬡	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No ▲	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High ▲	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium ■	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low ●	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

AYRSHIRE COLLEGE, REVIEW OF SCHOOL & COMMUNITY PROVISIONS

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to provide management and the Audit Committee with assurance over the College's strategic approach to School and Community provision and, in particular, how the approach is aligned to the Outcome Agreement and other associated targets.

We will review the current strategies in place and evaluate whether the strategies support the achievement of regional and local targets.

The review will also evaluate the current systems and processes in place with Local Authority partners to enhance School / College educational opportunities as well as the local planning arrangements to demonstrate that the College is responsive to providing educational opportunities to local communities.

KEY RISKS:

- There is inadequate college planning and monitoring systems

- The School curriculum offer is too similar to that of the College curriculum offer

- There is a failure to understand and respond to student, stakeholder or employer needs

- The College fails to plan effectively for the delivery of the curriculum across Ayrshire through the Curriculum Development Plan (CDP) process

- The College fails to meet the targets set out in the College's Outcome Agreement

FOR MORE INFORMATION:

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AYRSHIRE COLLEGE

INTERNAL AUDIT PROGRESS REPORT 2019-20

June 2020

BDO

CONTENTS

Restrictions of use

EXECUTIVE SUMMARY

Introduction

The purpose of this report is to *advise* the Audit Committee of the progress of the Internal Audit Plan for 2019-20. This paper together with progress and assignment updates are discussed with management and the Audit Committee throughout the year. These reports will form the basis of information to support our Annual Internal Audit Report for 2019-20.

Internal Audit Plan 2019 - 20

Since the last Audit Committee meeting, the following internal audit reports for the 2019 – 20 plan have been finalised and are presented under separate cover:

- Data Protection (GDPR)

- Business Continuity

- School Community Provision

Conclusion

The Audit Committee is asked to *note* this report.

WORK COMPLETED

Reports Issued	Overall Report Conclusions – see appendix I				
	▲	■	●	Design	Operational Effectiveness
Student Support Fund	0	0	0	Substantial	Substantial
Corporate Governance	0	0	4	Substantial	Substantial
FES Return	0	0	0	Substantial	Substantial
GDPR – Data Protection	0	4	1	Moderate	Limited
Business Continuity Management	0	1	3	Moderate	Moderate
School Community Provision	0	1	2	Moderate	Substantial

Ayrshire College # 484082
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PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	August 2019	Student Support Fund	3	3	Completed.
2	August 2019	Corporate Governance	5	5	Completed.
3	September 2019	FES Return	5	5	Completed.
4	November 2019	Data Protection (GDPR)	5	5	Completed.
5	December 2019	Business Continuity Management	5	5	Completed.
6	February 2020	Financial Controls	5	5	Completed but this still has to be approved by the SLT.
7	N/A	Commercial Income	5	N/A	This has been postponed to 20/21.
8	February 2020	School Community provision	5	5	Completed.
9	April 2020	SFC Returns	5	5	Completed but this still has to be approved by the SLT.
10		Follow Up	3		Fieldwork scheduled to start July 2020

AUDIT PERFORMANCE

AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
Student Support Fund	6th September 2019	24th September 2019	24th September 2019	24th September 2019
Corporate Governance	30th August 2019	11th September 2019	30th September 2019	1st October 2019
FES Return	12th September 2019	24th September 2019	1st October 2019	1st October 2019
GDPR – Data Protection	2 December 2019	6 December 2019	9 February 2020	10 February 2020
Business Continuity Management	6 December 2019	20 December 2019	14 January 2020	15 January 2020
School Community Provision	17 February 2020	28 February 2020	7 April 2020	8 April 2020

On average:

• Reports were issued in draft within 14 working days of completion of our fieldwork and a debrief meeting with management.

• Final reports were issued within 1 working day of management responses being received

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial 🟢	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Reasonable 🟦	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited 🟧	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 🔺	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High 🔺	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium 🟧	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low 🟢	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

Ayrshire College

ANNUAL INTERNAL AUDIT PLAN 2020-21

May 2020– DRAFT FOR DISCUSSION

BDO

CONTENTS

Ayrshire College # 484082
06/03/2020 16:59:32

Restrictions of use

1. INTERNAL AUDIT APPROACH

Introduction

Our role as internal auditors is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Our approach, as set out in the Firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular the Public Sector Internal Audit Standards (PSIAS).

Internal Audit at Ayrshire College

We have been appointed as internal auditors to Ayrshire College to provide the Board of Management, through the Audit Committee, with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at Ayrshire College will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the draft internal audit plan for 2018-2021 we have sought to gain an understanding of the business of Ayrshire College together with its risk profile in the context of:

- The overall business strategy of Ayrshire College
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing Ayrshire College

2. AUDIT RISK ASSESSMENT

Background

Our risk based approach to internal audit uses Ayrshire College's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of Ayrshire College's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the College's current risk profile. We have included a summary of the current risk register at Appendix VII.

Planned approach to internal audit 2020-21

The Internal Audit proposed audit programme for 2020-21 is shown at Appendix I. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified during that period.

We have set out further in Appendix II the rationale for the inclusion of particular reviews in the audit plan, based on our initial review of the College's risk register, discussions with a number of key stakeholders and consideration of various documents, publications and information sources.

We have set out in Appendix IV a high level view of our proposed internal audit coverage over the period 2018-19 to 2020-21.

Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within Ayrshire College. Where revisions are required we will obtain approval from the Vice Principal – Finance and Skills prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to Ayrshire College and which ensures availability of key officers.

A proposed phasing of our audit plan, based on our current understanding of Ayrshire College's workloads is set out in Appendix III.

Variations to the Plan

Significant variations to the plan arising from our reviews, changes to Ayrshire College's risk profile or due to management requests will be discussed in the first instance with the Vice Principal – Finance and Skills and approved by the Audit Committee before any variation is confirmed.

