

BOARD OF MANAGEMENT ACTION TRACKER

COMMITTEE: **Audit Committee 15.09.20**

(Paper 1a)

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
09.06.20	1	Audit Committee Chair, M Breen and J Thomson to liaise with BDO in the scoping of the proposal to set five days aside to review provisions in the light of the College emerging from the Covid-19 restrictions imposed by Government.	Prior to the September 2020 Cycle of meetings	G James (Chair), M Breen, J Thomson	In Progress	
09.06.20	2	The Committee to consider and recommend to the Board accordingly the creation of a temporary Committee whose remit would be to oversee the College exit, and associated strategy, from the Kilwinning campus PFI Agreement.	December 2020	H Murphy (Chair), M Breen, J Thomson	Not Started	

* Not Started / In Progress / Completed

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Audit Committee Meeting

15 September 2020

- Subject:** Audit Committee Terms of Reference
- Purpose:** Annual Committee review of its Terms of Reference
- Recommendation:** The proposed revisions be approved and recommended to the Board for approval.
-

1 Background

The Board standing committees terms of reference are reviewed annually by the parent committee. Where it is felt that aspects of each individual committee's terms of reference requires modification, the proposed modifications are considered by the parent committee and recommended accordingly to the Board for approval.

2 Current Situation

The guidance on the terms of reference for Audit Committees has recently been modified by the Treasury and also the Scottish Government. The guidance seeks to clarify and enhance understanding in relation to the role of the Audit Committee in monitoring Risk Management and advising the Board accordingly.

3 Proposals

The name of the Audit Committee and its terms of reference have been reviewed in the light of current Treasury and Scottish Government guidance. Amendments have been proposed accordingly. These amendments are designed to ensure that the importance of the role of the Committee in relation to monitoring Corporate Risk Management and advising the Board accordingly are clear, unambiguous and fully in line with Government guidance. Some resultant editorial tidying is also proposed

4 Consultation

Chair of Audit Committee, Vice Principal responsible for Finance and Audit, Director of Finance.

5 Resource Implications

There are no resource implications.

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6 Risks

If the terms of reference of the Audit Committee does not reflect the appropriate Government guidance, institutional governance would be at risk of not being compliant with the requirements of the Financial Memorandum.

7 Equality and Diversity Impact Assessment

None Required

8 Conclusion

The proposed revisions be approved by the Committee and recommended to the Board for approval.

Brendan Ferguson
Secretary to the Board of Management
September 2020

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3.2 Audit and Risk Committee Terms of Reference

(Paper 2, Appendix 1)

Introduction

The Audit and Risk Committee is identified as a Committee of the Ayrshire College Board of Management. The approved Terms of Reference and information on the composition and frequency of the Committee will be considered as an integral part of the College Standing Orders.

The Committee will be known as the Audit and Risk Committee of the Board and will be a Standing Committee of the Board of Management. For the purposes of the Terms of Reference, unless otherwise indicated, 'the Board' means the Ayrshire College Board of Management.

Remit

The Committee will be responsible for overseeing and providing assurance to the Board on all matters related to the external audit, and internal audit and risk management of the College and provide assurance to the Board that the requirements of the Code of Audit Practice published by Audit Scotland are observed along with all other relevant regulations and legislation. The Committee will have a particular engagement with internal and external audit, and financial reporting issues and corporate risk management.

Committee Membership

The Committee membership shall consist of a minimum of four non-executive Board members who shall be independent and objective in terms of their Audit Committee function and, in line with good practice, will not include either the Principal or the Chair of the Board. At least one member of the Audit and Risk Assurance Committee must have recent relevant financial or audit experience.

The Committee Chair will be appointed by the Board.

Committee membership will be reviewed annually by the Board, ~~taking account of the remaining terms of office of the Committee members.~~

Quorum

50% of the total membership of the Committee will constitute a quorum.

Attendance

The Committee may co-opt additional individuals as appropriate. Details of proposed co-opted individuals will be notified to the Chair of the Board in advance. The role, remit and term of membership of co-opted individuals will be determined by the Committee.

External and Internal Auditors shall normally attend meetings and will be invited to all meetings.

The Vice Principal Finance responsible for Finance and College Systems, the Director of Finance and Student Funding and, where appropriate, other staff should attend meetings of the Committee to provide information and reports as appropriate.

Meetings

The Committee shall normally meet on a quarterly basis, but shall meet on a minimum of three occasions per annum.

Any member of the Committee may convene additional meetings of the Committee as and when required by giving a minimum of ten working days' notice to the Secretary to the Board of Management to call a meeting.

The Committee Chair will instruct the Secretary to the Board of Management to call meetings of the Committee. The agenda and supporting papers will be sent to members at least five working days before the day of the meeting.

The Committee may meet privately without any non-members (with the exception of the secretary) for all or part of a meeting if they so decide.

The Committee will normally meet with the ~~e~~External and ~~i~~Internal ~~a~~auditors annually without any non-members (with the exception of the secretary) of the Executive Management Team being present.

Duties

- To agree Strategies within the Committee's overall remit subject to Board of Management Approval.
- Reviewing and advising the Board of Management on the effectiveness of the College's financial and other internal Control Systems.
- Reviewing and advising the Board of Management on corporate governance requirements.
- Reviewing and advising the Board of Management on the effectiveness of the College risk management procedures, the presentation of the Ayrshire College Corporate Risk Register and the maintenance of an appropriate balance between risk and opportunity
- Appointing the College's Internal Auditors on a contractual basis and agreeing on the terms of reference for an audit service.
- Reviewing the scope and effectiveness of the work of the internal and external auditor using appropriate performance indicators.
- Considering issues raised in audit reports, annual management letter and reporting to the Board of Management on action required.
- Considering the College's annual financial statements and external auditor's report prior to submission to the Board of Management by the Business, Resources and Infrastructure Committee. Recommending to the Board the adoption of the audited Annual Accounts.
- Agreeing an internal and external audit plan.
- Advising the Board of Management on internal and external value for money reviews which secure the effective use of College resources.

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- Preparing an Annual Report to the Board of Management on the work of the Audit Committee which will then be submitted to the Scottish Funding Council.
- Reviewing reported cases of impropriety to establish whether they have been appropriately handled.
- Agreeing the fees of Internal and External Auditors.
- ~~Ensuring the system of risk management established by Ayrshire College remains fit for purpose and is being appropriately maintained.~~
- At each meeting receive and consider the rolling Ayrshire College Corporate Risk Register and comment accordingly to the Board of Management.
- The consideration and approval of the Ayrshire College Business Continuity Plan at the second quarterly meeting of each session.

Authority

The Committee is authorised to investigate any matters which fall within its Terms of Reference.

The Committee is authorised to seek and obtain any information it requires from any sSenior mManager or eEmployee of the College, its aAdvisors or mMember of the Ayrshire College Board of Management whilst taking account of policy and legal rights and responsibilities.

Reporting Arrangements

At the end of each meeting, the Committee will decide on the business of the meeting that may be fully published on the College website. Normally it would be expected that complete minutes and papers will be published: except where the exclusions listed in paragraph 2.8 of these Standing Orders apply.

Minutes will be kept of the proceedings of the Committee by the Board Secretary. These will be circulated, in draft form normally within ten working days to the appropriate eExecutive mManagement-Team representative for checking and then to the Chair of the Committee for consideration. It is expected that minutes will be checked timeously and any amendments advised to the Secretary to the Board of Management.

The Chair of the Committee shall report on the work and recommendations of the Committee ~~and submit Committee minutes~~ to the next scheduled Board meeting for information/approval and submit confirmed Committee minutes to the first meeting of the Board immediately following their approval.

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Audit Committee Workplan 2020/21

September	December	March	June
Terms of Reference & 2020-21 Work Plan	2019-20 Financial Statements to July 2020	2020-21 Internal Audit Reports	2020-21 Internal Audit Reports
2019-20 Internal Audit Reports	2019-20 Letter to SAA Covering Internal Audit of Discretionary Funds Return	Internal Audit Rolling Action Plan at February 2021	External Audit Strategy Review and Plan for 12 Months Ending July 2021
Corporate Risk Register 2020-21 (V1)	2019-20 Credit Data Return Internal Audit Report	Corporate Risk Register 2020-21 (V3)	Internal Audit Rolling Action Plan at May 2021
Internal Audit Rolling Action Plan at September 2020	2019-20 Audit Committee Chair's Draft Annual Report	An Audit Development Session to be prepared and presented by one of the internal or external auditors	Corporate Risk Register 2020-21 (V4)
2020-21 September Internal Audit Progress Report	2020-21 November Internal Audit Progress Report		Audit Scotland Annual Report on the Performance of Scotland's Colleges
External Audit Progress Report	Internal Audit Rolling Action Plan at November 2020		
	Corporate Risk Register 2020-21 (V2)		
	2019-20 Internal Audit Reports		

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AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT - FINAL

FINANCIAL CONTROLS
FEBRUARY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



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DISTRIBUTION

James Thomson	Director of Finance, Student Funding & Estates
Liz Walker	Head of Financial Services
Audit Committee	Members

REPORT STATUS LIST


Auditors:	Gemma Macdonald
Dates work performed:	20 January 2020 - 5 February 2020
Draft report issued:	13 February 2020
Final report issued:	20 February 2020


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EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design  There is a sound system of internal control designed to achieve system objectives.

Effectiveness  The controls that are in place are being consistently applied.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		0
Medium		0
Low		1

TOTAL NUMBER OF RECOMMENDATIONS: 1

BACKGROUND:

As part of the 2019-20 Internal Audit Plan, it was agreed that Internal Audit would perform a high level review across all key financial control systems.

There are two key documents in place providing guidance on the financial controls at Ayrshire College (“The College”). The College have in place a set of Financial Regulations which translate the College’s broad policies relating to financial control into practical guidance. It is noted within the Regulations that they should be read in conjunction with guidance issued by the Scottish Government, including the Scottish Public Finance Manual. The Regulations were reviewed and approved by the Business, Resource and Infrastructure Committee (BRIC) in November 2019. In addition to the Financial Regulations, the College also have a Financial Procedures Manual in place which is to be used by finance personnel and those others responsible for initiating, recording and controlling various accounting transactions. The procedures were put together by the Head of Financial Services with the support of the finance team. Amendments to the manual must be approved by the Director of Finance, Student Funding and Estates.

Within the Procedures Manual, there is an overview provided of the system, including a diagram of the system interfaces. There is a detailed overview of each business cycle or procedures group which identifies the scope, the flow transactions and any key points to be aware of. Each procedure is allocated a unique reference number. The purpose of the procedure is stated and the steps are outlined and allocated to relevant staff members. Details of the Open Accounts pathway are provided in a diagram for some steps where appropriate.

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There are nine bank accounts maintained within the general ledger. The main inputs, excluding standing orders and direct debits, are computerised payments, manual payments and receipts. Computerised payments are most common and are generated automatically by the system; invoices are selected automatically for payment by BACs. Manual payments are used for urgent payments which can't wait for the next system run and are processed directly through the purchase ledger. Such payments are generally made on a daily basis, directions for doing so are included within the Procedures Manual. Bank reconciliations are performed on a monthly basis and are reviewed and approved by one of the Finance Team Leaders.

There is an internally created online database called ACRS which is used to raise receipts for payments received over the counter. Each day there is a banking up process in which a report is raised on ACRS of the cash received that day; the report provides a breakdown of the sums to be posted to sales ledger and nominal ledger codes. There is a weekly security uplift of cash from each campus and the security company provides a report of what has been uplifted along with the pay in numbers of what was paid into the bank for reconciliation purposes.

On a weekly basis, the student funding team email a BACs file to finance for Student Support Funds payments; this report is extracted from Unit-E, the student record system. Within the email, the funding team note the number of credits and the total value included in the report. The finance team imports the file received into Mosaic, the College's BACs software, a submission report shows the credits and value uploaded which is checked to the values in the email received from the funding team.

