

BOARD OF MANAGEMENT ACTION TRACKER

COMMITTEE: Audit Committee 24.11.2020

(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	UPDATE: September 2020 - Alternative uses of the agreed five days to review provision, in the light of Government Guidelines, as the College emerged from Covid-19 restrictions in the 2020-21 Audit plan to be discussed as a standing agenda item at future Committee meetings.
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	
15.09.20	9	The Audit Committee is to meet with the External and Internal Auditors without management present at the November 2020 meeting.	November 2020	B Ferguson (Board Secretary)		

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

Ayrshire College # 484082
11/20/2020 11:30:28



AYRSHIRE COLLEGE

MANAGEMENT LETTER

FES RETURN AUDIT 2019-20
NOVEMBER 2020



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AYRSHIRE COLLEGE, FES

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DISTRIBUTION

James Thomson	Director of Finance, Student Funding & Information Systems
Richard Simson	Head of Business Intelligence and Information Systems
Audit & Risk Committee	Members

REPORT STATUS LIST




Auditors:	Gemma MacDonald, Gemma Rickman, Tony Barrie
Dates work performed:	09 September - 7 October 2020
Draft report issued:	23 October 2020
Final report issued:	16 November 2020

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11/20/2020 11:30:28

AYRSHIRE COLLEGE, FES

EXECUTIVE SUMMARY

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		0
Medium		0
Low		0

TOTAL NUMBER OF RECOMMENDATIONS: 0

BACKGROUND:

A review of the College's FES (further education statistical) data return has been carried out in accordance with the 'Credit Guidance: 2019-20 student activity data guidance for colleges' (SFC/GD/13/2019) issued in July 2019 and the audit guidance for colleges (SFC/GD/13/2020) issued on 16 July 2020.

Our report is based on information supplied by college management and staff and the audit approach outlined below.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering whether:

- The student data returns have been compiled in accordance with all relevant guidance;
- Adequate procedures are in place to ensure the accurate collection and recording of the data; and
- The FES return contains no material misstatement.

The purpose of the review was to examine the adequacy of the sub-systems used by the College in relation to the Credit Guidance, the audit guidance and associated guidance to complete the student data returns.

The assessment of the control environment as outlined above was used to determine specific tests and sample sizes.

Our review also sought to address all the risk areas outlined in Annex D of the audit guidance issued on 16 July 2020.

Our fieldwork was undertaken by a fully qualified auditor, and was reviewed by the Director responsible for the assignment. All personnel have previous experience of delivering internal audit assignments to FE Colleges.

Our test samples were selected from full population data sets and were representative of the area under review e.g. sampling across all key modes of attendance.

As a consequence of the COVID-19 restrictions, there were a number of factors that impacted the effectiveness of the audit this year from both the perspective of the auditors

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and the College. Firstly, the audit was undertaken remotely with information being shared on secure folders. Secondly, the College staff had restricted access to the College so the checking procedures that would normally have been completed in advance of the audit starting had were being undertaken at the same time as the audit. This meant that the FES file being audited went through a number of iterations over the course of the audit as small changes were made to the credits claimed by the College as a result of their checks before the final file was agreed with the SFC. This also resulted in the auditor finding errors in the credits claimed that would, under normal circumstances, have been picked up and adjusted by the College in advance of the audit. Finally, some of the testing was restricted as the number of completed enrolment forms for the students required in the sample selection could not be provided because of the limited resource available in the College at the time to scan and send copies.

TESTING SUMMARY:

As noted above, this year's testing was completed remotely due to restrictions as a consequence of COVID-19.

A summary of the specific tests, together with sample sizes (which were randomly selected), is described below:

- We reviewed a sample of 15 students who had been categorised into Price Group 5 (previously DPG18) and confirmed that the credits claimed for these students were accurate. For this test, due to the issued noted in respect of limited access to the information by the College staff, we were only able to view 3 of the completed enrolment forms due to the audit being completed remotely. In each of these cases the student had completed the disability section indicating that they had a disability.
- We took a sample of 10 infill course students and tested them to ensure that the credits for these courses have been accurately claimed. For all of the criteria tested, the results were found to be satisfactory.
- A sample of 15 full time students who withdrew from their course was selected in order to confirm that, if they had withdrawn after the required date then the course credits had been claimed properly. The test confirmed that the date of withdrawal on the student documentation was consistent with the system records and confirmed that the appropriate forms had been completed correctly.
- We tested the school programmes and confirmed that credits have been correctly categorised in line with SFC guidance. To do this, we selected a sample of 15 students and reviewed the course listing for school programmes to confirm that they have been correctly categorised. The test also confirmed that students were eligible and that credits had been accurately stated.
- To gain assurance that credits for open learning students are correctly claimed we selected a sample of 10 open learning students and confirmed that credits for their courses have been correctly claimed. We also confirmed through this test that the criteria for eligibility were being met and that there was sufficient evidence that the student was making progress on the course.
- We sought to gain assurance that there are processes in place to ensure that the attendance criteria is accurately stated and, also, to confirm that student enrolments are properly treated within the college. To validate this we took a sample of 10 courses and, from these, we selected 2 students. We confirmed that

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the start, end and required dates have been calculated correctly and, for the same sample we confirmed that enrolments check for the exclusion of students who do not meet the 25% rule had been conducted and, for a sample of students included in the return, we established that there is sufficient evidence of attendance after the required date.

- To gain assurance that credits are accurately claimed for Fee Waiver students, we obtained a list of the College's fee waiver students and selected a sample of 15. For 3 out of the 15 students we were able to confirm that a relevant fee waiver form exists for each student (fully completed and properly authorised), and that supporting documentation is attached (where applicable) to the fee waiver form and that an enrolment form had been completed for the student to ensure existence. The sample was reduced to 3 because the College was of the view that the work required to retrieve, scan and send documents for the full sample was excessive given the other commitments of the College staff, limited on site staff, and the restrictions they were facing due to COVID-19. For all 15 of the sample we were able to confirm that the student has attended beyond the 25% required date through confirmation of their attendance summaries. In addition, we reviewed the list of fee waiver students and obtained the necessary assurance that the students are on eligible courses, e.g. not FT advanced courses etc. and, where an automatic fee waiver is claimed, that the courses/students meet the criteria set by SFC for automatic fee waiver allocation.
- We were able to confirm through testing that courses are correctly classified as full or part time and HE or FE. This was done by selecting a sample of 15 courses and confirming if they were correctly categorised between HE and FE, and FT/PT by using the criteria set out by the SFC.
- We were able to determine that the correct number of credits have been claimed for these courses, by selecting a sample of 15 courses and confirming that the total credits claimed for the course in the year matched to the individual students listed for the course and the credits claimed for each of them.
- We selected a sample of 20 courses and re-performed the required date calculation. This test confirmed that the correct required date had been applied to the course for the purpose of claiming the credits attributable to them.
- In order to gain assurance that the correct DPG/superclass group is being used for courses, we selected a sample of 20 courses and agreed that the correct price group and superclass group was being used. The classifications on these were matched to the classifications provided by FES in the FES3 Guidance note. As part of this test we also considered if the College had applied the correct superclass name for the course and found that all of the names were appropriate for the courses selected.
- We conducted a Fee waiver analytical review. This compared the fee waiver figures from the prior years' FES return and analysed in the final report. Any significant variations in the numbers were queried with the College and explanations were provided by the Finance or Business Information team.
- We were given sufficient assurance that courses spanning multiple years were accurately stated. We selected a sample of 12 courses; 6 of these started in the year prior to the FES return under review for which any credits applicable to the course should be claimed and the other 6 started in the year under review for which the claim for credits associated with the course are deferred into the following year's claim. In all cases, we found that the credits associated with these courses were being claimed in the correct period.
- We enquired if there were any collaborative course undertaken by the College with any other FE institution and confirmed that the guidelines set out by the SFC had

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been properly followed for such courses. For Ayrshire College there is still only one such arrangement and we were able to confirm that the collaborative arrangement met all of the requirements outlined by the SFC.