Internal Audit Charter

We have set out in Appendix V our Internal Audit Charter which gives fuller details of the role and responsibilities of internal audit.

3. PROPOSED RESOURCES AND OUTPUTS

Staffing

The core team that will be delivering this programme to you is shown below:

Name	Grade	Telephone	Email
Claire Robertson	Director	07583 237579	claire.robertson@bdo.co.uk

Our indicative staff mix to deliver the programme is shown below:

Grade	2020 - 21(days)	Grade Mix (%)
Director	5	9
Manager	17	32
Auditors	31	59
Total	53	100

The core team will be supported by specialists from our national Risk and Advisory Team and wider firm as and when required.

Reporting to the Audit Committee

We submit the Internal Audit Plan for discussion and approval by the Audit Committee at its next meeting. We will liaise with the Vice Principal – Finance and Skills and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the internal audit programme for 2020-21 we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements. We have set out at Appendix VI a summary of our proposed performance measures and intended working protocols.

5

APPENDIX I
Internal Audit Plan 2020 - 21

Assurance Theme	Subject	Days	Assurance / Advisory / Regulatory
Financial Control	Financial Controls	5	Assurance
Internal Control Systems	Partnership Working	5	Assurance
	Staff Recruitment & Retention	5	Assurance
	Curriculum Planning	5	Assurance
	Commercial Income generating programmes	5	Assurance
	IT Strategy	5	Assurance
Regulatory Reviews	Student Support Funds (SSF) Return	3	Regulatory
	Further Education Statistical (FES) Return	5	Regulatory
	Unallocated – TBC	5	
Follow Up and Contract Management	Follow up	3	
	Audit Committee	3	
	Client Liaison	3	
	Annual Reporting	1	
TOTAL		53	

APPENDIX II
Internal Audit Plan Overview

Overview

The plan overview sets out the proposed audits in more detail and highlights further comment and rationale for inclusion in the Annual Internal Audit Plan 2020 -21, together with the risk assessment source.

We will scope individual audits in advance of commencing any reviews and agree terms of reference with key officers involved.

Audit Area	Comment	Source
Partnership Working	We will provide independent assurance on how the College is managing key, formally established partnership relationships and monitoring contract compliance with partners including: • Effectiveness of financial controls and reporting. • Effectiveness of operational performance and reporting. • Effectiveness of communications with partners. • Effectiveness of governance structures.	a) BDO Assessment b) Executive Management c) Risk Register: BOM3
Financial Controls	We have included coverage of key financial control areas in each year of the internal audit plan. In 2020-21, we will perform a high level review across all key financial control systems. We will assess whether procedures and controls in place for key financial processes are well designed and are being complied with. We will assess whether there is adequate segregation of duties in place and whether there is effective management oversight.	a) BDO Assessment
Staff Recruitment & Retention	We will review the procedures that the College has in place in respect of the recruitment of College staff. We will also determine the effectiveness of procedures that the College has to encourage and manage retention of staff and to keep staff turnover rates low.	a) BDO Assessment b) Executive Management c) Risk Register: BRIC6, BRIC 7 & BRIC 8

APPENDIX II
Internal Audit Plan Overview

Audit Area	Comment	Source
Curriculum Planning	Details of this review area to be confirmed by Learning and Teaching (L&T) Committee.	a) BDO Assessment b) Executive Management c) L&T Committee
Commercial Income generating programmes	This review was postponed from 2018/19. It will consider the controls that are in place to provide assurance that income generated through commercial opportunities at the College are maximised and make effective use of the College resource.	a) BDO assessment
IT Strategy	We will review and evaluate the key controls surrounding the College's development of its IT Strategy and suggest areas of improvement to be considered when this is next updated. We will consider how the College has developed its IT strategy which will be relevant and adequate to deliver the College's business plan objectives. We will compare the College's approach to strategic development in relation to IT requirements, to good practice and whether the approach is reasonable and in line with our expectations in this area.	a) BDO assessment b) Risk Register: BRIC 5
Student Support Funds (SSF) Return	We will carry out a review of the SSF for the year ended 31 July 2020 to give an opinion on whether: the aggregate student support fund return has been completed in agreement with the underlying records, the College used these funds in accordance with the Scottish Funding Council conditions, and the systems and controls of the administration and disbursement of these funds are adequate.	a) BDO assessment

APPENDIX II
Internal Audit Plan Overview

Audit Area	Comment	Source
FES Return	We will review the FES return made to the SFC for the year ended 31 July 2020 to give an opinion on whether: the student data returns have been compiled in accordance with all relevant guidance, adequate procedures are in place to ensure the accurate collection and recording of the data, and the FES return contains no material misstatement.	a) BDO assessment
Follow Up	The effectiveness of the internal control system may be compromised if management fails to implement agreed audit recommendations. Our follow up work will provide the Audit Committee with assurance that prior year, and in some cases in-year, recommendations are implemented within the expected timescales.	a) BDO assessment

Ayrshire College # 484082
06/03/2020 16:59:32

APPENDIX III
Phasing of the Plan

Respecting existing work pressures, and subject to the availability of key officers, we would look to agree with Ayrshire College the phasing of our audit work as shown in the following tables. We would normally seek to phase our work around Audit Committee dates.