Bank payments are reviewed and authorised based on the College's authorisation limits by the Finance Team Leader; the Head of Financial Services; the Director of Finance, Student Funding and Estates; the Vice Principal and the Principal.

The majority of income received is from tuition fees which are raised in Open Accounts via an import from Unit-E. Open Accounts is fully integrated so all transactions recorded in the sales ledger are, on posting, also recorded in the nominal ledger. The sales ledger is reconciled to the sales ledger control account in the nominal ledger monthly. The originating document in this cycle is either a sales invoice request form, which is reviewed by the relevant budget holder, or an import file from Unit-E. A sales invoice or credit note is created and automatically given a sequential number; all invoices and credit notes must be authorised by the Finance Team Leader or Curriculum/Service Manager before being entered on Open Accounts. The system then allows for full or partial matching of invoices and credit notes. Weekly checks are undertaken through a credit balance report and an unallocated balance report; an aged debtors report is also run as part of the month end process.

The College are currently in the process of rolling out EBIS as an automated system for the raising and processing of purchase orders; EBIS is currently only available to IT and Estates and all other Curriculum and services still use the manual process. When following the manual process, the originating document is the Purchase Order Requisition Form which is available on the intranet and must be authorised within the College's authorisation limits. A Purchase Order is raised and the sequential PO number is recorded on the requisition. Goods are checked on receipt and the Goods Received Note is matched to the PO and filed. The Supplier Purchase Invoice is stamped with the date on receipt and invoices are checked against the GRN before processing.

The payment processing facility in Open Accounts selects invoices for payment automatically on a weekly basis based on the invoice due date; parameters are input into the system and used to generate the suggested payment run. The payment run is reviewed by the Finance

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Team Leader and the physical BACs file and remittances for suppliers are generated. The BACs file is uploaded to the Bank Provider for physical payment to take place. A double entry Payment Update debits the relevant supplier account and credits the bank account within Open Accounts. The purchase ledger month end process includes a batch control check, an aged creditors report and a purchase ledger reconciliation.

All assets belonging to the College are recorded in a Fixed Asset Register - one FAR spreadsheet is maintained for land and buildings, another FAR spreadsheet is maintained for all equipment - responsibility for maintaining the FAR lies with the Finance Department. To be considered for capitalisation and subject to depreciation, an asset must be acquired for use in operations (not investment or sales) and have a useful life of at least one year. The depreciation policy is outlined within the Procedure Manual. If an item meets the capitalisation criteria, a Capital Expenditure Request Form is completed and authorised by the Director of Finance, Student Funding and Estates; the item is then recorded by a Finance Assistant on the Capital Expenditure Request Register. All assets acquired within the financial year are recorded on Equipment Additions or Land & Buildings Additions spreadsheets. Disposals of equipment and furniture require written authorisation of the Director of Finance, Student Funding and Estates. An Asset Disposal Form must be completed and the disposal should be recorded on the asset disposal register. At the year end, all assets acquired during the year are transferred to the main FAR spreadsheet, the FAR is also adjusted for any disposals, revaluations or impairments.

iTrent is the system used for HR and payroll at the College. Staff are set up on the system by the HR team. There is a self-service area where staff can submit their timesheets and travel information which must be authorised by line managers. The payroll is then processed by the Payroll Finance Assistants. Payroll reports are run as a BACs file from iTrent, separate reports are run for service staff and curriculum staff, and costs are split and debited to the appropriate cost centre or credited to the appropriate creditor account to enable payment to outside agencies. A check is made that the total being debited to cost centres is equal to the total being credited to creditor accounts before the totals are posted to the finance system as a journal. The BACs file is authorised according to the College's authorisation limits. There is a payroll checklist in place which is used by staff each month to ensure all steps are completed in processing payroll.

On a monthly basis, the Head of Financial Services produces a planner calendar with key dates for payroll, weekly payments, and the preparation of management accounts. Within this planner there is also a breakdown of the tasks to be done in the run up to the monthly management accounts, the member of staff with responsibility for that task and the deadline for completion. Examples of the tasks include accruals and prepayments, variance analysis and depreciation. There is a further section of the planner which outlines each of the balance sheet accounts by nominal code and identifies the member of staff responsible for performing the account reconciliation.

Each month, the budget holder for each directorate receives an Income & Expenditure Report preview. This report shows the budgeted I&E for the year compared to the actual figures for each month to date, the actual year to date, committed spend, and the remaining budget. Budget holders will then receive a full I&E Report which includes a summary of YTD budget vs actuals and MTD budget vs actuals. Each budget holder will have a monthly meeting with finance to discuss the report.

The Management Accounts are reviewed monthly by the Senior Leadership Team and are reviewed quarterly by the BRIC and Board.

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SCOPE AND APPROACH:

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

We sought to gain evidence of the satisfactory operation of the controls through walkthroughs of each of the key financial controls and sample testing as follows:

- **Cash and Bank:** Detailed walkthroughs were undertaken for three of the bank accounts, and the bank reconciliations for two accounts from two different months were tested;
- **Income:** A walkthrough of the system was undertaken and a sample of two items of income were followed from the Sales Invoice Request to receipt and posting on finance system;
- **Purchasing and Payments:** A walkthrough of the system was undertaken and a sample of two purchases were followed from the order being requisitioned to it being paid and posted on the finance system;
- **Fixed Assets:** A walkthrough of the procedure was undertaken and a sample of two fixed asset additions was tested; we were unable to test fixed asset disposals as there has been none in recent years (see observation 1);
- **Payroll:** A walkthrough of the system was undertaken and a sample of one new starter, one leaver and one staff member claiming overtime were tested.

During the course of the review we kept management informed of any issues which arose as a result of our testing.

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

GOOD PRACTICE:

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

- There are documented financial procedures and regulations in place that align to the Scottish Public Finance Manual which is considered best practice;
- There are strong controls embedded within the procedures which were found to be operating consistently;
- IT systems were found to be effective with an appropriate level of automation, reducing the risk of error from manual input;
- There was found to be appropriate segregation of duties in place for all processes which included the distribution of duties amongst team members and documented authorisation limits; and
- There was found to be effective management of finance processes and monitoring through the monthly management accounts and month end processes.

KEY FINDINGS:

During our review we identified one area where improvement may be made to offer more clarity to the audit trail of the fixed asset additions process; we found that it was difficult to match capital expenditure request forms to purchase orders or invoices.

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CONCLUSION:

At this time we are pleased to offer substantial assurance over the design and operational effectiveness of the financial controls in place at Ayrshire College.

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


- ✓ Ineffective or inefficient procedures and controls may be in place for the finance processes.
- ✓ Inadequate segregation of duties may compromise the control environment in relation to finance processes.
- ✓ There is inadequate management oversight of financial processes.

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DETAILED FINDINGS

RISK: INEFFECTIVE OR INEFFICIENT PROCEDURES AND CONTROLS MAY BE IN PLACE FOR THE FINANCE PROCESSES.

Ref	Sig.	Finding
1		<p>It is important that there is a sufficient audit trail to evidence the addition of fixed assets has complied with the documented procedures and been appropriately authorised.</p> <p>The Finance Procedures Manual states that a Capital Expenditure Request Form should be completed for additions that meet the specified capitalisation criteria. Our testing found that it was difficult to trace which additions the Request Forms corresponded to as the forms are completed before a supplier is identified and round sum estimates are used.</p> <p>There is a risk that there is a lack of clarity in the supporting documentation for fixed asset additions.</p>

RECOMMENDATION:

It is our recommendation that the Capex number is quoted on all documentation relating to fixed asset additions; including Capital Expenditure Request Forms and invoices. This will allow for a clear audit trail as invoices could be traced back to initial authorisation using the reference number.

MANAGEMENT RESPONSE:

The control recommended was quickly identified as an action during the audit and is now in place.

Responsible Officer: Liz Walker
Head of Financial Services

Implementation Date: 1st February 2020

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OBSERVATIONS

FIXED ASSET DISPOSALS

Members are asked to note that there have been no fixed asset disposals at the College over recent years, owing to the modernisation of campuses in 2016. We were therefore unable to perform testing over whether the documented procedure for fixed asset disposals had been followed and cannot provide assurance in this area.

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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 & Estates
Liz Walker	Head of Financial Services
Lorraine Murray	Finance Team Leader
Mary Robertson	Finance Team Leader
Sandra James	Finance Assistant - Payroll




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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.

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APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to assess whether Ayrshire College has procedures and controls in place for key financial processes which 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. We will provide assurance to management and the Audit Committee on the design and effectiveness of the key financial control processes in place.

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:

- Ineffective or inefficient procedures and controls may be in place for the finance processes;
- Inadequate segregation of duties may compromise the control environment in relation to finance processes; and
- There is inadequate management oversight of financial processes.

SCOPE OF REVIEW:

The scope of this review will be to assess whether:

- The procedures and controls in place for the key financial processes are well designed and are being complied with;
- There is adequate segregation of duties in place surrounding the finance processes; and
- Effective management oversight of financial processes is in place.

The following areas will be covered as part of this review:

- Cash and Bank;
- Purchasing and Payables;
- Income;
- Fixed Assets; and
- Payroll.

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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.

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FOR MORE INFORMATION:

CLAIRE ROBERTSON

0141 249 5206
claire.robertson@bdo.co.uk

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INTERNAL AUDIT REPORT - FINAL

SFC RETURN
MAY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



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DISTRIBUTION

James Thomson	Director of Finance, Student Funding and Estates
Liz Walker	Head of Financial Services
Members of the Audit Committee	

REPORT STATUS LIST


Auditors:	Gemma Rickman
Dates work performed:	20 April - 7 May 2020
Draft report issued:	14 May 2020
Draft report re-issued:	22 May 2020
Final report issued:	29 May 2020


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EXECUTIVE SUMMARY


LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)


Design  There is a sound system of internal control designed to achieve system objectives.

Effectiveness  The controls that are in place are being consistently applied.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High 

Medium 

Low  **2**

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

As part of the 2019-20 Internal Audit Plan it was agreed that internal audit would review the process for generating and submitting the Mid-Year financial forecast return which was submitted to the Scottish Funding Council (SFC) on 17 April 2020. The SFC funds a major portion of Ayrshire College's operations and activities, therefore, it is important that the College complies with SFC's funding requirements. The purpose of our review was to provide assurance that the processes and controls in place ensure that figures reported are in line with the College's management accounts and SFC's requirements.

The SFC requires that all Colleges must submit a Mid-Year Return (MYR) on an annual basis, usually by the end of March. As defined by the SFC within their guidance, the financial forecast return (FFR) is already an established part of SFC's financial health monitoring framework, and the FFR is submitted in September 2019 (showing the forecast outturn for 2018-19 and financial outlook over the next five academic years). The MYR allows the SFC to obtain a revised forecast of colleges' financial position (income and expenditure, adjusted operating position, balance sheet and liquidity) part way throughout the current year and draws comparison with the original FFR provided in September.

For 2019-20, the original submission deadline was 27 March 2020, however due to the ongoing COVID-19 situation, the submission deadline was revised by the SFC to 20 April 2020. The SFC has produced guidance on the MYR, for example a standard template which should be used. This is accessible on the SFC's website. The template consists of the following: Statement of Comprehensive Income and Expenditure, Adjusted Operating Result, Balance Sheet, Cash flow, Capital Expenditure and a Summary of the figures provided in the prior tabs. Within the template, the original figures from the FFR are input, followed by the MYR figures, which are the forecasted figures until the end of the academic year (July 2020). The document calculates the variance percentage and variance amount. The SFC asks that

AYRSHIRE COLLEGE, SFC RETURN

commentary is provided for any significant variances. In addition, due to the ongoing COVID-19 situation and the uncertainties that surround this, the College has also provided the SFC with a separate document, providing additional narrative and supporting information on the figures and assumptions made.