ANALYTICAL REVIEW:

A brief summary of the analytical review work undertaken is as follows:

- We compared the student numbers per mode of attendance with the prior year, investigating any significant fluctuations with College staff; and
- We obtained the fee waiver figures per category of fee waiver and compared these with the previous year's figures, investigating any significant fluctuations with College staff.

The final 2019/20 FES return submitted to SFC by the College matched the figures we reviewed. The Colleges core activity credit target set by the Regional Board was 124,598 credits. In addition the College had an ESF activity target of 871 credits. The total credit target for 2019/20 was therefore 125,469. Total actual credits within the Colleges FES return are 125,751 (split 124,880 with ESF of 871) which is less than 0.1% above the total target. These figures have been accepted by the SFC.

Student Numbers	2019/20	2018/19
Head Count		
FEFT	3,877	3,728
FEPT	5,693	6,319
Total	9,570	10,047

An overall drop in the number of Fundable students in the year. Whilst fundable student numbers have increased at HE (advanced) Full-time, fundable part-time student numbers are decreasing largely due to the impact of the pandemic and not being able to recruit part-time students during the last third of the year.

All Student Enrolments		
Student Numbers	2019/20	2018/19
Enrolments		
FEFT	4,284	4,066
FEPT	9,128	11,805
Total	13,412	15,871

There has been a decrease of roughly 15.5% in the number of student enrolments during the year. Whilst FT numbers are up slightly year on year, this is offset by the sharp reduction (22.7%) in PT student enrolments. The issue with part-time students is directly related to the impact of the pandemic and not being able to recruit part-time students during the last third of the year.

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Fee Waiver Summary:

Source of Finance of Fee for Student	Ayrshire College 2019/20 (£)	2018/19 (£)	Difference (£)
22 - Fee Waiver - full-time non-advanced	3,420,144.00	3,307,248.00	112,896
23 - Fee Waiver - income support	25,943.56	6,307.00	19,637
24 - Fee Waiver - low income	988.80	1,839.00	- 850
25 - Fee Waiver - Islands Authority Fee Waiver (excl. Orkney and Shetland)	56.40		56
26 - Fee Waiver - cost borne by college	71,204.65	82,981.00	- 11,776
28 - Fee Waiver - Incapacity Benefit	200.22	250.00	- 50
29 - Fee Waiver - Severe Disablement Allowance	0.00	226.00	- 226
30 - Fee Waiver - housing benefit	4,115.38	6,032.00	- 1,917
33 - Fee waiver - student on a DPG 18 programme	62,543.93	49,342.00	13,202
37 - Fee Waiver - carers allowance	2,906.40	2,606.00	300
38 - Fee Waiver - disability living allowance	2,504.68	6,083.00	- 3,578
39 - Fee waiver - pension credit	738.84	330.00	409
40 - Fee Waiver - working tax credit	7,595.60	11,809.00	- 4,213
41 - Fee waiver - old FT criteria	466,438.15	633,779.00	- 167,341
42 - Fee waiver - school pupil	359,064.17	290,625.00	68,439
43 - Fee waiver - attendance allowance	0.00	431.00	- 431
44 - Fee waiver - income based job seekers allowance	9,613.49	19,915.00	- 10,302
46 - Fee Waiver - Veterans		113.00	- 113
47 - Fee waiver – income-related employment and support allowance	6,178.26	14,514.00	- 8,336
48 - Fee Waiver - student in care	0.00	85.00	- 85
49 - Fee Waiver - Asylum seeker or spouse or child of an asylum seeker	791.40	85.00	706
50 - Fee Waiver – contribution based employment and support allowance	626.04	1,213.00	- 587
52 - Fee Waiver – Personal Independence Payment (PIP)	10,239.96	4,871.00	5,369
53 - Fee Waiver – Universal credit (UC)	69,931.85	55,069.00	14,863
Overall	4,521,825.78	4,495,753	26,073
Total - including cost borne by college	4,593,030.43	4,578,734	14,296
Total overclaim for individual students	10,771.79		10,772
Total - excluding cost borne by college	4,532,597.57	4,495,753.00	36,845
Total - excluding cost borne by college and overclaims	4,521,825.78	4,495,753.00	26,073

There has been an overall increase in fee waiver (excluding cost borne by college and over claims) of roughly 1.05%.

There has been an increase of 3% (£113K) in fee waivers for full time non advanced students. Fee waiver for school pupils increased by roughly 23.5% (£13K) due to an increase in the volume of school pupil activity.

The increases in waivers was offset by a significant decrease in fee waiver claims old FT criteria (26.4%, £167K).

Categories fluctuate as a result of the type of student enrolled at the College and, as such, it is not unreasonable for the totals within the individual categories to vary from year to year.

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CONCLUSION:

The College's systems and procedures were found to be sufficiently adequate to promote the accurate collection and recording of data in respect of the credits return.

ACKNOWLEDGEMENT:

We wish to thank the College staff for their co-operation and assistance throughout this review, especially in this time period where the consequences of COVID-19 made the work more difficult to complete and whilst there were considerable restrictions on the staff and their on-site availability to assist with our queries. Their efforts are very much appreciated.

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OBSERVATIONS

LISTING OF COLLABORATIONS

One of the tests undertaken is to ensure that credits have been claimed correctly for courses that are run in collaboration with another HE institution or external 3rd party there needs to be a clear understanding of the procedures to be followed and the courses affected.

The College does not have a list summarising the collaborations that it has with other Higher Education establishments or 3rd party organisations nor was there any documentation available which details how the College addresses its collaborative relationships and the claiming of any credits that are due for courses run in this way. Testing for this was based on the information provided in previous years and the College confirming that no new collaborations had been formed in the year under review. For ease of testing and quick reference, a listing would be preferable.

SUPERCLASS CODES

The allocation of courses into superclasses for those courses where credits are not being claimed could be completed in a more accurate way so that the main purpose of the course is reflected in the superclass grouping rather than being given a more generic grouping. For four of the 20 courses, we identified a more appropriate superclass, however the existing superclass and recommended superclass are the same price group so there will be no financial impact.