Block 1: August – October 2020

Review	Proposed Audit Sponsor
Staff Recruitment & Selection	Michael Breen / James Thomson
Student Support Fund	Michael Breen / James Thomson
FES Return	Michael Breen / James Thomson

Block 2: November 2020 – January 2021

Review	Proposed Audit Sponsor
Financial controls	Michael Breen / James Thomson
Partnership Working	Michael Breen / James Thomson
Commercial Income generating programmes	Michael Breen / James Thomson

Block 3: February – April 2021

Review	Proposed Audit Sponsor
Curriculum Planning	Anne Campbell
IT Strategy	Michael Breen / James Thomson

Block 4: May – July 2021

Review	Proposed Audit Sponsor
Follow up	Michael Breen / James Thomson

APPENDIX IV
Internal Audit Strategy 2018- 2021

Subject	Risk Register	2018 - 2019	2019 - 2020	2020-2021
Risk Management		✓		
Corporate Governance	✓		✓	
Financial Controls	✓	✓	✓	✓
Partnership Working	✓			✓
Data Protection (GDPR)	✓		✓	
Staff Recruitment and Retention	✓			✓
IT Security	✓	✓		
Commercial income generating programmes	✓		✓	
Curriculum Planning	✓	✓	✓	✓
College Assurance, management of change		✓	✓	
IT Strategy				✓
Estates and Infrastructure	✓	✓		
Business Continuity Management	✓			
Student Support (FE Bursary / Discretionary / Childcare funds, HE Discretionary Fund & EMA)		✓	✓	✓
Further Education Statistical (FES) return			✓	✓
Follow up			✓	✓

APPENDIX V
Internal Audit Charter

Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within Ayrshire College ("the College") and defines the scope of Internal Audit activities.

Internal Audit's Purpose

Internal Audit provides an independent, objective assurance and consulting activity designed to add value and improve the College's operations. It helps the College accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in Internal Audit's role is that it supports the College's management to fulfil its own risk, control and compliance responsibilities.

Internal Audit's Authority

The Head of Internal Audit and internal audit staff are authorised to:
• Have unrestricted access to all the College's records, property, and personnel relevant to the performance of engagements
• Obtain the necessary assistance of the College's personnel in relevant engagements, as well as other specialised services from within or outside the College.

Internal Audit has no authority or management responsibility for any of its engagement subjects.

Internal Audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

Internal Audit's Responsibility

The Head of Internal Audit is responsible for all aspects of Internal Audit activity, including strategy, planning, performance, and reporting.

The Head of Internal Audit will:

Strategy
• Develop and maintain an Internal Audit Strategy
• Review the Internal Audit Strategy at least annually with management and Board of Management

APPENDIX V
Internal Audit Charter

Planning

- Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy
- Engage with Management and consider the College's strategic and operational objectives and related risks in the development of the Internal Audit Plan
- Review the Internal Audit Plan periodically with management
- Present the Internal Audit Plan, including updates, to the Audit Committee for periodic review and approval
- Prepare an Internal Audit Budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan
- Submit the Internal Audit Budget to the Audit Committee for review and approval annually
- Coordinate with and provide oversight of other control and monitoring functions, including Risk Management, Compliance & Ethics, and external audit
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage to the College.

Performance

- Implement the Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan
- Allocate and manage resources to accomplish Internal Audit engagement objectives
- Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques
- Monitor delivery of the Internal Audit Plan against the Internal Audit Budget
- Ensure the ongoing effectiveness of Internal Audit activities.

Reporting

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken
- Provide periodic reports to management and the Audit Committee summarising Internal Audit activities and the results of Internal Audit Engagements
- Provide periodic reports to management and the Audit Committee on the status of management actions taken in response to Internal Audit Engagements
- Report annually to the Audit Committee and management on Internal Audit performance against goals and objectives
- Report as needed to the Audit Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan
- Inform the Audit Committee of emerging trends and practices in internal auditing.

APPENDIX V
Internal Audit Charter

Independence and Internal Audit's Position within the College

To provide for Internal Audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Board of Management. The Head of Internal Audit has free and full access to the Chair of the Board of Management.

The Head of Internal Audit reports administratively to the Director of Finance and Student Funding who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Board of Management.

The Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.

If the independence or objectivity of the Internal Audit Service is impaired, details of the impairment should be disclosed to either the Director of Finance and Student Funding, or the Chair of the Board of Management, dependent upon the nature of the impairment.

The Internal Audit Service is not authorised to perform any operational duties for the College; initiate or approve accounting transactions external to the Internal Audit Service; or direct the activities of any college employee not employed by the Internal Auditing Service, except to the extent such employees have been appropriately assigned to Service or to otherwise assist the Internal Auditor.

Internal Audit's Scope

The scope of Internal Audit activities includes all activities conducted by the College. The Internal Audit Plan identifies those activities that have been identified as the subject of specific Internal Audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by Internal Audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, Internal Audit should maintain objectivity and not assume management responsibility.

Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors. This Charter is a fundamental requirement of the Framework.

Approval and Validity of this Charter

This charter shall be reviewed and approved annually by Management and by the Audit Committee on behalf of the Board of the College.

APPENDIX VI
Internal Audit Working Protocols & Performance

Working Protocols

The table below illustrates the key communication and reporting points between the College and Internal Audit, which we will be subject to regular review. Any future changes to the communication and reporting points will be reported to the Audit Committee for approval.

Table One: Liaison Meetings between Internal Audit and the College

Meeting	Frequency	Audit Committee	Vice Principal - Finance	Director of Finance, Student Funding and Estates	Managers	Relevant Staff	External Audit
Internal Audit Update Meeting	As required		✓		✓		
Quality Assurance Meeting	Annually		✓				
Internal Audit Liaison meeting with Chair of Audit Committee	As required	✓					
Access to Audit Committee to discuss internal audit progress	As necessary	✓					
Meetings to raise immediate concerns	As necessary	✓	✓	✓	✓	✓	
Meetings with External Audit	As necessary						✓

15

APPENDIX VI
Internal Audit Working Protocols & Performance

Table Two: Key reporting points between Internal Audit and the College

Meeting	Board of Management	Vice Principal - Finance	Director of Finance, Student Funding and Estates	Managers	Relevant Staff
Annual Internal Audit Plan	✓	✓	✓	✓	✓
Individual Internal Audit Planning Documents				✓	✓
Draft Internal Audit Reports				✓	✓
Final Internal Audit Reports	✓	✓		✓	✓
Quality Progress Reports	✓				
Annual Internal Audit Report	✓	✓	✓		✓

APPENDIX VI
Internal Audit Working Protocols & Performance

Performance Measurement

Performance measurement is the use of measures and associated targets to assess objectively the performance of a body. It is now well established as an important means of improving performance and reinforcing accountability. BDO LLP has been appointed as internal auditors to Ayrshire College, subject to satisfactory performance. Consequently there is value in reviewing the quality of our service on a regular basis.