The MYR template includes a declaration, which was signed by Ayrshire College's Principal. The MYR and supported documents were submitted to the SFC on 17 April 2020.

To calculate the figures for the MYR, working papers are developed which are based on the most recent management accounts and forecasts. This allows efficient population of the MYR, as the working papers are used to transform the format of the management account figures into the format required by the SFC's MYR template. The MYR figures and supporting commentary were populated by the Financial Accountant and Head of Financial Services, and additional supporting commentary was provided following review by the Director of Finance, Student Funding and Estates and the Principal. Upon completion, the MYR was discussed and reviewed by the Director of Finance, Student Funding and Estates and Vice Principal - Finance, to ensure the explanations within the MYR are appropriate. Thereafter, the MYR was submitted to the Principal for a final review and sign off, before submission to the SFC.

The MYR was presented to the Senior Leadership Team at its meeting on 29 April 2020.

SCOPE AND APPROACH:

The scope of our review was to assess whether:

- The Mid Year return was completed according to SFC guidelines and deadlines;
- There are clearly defined procedures for extracting the data to populate the returns;
- Reconciliations are undertaken and reconciled to the management accounts; and
- There is sufficient oversight provided by SLT and the BRIC Committee on ensuring the returns are completed accurately and within deadlines.

Our approach was to conduct interviews to establish the controls in operation for each of our areas of audit work. We then sought 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 identified areas of good practice during our review. For example, the College used the SFC template to populate the MYR. The MYR was signed by the Principal, and was submitted to the SFC prior to the submission deadline. In addition, the College provided supporting documentation to the SFC alongside the MYR, to provide additional narrative and supporting information on the figures submitted and assumptions made. This action was taken as a result of the uncertainties faced due to COVID-19.

KEY FINDINGS:

Notwithstanding the elements of good practice noted above, we have identified opportunities where improvements could be made to the MYR processes, which are summarised below:

- **Reconciliation of MYR figures:** During our review, we reconciled the figures within the MYR to supporting documentation, such as the College's working papers. Whilst

AYRSHIRE COLLEGE, SFC RETURN

the majority of the figures could be reconciled, there were instances where there was no supporting documentation to support the figures within the MYR. When discussed with management, it was identified that these particular figures were calculated based on required professional estimations. For example, for 'interest and other finance costs', staff advised that an estimation was required, and there were no documented calculations to support this. We recognise that judgement was required to estimate this figure, however, the basis of the calculation should be documented in working papers to support this figure.

- **Supporting commentary for variances between the FFR and MYR:** The SFC requires explanations to be provided for any significant variances between the FFR and MYR figures. Ayrshire College has provided supporting commentary for most variances, however there were instances within the MYR where a variance existed and no supporting explanation was provided. For example, for 'Income and Expenditure Reserve' there was a variance of 96% and £7,249k with no supporting explanation. Whilst we recognise from discussions with management that this variance would be known to the SFC, we recommend a brief justification is included within Finance's working papers for completeness.

CONCLUSION:

We are able to provide substantial assurance over the design and operational effectiveness of the key controls in place regarding the SFC return arrangements at Ayrshire College. However, we recommend that the recommendations raised are implemented for future returns, to further improve the processes adopted.

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

- ✓ The Mid Year return was not completed according to SFC guidelines.
- ✓ There are no defined procedures for extracting the data to populate the returns leading to a risk that the process is not consistent and that data is not reliable.
- ✓ Reconciliations are undertaken and reconciled to the management accounts;
- ✓ There is insufficient oversight provided by the Senior Leadership Team (SLT) and the BRIC Committee on ensuring the returns are completed accurately and within deadlines.


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AYRSHIRE COLLEGE, SFC RETURN

DETAILED FINDINGS

RISK: RECONCILIATIONS ARE NOT UNDERTAKEN TO ENSURE THAT THE RETURNS ARE ACCURATE.

Ref	Sig.	Finding
-----	------	---------

1		It is important that the figures within the MYR can be reconciled to supporting documentation, to ensure the MYR is accurate and can be justified.
---	---	--

During our review, we reconciled the figures within the MYR to supporting documentation, such as the College's working papers. Whilst the majority of the figures could be reconciled, there were instances where there was no supporting documentation to support the figures within the MYR. When discussed with management, it was identified that these particular figures were calculated based on required professional estimations, and the calculations had not been documented. For example, for 'interest and other finance costs', staff advised that an estimation was required, and there were no documented calculations within the working papers to support this. We recognise that judgement was required to estimate this figure, however, the basis of the calculation should be documented in working papers to support this figure.

Whilst we recognise that the MYR is populated by experienced staff members, it is important that an audit trail is maintained to support all figures within the MYR.

RECOMMENDATION:

We recommend that the College ensures that there is supporting documentation/calculations or explanations of the estimates and assumptions applied for all figures within the MYR. This will ensure that figures can be reconciled for accuracy.

MANAGEMENT RESPONSE:

The recommendation is a low level finding to help provide a document trail for audit reconciliation. Working papers will be updated from 2021 onwards to provide this audit trail.

Responsible Officer: Head of Financial Services

Implementation Date: 31 May 2021

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AYRSHIRE COLLEGE, SFC RETURN

RISK: THE MID YEAR RETURN WAS NOT COMPLETED ACCORDING TO SFC GUIDELINES.

Ref	Sig.	Finding
2	●	<p>The SFC requires explanations to be provided for any significant variances between the FFR and MYR figures.</p> <p>Ayrshire College has provided supporting commentary for most variances, however there were instances within the MYR where a variance existed and no supporting explanation was provided. For example, for 'Income and Expenditure Reserve' there was a variance of 96% and £7,249k with no supporting explanation. Whilst we recognise from discussions with management that this variance would be known to the SFC, a brief justification could be included for completeness.</p> <p>There is a risk that significant variances are not explained, in accordance with SFC guidelines.</p>

RECOMMENDATION:

We recognise that the SFC requires explanations for significant variances, and although 'significant' has not been quantified, we recommend that for future returns, Ayrshire College agrees internally a variance percentage and/or value which requires supporting explanation and applies this consistently. Whilst explanations for above this threshold may not be required by the SFC, it would be good practice to include these explanations for completeness and transparency.

MANAGEMENT RESPONSE:

The variance highlighted by the auditors relates to a difference due to pension valuations not known at the time the College prepared the FFR. As noted by the auditors, SFC has not queried this figure and did not deem it to be a significant variance - in line with the College's own analysis of the variance.

The recommendation is a low level finding to help provide an evidence trail for audit. Working papers will be updated from 2021 onwards to provide this audit trail.

Responsible Officer: Head of Financial Services

Implementation Date: 31 May 2020

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AYRSHIRE COLLEGE, SFC RETURN

OBSERVATIONS

PROCEDURE FOR POPULATING MYR

The College has not produced a documented procedure for extracting data from the management accounts and populating SFC's MYR template. We recognise that the MYR is populated by qualified staff members who are experienced in preparing such returns, it may be useful to create a procedure on extracting the data for the MYR.

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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
Liz Walker

Director of Finance, Student Funding and Estates
Head of Financial Services




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AYRSHIRE COLLEGE, SFC RETURN

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, SFC RETURN

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to provide assurance that the processes and controls in place ensure that figures reported are in line with the College's management accounts and SFC's requirements.

KEY RISKS:

The Mid Year return was not completed according to SFC guidelines.

There are no defined procedures for extracting the data to populate the returns leading to a risk that the process is not consistent and that data is not reliable.

Reconciliations are not undertaken to ensure that the returns are accurate.

There is insufficient oversight provided by the Executive Leadership Team (ELT) and the BRIC Committee on ensuring the returns are completed accurately and within deadlines.

SCOPE OF REVIEW:

The scope of our review was to assess whether:

- The Mid Year return was completed according to SFC guidelines and deadlines;
- There are clearly defined procedures for extracting the data to populate the returns;
- Reconciliations are undertaken and reconciled to the management accounts; and
- There is sufficient oversight provided by SLT and the BRIC Committee on ensuring the returns are completed accurately and within deadlines.

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.

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09/11/2020 16:05:17

FOR MORE INFORMATION:

CLAIRE ROBERTSON

+44 (0)141 249 5206
claire.robertson@bdo.co.uk

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AYRSHIRE COLLEGE

INTERNAL AUDIT TERMS OF REFERENCE

COVID-19 - HEALTH & SAFETY

2020-21

Ayrshire College # 484082
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AYRSHIRE COLLEGE, COVID-19 - HEALTH & SAFETY

BACKGROUND

As part of the 2020-21 Internal Audit Plan, it was agreed by management and the Audit Committee that Internal Audit would carry out a review of the health & safety arrangements the College puts in place to re-open its buildings following Covid-19 lockdown restrictions.

PURPOSE OF REVIEW

The purpose of this review will be to gain assurance that health & safety arrangements adopted for the re-opening of buildings are suitable in ensuring the safety of staff and students.

KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- The College has not undertaken risk assessments and impact analyses for re-opening its buildings following Covid-19 lockdown restrictions;
- Operational processes have not been updated to reflect appropriate revised arrangements for re-opening;
- The revised arrangements do not clearly support the safety of staff, students and visitors, and do not follow Government guidance;
- The new health and safety arrangements have not been suitably approved and are not communicated to staff and students; and
- Regular monitoring and evaluations to determine adherence to the revised arrangements are not planned, and there are no plans to review the arrangements on a regular basis.

SCOPE OF REVIEW

The scope of our review is to assess whether:

- The College has undertaken risk assessments and impact analyses for re-opening its building following Covid-19 lockdown restrictions;
- Operational processes have been revised to reflect appropriate revised arrangements for re-opening;
- The revised arrangements clearly support the safety of staff, students and visitors, and follow Government guidance;
- The new health and safety arrangements have not been suitably approved and are communicated to staff and students; and
- Regular monitoring and evaluations are planned to determine adherence to the revised arrangements, and the arrangements will be reviewed on a regular basis.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that

AYRSHIRE COLLEGE, COVID-19 - HEALTH & SAFETY

we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

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.

MANAGEMENT COMMENTS

No management comments have been raised regarding the areas under review.

LOCATIONS

Fieldwork will be performed at Ayr, Kilmarnock and Kilwinning Campus.

EXCLUSIONS

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review.

REQUIREMENTS

Outlined below is an initial information request relating to this audit. Timely receipt of this information is critical to ensure that the objectives of the audit are met and that the work is completed on time. We have provided an overview of what we require from you and when we require each piece of information. We have tried to be specific wherever possible however, please do contact us as soon as possible if you're unsure about any of the information required. Please note that this is an initial request and is not exhaustive - further information requiring your attention (including meetings) will be required at the time of our fieldwork.

AYRSHIRE COLLEGE, COVID-19 - HEALTH & SAFETY

REQUIREMENT	DETAILS	RESPONSIBLE PERSON	REQUIRED BY
Documentation	<ul style="list-style-type: none"> - Health & safety policy/strategy/framework and procedures; - Risks assessments and impact analyses; - Latest health & safety reports prepared for the Board of Management and approval of revised arrangements. 	TBC	TBC (2 weeks prior to fieldwork)

Access to information/staff

Any unreasonable delay in gaining access to required information or key members of staff will place audit timings at risk and may result in additional fees to you. Any such charges would be notified to you and agreed at the time the issue is identified.

Timing changes and cancellation:

In accepting this Terms of Reference document you are agreeing to the timing of this audit (specified on p.5). We will make every effort to accommodate timing changes or cancellation of the audit however any changes within 3 weeks of the start of the fieldwork may result in fees being charged in respect of the audit. Changes with more than 3 weeks' notice will be accommodated at no charge.