For example, for two of the courses, we found that there was a more appropriate superclass - these superclasses are a different price group so could potentially have an impact. One of the 2 courses queried was identified as a commercial course which the College doesn't claim credits for these so it would not have an impact on Price Grouping or the credits.





This has been reported in the FES management letters of other Colleges that we have completed this exercise for and is a consequence of the lack of clarity provided by the SFC in this area rather than any specific error on the part of the College.

COVID IMPACT AND PLANNING




This year's audit was affected by the restriction placed on the College and the auditors as a consequence of COVID-19. This resulted in a number of issues that would not normally have been identified by the auditors had the review taken place under the normal circumstances. These have been noted at the start of the report. Should there be a repeat of the disruption in future years and similar issues in respect of overlap of College checking and the audit, the planning discussions between the College and the auditors will require to acknowledge the issues and put in place measures in advance to ensure that these issues are mitigated. For example, if the auditors are reviewing the return whilst it is being adjusted as a result of College checks, then a summary of the main credit movements should be provided as confirmation to the auditors of the difference in the total credits being claimed between iterations of the FES Report.

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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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AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT - FINAL

EDUCATION MAINTENANCE ALLOWANCE AUDIT
SEPTEMBER 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



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AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

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DISTRIBUTION

Michael Breen	Vice Principal - Finance
James Thomson	Director of Finance, Student Funding and Estates
Louise Park	Student Funding Manager

REPORT STATUS LIST

Auditors:	Gemma Macdonald
Dates work performed:	7-11 September 2020
Draft report issued:	30 September 2020
Final report issued:	2 November 2020

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AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

EXECUTIVE SUMMARY

INTRODUCTION:

A review of the College's student data returns has been carried out in accordance with the EMA Audit Guidance Notes for 2019-20 issued on 15 July 2020.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering the following:

- Procedures and controls in place to capture data; and
- High level review and involvement by College management

The purpose of the review was to examine the sub-systems used by the College in relation to the management of EMA funds in the context of the SFC audit guidance.

The assessment of the control environment as outlined above was used to determine specific tests and sample sizes.

Our fieldwork, which took 3 days to complete, was undertaken by a part qualified auditor, and was reviewed by the Director responsible for the assignment. All personnel have previous experience of internal audit of FE colleges. Our samples were selected from data from the student records system.

AUDIT TESTS:

A summary of the specific tests, together with sample sizes is detailed below:

- A sample of 15 students, from a population of 524 eligible students was selected.
- We traced each of our sample of students to a completed enrolment form confirming eligibility and the existence of a valid audit trail.
- We re-assessed the applications to ensure they received the correct rate of EMA, and had all relevant documentation in place, such as completed learner agreements.
- We assessed whether student attendance has been monitored effectively for each of the sample.
- We traced the total income received from the SFC to the College's bank account and the monthly remittance advice slips received from the SFC to ensure claims had been correctly recorded.
- We reviewed the College's EMA reconciliation to confirm its accuracy.
- We reviewed the College's spot check workings to assess whether they had spot checked at least 5% of total students*.

*The SFC advised that due to Covid restrictions, colleges are required to only perform one spot check. In previous years Ayrshire College would carry out its standard practice to spot test 2.5% of students in December, and 2.5% in June, therefore totalling 5%. Updated SFC correspondence for 2019-20 stated only one spot test was required. As a result, the June spot test was not performed meaning the single spot test of 2.5% was undertaken in December 2019, in line with the College's standard practice.

CONCLUSION:





The College's systems and procedures were found to be sufficiently adequate to promote the accurate collection and recording of data in respect of the EMA payments.

AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE



ACKNOWLEDGEMENT:

We wish to thank the College staff for their co-operation and assistance throughout this review.

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.

AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

Low



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

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

Education Maintenance Allowance (EMA) is a benefit paid to students aged 16 -19 years old who live in a low income household and have left, or are about to leave, compulsory education and are carrying on with their studies.

The Scottish Funding Council (SFC) has managed the national EMA programme for Scotland's colleges on behalf of the Scottish Government since 5 April 2004.

In order to comply with the SFC's requirements set out in 'Education Maintenance Allowance AY 2019-20', we have been requested by Ayrshire College to carry out an EMA Audit for the year ended 31 July 2020 with the purpose being to provide an audit certificate giving an opinion on whether:

- the information set out in the EMA return is in agreement with the underlying records;
- the College used these funds in accordance with the SFC's conditions and the principles of the Education Maintenance Allowance programme; and
- the systems and controls of the administration and disbursement of these funds are adequate.

We will also provide the College with an audit report detailing our findings and recommendations, for action by the College and submission to the SFC.

Ayrshire College # 484082
11/20/2020 11:30:28

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AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT - FINAL

STUDENT SUPPORT FUND AUDIT
SEPTEMBER 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



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AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

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DISTRIBUTION

Michael Breen	Vice Principal - Finance
James Thomson	Director of Finance, Student Funding and Estates
Louise Park	Student Funding Manager

REPORT STATUS LIST

Auditors:	Gemma Macdonald
Dates work performed:	7-11 September 2020
Draft report issued:	30 September 2020
Final report issued:	2 November 2020

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AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

EXECUTIVE SUMMARY

INTRODUCTION:

A review of the College's student data returns has been carried out in accordance with the 'Student Support Fund' Audit Guidance Notes for 2019-20 issued on 17 July 2020.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering the following:

- Procedures and controls in place to capture data; and
- High level review and involvement by College management

The purpose of the review was to examine the system used by the College in relation to the student support fund, in the context of the national policy for further education bursaries, and with consideration of the audit guidance, to examine the processes used to administer student support funds and to complete the aggregated return.

The assessment of the control environment as outlined above was used to determine specific tests and sample sizes.

Our fieldwork which took 4 days to complete, was undertaken by a part-qualified auditor and was reviewed by the Director responsible for the assignment. All personnel have previous experience of internal audit of FE colleges.

Our samples were randomly selected from data from the student records system.

AUDIT TESTS:

A summary of the specific tests, together with sample sizes is detailed below:

- A sample of 20 students, from a population of 3,917 eligible students was selected.
- We traced each of our sample of students to their application which was made online, confirming that the eligibility criteria were checked and evidence retained, and reviewed the back-up documentation supporting each of the applications, including confirmation that the applicant's income status is reviewed before awarding a bursary.
- We confirmed that student attendance is monitored effectively for the sample, and confirmed that withdrawn students, or those no longer meeting acceptable attendance criteria, no longer receive payment.
- We confirmed for the sample that the bursary was paid into the bank account of the correct student.
- We traced the total income received from the SFC to the College's bank account and nominal ledger and cross checked the total income to the monthly remittance advices received from the SFC to ensure these have been correctly recorded.
- We matched the College's aggregated returns to the underlying records.
- We confirmed that bursary overspends have been correctly accounted for within the College.
- We tested a sample of 20 students from a population of 348 confirming eligibility for further education or higher education childcare award.

AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

- We tested a sample of 20 students from a population of 619 confirming eligibility for further education discretionary award, higher education discretionary award and high education Covid discretionary award.
- We confirmed that payments made under discretionary and childcare funds were for allowable expenditure in each of the sample selected.
- We tested a sample of 10 students from a population of 311 confirming eligibility for care experienced bursary.

CONCLUSION:

The College's systems and procedures were found to be sufficiently adequate to promote the accurate collection and recording of data in respect of the aggregated student support funds returns.





ACKNOWLEDGEMENT:

We wish to thank the College staff for their co-operation and assistance throughout this review.




Ayrshire College # 484082
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AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

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, STUDENT SUPPORT FUNDS

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The Student Support Fund (SSF) is additional funding received from the Scottish Funding Council (SFC), passed on to students as bursaries, childcare assistance and as other discretionary funds.

In order to comply with the SFC's requirements set out in '2019-20 National policy: childcare funds for further and higher education students in Scotland's colleges', we have been requested by Ayrshire College to carry out an SSF Audit for the year ended 31 July 2020 with the purpose being to provide an audit certificate giving an opinion on whether:

- the aggregate student support fund return has been compiled in agreement with the underlying records;
- the College used these funds in accordance with the Scottish Funding Council conditions; and
- the systems and controls of the administration and disbursement of these funds are adequate.

We will also provide the College with an audit report detailing our findings and recommendations, for action by the College and submission to the SFC.

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11/20/2020 11:30:28

FOR MORE INFORMATION:

CLAIRE ROBERTSON

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AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT - DRAFT

Follow up review
November 2020



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REPORT STATUS	
Auditor:	Abigail McGurn
Dates work performed:	2 nd September -9 th October 2020
Draft report issued:	23rd October 2020
Final report issued:	16 November 2020

DISTRIBUTION LIST	
Michael Breen	Vice Principal - Finance and Skills
James Thomson	Director of Finance and Student Funding
Members of the Audit Committee	

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

Scope and Work Undertaken

Background

As part of the provision of continual assurance with regard to internal control arrangements, a review of the degree of implementation of previously agreed Internal Audit recommendations was conducted in September 2020. In accordance with the Internal Audit Annual Plan 2019-20, we have considered the implementation status of all recommendations raised from previous internal audit work which were due to be implemented at the time of this review. 34 recommendations were followed up from the work undertaken during 2018-20. The recommendations relate to nine audit areas, as listed below:

- IT Security 2018/19 (4 recommendations)
- Infrastructure Projects 2018/19 (6 recommendations)
- Application, Recruitment, Induction & Enrolment of Students 2018/19 (6 recommendations)
- Corporate Governance 2019/20 (4 recommendations)
- Data Protection 2019/20 (5 recommendations)
- Business Continuity Management 2019/20 (4 recommendations)
- Financial Controls 2019/20 (1 recommendation)
- School & Community Provisions 2019/20 (3 recommendations)
- SFC Return 2019/20 (2 recommendations)

Methodology

Ayrshire College's internal audit recommendation progress report was reviewed to determine the degree of implementation achieved. Where the responsible person stated that recommendations had been implemented, evidence was sought, and testing undertaken where relevant, to verify continued compliance.

Acknowledgement

We appreciate the assistance provided by the staff involved in the review and would like to thank them for their help and on-going co-operation (see Appendix I for a list of staff interviewed during the follow-up review).

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EXECUTIVE SUMMARY

Status of recommendations as at November 2020

The summary below provides a simple overview of the status of each recommendation. Of the 26 recommendations due to be implemented, 25 (96%) have been categorised as fully implemented. 1 is partially implemented (4%) and none were found to have been not implemented. We note that 4 of the findings have had their original, agreed implementation date proposed by the College as changed, with the approval of the Audit Committee, to later due to the impact of Covid on the College and their ability to put in place the agreed actions. with the other also impacted by not being able to have the meeting required by the recommendation on the agreed date. There are 5 recommendations not yet due for implementation. On this basis, we conclude that Ayrshire College has made reasonable progress in implementing the recommendations made and we can provide moderate assurance that management's resolve to implement previously agreed Internal Audit recommendations is sound. However, continued effort is required to implement the remaining recommendations.

Audit	Status at September 2020					Total
	Fully implemented	Partially implemented	Not implemented	Superseded	Not due for implementation	
IT Security 2018/19	4	-	-	-	-	4
Infrastructure Projects 2018/19	6	-	-	-	-	6
Application, Recruitment, Induction & Enrolment of Students 2018/19	3	-	-	-	3	6
Corporate Governance 2019/20	3	-	-	-	1	4
Data Protection 2019/20	4	1	-	-	-	5
Business Continuity Management 2019/20	3	-	-	-	1	4
Financial Controls 2019/20	1	-	-	-	-	1
School & Community Provisions 2019/20	1	-	-	-	2	3
SFC Return 2019/20	-	-	-	-	2	2
TOTAL	25	1	-	-	9	35

Data Protection 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
1	We recommend that the College implements a 'due by' function within the HR system. This will allow for staff members with upcoming training due dates to be identified, and action taken to ensure the training is completed in a timely manner. This function would also allow for managers to identify staff members who have not completed any training prior to the given deadline, for further appropriate measures to be taken.		This functionality is being rolled out across all aspects of mandatory training, in line with the new staff learning portal. This includes GDPR training.	<i>Responsible Officer: HR Manager</i> <i>Implementation Due Date: 30th August 2020</i>
Status at September 2020 & Revised Recommendation				
<p>Partially Implemented</p> <p>BDO recognises impacts of Covid-19 affecting agreed timelines and has extended due date to the revised date requested by the College. A revised date for implementation of this recommendation will be proposed by the College. We have been provided with verbal assurances that this point has now been completed but have been unable to confirm this as we have not been able to visit the College to confirm the functionality detailed by the College due to COVID restrictions.</p>				
Management Response at September 2020				
<p>Audit point now complete.</p> <p>There is a reporting function within the system that enables managers to assess the current status of their staff members' mandatory training. This functionality can be run College wide by the Staff Learning and Development Team. This achieves the outcome recommended by Internal Audit. Therefore this audit action is complete.</p>				





APPENDIX I - STAFF CONTACTED




NAME	JOB TITLE
James Thomson	Director of Finance and Student Funding
Brad Johnstone	Head of IT Services
June Northcote	Executive Assistant
Ray Walkinshaw	Head of Estates and Sustainability
Anne Campbell	VP Curriculum
Richard Simson	Head of BIIS
Liz Walker	Head of Financial Services
Carol Nisbet	Head of Schools and Widening Access

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

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

APPENDIX III - TERMS OF REFERENCE

BACKGROUND

As part of the 2019-20 Internal Audit plan for Ayrshire College, it was agreed that internal audit will follow up on previously agreed recommendations made in Internal Audit reports in previous years, and where relevant during the current year.

PURPOSE OF REVIEW

The aim is to provide assurance to management and the Audit Committee that previous internal audit recommendations have been implemented effectively and within targeted timescales.