Internal Audit Performance measures and indicators

Internal audit performance can be assessed in two ways. Firstly, there is the ability for us to self assess our performance on a regular basis and report back to the Audit Committee on certain measures around inputs and satisfaction from those officers who have been subject to a review. Secondly, the view of the Audit Committee as to the value being received from the Board of Management's internal audit provider has to be taken into account. For our part we will look to report to the Audit Committee regularly on the internal audit inputs as detailed below.

The tables below contain performance measures and indicators that we consider to have the most value in assessing the efficiency and effectiveness of internal audit. We recommend that the Audit Committee approves the following measures which we will report to each meeting and / or annually as appropriate.

Table Three: Performance Reporting to each Audit Committee

Measure / Indicator
Audit Coverage
Audits completed against the Annual Audit Plan
Actual days input compared with Annual Audit Plan
Audit Planning and Reporting
Days to issue draft report after end of fieldwork

APPENDIX VI
Internal Audit Working Protocols & Performance

Table Four: Annual performance reporting to Board of Management

Measure / Indicator
Relationships and Customer Satisfaction Customer Satisfaction Reports % recommendations agreed with management
Staffing and Training Staff mix compared with budget Percentage of Partner and Manager time Continuity of staffing Use of specialist staff (e.g. IT Risk and Advisory) Provision of appropriate training for staff

Management Performance Measures and Indicators

Management's ability to respond efficiently to internal audit findings and recommendations helps the Board of Management to form its own view of the internal control framework. Importantly, Management's consideration of internal audit findings plays a contributory factor in our ability to deliver timely reports to the Board of Management. We recommend, therefore, that the following measure is also reported to the Audit Committee.

Measure / Indicator	Timing
Audit Reporting Days for receipt of management responses	As data becomes available

Other Performance Measures

In addition to the above mentioned measures we will also provide the Audit Committee with the results of other reviews of our internal audit service as and when they become available, including:
• Independent quality assurance reviews as required by the Chartered Institute of Internal Auditors (IIA); and
• BDO internal quality assurance reviews

APPENDIX VII
Ayrshire College Risk Register Summary

Ref	Risk Description
BOM1	The College's reputation could be impacted adversely due to both internal and external factors.
BOM2	The College could fail to achieve high standards of Corporate Governance through the lack of a formal governance structure resulting in poor oversight of the College's strategic direction, performance and resources.
BOM3	The College could fail to engage with key internal and external stakeholders because of poor communication methods resulting in the failure to achieve strategic partnership targets.
BOM4	The College is not able to fund in AY 2018-19 the principal and interest payments for the Kilwinning campus PFI contract.
BOM5	There is a risk that the College does not meet the legislative requirements in relation to equality and diversity resulting in a failure to provide opportunities for our local communities.
BRIC1	There is a risk that Ayrshire College is unable to fully invest in its estate due to capital funding restrictions, resulting in the failure to develop and maintain an integrated and high quality estate.
BRIC2	External funding and cost pressures during 2018-19 result in the College not being financially sustainable and able to meet its liabilities without SFC providing additional in-year financial support.
BRIC3	External funding and cost pressures beyond 2018-19 result in the College not being financially sustainable and able to meet its liabilities in future years.
BRIC4	Non-compliance with statutory obligations due to the lack of adequate monitoring arrangements resulting in financial penalties and reputational damage.
BRIC5	ICT infrastructures do not support key College services because the systems are not robust or fit for purpose resulting in poor quality service delivery or compromised security/loss of data.
BRIC6	Risk that the outcome of National Bargaining could result in failure of service delivery and/or damage to employee relations.
BRIC7	There is a risk that the College loses institutional knowledge and experience because of insufficient workforce planning and succession planning arrangements, resulting in experienced staff leaving the institution or the College not being able to appoint staff to key posts who have local knowledge and expertise.

APPENDIX VII
Ayrshire College Risk Register Summary

Ref	Risk Description
BRIC8	Risk that the impact of transfer to permanency arrangements agreed through national bargaining could result in unaffordable financial salary costs to the College, over staffing within some curriculum and service areas and ultimately significant payments for Voluntary Severance.
LT1	There is a risk that the College will fail to achieve its SFC activity target.
LT2	There is a risk that the College fails to develop a demand-led curriculum because of disengagement with key stakeholders or lack of focus on Government objectives, resulting in the College not meeting the needs of the economy and wider society.
LT3	There is a risk that the College does not provide a high quality learning experience due to a poor alignment of staff and other resources, resulting in reduced attainment scores for students and reputational damage.
LT4	The College does not engage effectively with students due to inadequate or ineffective communication, resulting in a poor student experience.
LT5	There is a risk that the College does not deliver on its SDS education contracts/business solutions portfolio due to its assessment of the market, insufficient resources, ineffective performance monitoring resulting in loss of learning opportunities and reputational damage.

Audit Strategy Memorandum
Ayrshire College
Year ending 31 July 2020

M ☀ **M A Z A R S**

CONTENTS

2

MAZARS

Mazars LLP
100 Queen Street
Glasgow
G1 3DN

The Board of Management

Ayrshire College

Kilmarnock Campus

Hill Street

Kilmarnock

KA1 3HY

9 June 2020

Dear Members,

Audit Strategy Memorandum – Year ending 31 July 2020

We are pleased to present our Audit Strategy Memorandum for Ayrshire College for the year ending 31 July 2020.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;

- sharing information to assist each of us to fulfil our respective responsibilities;

- providing you with constructive observations arising from the audit process; and

- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Ayrshire College which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor. We recognise that Ayrshire College, in common with other public bodies, is under exceptional pressure whilst managing the impact of the COVID-19 pandemic. At the point of writing, much is unknown about future financing across the further education sector and how Colleges will operate going forward. As the impact of the pandemic on College finances and operations become more fully understood, we will review and assess our planned audit strategy and report to you where we recognise changes are required.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0738 724 2052.