KEY CONTACTS

BDO LLP

Claire Robertson	Director	T: 0141 249 5206 E: claire.robertson@bdo.co.uk
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Chloe Ridley	Internal Audit Assistant Manager	T: 0131 347 0358 E: chloe.ridley@bdo.co.uk
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TBC		
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AYRSHIRE COLLEGE

TBC		
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AYRSHIRE COLLEGE, COVID-19 - HEALTH & SAFETY



PROPOSED TIMELINE

AUDIT STAGE	DATE
Commence fieldwork	TBC
Number of audit days planned	5
Planned date for closing meeting	TBC
Planned date for issue of the draft report	TBC
Planned date for receipt of management responses	TBC
Planned date for issue of proposed final report	TBC
Planned Audit Committee date for presentation of report	TBC

SIGN OFF

ON BEHALF OF BDO LLP:		ON BEHALF OF AYRSHIRE COLLEGE:	
Signature:	Claire Robertson	Signature:	
Title:	Director	Title:	
Date:		Date:	

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09/11/2020 16:05:17



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AYRSHIRE COLLEGE

INTERNAL AUDIT TERMS OF REFERENCE

COVID-19 - QUALITY & ASSESSMENT

2020-21

Ayrshire College # 484082
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AYRSHIRE COLLEGE, COVID-19 - QUALITY & ASSESSMENT

BACKGROUND

As part of the 2020-21 Internal Audit Plan, it was agreed that Internal Audit would perform a review of the arrangements in place for assessing and grading students as a result of Covid-19.

PURPOSE OF REVIEW

The purpose of this review is to provide management and the Audit Committee with assurance over the arrangements and controls in place to assess and grade students throughout the period affected by Covid-19. We will consider whether the process is fair for students and students are not unfairly advantaged or disadvantaged, and is compliant with the requirements of awarding bodies.

KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- Assessment practices have not been evolved to address the challenges posed by the Covid-19 restrictions;
- No emergency procedures have been introduced to ensure students are not given any particular advantage or disadvantage due to the circumstances relating to their academic performance, or the process adopted may not be fair for students;
- The arrangements adopted are not compliant with the requirements of awarding bodies;
- The College is not considering best practice and could be open to challenge on the approach it is taking to academic performance assessment and grading;
- Students are not being kept informed or do not have access to information relating to their academic performance under the changed circumstances; and
- The value of qualifications awarded by the College during the restrictions period is diminished.

SCOPE OF REVIEW

The scope of the review is to assess whether:

- The College has considered assessment options and has adopted the most suitable approach for students across the College;
- Procedures and processes have been introduced that ensure students are not given any advantage or disadvantage due to the circumstances relating to their academic performance, and the process adopted is fair for students;
- The arrangements adopted are compliant with all awarding body requirements;
- The College has accessed, considered and adopted best practice in its approach to academic performance assessment and grading;
- There is clear justification available to demonstrate why the College has adopted its preferred approach, and this is made available to all students and has been approved by the Board of Management;

AYRSHIRE COLLEGE, COVID-19 - QUALITY & ASSESSMENT

- All students are provided with regular and clear updates as to the amended ways of working and the procedures that the College will be adopting, and can access information relating to their academic performance; and
- Appropriate arrangements are in place to ensure the qualifications awarded by the College during the restrictions period are not diminished.

Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

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.

MANAGEMENT COMMENTS

No management comments have been raised regarding the areas under review.

LOCATIONS

Fieldwork will be performed at Ayr, Kilmarnock & Kilwinning Campus.

EXCLUSIONS

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review.

REQUIREMENTS

Outlined below is an initial information request relating to this audit. Timely receipt of this information is critical to ensure that the objectives of the audit are met and that the work is completed on time. We have provided an overview of what we require from you and when we

AYRSHIRE COLLEGE, COVID-19 - QUALITY & ASSESSMENT

require each piece of information. We have tried to be specific wherever possible however, please do contact us as soon as possible if you're unsure about any of the information required.

Please note that this is an initial request and is not exhaustive - further information requiring your attention (including meetings) will be required at the time of our fieldwork.

REQUIREMENT	DETAILS	RESPONSIBLE PERSON	REQUIRED BY
Documentation	<ul style="list-style-type: none"> - Guidance and correspondence issued to students explaining the changed arrangements - Minutes of meetings held to discuss alternative options - College policy on the approach being adopted. 	TBC	TBC (2 weeks prior to fieldwork)

Access to information/staff

Any unreasonable delay in gaining access to required information or key members of staff will place audit timings at risk and may result in additional fees to you. Any such charges would be notified to you and agreed at the time the issue is identified.

Timing changes and cancellation:

In accepting this Terms of Reference document you are agreeing to the timing of this audit (specified on p.5). We will make every effort to accommodate timing changes or cancellation of the audit however any changes within 3 weeks of the start of the fieldwork may result in fees being charged in respect of the audit. Changes with more than 3 weeks' notice will be accommodated at no charge.

KEY CONTACTS		
BDO LLP		
Claire Robertson	Director	T: 0141 249 5206 E: claire.robertson@bdo.co.uk
Tony Barrie	Manager	T: 0141 249 8476 E: tony.barrie@bdo.co.uk
TBC		
AYRSHIRE COLLEGE		
TBC		

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PROPOSED TIMELINE

AUDIT STAGE	DATE
Commence fieldwork	TBC
Number of audit days planned	5
Proposed date for closing meeting	TBC
Planned date for issue of the draft report	TBC
Planned date for receipt of management responses	TBC
Planned date for issue of proposed final report	TBC
Planned Audit Committee date for presentation of report	TBC

SIGN OFF

ON BEHALF OF BDO LLP:		ON BEHALF OF AYRSHIRE COLLEGE:	
Signature:	Claire Robertson	Signature:	
Title:	Director	Title:	
Date:		Date:	

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AYRSHIRE COLLEGE
INTERNAL AUDIT PROGRESS REPORT 2019-20
September 2020



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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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:




- Financial Controls
- SFC Returns

Conclusion

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

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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
Financial Controls	0	0	1	Substantial	Substantial
School Community Provision	0	1	2	Moderate	Substantial
SFC Returns	0	0		Substantial	Substantial

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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	December 2019	Financial Controls	5	5	Completed.
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.
10		Follow Up	3		Fieldwork started in September 2020

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AUDIT PERFORMANCE





AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
Student Support Fund	6 th September 2019	24 th September 2019	24 th September 2019	24 th September 2019
Corporate Governance	30 th August 2019	11 th September 2019	30 th September 2019	1 st October 2019
FES Return	12 th September 2019	24 th September 2019	1 st October 2019	1 st 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
Financial Controls	5 February 2020	13 February 2020	19 February 2020	20 February 2020
School Community Provision	17 February 2020	28 February 2020	7 April 2020	8 April 2020
SFC Returns	7 May 2020	22 May 2020	28 May 2020	29 May 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

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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.

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Audit progress report

Ayrshire College

September 2020





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1. SUMMARY

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Extension of audit appointment

The Covid-19 pandemic has resulted in significant disruption for public bodies and their capacity for financial reporting, and to auditors of the public sector. Due to this, the Auditor General for Scotland and the Accounts Commission for Scotland intend to extend the current audit appointments by one year in the first instance. This is in line with provisions in the current contracts that allow for extensions of up to two years.

These appointments were for the audit of public bodies for the financial years of 2016/17 to 2020/21 inclusive. The intended extension would be through to the audit of the 2021/22 year. The Auditor General will confirm both the extension and the time period in Autumn 2020.

National publications and other updates

This section of the report sets out summaries from national publications and other updates which may be of interest to Members of the Audit Committee.

Audit timetable

Our key audit stages are summarised in the diagram shown below. Overall, work is on track and there are no significant issues arising. We remain cognisant of the potential impact of the Covid-19 pandemic and will flex the timetable with the College, as appropriate, if required.



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2. AUDIT PROGRESS

Audit progress

Since the issue of our Audit Strategy Memorandum in June 2020 we have:

- documented key controls and processes on material transaction streams in the accounts with no issues to report;
- attended a College sector update virtual meeting with Audit Scotland;
- developed a draft Accounts final visit project plan setting out the key dates when we plan to undertake our work and the likely documents, working papers and information we will need to review. We will agree this with management in the coming weeks; and
- continued to update our risk assessment for our Wider Scope work conclusion, including review of agendas and minutes for relevant meetings and consideration of reports by external regulators.

Our audit work is on track, the interim audit phase has been flexed and now extends into September whilst the 2020/21 budget is under review by the College, we have no matters to raise with the Committee at this stage of our audit. There are no changes to the risks previously reported in our Audit Strategy Memorandum, however, we have and will continue to consider whether additional audit procedures are required as a result of the impact of the Covid-19 pandemic.

Governance

As part of our Wider Scope work on governance, we will be considering the following:

- Decision making processes around closure of the College, and communication to those affected;
- Board and committee reporting throughout lockdown and on an ongoing basis, including the administration of any ad hoc meetings required to react to the fast-moving situation;
- Management arrangements for distance learning, and ongoing communication protocols with students and staff, including consideration of wellbeing;
- Processes in place for re-opening to ensure adherence to current Government guidelines.

Remote working

The final audit fieldwork is due to begin on 19 October 2020. We will work in line with Government guidelines in force at the time of the audit fieldwork, and this may mean that our onsite working is limited. At the time of writing, any on-site visits will require a robust risk assessment to be completed by Mazars, to ensure staff and client safety.

Where our fieldwork is primarily undertaken remotely, we will facilitate this by setting up secure online portals for sharing information – this ensures easier tracking of information provided and is accessible to all members of the audit and finance team. Detailed arrangements will be discussed and made with the finance team in the coming weeks to ensure the audit is as efficient as possible.

We will report to the Audit Committee on 24 November 2020 with our Annual Audit Report and draft opinion on the financial statements. The accounts are due to be approved by the Ayrshire Board of Management on 10 December 2020.

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3. NATIONAL PUBLICATIONS AND OTHER UPDATES

	Publication
1.	Accounts direction for Scotland's colleges 2019-20, Scottish Funding Council, July 2020
2.	Technical Bulletin 2020/2, Audit Scotland June 2020
3.	Covid-19 Further and Higher Education Financial Impacts, Scottish Funding Council Briefing Note, July 2020
4.	National Fraud Initiative 2018/19, Audit Scotland, July 2020
5.	Managing PFI assets and services as contracts, National Audit Office, June 2020

1. Accounts direction for Scotland's colleges 2019-20, Scottish Funding Council, July 2020

On 17 July 2020, the Scottish Funding Council issued its accounts direction for Scotland's colleges for the 2019-20 year, along with supporting guidance.

Changes include:

- Government funding for workers furloughed under the Coronavirus Job Retention Scheme (CJRS) should be recorded as government grant income and not netted off against staff costs;
- Colleges should not include any adjustments for the impact of Covid-19 in the AOP calculation;
- An addendum to the FReM permits entities to omit the performance analysis to minimise the reporting burden during the Covid-19 crisis. This gives the option to produce only the summary information in the performance review (although this is a minimum requirement and colleges may decide to include the performance analysis to enable consistency of reporting);
- Where relevant non-audited performance information has already been published and reported elsewhere, entities are encouraged to refer to the relevant publication rather than producing the information in the Performance Report;
- Performance Overview should include:
 - a statement from the Principal which should include an explanation of the impact of Covid-19 and Brexit on the college's performance;
 - details of mitigating actions taken as a result of Covid-19 impacts should form part of the going concern commentary;
- Governance statement considerations should:
 - outline and explain changes to the governance framework and any other governance implications arising from Covid-19;
 - set out the impact of Covid-19 on operation of the Board of Management;
 - When setting out principal risks and uncertainties, colleges should consider the specific risks arising from Covid-19 and Brexit and the steps being taken to mitigate those risks.