KEY RISKS

The key risk associated with the area under review is:

- Action is not taken to implement recommendations resulting in weaknesses in control and subsequent loss, fraud or error.

SCOPE OF REVIEW

We will review management's action taken to implement internal audit recommendations. This will involve the review of recommendations made in each of the 2019-20 internal audit reports which are due for implementation.

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AYRSHIRE COLLEGE

INTERNAL AUDIT ANNUAL REPORT 2019 -20

November 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

Background

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

Responsibilities

BDO LLP has been appointed as internal auditors to Ayrshire College to provide the Board of Management (via the Audit Committee), the Principal and other Executive and senior management with assurance on the adequacy of the following arrangements:

- Risk Management;
- Corporate Governance;
- Value for money; and
- Internal Control.

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

Our risk evaluations and tests are designed to ensure that controls are sound both in design and effective in operation. Our conclusions are based on evidence obtained during the course of our audit work, verification tests and samples selected from the year's transactions to date. However, our conclusions should not be taken to mean that all transactions have been properly authorised and processed or that all elements of systems have been tested.

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EXECUTIVE SUMMARY

Audit Approach

We have reviewed the control policies and procedures employed by Ayrshire College to manage risks in business areas identified by management set out in the 2019-20 Annual Internal Audit Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation.

Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Ayrshire College's management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine whether the risk management activities and controls are operating as expected.

The assurance statement provided on page 8 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Coverage

During 2019-20 BDO LLP has reviewed and evaluated Ayrshire College's processes in the following areas:

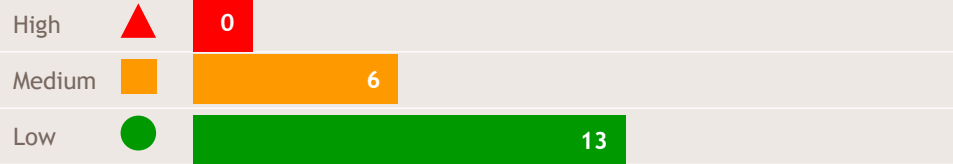
- | | |
|--|--|
| <ul style="list-style-type: none">• Corporate Governance• Financial Controls• GDPR - Data Protection• FES Return• Student Support Fund | <ul style="list-style-type: none">• Business Continuity Management• VFC Return• School Community Provision• Follow Up |
|--|--|

EXECUTIVE SUMMARY

Recommendations

To assist management in addressing our findings, we categorise our recommendations according to their level or priority. The recommendations made in the eight completed reviews totalled 19.

Summary of Recommendations (SEE APPENDIX I)



Total number of recommendations: 19

Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports. Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management action on our recommendations

Management have been conscientious in review and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are being put in place.

EXECUTIVE SUMMARY

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to External Audit should they wish to review working papers in order to place reliance on the work of Internal Audit.

Follow up

During the year we undertook independent exercises to assess the progress made by Ayrshire College in implementing internal audit recommendations made in previous years.

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented on a timely basis then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment. Within Ayrshire College we found a good level of commitment and effort in clearing as many outstanding recommendations as possible from previous audit reports.

We followed up 26 recommendations from 2018-19 and 2019-20. We note that 25 of these recommendations had been fully implemented, and 1 was partially implemented. There were a further 9 findings not yet due for implementation.

On that basis we can take assurance that management's resolve to implement previously agreed recommendations is sound.




Summary of work performed

Details of the eight internal audit reviews and the follow up review have been reported to the Audit Committee throughout the year and have been discussed at length with consideration and scrutiny of management responses and timescales proposed. The only report that produced a 'Limited' Assurance rating was the GDPR - Data Protection Review as we found further work was required to address the medium risk findings in relation to implementing a ROPA compatible GDPR process which includes an action plan and audit schedule. We have since confirmed that the agreed actions for all of the findings had been addressed and implemented by October 2020.

Due to the Coronavirus restrictions that were placed on the College from March 2020, we were instructed by the Audit Committee not to undertake the planned review of Commercial Income. This has been postponed and will now take place as part of the 2020/21 Audit Plan.

For the purpose of this annual report, we set out in the following pages our summary of recommendations and assessment of the design and effectiveness of the risk assurance for each of the audit areas reviewed.

REVIEW OF 2019 - 20 WORK

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	2	Substantial	Substantial

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ANNUAL STATEMENT OF ASSURANCE

Report by BDO LLP to Ayrshire College

As the internal auditors of Ayrshire College we are required to provide the Board of Management, via the Audit Committee, and other management with a view on the adequacy and effectiveness of Ayrshire College's risk management, governance and internal control processes.

In giving our view it should be noted that assurance can never be absolute. The internal audit service provides Ayrshire College with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2019-20. Therefore, the statement of assurance is not a guarantee that all other aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no other signs of material weakness in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2019-20;
- Any follow-up action taken in respect of audits from previous periods for these audit areas;
- Whether any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- The requirements of the Public Sector Internal Audit Standards; and
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

Conclusion

In our opinion, based on the other reviews undertaken during the period, and in the context of materiality, we can conclude that:

- The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.
- Based on our verification reviews and sample testing, the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, value for money and governance objectives were achieved by the end of the period under review.

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	September 2020	Follow Up	3	3	Completed

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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
Follow Up	9 th October 2020	23 rd October 2020	12 November 2020	13 November 2020

On average:

- All reports were issued in draft within 10 working days of completion of our fieldwork and a debrief meeting with management.
- Initial responses were received within 10 working days of the draft report being issued.
- Final reports were issued within 1 working day of final management responses being received.

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
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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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(Paper 7)

Board of Management Report and Financial Statements

For the year ended
31 July 2020

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PERFORMANCE REPORT

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Principal's Statement on Ayrshire College's Performance 2019-20

The College plays a key role in economic development across Ayrshire and Scotland. Working with our employers, key stakeholders and third sector partners, we have successfully delivered on key government priorities in STEM, Health and Social Care and Early Years Education and exceeded targets set.

Over the last year, the collective talent and commitment of our students, staff and partners has enabled the College to continue to improve our performance and student outcomes. The College achieved the core credit target set by Scottish Funding Council (SFC) and demonstrated an improvement in performance across all of the SFC key priority groups KPIs.

The COVID-19 pandemic impacted on how the College delivered its curriculum and provided support services during 2019-20. The College took proactive steps to support its students and staff during the COVID-19 pandemic. This included awarding additional payments in March 2020 to students who receive discretionary financial support.

The College supported the implementation of Developing the Young Workforce and provided seamless support for students to enable them to achieve their full potential at all points of transition. Data published by SFC notes that 95.4% of Ayrshire College students move into a positive destination.

Development of new and innovative learning spaces and digital resources continued to improve the student experience in 2019-20. Continued investment in our infrastructure supported innovative practice across all curriculum and service teams.

The College engaged positively with individuals, communities and employers across Ayrshire in 2019-20 and we are proud of the impact we made on people's lives.