Yours faithfully

Lucy Nutley

Mazars LLP

MAZARS

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed by the Auditor General for Scotland to perform the external audit of Ayrshire College for the year to 31 July 2020. This is our fourth year of appointment.

Responsibilities

Our responsibilities, principally derived from the Code of Audit Practice ('the Code') issued by Audit Scotland, are outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

The Audit Committee is responsible for the assessment of the College's ability to continue as a going concern. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of the disclosures made.

Regularity opinion

We are required to form and express an opinion on whether the College has, in all material respects, incurred expenditure and income in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other matters

We are required to express an opinion on whether the audited part of the Remuneration and Staff Report, and the Governance Report have been properly prepared in line with relevant legislation and directions. We also express an opinion on whether the Performance Report is consistent with the audited financial statements.

Wider scope work

The Code requires us to conclude and make a judgement on the four dimensions of wider scope work. The four dimensions are Financial Sustainability, Financial Management, Governance and Transparency, and Value for Money.

Our audit does not relieve the Board of Management, as those charged with governance, or management of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

4

MAZARS

2. YOUR AUDIT ENGAGEMENT TEAM

- **Lucy Nutley** – Director
- Lucy is the Engagement Lead for the audit and will be the key point of contact for the Audit Committee. She will have overall responsibility for delivering a high quality audit to the College. Lucy will be responsible for the opinions given on the financial statements and will liaise with the Vice Principal – Finance, Director of Finance, Student Funding and Estates and Head of Financial Services. She will attend Audit Committee meetings, and where appropriate, Board meetings.
- lucy.nutley@mazars.co.uk
- 0738 724 2052

- **Joanne Buchanan** – Senior Manager
- Joanne will manage and coordinate the audit and be the key point of contact for Vice Principal – Finance, Director of Finance, Student Funding and Estates and Head of Financial Services, as well as liaising with Internal Audit. Joanne will oversee completion of audit work to a high standard and attend Audit Committees as appropriate.
- joanne.buchanan@mazars.co.uk
- 0779 403 1384

- **Suzie Graham** – Audit Assistant Manager
- Suzie will be responsible for leading the onsite work, reviewing the work of more junior members of the team and performing the audit work in more specialised areas.
- suzie.graham@mazars.co.uk
- 0781 046 8166

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

MAZARS

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.

Completion
December 2020

- Final review and disclosure checklist of financial statements
- Final audit file review
- Agreeing content of Letter of Representation
- Reporting to those charged with governance
- Reviewing post balance sheet events
Key reporting and communication outputs
- Annual Audit Report
- Independent Auditor's Report

Planning
May 2020

- Updating our understanding of the College
- Initial opinion and wider scope risk assessments
- Development of our audit strategy
- Lessons learned from 2018/19 audit
- Agreement of timetables
- Preliminary analytical procedures
Key reporting and communication outputs
- Audit Strategy Memorandum

Fieldwork
October 2020

- Review of draft annual report and accounts
- Reassessment of audit strategy
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting
Key reporting and communication outputs
- Regular update meetings with the finance team

Interim
June 2020

- Documenting systems and controls
- Walkthrough procedures
- Controls review, including general and application IT controls
Key reporting and communication outputs
- Audit progress report to Audit Committee

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

MAZARS

The timescales overleaf are proposed on the basis of a return to 'business as usual' in the coming months. We understand there may be uncertainty in the College's capacity for reporting and engaging with audit while the pandemic continues. We will be as flexible as possible with timelines as the audit progresses.

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the College's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Planned audit approach
Defined benefit pension liability and associated accounting entries and disclosures required by FRS 102.	Actuary – Hymans Robertson	We will consider the reasonableness of the actuarial assumptions made, referring to our in-house pension scheme experts.

Reporting to Audit Scotland

During the year we will continue to make returns to Audit Scotland as they collect data to establish the impact on the further education sector and feed into any national reporting as required.

Final returns for the National Fraud Initiative were made to Audit Scotland in February 2020. Ayrshire College took part in the NFI exercise for the second time in 2019/20. No material misstatements were identified through the exercise. The exercise noted one overpayment of £10.

Adding value

We aim to add value to Ayrshire College through our external audit work by being constructive and forward looking, by identifying areas for improvement and be recommending and encouraging good practice. In doing so, we intend to help the College promote improved standards of governance, more effective use of resources and better management and decision making.

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

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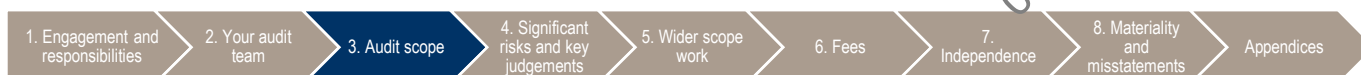
4.   SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

Significant risk   A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk   An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and

- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk   This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant and other enhanced risks. We have summarised our audit response to these risks on the next page.
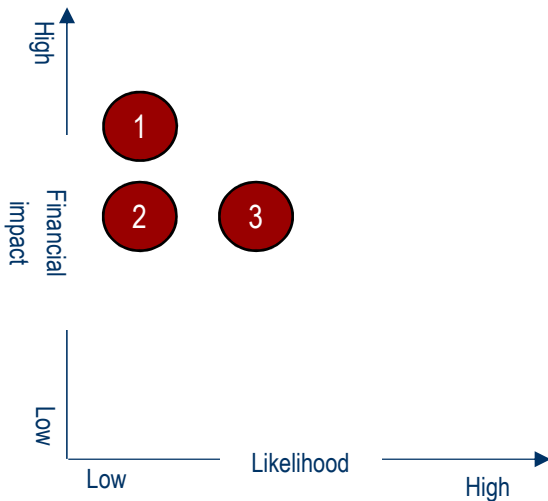
Risk	
1	Management override of control
2	Revenue recognition
3	Expenditure recognition