<http://www.sfc.ac.uk/publications-statistics/guidance/2020/SFCGD152020.aspx>

2. Technical Bulletin 2020/2, Audit Scotland, June 2020

- Electronic signatures will be used for signing 2019/20 accounts.
- Audit Scotland have confirmed the use of "DocuSign" - this provides a Qualified electronic signature which is compliant to EU Regulation No 910/2014 for electronic transactions within the internal European market. This is considered as a digital equivalent to handwritten or "wet" signatures, and is GDPR compliant.
- Audit Scotland have confirmed that accounts with electronic signatures are acceptable for laying in Parliament.

https://www.audit-scotland.gov.uk/uploads/docs/um/tb_2020_2.pdf

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3. NATIONAL PUBLICATIONS - CONTINUED

3. Covid-19 Further and Higher Education Financial Impacts, Scottish Funding Council Briefing Note, July 2020

The SFC has prepared a briefing note to explore the impacts of Covid-19 on the further and higher education sector and to outline what is being done to help. Some key points are below:

- For FY 2019-20 Scottish colleges are facing an adjusted operating loss position of a £12m deficit due to Covid-19 (includes ~£8m of Coronavirus Job Retention Scheme (CJRS) income) which has moved from a predicted break-even position;
- All but 3 colleges are forecasting deficits for 2019/20 and the impact for 2020/21 is expected to be even more severe;
- SFC are working with colleges to establish more accurate forecasts – this will be more straightforward when there is clarity over ESF activity targets and income recognition for the Flexible Workforce Development and Skills Development Scotland funding;
- All non-SG income streams for colleges have been impacted, while staff costs are continuing to be met for the most part, with some costs able to be funded by CJRS. Cost savings are being made in areas such as academic materials and property costs, while there are additional costs associated with online learning and remote working;
- Sector cash balances are expected to drop from £41m to £28m by the end of 2019/20, with 4 colleges expecting to move into a negative cash position;
- It is noted however, that cash balances may be inflated by unspent funds, for example, from high priority maintenance funds;
- Several colleges have delayed voluntary severance programmes which were being taken forward in order to secure financial sustainability.

What SFC is doing:

- Continuing to track and assess financial impacts through a fluid and dynamic time;
- Making funding allocations to bring stability and continuity, to enable staff to be paid, research to continue, and students to be supported;
- Offering flexibility in re-profiling grant drawdowns to ease cashflow concerns where possible;
- Providing additional guidance and joining up with other agencies to provide clarity where needed on programmes and funding;
- Reviewing all our non-core funds to assess our ability to repurpose funds;
- Exploring the use of Financial Transactions and shared missions with other funding bodies;
- Keeping in close contact with the Scottish Government and UK counterparts and networks on potential support packages, and on the implications of interventions in further and higher education in UK that affect Scotland.

<http://www.sfc.ac.uk/COVID-19/COVID-19.aspx>

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3. NATIONAL PUBLICATIONS - CONTINUED

4. National Fraud Initiative 2018/19, Audit Scotland, July 2020

All Scotland's colleges took part in the National Fraud Initiative (NFI) in 2018/19, some for the first time. The NFI in Scotland is a counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. It means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess fraud prevention arrangements which those bodies have.

Some key messages:

- Covid-19 raises risk of public sector fraud due to more remote working, increases in cyber-crime and government stimulus packages being provided quickly with lower levels of scrutiny than for previous schemes;
- Audit Scotland is working with the Cabinet Office to identify, develop and promote data matching facilities to help address some of this increased fraud risk – work will continue in this area for the 2020/21 NFI exercise;
- NFI outcomes from the 2018/19 exercise in Scotland of £15.3m – decrease of £2.4m from 2016/17 exercise;
- NFI outcomes for Scottish Colleges totalled £8.6k from 5 Colleges:

FE College	Creditors cases No.	Creditors actual overpayment £
Ayrshire College	1	10
Dundee & Angus College	2	1,998
Edinburgh College	2	2,455
Glasgow Clyde College	1	679
West College Scotland	3	3,465
Total	9	8,607

- Key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. Data provided by Scottish participants helped other public bodies to identify outcomes worth £1.7m which is an increase of £0.6m from 2016/17. Although the colleges do not identify significant outcomes from their own matches, they do assist other bodies;
- Audit Scotland recommends use of the self-appraisal checklist to assess their involvement in the NFI before and during the 2020/21 NFI exercise – this constitutes Part A & Part B. Part A is designed to assist audit committee members when reviewing, seeking assurance over or challenging the effectiveness of their bodies' participation in the NFI, while Part B is for the officers involved in planning and managing the NFI exercise.

<https://www.audit-scotland.gov.uk/report/the-national-fraud-initiative-in-Scotland-201819>

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3. NATIONAL PUBLICATIONS - CONTINUED

5. Managing PFI assets and services as contracts, National Audit Office, June 2020

In October 2018, the Government announced it would no longer use the PFI (Private Finance Initiative) model. As a model that was used widely in the 1990's there are a number of existing PFI contracts which are now starting to expire. The National Audit Office published a report examining the background to PFI, the contracts which are due to expire, and the roles and responsibilities of key stakeholders. Ayrshire College has a PFI contract that is due to expire in 2025.

Some key findings

- There is a risk of increased costs and service disruptions if authorities do not prepare for contract expiry adequately in advance;
- A misalignment of investor and author incentives at contract expiry creates a potential for disputes;
- Early PFI contracts are likely to contain significant ambiguity around the roles and responsibilities of the parties at contract expiry.

Recommendations made in the report for a successful exit from a PFI contract include:

- Understanding the contractual terms of the expiry process at an early stage;
- Appointing an independent surveyor, agreed by both parties, to carry out asset condition surveys in advance of contract expiry;
- Addressing any areas of ambiguity with the Special Purpose Vehicle either directly or through a formal process in advance of the expiry of the contract to minimise the need for recovery of monies after the end of contract.

<https://www.nao.org.uk/report/managing-pfi-assets-and-services-as-contracts-end/>

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4. POSITION STATEMENT ON 2019-20 AUDIT

Planned output	Expected completion date	Final report issued to Audit Committee	Comments
2019-20 Audit Strategy Memorandum	By 21 May 2020	21 May 2020	~
Audit Committee Progress Report and Briefing	By 15 September 2020	15 September 2020	~
2019-20 Audit Completion Report, incorporating: <ul style="list-style-type: none"> Opinion on the financial statements. Conclusion on Wider Scope work 	By 31 December 2020	TBC	~

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5. CONTACT DETAILS

Please let us know if you would like further information on any items in this report.

www.mazars.co.uk

Lucy Nutley
Engagement Lead
07387 242 052
lucy.nutley@mazars.co.uk

Joanne Buchanan
Manager
07794 031 384
Joanne.buchanan@mazars.co.uk

Address:
100 Queen Street
Glasgow
G1 3DN
0141 227 2400

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Covid-19

Guide for audit and risk committees

 AUDIT SCOTLAND

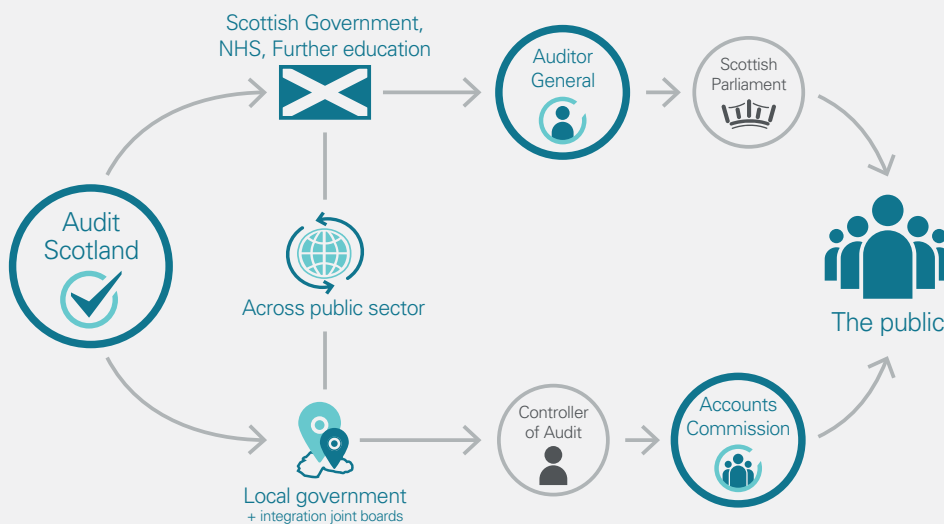
Prepared for public bodies and auditors
August 2020

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Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
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About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Introduction

1. Covid-19 has already had a significant impact on every aspect of society in Scotland. It has affected individuals and communities, public services and the economy.
2. The response of public-sector bodies has been strong, and the pandemic has highlighted some of their key strengths, such as agility and partnership working. But Covid-19 has also exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. A difficult road lies ahead as public bodies move from response to recovery and renewal.
3. Audit and risk committees have a crucial role to play in providing effective scrutiny and challenge. They help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements. As public bodies manage their business during this global pandemic, the role of audit and risk committees becomes even more important.
4. This guide for audit and risk committees draws on our recent experience of auditing public bodies during the pandemic. It also refers to key sources of guidance such as the Scottish Government's [Scottish Public Finance Manual](#) and [On Board: a guide for members of statutory boards](#) and the Chartered Institute of Public Finance and Accountancy's *Audit Committees: Practical Guidance for Local Authorities and Police*.

Key issues for consideration by audit and risk committees during the Covid-19 pandemic

5. There are a wide range of short, medium and long-term risks and issues emerging from Covid-19 for public bodies to consider. This guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. During this phase, key areas that audit and risk committees will need to focus on include:
 - internal controls and assurance
 - financial management and reporting
 - governance
 - risk management.
6. This guide provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in these key areas. Answering the questions in this guide will help audit and risk committees better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.
7. Audit and risk committees must assure themselves that they are engaged and well-informed about the changes that are occurring and affecting their organisation due to Covid-19. For example, they should be informed of changes to internal reporting arrangements, and policy and legislative changes and the impact they are likely to have on the organisation. They should also be apprised of any fraud and error risks arising from the response to Covid-19.¹

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¹ *Covid-19: Emerging fraud risks*, Audit Scotland, July 2020.

Internal controls and assurance

8. Public-sector staff are working under extreme pressure as a consequence of the scale and pace of change created by the pandemic and the need to respond rapidly to unfolding events. This may mean that some internal controls are suspended or relaxed. For example, the segregation of duties between colleagues for completing tasks and subsequent checks may not be possible due to unforeseen capacity issues or the lack of availability of more senior or experienced staff. Staff transfer between departments, for example, to new areas such as those responsible for distributing funding to support people and businesses most affected by Covid-19, may also leave some areas under-staffed. Furthermore, inexperienced staff may be working remotely without a full understanding of the required procedures and controls.

9. Internal audit provides independent assurance on governance arrangements, risk management and internal control processes. As the landscape changes, internal audit will have to consider its approach to audit planning and how it continues to deliver its assurance activities while balancing the workload created by new risks emerging from Covid-19.

10. As staff work remotely, there may also be potential security risks such as an increase in cyber-crime. For example, fraudsters may try to access public-sector systems by claiming to be legitimate technical support services or through phishing emails and scams.

11. [Exhibit 1](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 1

Internal controls and assurance – questions to consider

What changes to internal controls have been required due to Covid-19?

- Has internal audit assessed the design, implementation and operational effectiveness of revised internal controls?

What new controls have been established to account for the distribution of any additional funds received?

- Have officers identified any weaknesses in new controls and if so, how are these being addressed?

To what extent has your organisation assessed the impact of working remotely on the control environment and working practices?

Has internal audit reviewed their audit plan and assessed which projects might need to be cancelled, postponed or accelerated as your organisation navigates its way through the pandemic?

How is management supporting internal audit to balance its 'routine' programme of work and that required to respond to Covid-19-related audit work?

What impact has Covid-19 had on the annual reporting and accounting process?