Overview of Performance Report

The Board of Management of Ayrshire College presents its Performance Report together with the Audited Financial Statements for the year ended 31 July 2020.

This Performance Report provides a detailed summary of the performance of the College during 2019-20 and how it measures and monitors its performance. The Report also includes the strategic issues and risks facing the College.

Legal Status

The Board of Management was established under the Further and Higher Education (Scotland) Act 1992 to manage and conduct Ayrshire College. It was designated a regional college on 3 March 2014 under the Further and Higher Education (Scotland) Act 2005.

The College is a registered Charity (Scottish Charity Number SC021177) for the purposes of the Law Reform (Miscellaneous Provision) (Scotland) Act 2005.

Strategic Plan 2017-20

The Board of Management published the College's Strategic Plan 2017-2020. The Plan sets out the next stage in the development of Ayrshire College. It presents the basis of the College's future ambitions as it continues to drive forward, pushing boundaries and embracing opportunities.

The Strategic Plan demonstrates how the College's values, visions and strategic goals are all centred round its core mission. The College's core mission is to:

“Provide excellent learning opportunities which enable students of all ages and backgrounds to fulfil their potential.”

The College's vision is to ***“raise aspirations, inspire achievement and increase opportunities”***.

The Strategic Plan 2017-2020 sets out the College's strategic goals for this period. These are as follows:

- To be an ambitious, innovative and inclusive learning and skills organisation in which students and staff thrive
- To develop people and communities, and support inclusive growth, through high quality learning and skills
- To be a high-performing, sustainable college recognised for excellence and integrity.

The Strategic Plan provides the context for ambitions set out in other College strategies such as learning and teaching. The Plan also provides the overarching framework for the College's Outcome Agreement for 2017-20 agreed with the Scottish Funding Council (SFC).

SFC Outcome Agreement

In 2017-18, the College agreed an Outcome Agreement with the Scottish Funding Council for the period 2017-20. This Outcome Agreement focuses on the following four outcomes:

- Learning is accessible and diverse, attracting and providing more equal opportunities for people of all ages, and from all communities and backgrounds
- An outstanding system of learning, where all students are progressing successfully and benefiting from a world-class learning experience, in the hands of expert lecturers delivered in modern facilities
- Well prepared and skilled students progressing into jobs with the ability, ideas, and ambition to make a difference to the economy
- High-performing, sustainable institutions with modern, transparent and accountable governance arrangements

The College produces a separate report on performance against the Outcome Agreement. This is in addition to the performance data collated within this performance report. The performance reported in the separate outcome agreement report includes KPI's in relation to student statistics such as numbers, retention and achievement.

Performance of Ayrshire College in 2019-20

The College reviews its portfolio of courses on an annual basis. It is an evidence-based approach which uses national and regional Labour Market Information (LMI). Courses no longer in demand, not achieving success or not related to skills are removed from the Curriculum Delivery Plan (CDP) for the following academic year. This annual College process ensures that its portfolio of courses is aligned to national, regional and local policy objectives.

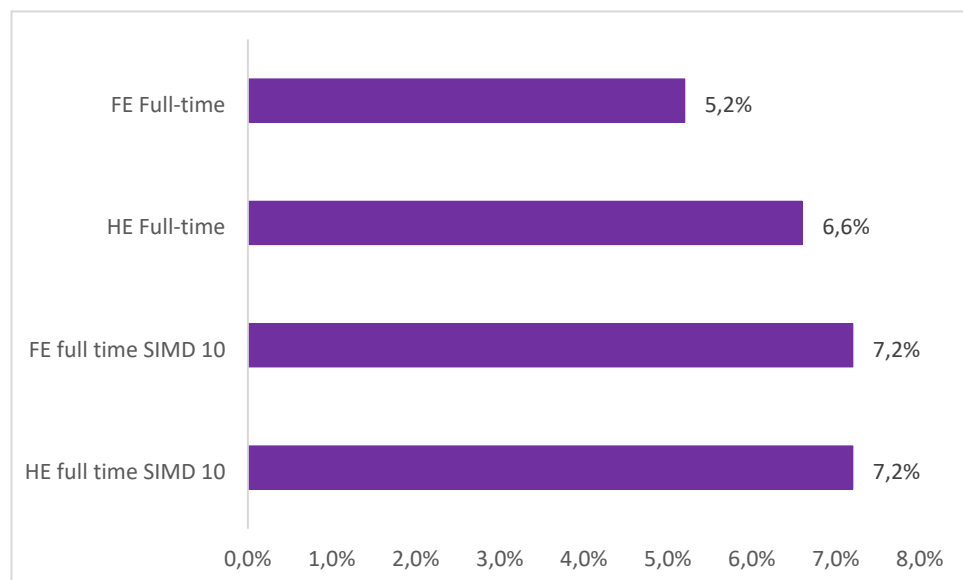
The College's progress on improving outcomes for students, against SFC priorities, was significantly impacted by the implications of COVID-19. The College's strategic focus on reducing withdrawals and increasing success, during 2019-20 continued, but the impact of COVID-19 meant that achieving national ambitions for FE programmes was undermined.

In 2019-20, the College exceeded the core activity target set by the SFC and delivered 125,751 credits (target 124,957 credits). This is the fourth year in a row that the College has exceeded the SFC core activity target.

The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of its students, to our communities, to Ayrshire's economy and to Scotland. In 19-20, 63.8% of FE full-time students (2018-19 66.2%) and 68.9% of HE full-time students (2018-19 66.8%) completed their courses with a successful outcome.

Student attainment levels in 2019-20 for FE full-time students were 5.2% higher than the College achieved in 2014-15 and attainments levels for HE full-time students were 6.6% higher. Attainment levels for full-time students from areas of multiple deprivation have also risen significantly, with a 7.2% increase for relevant FE students and 7.2% for relevant HE students (Figure 1).

Figure 1: Student Attainment Increases from 2014-15 to 2019-20



Parts of Ayrshire have levels of children living in combined low income and material deprivation higher than Scotland's national average of 20%. Ayrshire also has amongst the highest youth unemployment rates in Scotland and a higher proportion of people of working age with low or no qualifications than the rest of the country.

East and North Ayrshire local authorities are amongst the top six councils with the highest local share of Scottish Index of Multiple Deprivation (SIMD) 20 per cent most deprived data zones (SIMD20) in Scotland. Ayrshire has circa 26 areas which are among the most deprived 5% in Scotland.

To support the national aspirations for widening access, the SFC has set targets for all colleges. SFC has been set the target that 20% of its activity should be delivered to students from a SIMD10 postcode area by 2020-21. Ayrshire College is committed to targeting students from SIMD10 recognising that education provides students from these areas with significantly improved opportunities for enhanced personal wellbeing and a sustainable future. The College remains on track to meet the national targets set for 2020-21.

Ayrshire College is recognised as an inclusive college. A consistent and proactive focus on access, inclusion and diversity has created a strong ethos amongst staff and students. This has been a crucial success factor in increasing student outcomes year on year and it will continue to be a driver for improvement in student outcomes over the next three years.