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

8

MAZARS

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We will address this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements
2	**Revenue recognition** There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when grant income should be recognised and if clawback conditions apply to the funding. The risk above applies only to the non-grant income generated by the College. The risk has been rebutted in relation to the grant income received by the College, given the highly regulated nature of this income, and therefore the low inherent risk associated with it. We consider that there is also a higher risk of non-recoverability of debts arising from the impact of COVID-19 on the economy and therefore expected credit loss provisions should be carefully considered, using forward looking data where appropriate.	We will address this risk through performing audit work over: • the design and implementation of controls management has in place to ensure income is recognised in the correct period; • cash receipts around the year end to ensure they have been recognised in the right year; • the judgements made by management in determining when non-grant income is recognised; • for major grant income, obtaining counterparty confirmation; and • expected credit loss provisions applied to receivables at the year end, considering the appropriateness of judgements made by management.

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

9

MAZARS

	Description of risk	Planned response
3	**Expenditure recognition** For public sector organisations, the same risk in relation to fraud and error in respect of the timing of recording of transactions can apply to the recognition of non-payroll related expenditure and contractual obligations. The pressure to manage expenditure to ensure that budgeted outcomes are achieved increases the risk surrounding fraudulent reporting of expenditure.	We will address the risk through performing audit work over: • the design and implementation of controls management has in place; • testing of non-payroll expenditure around the year end to ensure transactions are recognised in the correct year; • testing material year end payables, accruals and provisions; and • reviewing judgements about whether the criteria for recognising provisions are satisfied

1. Engagement and responsibilities 2. Your audit team 3. Audit scope **4. Significant risks and key judgements** 5. Wider scope work 6. Fees 7. Independence 8. Materiality and misstatements Appendices

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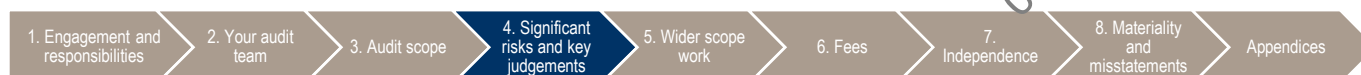
Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	**Valuation of pension liabilities** The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS scheme and it is therefore accounted for as a defined contribution scheme. The College's share of the SPF's underlying assets and liabilities is identifiable and a net liability is recognised in the accounts. Given the scale of the liability recognised in the accounts, a misstatement in the reported position could be material to the financial statements. The movement in the valuation of the liability could be made more volatile by the impact of COVID-19 pandemic.	We will consider the College's arrangements, including the existence of any relevant controls, for making estimates in relation to pension entries within the financial statements. We will also consider the reasonableness of the actuary's assumptions used in providing the College with information in the financial statements through the use of our internal experts.
2	**Valuation of land and buildings** The College holds land and buildings with a net book value of £107m as at 31 July 2019. In line with the requirements of the Government Financial Reporting Manual, the College has adopted a formal revaluation policy of an external valuation every five years, with a desktop, interim valuation performed during the five year period. As the full valuation was performed as at 31 July 2018, no revaluation is planned in the current year, however the College is required to assess on an annual basis the value of the Land and Buildings for comfort that this is not materially different from fair value and assess for indicators of impairment to assets at the reporting date. The Royal Institute of Chartered Surveyors (RICS) issued guidance to valuers in March 2020, recognising that valuers are likely to disclose a material calculation uncertainty arising from the COVID-19 pandemic, due to the lack of reliable and contemporary market and cost data available to valuers. There is potential that this situation may still exist at the point the College requires to assess the valuation which could result in a greater degree of estimation uncertainty. Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.	We will undertake a range of substantive procedures including: • review of management's assessment as to whether the value still reflects the prior year valuation; • review of the reconciliation between the College's asset register and general ledger; and • consider the College's impairment review process for land and buildings.

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

11

MAZARS

5. WIDER SCOPE WORK

Our approach to wider scope work

The Code requires us to conclude and make a judgement on the four dimensions of wider scope work. These are:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

We set out below the work that we intend to perform to reach these judgements:

Dimension	Description	Our planned approach
Financial sustainability	Extending our work on the going concern assumption in the financial statements looking forward two to five years from the reporting date, reviewing and assessing the College's arrangements for financial planning and affordable and sustainable service delivery.	We intend to consider: • the financial planning system in place for short, medium and long term periods • the adequacy and accuracy of financial reporting arrangements • the reasonableness of affordability assumptions made in financial planning • the extent to which the financial planning assumptions have been updated and affected by the COVID-19 pandemic
Governance and transparency	The Governance Statement sets out the internal control arrangements and governance framework in place for the year under review.	We intend to consider: • the effectiveness of internal control arrangements • the appropriateness of disclosures made in the Governance Statement • whether the disclosure requirements of the Accounts Direction and the Code of Good Governance for Scotland's Colleges have been met
Financial management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	We intend to consider: • the monitoring of the effectiveness of internal control arrangements • the response to the COVID-19 pandemic and whether this has involved changes to the governance of the College • whether the College's budgetary control system is timely and accurate • whether and how the College has assessed their financial capacity and skills
Value for money	Value for money concerns using resources effectively and continually improving services.	We intend to consider: • the College's evidence of providing value for money • the focus on improving value for money and the pace of change at the College.