- Has your organisation's timetable for the annual reporting process been considered for 2019/20 and 2020/21? If so, have the timetables been revised and updated accordingly?
- Has the external auditor's annual audit plan been updated to assess and address new risks?

To what extent has your organisation considered work undertaken by other organisations (via professional networks and bodies), or where appropriate, engaged with external experts to inform decision-making around significant areas of change in response to the pandemic?

How have IT services performed during the pandemic?

- To what extent have cyber security controls been considered?
-

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To what extent has management assessed the impact of Covid-19 on overall staff capacity?

- What areas have been identified as being under resourced and how is this being addressed?

What is your organisation doing to support its staff during the pandemic?

- To what extent have workload and working practices been adjusted to allow for the challenges that people may face when working remotely?
- What guidance, advice or signposting has your organisation put in place to support staff wellbeing?

What opportunities and risks have arisen as staff are deployed across departments?

How is your organisation capturing the learning and opportunities that arise from new ways of working?

Financial management and reporting

12. Public bodies face considerable uncertainty during the pandemic and as they plan for the future. Having robust financial management and transparent reporting arrangements in place is critical to ensuring that an organisation can manage its finances and deliver services effectively, identify issues and challenges early and act on them promptly.

13. Financial impacts of the pandemic could include a reduction in income generated from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, leisure, public transport and parking. Organisations may also face increased costs such as higher staff costs to cover the delivery of services. The economic uncertainty and market volatility caused by the pandemic also make it difficult for public bodies to value, for example, property portfolios, inventories and pension schemes.

14. A number of factors will affect how well an organisation can report on and manage its financial position at a time where it is facing significant pressure and challenge. For example, there is likely to be competing pressures on finance staff, significant changes in financial processes and procedures and the introduction of financial systems in new areas, such as those for Covid-19-related government relief, assistance and stimulus packages. [Exhibit 2](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 2

Financial management and reporting – questions to consider

Is financial (and performance) information received in a timely manner, with sufficient detail, to inform the fast-paced changes that are required due to Covid-19?

How is management assessing the financial impact of Covid-19 on income and expenditure?

- What processes or procedures have been put in place to assess, for example, new demands, new expenditure streams, savings from activity foregone and lost income?

What information has been used in determining the value of assets and liabilities?

- To what extent have estimated valuations been impacted by Covid-19, for example, disruption to the revaluation of properties or market volatility impacting on investments?
- What is the likely impact of Covid-19 on pension deficits and what does this mean for your organisation?

What commitments and guarantees have been made to third parties, and how are these being monitored?

- Where relevant, how is your organisation ensuring that the impacts of the pandemic on its arm's-length external organisations (ALEOs) are being appropriately monitored?
-

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What impact has Covid-19 had on savings plans?

- Is your organisation on track to deliver these savings and if not, what plans are your organisation putting in place to help with this?

What impact has Covid-19 had on transformational activity?

- If there has been or will be significant delays to activity or a failure to meet savings targets, what are the financial implications and how is management preparing for this?

Is there sufficient capacity within the finance team to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19?**Governance**

15. The pace and scale of change is unprecedented, and changes in governance arrangements are likely to have taken place. This may mean that there has been less opportunity for scrutiny and due diligence as public bodies respond rapidly to the challenges arising from Covid-19. For example, urgent procurement decisions and changes to delegated authority arrangements may have impacted on the level of scrutiny.

16. Governance and accountability arrangements around collaborative working may be increasingly complex but when done effectively, allows for better planning, design and coordination of services. Many aspects of public bodies' responses to the pandemic can only be done in partnership with others.

17. Recent changes to governance arrangements due to Covid-19 may include basic alterations such as documenting authorisation processes through to oversight of the overall running of the business. [Exhibit 3](#) proposes potential questions for audit and risk committee members to consider.

Exhibit 3**Governance – questions to consider****What impact has Covid-19 had on governance arrangements?**

- How is your organisation ensuring that effective oversight and scrutiny of key decisions is maintained as it responds rapidly to the challenges it faces during the pandemic?
- Have any significant changes been made to governance arrangements due to the pandemic, for example, suspension of committees or increased use of delegated decision-making powers?
- Where decisions are being made using delegated or emergency powers, how are these being recorded, made public and subjected to scrutiny by the relevant committee(s)?
- Have changes to processes and procedures made in response to Covid-19 been reviewed and documented appropriately to comply with overall governance arrangements?

Are governance arrangements being reviewed regularly to ensure they remain fit for purpose?**Are non-executive directors providing appropriate levels of support, scrutiny and challenge to your organisation as it responds to the current environment and new risks?****What barriers, if any, have affected your organisation's ability to continue to provide services for individuals and communities during the pandemic?**

- How have these barriers been overcome?
- What was the impact on service users?

What impact has Covid-19 had on your organisation achieving its stated objectives?

- Does performance reporting highlight any changes on your organisation's ability to meet its objectives as a consequence of Covid-19?

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- Has the pandemic caused new risks to achieving your organisation's objectives? If so, how are these being addressed?

What impact has Covid-19 had on collaborative working?

Risk management

18. While public bodies will have risk management processes in place, the likelihood and impact of existing risks and the emergence of new risks will need to be monitored carefully. There may also be a change in the risk appetite during the pandemic to allow for services to operate effectively and respond to issues in a timely manner. Some changes may be significant therefore officers and audit and risk committee members need to consider how sustainable these changes will be in the longer term.

19. Public bodies were already facing risks and challenges around, for example, financial sustainability, outcomes and inequalities. These risks and challenges have become greater due to Covid-19. They are also heightened further because of the uncertainty around the UK's exit from the European Union and increasing budget pressures.

20. Exhibit 4 proposes potential questions for audit and risk committee members to consider.

Exhibit 4

Risk management – questions to consider

Are there new expenditure or procurement streams, or delivery methods arising from Covid-19 that introduce new risk?

- What indicators does management have to support informed decisions on risk and is this data available in real time?
- Is your organisation's risk management strategy up-to-date to include risks associated with Covid-19?
- What risks have emerged that need to be addressed and what protocols are in place to report and analyse emerging risks as the situation evolves?
- Are risks being reported to the relevant committee?

Has your organisation's risk register been updated to reflect new risks arising from Covid-19?

Is there a need for management's risk appetite framework to be reviewed to ensure it is appropriate in this rapidly evolving environment?

- If so, when will the committee be informed of the outcome and any next steps?

How does Covid-19 impact on any financial risks already facing your organisation and how does this affect short, medium and long-term financial plans?

What impact does Covid-19 have on any scenario planning that your organisation has in place for events such as EU withdrawal and increasing budget uncertainty?

Looking ahead

21. This is the second in a series of Covid-19 guides prepared for public bodies and auditors. Our first publication, [Covid-19 Emerging fraud risks](#), sets out a range of fraud risks that may arise due to the pandemic. By drawing on our position as external auditors across the public sector in Scotland, we have used our recent experience to develop these Covid-19 outputs. We will be issuing further guidance to public bodies to support them as they move beyond the response phase of the pandemic into recovery and renewal.

22. We invite feedback on how the role of external audit can further support public bodies as they respond to the challenges Covid-19 presents.

Further reading

- [Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19](#), National Audit Office, June 2020.
- Financial scrutiny practice guide, The Chartered Institute of Public Finance and Accountancy, June 2020.
- <https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/implications-audit-committees-arising-covid-19>
- <https://www.iaa.org.uk/covid-19-hub/covid-19-guidance/>


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Covid-19

Guide for audit and risk committees

This report is available in PDF and RTF formats,
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T: 0131 625 1500 E: info@audit-scotland.gov.uk 

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Audit Committee Meeting**15 September 2020**

Subject: Internal Audit Rolling Internal Audit Action Plan as at 18 August 2020

Purpose: To provide Members with an update on the Rolling Internal Audit Action Plan as at 18 August 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 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 2020-21 audit plan approved by the Audit Committee on 9 June 2020.

Table 1 below lists all outstanding recommendations from the internal audits that were due to have been completed by 18 August 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	2019-20	Corporate Governance	2	1	1
2	2019-20	Data Protection (GDPR)	1	1	0
TOTAL			3	2	1

2.1 Corporate Governance

The first action point relates to the recommendation that assessing the performance and overall effectiveness of committees on an annual basis. This has been addressed through the inclusion of additional questions within board members' Annual Self-Assessment Questionnaire. The findings are then reported to the Board of Management. This recommendation has therefore been marked as complete.

The second action point relates to the recommendation that that the Audit Committee meets with the External and Internal Auditors without management present on an annual basis. This was scheduled to take place at the March 2020 Audit Committee. The Committee was however cancelled due to the COVID-19 pandemic. This recommendation has therefore been marked as outstanding. The need for such a meeting has however been included within the Committee's Terms of Reference and annually approved workplans.

2.2 Data Protection (GDPR)

The audit point to be actioned relates to the College's arrangements for reviewing and actioning subject access requests. The auditors recommended that College should take early action on subject access requests to mitigate the risk of delays in full responses occurring. Refresher training on SAR procedures has been delivered to key areas and failure to comply with SAR deadlines will be reported to SLT on an exceptions basis. This recommendation 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.

Michael Breen
Vice Principal, Finance
20 August 2020

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



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RISK ADVISORY SERVICES

RETHINKING THE AUDIT COMMITTEE; 9 AREAS FOR CONSIDERATION

SEPTEMBER 2020

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INTRODUCTION

The impact of the coronavirus pandemic on the UK and global economies has been severe and has led to significant changes in demand across all economic sectors. The speed and strength of UK and global economic recovery will depend in large part on the success of public health measures and economic policies.

It is likely that all businesses will be affected in some way. Studies from the last recession suggest that companies that are proactive can gain a lasting competitive advantage.

It is more important than ever for Audit Committees to be seeking assurance over their organisation's business impact assessments and the response plans for the short, medium and long term.

When it comes to the role of the Audit Committee in seeking assurance over the organisation's management of the crisis, now is time to rethink the questions they are asking and what information they need.

Many organisations will follow a staged process to manage a crisis. Our own BDO Rethink Model is based on **React**; **Resilience**; and **Realise**.



INTRODUCTION

continued

Audit Committees will need to request different information over time. Currently, most Audit Committees will be seeking assurance over the React and Resilience stages of crisis, which means they will desire comfort over the key decisions and activities that management have been carrying out to safeguard the organisation and keeping it running.

It is a delicate balance for Audit Committees to request regular up to date assurances while not adversely impacting management's capacity to respond effectively to the crisis. Nonetheless, you would expect Audit Committees to seek assurances over the following areas throughout the react and resilience stages:

- ▶ **Deal with the emergency:** Crisis management and re-establishing governance and working protocols, communication platforms and remote workforce and working technologies.
- ▶ **Impact Assessment and Understanding Events:** Government policy, guidelines and support packages; future economic environment, reviewing the risk profile, possible future scenarios for the business.

- ▶ **Financial Sustainability:** Anticipation of financial pressures, applying for government financial support options, liquidity and cashflow management, preserving value and wealth and dealing with key stakeholders including the bank, customers, suppliers, employees.
- ▶ **Operational Resilience:** Managing people, dealing with suppliers, proactively minimising operational strain and capacity issues, and IT systems and infrastructure resilience.

As most organisations start to move through resilience and into recovery stage, Audit Committees should look for assurances over return to work arrangements. Although we expect some clear Government guidelines in this area, organisations should already be thinking about some of the practicalities.