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

12

MAZARS

5.   WIDER SCOPE WORK (CONTINUED)

Identified significant risks to our wider scope work

We have also considered, as part of our planning, whether there are significant risks that would impact on any of the four areas of our wider scope work that require special audit consideration. At the planning stage we have identified one significant risks, as detailed below. Should our assessment of risk, or our planned approach to address the risk change during the course of the audit, we will report this to the Audit Committee.

Description of significant risk	Planned response
Our 2018/19 Annual Audit Report concluded that Ayrshire College had adequate planning arrangements in place, however, financial sustainability concerns had been identified. The College and its Board are aware of the financial challenges and associated risks that it faces. A funding gap had previously been identified by the College principally as a result of the contractual PFI capital and interest payments of £1.4m per annum in respect of the Kilwinning Campus along with increasing staff costs as a result of National Bargaining. The College engaged in discussions with the SFC and a Financial Sustainability Plan was initiated in 2018/19 which mainly consisted of a voluntary severance scheme. The rationale of the plan is to reduce operational costs to enable the affordability of the contractual PFI payments from core funding. The SFC has also pledged support of £0.7m each year for a two year period (2019/20 and 2020/21) to help the College meet it's PFI payment in respect of Kilwinning Campus. The College had identified that there remained a continued financial sustainability risk with cash funds forecast to being exhausted during 2022/23. The College would seek to resolve through dialogue with SFC during the Outcome Agreement Process. The COVID-19 pandemic has resulted in the temporary cessation of operations of public sector organisations, including colleges, albeit some courses are now being taught remotely. As a result there is significant increased uncertainty around current and future revenue for colleges due to loss or partial loss of funding as a result of credit targets not being met and from a reduction in commercial activities. The College is able to partially mitigate this risk through cost saving measures, however as the Financial Sustainability Plan was still in its infancy, there is a risk that this will accelerate the exhaustion of cash funds. The financial plans set by the College in prior years will require to be re-set with new funding assumptions as and when they become clearer.	We intend to consider: • the forecast financial position in the five year financial plans submitted to the SFC; • the financial and resource implications of any voluntary severance scheme run by the College; • alternative plans being considered by the College to ensure a balanced budget is achieved; • the financial reporting arrangements in place at the College; and • how management have considered the longer term implications of the COVID-19 outbreak

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

13

MAZARS

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for audit and other services

Our fees for the audit of the financial statements and for any other services are outlined in the tables below.

Service	2019/20 proposed fee £	2018/19 final fee £
Auditor remuneration	29,890	29,780
Pooled costs	1,590	1,570
Contribution to Audit Scotland costs	1,520	1,650
Total Fee	**33,000**	**33,000**

The fees outlined above are provided on the basis that we will receive a high-quality set of draft financial statements, supported by good working papers. Should we be required to perform significant levels of additional audit work, or face significant delay in our audit, we will discuss the impact of this on our proposed fee with management.

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

14

MAZARS
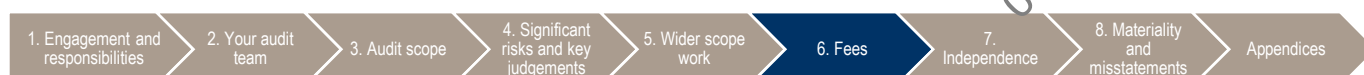
7.   OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;

- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;

- rotation policies covering audit engagement partners and other key members of the audit team;

- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Lucy Nutley in the first instance.

Prior to the provision of any non-audit services, Lucy Nutley will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

15

MAZARS
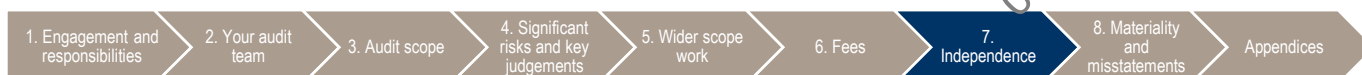
8. MATERIALITY AND MISSTATEMENTS

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Summary of initial materiality thresholds

Threshold	Initial threshold £
Overall materiality	980,000
Performance materiality	784,000
Trivial threshold for errors to be reported to the Audit Committee	29,000

Overall Materiality

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

• have a reasonable knowledge of business, economic activities and accounts;

• have a willingness to study the information in the financial statements with reasonable diligence;

• understand that financial statements are prepared, presented and audited to levels of materiality;

• recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and

• will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We consider that gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We expect to set a materiality threshold at 2% of gross expenditure (£980,000).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices

MAZARS

Performance Materiality

Our audit testing is based on a level of performance materiality, which is a percentage of overall materiality, but also dependent on the level of inherent risk assessed on the area being tested. It is the level we use to calculate our sample sizes, and is our acceptable difference in any substantive analytical procedures. It is lower than overall materiality as it helps to reduce the risk that the total of the uncorrected or undetected misstatements does not exceed materiality for the financial statements as a whole. It is based on between 50 – 80% of overall materiality depending on the risk level. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.
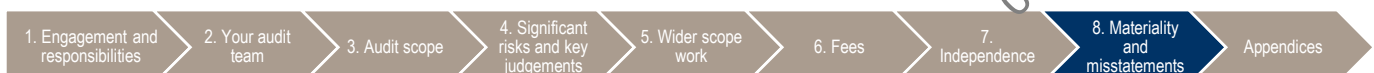
Specific Materiality

We assess specific materiality if there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the users of the financial statements. Specific materiality focuses on the qualitative nature, as well as the size, of an item. It recognises that, in some circumstances, it may take a much smaller misstatement to influence the user of the financial statements.

We are required to provide an opinion as to whether the audited part of the Remuneration and Staff Report has been properly prepared. Given the sensitivity of the disclosures made in the Remuneration and Staff Report, we have assessed a specific materiality for this work at £500, being the level that would impact rounding for figures shown to the nearest £'000.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £29,000 based on 3% of overall materiality.

| 1. Engagement and responsibilities | 2. Your audit team | 3. Audit scope | 4. Significant risks and key judgements | 5. Wider scope work | 6. Fees | 7. Independence | 8. Materiality and misstatements | Appendices |

MAZARS

APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

1. Engagement and responsibilities 2. Your audit team 3. Audit scope 4. Significant risks and key judgements 5. Wider scope work 6. Fees 7. Independence 8. Materiality and misstatements Appendices

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Ayrshire College *(Paper 9)*

Audit Commitee Meeting

9 June 2020

Subject:	2019-20 Internal Audit Rolling Internal Audit Action Plan as at 1 June 2020
Purpose:	To provide Members with an update on the Rolling Internal Audit Action Plan as at 1 June 2020
Recommendation:	Members are asked to note the content of this paper

1 Background

The rolling Internal Audit Action Plan is a standing agenda item for the Senior Leadership Team (SLT). The rolling action plan is updated on an exceptions basis for actions approved by the Audit Committee which are now beyond their agreed completion dates. It is reviewed on a monthly basis by the College's SLT and presented to each meeting of the Audit Committee.

2 Current Situation

The Rolling Internal Audit Action Plan for 2019-20 onwards covers any audit recommendations made by our current internal auditors (BDO), once the audit reports and proposed management responses have been approved by the Audit Committee. The three year audit plan was approved by the Audit Committee on 18 June 2018 and the 19-20 audit plan approved by the Audit Committee on 11 June 2019.

Table 1 below lists all outstanding recommendations from the internal audits that are due to have been completed by 1 June 2020. Table 1 also shows if the recommendation has been actioned or is still remaining.

Table 1

Ref	Audit Year	Audit Area	Points Due in Period	Actioned in Period	Remaining Points
1	2018-19	Infrastructure Projects	1	1	0
2	2018-19	Student Recruitment	2	2	0
3	2019-20	Data Protection (GDPR)	3	3	0
4	2019-20	Business Continuity Management	3	3	0
		TOTAL	**9**	**9**	**0**

2.1 <u>Infrastructure Projects</u>

This action point relates to the recommendation that the College supports staff to achieve Prince 2 Practioner level. The Head of Estates and Sustainability had been working on obtaining this qualification and had achieved foundation level. The postholder has however since resigned from the College and will not achieve practitioner level.

The person specification for the Head of Estates and Sustainability has been updated to include a project management qualification as desirable. If the new postholder does not hold a relevant qualification on appointment, there will be a requirement to undertake a relevant project management qualification within six months. The recommendation has therefore been marked as complete.

2.2 <u>Student Recruitment</u>

The College has established a Student Recruitment and Retention Shortlife Working Group to ensure that there is a coordinated response to the audit recommendations made in this audit report. The first meeting of the Group took place on 4 December 2019 and reported its findings in February 2020.

The two outstanding audit points to be actioned relate to student recruitment interviews. The first audit point was that the the College should decide on whether or not all applicants should be interviewed. The second audit point was that the College would update the criteria for interviewing applicants. Student interviews was one of the first issues considered and actioned by the Student Recruitment and Retention Shortlife Working Group. Criteria has been set for student interviews and an approach to conducting student interview agreed. A series of training sessions has been provided by an external consultant to key staff involved in carrying out student interviews. In addition, a podcast has been created by the College as additional training support for staff who conduct interviews. These two audit points are therefore marked as complete.

2.3 <u>Data Protection (GDPR)</u>

The first audit point related to the record of data held by the College. The College developed a GDPR Worksheet which provides a record of the data held by areas and by others, for example external parties, within the College. The auditors noted that at the time of the audit five areas had still to provide further information. This had prevented the College compiling a comprehensive central record of data held. The five areas have submitted the data required. The College's Data Protection Officer has compiled the returns into one central document. This audit point is therefore complete.

The second audit point relates to the College's GDPR Action Plan. The College has established a GDPR Working Group. The Group has developed a GDPR Action Plan setting out the key tasks that need to be undertaken across the College in order to develop and enhance current GDPR arrangements. The auditors recommended that target completion dates were set for each action and arrangements put in place to ensure compliance. The Action Plan has been updated and due dates are in place for all actions. Failure to achieve GDPR dates will be report to the Senior Leadership Team on an exceptions basis. This audit point is now complete.

The third audit point relates to the College introducing plans to perform audits and compliance check activities on an on-going basis, to identify any issues with systems or processes which may result in non-compliance, and take appropriate action where necessary. The College's Data Protection Officer has developed a schedule for the audits, checks and scenario testing. Progress against this schedule will be reported quarterly to the College's GDPR Working Group. This audit point is therefore complete.

2.4 <u>Business Continuity Management</u>

The first audit point was to ensure that all members of the Business Continuity Planning Working Group had remote access to the College's Business Continuity Plan. All members of the Working Group now have access to the Plan through Admin Control. This audit point is therefore complete.

The second audit point related to contingency planning for the Kilwinning campus. The College did not have a copy of the current version of the operators' contingency plan. The College has now obtained a copy of the most up to date contingency plan. This audit point is therefore complete.

The third audit point relates to the College needing to develop a formal testing schedule for Business Continuity Planning (BCP) activity to evidence that a strategic approach to testing is developed and implemented. A record of areas tested and future testing schecules has been developed by the College. It will be presented to the College's BCP Group on 2 June 2020. The BCP Group will be responsible for monitoring progress against the testing schedule. This audit point is therefore complete.

3   Proposals

No further proposals are contained in this report.

4   Consultation

No formal consultation is required to be completed given the subject matter of this report.

5   Resource Implications

There are no resource implications to be noted in this paper.

6   Risks

An effective and challenging Internal Audit service is a key element in the management of risk within the College.

7   Equality Impact Assessment

An impact assessment is not applicable to this paper given the subject matter.

8   Conclusion

Members are asked to note the content of this paper.

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Michael Breen
Vice Principal, Finance
1 June 2020

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(James Thomson, Director of Finance, Student Funding and Estates)