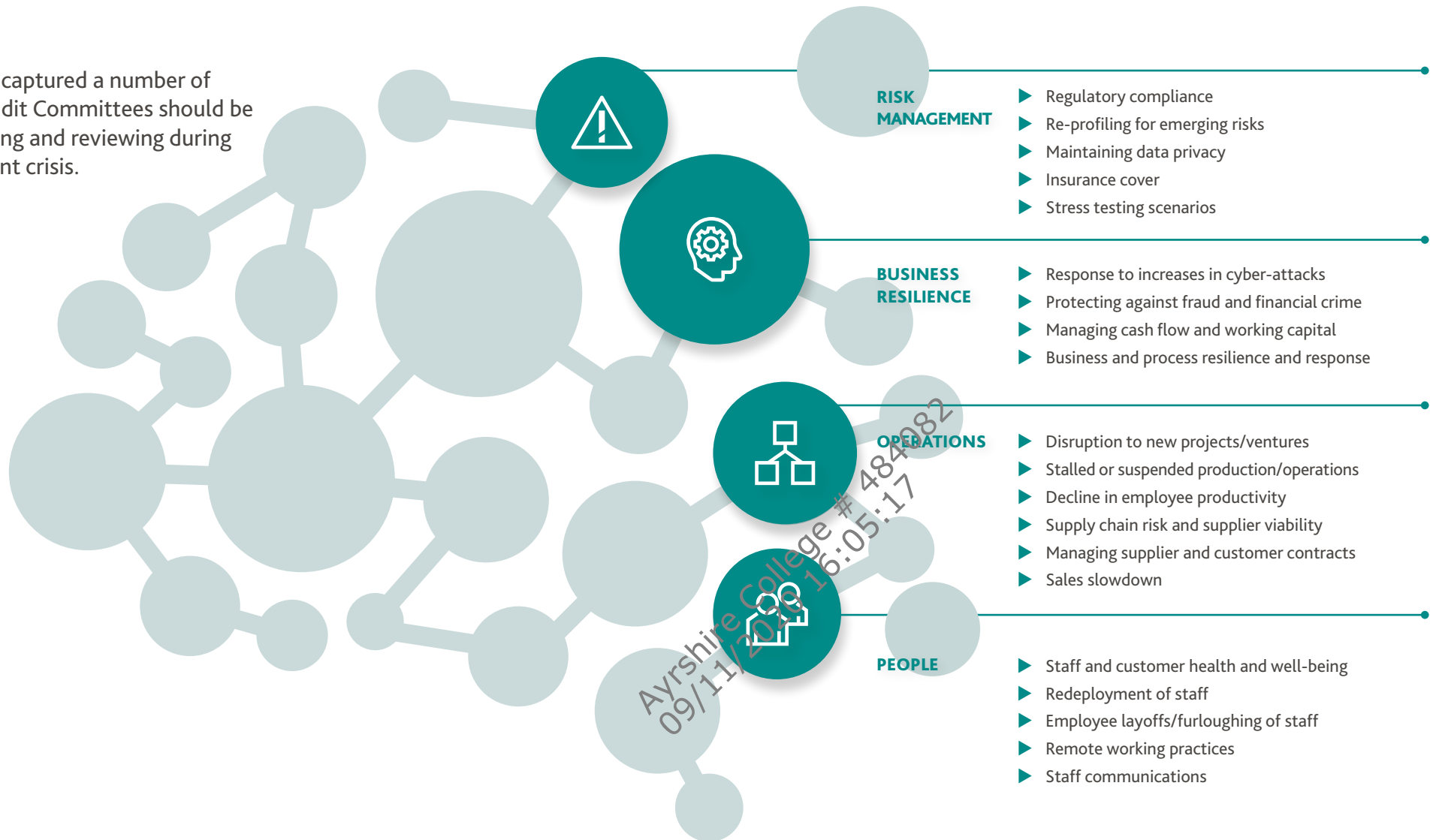
There will be complex and serious risks and challenges that organisations will need to manage successfully in order to succeed in the "New Reality".

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KEY RISKS

We have captured a number of issues Audit Committees should be considering and reviewing during the current crisis.

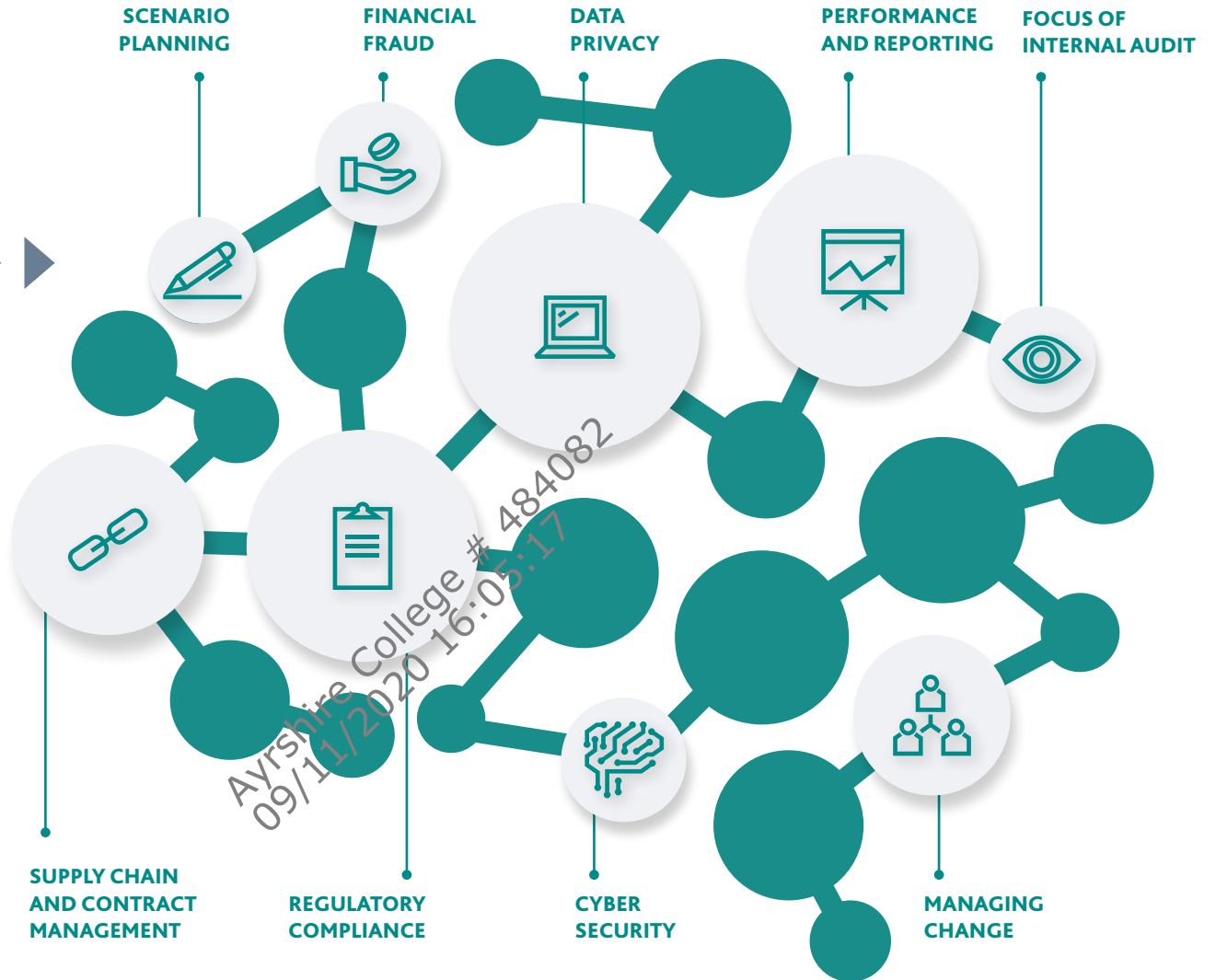


9 KEY AREAS FOR CONSIDERATION

Our Risk Advisory Services team has highlighted a number of key areas that Audit Committees should be questioning and seeking assurance over.



click the icon for more information





CYBER SECURITY

Following any significant global event, cyber criminals are quick to exploit opportunities to make fraudulent gains. COVID-19 is no different and 'phishing' campaigns were soon up and running hoping to trick unsuspecting employees.

Since February 2020, the UK National Fraud Intelligence Bureau has identified over 500 cases of fraud where Coronavirus was mentioned, with losses at the beginning of April totaling over £1.6m. This is probably a conservative figure.

Audit Committees should be aware of these threats and request assurance that the Cyber Security strategy is adequate in light of the increased risks. With the increased threats, it may be appropriate for Audit Committees to request a regular update on IT/Cyber Security incidents, even if unsuccessful.

There are a number of key actions which can help improve organisations' cyber resilience during the pandemic:

- ▶ Raise awareness amongst employees warning them of the heightened risk of phishing attacks and, where practical, conduct an internal phishing exercise.
- ▶ Enable two-factor authentication for all remote access accounts. This is particularly important when accessing company information on personal devices such as mobile phones and tablets.

- ▶ Remind users that they should only use corporate approved communication channels and that company devices should not be used for personal social media use or use of software with known security issues such as certain popular video conferencing applications. Provide sufficient training for the recommended corporate software to ensure employees are not tempted to use alternative applications.
- ▶ Ensure that anti-virus software is updated for all provided laptops and that vendor supplied updates ('patches') are applied according to the agreed processes.
- ▶ Provide tools for secure file sharing, such as Mimecast or OneDrive and disable laptops from using other media such as USB drives.
- ▶ Ensure employees are aware of the route for reporting any IT or cyber security incidents. When IT employees have been furloughed, ensure responsibilities have been assigned to handle reported incidents or system generated alerts.



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FINANCIAL FRAUD

As a result of social distancing and the increased levels of remote working the usual controls, policies, systems and processes often take second place. Fraudsters only need one instance of a control failure to succeed. The likelihood of that 'one instance' occurring and going undetected has significantly increased.

Fraudsters will be exploiting reduced staffing levels and the inexperience of new staff hired to cover shortfalls to circumnavigate segregation of duties controls in finance, HR, procurement, contracting and other payment authorisations.

Bank mandate fraud is likely to increase as fraudsters exploit key personnel in finance being overstretched or unavailable. Businesses should review their processes and controls to ensure they are suitable for mass remote working. HR should focus on agency and temporary staff pre-employment checks to ensure candidates are beyond suspicion, especially in high-risk areas such as finance and procurement.

Organisations should continue to work closely with their finance, HR and procurement teams to ensure they remain vigilant to fraud risks. Despite all the other pressures, now is the time to revisit your fraud risk assessments in the light of the emergency

measures being introduced by the government and ensure that business continuity plans take into account the rapidly emerging fraud risks and consider the following actions:

- ▶ Controls should be process-mapped and then walked through to test them against the current situation, and re-visited every time there is a change to staffing, processes or legislation. Even a small change can create an opportunity for exploitation - the strongest chain is only as effective as the weakest link.
- ▶ Remind staff of the need to maintain the highest levels of security whilst home-working.
- ▶ Be cautious in dealings via email and telephone, remembering that fraudsters can hi-jack communications.
- ▶ Ensure new staff (or staff deployed to new tasks) receive the proper levels of training in applying controls and checking.



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REGULATORY COMPLIANCE

In the current climate, some regulators may be relaxing reporting requirements and deadlines but have not changed the expectation of good governance.

Organisations will still be expected to obey the rules, behave ethically, and implement robust control and compliance mechanisms.

Audit Committees should be asking if the organisation:

- ▶ Has identified the critical compliance obligations for the organisation
- ▶ Has mapped the controls required to ensure compliance and the resources needed to apply them
- ▶ Has assessed which controls could be temporarily removed or relaxed for greater focus on the critical ones
- ▶ Has considered if employees know what to do if there is a regulatory breach.
- ▶ Has assigned responsibility for disclosure or activity to the regulator or the market
- ▶ Has identified changes to rules in its sector, and how it will comply with them.
- ▶ Is treating customers fairly, especially vulnerable ones
- ▶ Is providing a safe and healthy working environment, including for home workers
- ▶ Is publishing true, accurate information that is not misleading.



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DATA PRIVACY

As a result of the pandemic, data privacy has been catapulted back into the limelight. Organisations have been forced to process personal information in different ways than they would have done so previously.

The requirements of the GDPR, DPA 2018 and other data protection regulations remain in place. Organisations must stay on top of their data processing activities, in particular those that have materialised as a result of the pandemic. They must ensure they are fully accountable for maintaining compliance. It is vital that they continue to ensure the protection of personal data.

There are currently a significant number of considerations being discussed in the data privacy world as a result of the pandemic. These include:

- ▶ The processing of employee health information – there is confusion about what you can and what you can't collect from employees and in what scenario. It is vital that organisations have a valid and fully justified legal basis behind any new personal data processing that falls into this category. For example has your organisation engaged in employee temperature checks (remembering that the collection of any health information is classified as special category)?
- ▶ Privacy challenges as a result of working from home – many organisations have had to move extremely quickly to ensure that their employees are able to work from home. It is very likely this will be regarded as the new reality going forward but also brings with it privacy risks that need to be considered which include internal challenges such as the increased use of personal devices. External challenges also exist such as an increased risk of cyber criminals and a reduced service from external providers.

The risk for any Audit Committee is that there is a lack of assurance over the robustness of the new ways of working and the new data processing activities that may have materialised as a result of the pandemic.

An additional risk for Audit Committees to consider, is that their organisation may have taken their eye off the ball in respect of meeting data protection regulation requirements already in existence whilst trying to respond to other issues that have materialised as a result of the organisation's response to the pandemic. This is understandable given that survival or getting back to business as usual is the key objective for a significant number of organisations, however it is very important to remember that although it never went away, the spotlight is back on privacy and it is vital that organisations continue to apply good governance and controls around this.

Management should continue to be totally transparent with their audit committees when it comes to discussing privacy risk anyway, but it is even more important than ever that this becomes a regular event going forward. Regular reporting and visibility of the new processing activities and privacy risk considerations by individuals or teams that have ownership of data protection risk provides the Audit Committee with some comfort that the organisation is continuing to meet their objective of needing to be fully accountable for data protection regulation.

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PERFORMANCE AND REPORTING

Monitoring, measuring and reporting on the financial and operational health of the organisation will be crucial during the crisis and as we move into the Realise phase.

Audit Committees should ask if management is effectively monitoring, measuring and reporting on key activities such as:

- ▶ Revenues, liquidity and cash-flow
- ▶ Incoming and outgoing orders, invoices issued, payments received, product despatched and cash collected
- ▶ Inventory received, what can and can't be sold in the current climate, the obsolescence implications, and the impact on your financial position
- ▶ Failures to notify relevant stakeholders of investment guideline breaches
- ▶ Other critical activities for your organisation.



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SCENARIO PLANNING

The financial impact of coronavirus will be significant for many organisations. It is vital to have a clear plan for a number of potential scenarios to assist in decision making and to ensure sufficient cash headroom.

'What if' scenarios should be rehearsed so that responses to changing circumstances can be quickly implemented.

Audit Committees should be ready to challenge management on:

- ▶ The robustness of management's approach to scenario planning
- ▶ The reliability of underpinning data
- ▶ The basis of assumptions made.



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FOCUS OF INTERNAL AUDIT

In this period of uncertainty, there are a number of challenges around Internal Audit functions that the Audit Committees should be aware of and managing. For example:

- ▶ Internal Audit functions are being asked to second staff into the business, perform management roles and/or provide consulting/advisory services. This could create a conflict of interest and reduce resources available to deliver assurance to the Audit Committee
- ▶ Some Internal Audit functions have been fully or partially furloughed without consultation of the Audit Committee or its Chair, resulting in limited assurance being provided during a period when it is likely to be needed most.

Audit Committees should also be reviewing internal audit annual plans to assess if they remain appropriate and are providing assurance in priority areas which may have changed as a result of the current situation. For example, financial sustainability, fraud risk, health, safety and wellbeing, cyber security and return-to-workplace procedures and related risks.

Some Internal Audit functions have moved to 'dynamic' audit planning in the short term, whereby plans are reassessed quarterly or every six months to reflect the rapidly changing risk environment.



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SUPPLY CHAIN AND CONTRACT MANAGEMENT

The COVID-19 crisis has exposed significant issues around the way we conduct our business in a globalised economy. The inter-connectedness across the value chain has highlighted the fragility of the supply chain and limitations of existing models. It has also demonstrated how supplier shortfalls are closely linked to the promises organisations have made on the customers/client side.

A recent IACCM (International Association for Contract and Commercial Management) survey highlighted that c.80% of businesses were experiencing moderate to severe disruption to their supplier contracts and challenges linked to the delivery of their customer agreements. This has resulted in a spike in emergency negotiations on both the buy and sell side.

Therefore, the pandemic has quickly become a question as to what extent business obligations are now deliverable and how to best navigate through the crisis with key customer and supplier relationships intact. Consequently, there are some key actions we would expect leading organisations to be taking right now, including:

ESTABLISHING YOUR EXPOSURE

- ▶ Identifying key obligations and exposures across customer and supplier contract portfolios
- ▶ Determine which obligations are at risk
- ▶ Develop understanding of financial penalties associated with non/partial delivery
- ▶ Force majeure, frustration provisions: what are the eligibility criteria, notifications requirements, risks associated with enactment and cost implications etc.?
- ▶ Termination rights on all sides
- ▶ Link delivery of customer contracts to your supplier base and identify potential customer contract exposures arising through known supplier shortfalls.

CLOSELY MONITOR SUPPLY CHAIN RISK PROFILE

- ▶ Map your supply requirements against the current status of your supply chain
- ▶ Identify what supply is at risk through discussions with supplier
- ▶ Analyse key supplier resilience including:
 - Financial indicators throughout the corporate family structure
 - Contractual clauses including step-in rights and any parent company guarantees
 - Intelligence gathering: sector, geopolitical, company specific issues, past behaviours etc.
- ▶ Evaluate emerging supply chain risk profile, reviewing Tier 1 (and wherever possible Tier 2 etc.) to identify:
 - Consolidation risk by limiting supply to a small pool of suppliers
 - Market/geographic risk of supply (how those territories are impacted and what restrictions on delivery will affect your operations)
 - Known single points of vulnerability – scarcity of parts/resources, shipment risk etc.
 - Which suppliers have known issues/high risk of service non-delivery (note previous step)?
 - Keep an eye on long term supply chain strategy (what will the future supply chain model look like? How do we want to be perceived by the market and what impact will that have on our immediate response?)
 - Consideration of alternative sources of supply where the above identifies unacceptable risk.



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SUPPLY CHAIN AND CONTRACT MANAGEMENT

continued

ADJUST CONTRACT MANAGEMENT APPROACH (BUY AND SELL SIDE)

- ▶ **Constant communication:** How is the organisation staying aligned to evolving customer demands along with the changing dynamic over what is deliverable through the supply chain?
 - ▶ **Prepare for uptick in emergency contract negotiations:** How robust are these negotiation strategies in terms of linking evolving customer needs and supplier capabilities with the organisations' commercial and operational parameters? Increased risk of failed negotiations or agreeing to undeliverable terms under these circumstances
 - ▶ **Contract administration:** capture all variations accordingly and ensure any changes have the appropriate audit trail and approvals
 - ▶ **Contract compliance:** bolster contract monitoring given higher risk of non-compliance/sub-optimal delivery and erroneous charging
 - ▶ **Supplier and customer risk monitoring:** the risk of business failure is heightened and likely to be so for some time, so we would expect a focus on reviewing resilience and financial risk indicators across key customers and suppliers to identify those at risk so the organisation can plan accordingly
- ▶ **Commercial efficiency/cost reduction:** enhancing focus on getting good value from your contracts – compliance with terms, efficiency of spend being driven through the contract and the alignment between the commercial terms and the services actually now being delivered. Spot opportunities to renegotiate customer and supplier contracts based on new demand profiles etc.
 - ▶ **Reputation and relationship management:** Survival is paramount, but organisations' need to come through the crisis with their reputation and key third party relationships intact. How we behave will be judged, so collaboration with all parties to work out the art of the possible is a more optimal route than entrenchment into contractual positions and enforcing legal rights wherever feasible.



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MANAGING CHANGE

The focus to date has been primarily based on reacting to the challenge confronting all of us and there has clearly been a great 'crisis' response from so many people and organisations in establishing effective interim activities and operations.

Moving forward, management now need to move away from the existing crisis response phase and, if not already underway, turn attention to planning how the organisation:

- ▶ Rethinks what it does to ensure it adapts to whatever its 'new reality' will be
- ▶ Realises the potential improvements and successfully implements the changes

To be able to deliver this it is important that management thinks about the risks that could be confronting the organisation over the next 12-24 months and consider how the organisation should best respond. The significance and impact of these risks will clearly vary depending on the specific circumstances and how impacted by Covid-19 the organisation has been. The diagram provides a list of a number of risk areas that we believe should be considered as part of this risk (and opportunity) assessment.

Once management has assessed the considerations and confirmed the high level objectives for the next 1-2 years then the next critical activity is to convert the objectives into a workable and achievable change plan.

FINANCIAL PLANNING AND COST MANAGEMENT

- ▶ What are the financial focus areas moving forward?
- ▶ What needs to be done to enact the cost management / efficient measures?
- ▶ Are business processes as effective / efficient as they should be?
- ▶ Property portfolio management

PEOPLE AND EMPLOYEES

- ▶ Returning to work
- ▶ Expectations of flexible ways of working
- ▶ Managing unavailability

CUSTOMERS AND DEMAND

- ▶ Have your customers' expectations changed?
- ▶ Can you meet your customers' needs in a different way?
- ▶ Is there a different understanding of demand and revenue generation?

THE SUPPLY CHAIN

- ▶ Global v Local supply chains (including ethical sourcing)
- ▶ Dependencies on single source suppliers
- ▶ Inventory management and stocking
- ▶ Contract effectiveness

DIGITALISATION AND TECHNOLOGY

- ▶ Collaboration tools / Remote working
- ▶ Critical Systems and Opportunities
- ▶ Cloud solutions and security

RISK MANAGEMENT AND SECURITY

- ▶ Risk Assessment, future resilience and planning
- ▶ Business continuity and disaster recovery

TRANSACTIONS AND ACQUISITIONS

- ▶ Have any pre-crisis targets become more appealing?
- ▶ Have any new opportunities / targets been identified during the crisis?

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MANAGING CHANGE

continued

The effort required to deliver successful change is often underestimated. This can be for a whole host of reasons, but at the heart of the challenge is the complexity of balancing the impact of change on people, processes, technology and data.

Management should be considering the impact of the proposed changes on all four of these aspects and then look to embed best practice to deliver change successfully. This will significantly increase the likelihood of establishing sustainable and long lasting improvements. The critical change activities we would expect to see, include the:

- ▶ Definition and understanding of a clear vision and project objectives
- ▶ Allocation of a senior sponsor who owns and drives the changes (with a project team)
- ▶ Inclusion and communication to your people and to those impacted
- ▶ Assessment of the aspects of People, Process, Technology and Data that need to change
- ▶ Monitoring and review of progress against agreed deliverables and timescales.

By creating a clear vision for how the organisation needs to adapt in the future and marrying this to a well-developed and executed change plan, an organisation should be well positioned to manage key risks, adapt to changing requirements and therefore successfully response to the challenges and opportunities of the 'new reality'.



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FOR MORE INFORMATION:**RUTH IRELAND**

+44(0)7545 779 124
ruth.ireland@bdo.co.uk

TIM FOSTER

+44 (0)7583 114 121
tim.foster@bdo.co.uk

NIGEL BURBIDGE

+44 (0)7802 755 021
nigel.burbidge@bdo.co.uk

SARAH HILLARY

+44 (0)7949 050 953
sarah.hillary@bdo.co.uk

ROBERT NOYE-ALLEN

+44 (0)7908 844 590
robert.noye-allen@bdo.co.uk

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