The most recent SFC College Leaver Destination Survey reported that 95.4% of Ayrshire College's students achieved a positive destination six months after completing their course of study. This is a decrease of 0.5% from the previous year. This is above the national average of 95.1%.

SFC has set ambitious and stretching targets for all of Scotland's colleges to deliver successful outcomes for care experienced students, aiming for parity with their peers by 2020-21. In 2019-20, Ayrshire College had 478 care experienced students, with 55.8% achieving a successful course outcome.

A key priority area of focus is to improve outcomes for students with a declared disability. Over the five years from 2015-16 to 2019-20 there has been a significant increase in the number of students declaring

a disability. More importantly, over the same period there has been a 1.9% increase in the proportion of these students with a declared disability achieving a successful outcome. In 2019-20 62.9% of Ayrshire College students with a declared disability achieved a successful outcome.

A culture of partnership working is embedded across the College. Throughout 2019-20, the College continued to invest significant time in enhancing existing private, public and third sector partnerships, as well as developing new ones. The College's partnership approach with universities also allows its students to gain access to degree programmes with advanced standing.

The College is a strategic business partner of the Ayrshire Chamber of Commerce and a member of the Developing the Young Workforce Ayrshire Steering Group. Significant economic sectors in the region are aerospace, engineering, health and social care, early education, and hospitality and tourism. The College collaborates with employers and industry bodies to plan the provision of courses to address growth in these and other economic sectors. With approximately 900 apprentices in training at any given time, the College is the main provider of STEM apprenticeships in Scotland.

Ayrshire College has put sustainability towards the forefront including reducing waste within the College. The College's successful drive towards sustainability has been recognised at a national level, with the College being short-listed for the 2019 College Development Network sustainability award.

The College has published a Sustainability Action Plan and its ambition is to be carbon neutral by 2050, in line with government targets. An annual climate report submitted to the Scottish Government every November by Ayrshire College shows that Ayrshire College's carbon footprint is reducing year on year. The College complied with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009.

The College continues on its journey of improvement in 2019-20 and remains focused on increasing student attainment and achievement. In particular, the College will focus efforts to address the impact of COVID-19 and improve outcomes on FE programmes in line with national ambitions.

COVID-19

Ayrshire College established a Campus Operations Steering Group to help coordinate and direct the College's response to COVID-19. The Steering Group was responsible for overseeing the return of staff and students to campus operations. The Steering Group also reviews relevant Scottish Government and other advice (SFC etc.) in relation to campus operations and the delivery of service provision, modifying the College's arrangements as appropriate.

The College took proactive steps to support its students during the COVID-19 pandemic. This included awarding additional payments in March 2020 to students who receive discretionary financial support. This category of students is the most financially disadvantaged out of all the College's student cohort, as they do not qualify for any other external source of financial support when many others now will. Further financial support and guidance was also made available to students who were not within this category, but who were experiencing additional financial hardship due to the Coronavirus emergency.

The College took a range of proactive measures to support its partners, its local communities and its students during the Coronavirus emergency. For example, the College donated hand-sanitiser, supplies of PPE equipment including masks, gloves and aprons to local community partners to help them through the COVID-19 emergency. In addition, the College donated stocks of food from its training restaurants and catering outlets to food banks and other local charities and made financial donations to local foodbanks in Ayrshire.

The College worked with key awarding bodies to ensure that alternative models of certification could be adopted which recognised, fairly, students' achievements, allowing them to progress to work or further study, while maintaining the integrity of qualifications. In the school and university sectors there was an application of no detriment to students.

Due to colleges working with over 100 awarding bodies, there was variation in the length of time which it took for each one to communicate their guidance to colleges. In some cases, the guidance was not finalised until during the summer holiday period.

Where it was not possible for assessment conditions to be adapted the student was defined as deferred. Ayrshire College had a number of students for whom results for academic session 2019-20 could not be processed. The College is supporting students who are deferred to complete their studies and to do so have had to allocate staff and other resources to assess and/or teach these students.

In preparation for the return of staff and students in September 2020, the College has implemented multiple arrangements to mitigate the risk of COVID-19 when people are on campus. These include specific entry and exit points, a one-way system, a keep left system, sanitisation points throughout the building, restricted access and occupancy of toilet facilities, and the closure of all non-essential areas including the LRCs, refectory space and access to catering facilities.

Brexit

Ayrshire College recognises that there are specific risks arising from the United Kingdom's decision to leave the European Union. These include potentially significant increases in the cost of materials, increased competition for UK resident HE students between colleges and universities, and loss of student placements and apprenticeships due to business decisions.

The College has worked closely with SFC's EU Exit Team to assess the potential impacts of Brexit on its services. The College has assessed its readiness for Brexit using the British Chamber of Commerce guidance. Whilst this was a centrally coordinated exercise, lead staff for each area covered by the guidance have taken ownership for their parts of the organisation covered by the guidance. Any potential loss of ESF funding has been offset by SFC guaranteeing to provide the equivalent level of funding for all colleges up to 2021-22.

The College will continue to monitor and review Brexit negotiations and dialogue so that it can plan and prepare accordingly. This includes continuing to monitor information on relevant government sites for any updates or changes. In addition, the College will continue to maintain support mechanisms in place for individual students to enable them to continue their studies.

Financial Objectives

The College's financial objectives are to be financially sustainable while continuing to invest in the development of student centred services, infrastructure and resources. The financial context and funding settlements over recent years continue to present challenges to these financial objectives.

The College continues to develop its financial planning structures, budgeting, monitoring and financial reporting systems to support a complex organisation of the scale of Ayrshire College. Robust financial planning remains a key priority going forward given the challenges for the college sector around the levels of funding made available while continuing to demonstrate financial sustainability.

The Executive Leadership Team (ELT) continues to work with the Board of Management and its committees to review financial information requirements and key performance data to ensure good Governance in relation to challenge and scrutiny.

Financial Review

Robust financial management systems, innovative delivery models and prioritisation of expenditure commitments are in place. College staff continually review and refine operations during the year to ensure that the College continues to operate efficiently and effectively within its financial context and funding settlements.

The College generated a deficit in the year of (£1,557,000) before non-recurring items. The deficit represents an adverse figure of (3%) of overall trading income. This compares to a deficit before non-

recurring items in 2018-19 of (£1,717,000). After recording net non-recurring costs amounting to £10,000, the final deficit was (£1,567,000) for 2019-20. This is compared to a 2018-19 deficit of (£1,352,000).

The College, at July 2020, has £48,207,000 of net assets (excluding a pension liability of £27,344,000). At July 2019 the College had £46,813,000 of net assets (excluding a pension liability of £12,613,000). The pension liability is excluded as this is outwith the College's control.

The College has significant reliance on SFC for its funding which is largely from recurrent grants. In 2019-20, SFC provided 86.5% of the College's total operational revenue income (2018-19, 85.0%). Excluding specific funding to support the Unitary Charge for the NPD contract for the Kilmarnock campus, SFC revenue income totalled 77.2% of total income (2018-19 73.9%)

The cash balance of £3,912,000 shown in the Balance Sheet includes £2,457,000 of monies held by the College (in advance) and student funding (to be repaid) and the College's own restricted and designated cash balances. Therefore, the College's trading cash balance as at 31 July 2020 was £1,455,000.

Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2020 of (£1,567,000). This is compared to a deficit in 2018-19 of (£1,352,000).

There was one area of non-recurring expenditure which impacted the deficit in 2019-20. These were exceptional restructuring costs. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period between recurring items (£1,557,000) and non-recurring items £10,000.

○ Recurring Items

The College recorded a deficit of (£1,557,000) which represents an adverse figure of approximately (3%) of overall trading income.

The recorded deficit of (£1,557,000) in 2019-20 comprises of the following elements:

• Operating position- surplus	£2,258,000
• Non-Government Capital Grant	£209,000
• FRS102- NPD/ PFI Capital income	£1,980,000
• Net Depreciation charge	£(2,759,000)
• FRS 102- Pension	£(3,245,000)

○ Non-recurring Items

Non-recurring items are one off events that occur over and above the core business of the College. The non-recurring items amounting to a surplus of £10,000 in 2019-20 comprised the following elements:

• Exceptional restructuring costs	£10,000
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To aid the reader of these accounts, the College has provided a reconciliation to the figures reported above for recurring and non-recurring items as noted within the Statement Of Comprehensive Income (Table 1).

Table 1 – Adjusted operating position 2018-19 and 2019-20 – Detailing Recurring and Non-recurring Items

	Recurring £000	Non- recurring £000	2019-20 £000	2018-19 £000
Surplus /(deficit) after other gains and losses (Loss) / gain on sale	(1,557) -	(10) -	(1,567) -	(1,352) -
Surplus / (deficit) before other gains and losses	(1,557)	(10)	(1,567)	(1,352)
Add back:				
Provision released			-	(332)
Depreciation (net of deferred capital grant release)	2,759		2,759	2,713
Exceptional non-restructuring costs (e.g. impairment)	-		-	-
Non-cash pension adjustments	3,245		3,245	2,510
Donation to Arms-length Foundation	-		-	
Provision per 1 April 2014				
Deduct:				
Non-Government capital grants (e.g. ALF capital grant)	(209)		(209)	(618)
Exceptional income	-		-	-
Revenue funding allocated to loan repayments (NPD)	(1,280)		(1,280)	(1,227)
Additional revenue funding allocated by SFC	(700)		(700)	-
Sub-Total Revenue	2,258	(10)	2,248	1,694
Retention of sale proceeds to fund PFI Capital and Interest payments			-	1,050
CBP allocated to PFI loan repayments			(867)	(863)
Early retirees			(87)	(91)
Adjusted operating surplus / (deficit)			1,294	1,790

Underlying operating position 2018-19 and 2019-20

SFC as part of its accounts direction instructed Colleges to provide a statement in relation to the adjusted operating position using a standard table (Table 2). The SFC table (Table 2) includes both revenue and capital items.

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Table 2 – Adjusted operating position 2018-19 and 2019-20

	Note	2019-20 £000	2018-19 £000
Surplus (deficit) before other gains and losses		(1,567)	(1,352)
Add back:			
Depreciation (net of deferred capital grant release)		2,759	2,713
Exceptional non-restructuring costs (e.g. impairment)		-	-
Pension adjustments – Net Service cost		2,669	2,658
Pension adjustments – Net Interest cost		292	160
Pension adjustments – Early Retirement Provision		284	(308)
Retention of sale proceeds to fund PFI capital and interest payments		-	1,050
Provision released		-	(332)
Deduct:			
Non-Government capital grants (e.g. ALF capital grant)		(209)	(618)
CBP allocated to loan repayments and other capital items		(954)	(954)
NPD Income applied to reduce NPD Balance Sheet debt		(1,280)	(1,227)
Additional revenue funding allocated by SFC		(700)	-
Adjusted operating surplus / (deficit)		1,294	1,790

Cash budgets for priorities

Whilst colleges prepare accounts under the FE/HE Statement of Recommended Practice they are also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how colleges allocate the cash funds (cash budget for priorities) (CBP) which were previously earmarked for depreciation.

Table 3 below details the allocation of the CBP and the impact on the operating position. The College has been instructed by SFC on the format of this table and also on the priorities to be allocated against. This instruction (received by the College in November 2018) requires the College to base the allocations on the requirements set out in 2015-16 rather than the underlying position in the year.

Table 3 – Cash budget for priorities spend 2018-19 and 2019-20

	2019-20 £000	2018-19 £000
Revenue		
Student support	-	-
2015-16 pay award	370	370
Other (give detail)	-	-
Total impact on operating position	370	370
Capital		
Loan repayments (PFI capital payment)	867	863
Early Retirees	87	91
Total Capital	954	954
Total cash budget for priorities spend	1,324	1,324

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Reserves

The deficit brought forward on the income and expenditure reserve at 1 August 2019 was £(197,000). After the deficit for the year before non-recurring items of (£1,557,000), the non-recurring items noted above of £10,000, the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the deficit on the College's income and expenditure reserve at 31 July 2020 is £(12,585,000).

Capital Additions

Tangible Fixed Asset additions in 2019-20 amounted to £395,000. This expenditure on the buildings of £41,000 relates mainly to small capital works. In addition, there was expenditure of £354,000 on IT and curriculum equipment.

Core Performance Indicators

The SFC has developed a series of core performance indicators which are designed to provide an overall summary view of an institution's performance (Table 4). The table below notes the College's performance against these indicators which should be considered in conjunction with the narrative provided in the Performance Report.

Table 4 – Ayrshire College Performance against SFC Core Performance Indicators

No	Performance Indicator	2019-20	2018-19
1	Recurring (Deficit)/Surplus as % of total trading income	(3%)	(3.3%)
2	Non SFC Income as % of Total Income	14%	15%
3	Credit activity target set by SFC for year to July 2020	124,943	124,958
4	Credit activity achieved in year to July 2020	125,751	125,961
5	Activity achieved against target	100.6%	100.8%
6	Current Assets: Current Liabilities	0.9:1	0.6:1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	11	15

Treasury Management Policies and Objectives

Treasury Management is the management of the College's cash flows, its banking, money market and capital transactions; the effective control of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The College has a policy of placing any surplus funds with the College's retail banker with a view to maintaining security of capital; maximising the yield from any short term deposits made whilst maintaining accessibility to funds.

Cash Flows

The College had a net increase in cash in 2019-20 of £1,207,000. This is detailed in the Cash Flow Statement.

Liquidity

The College continues to have sufficient liquidity in terms of cash resources.

Payment Performance

The College has a policy of paying its suppliers within agreed terms unless an invoice is disputed. All disputes are dealt with as quickly as possible and we are not aware of any payments being made out with the College's approved payment policy. No interest was paid by the College under the Late Payment of Commercial Debts (Interest) Act 1998.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

Property

Tangible resources include the three main campuses of Ayrshire College together with smaller satellite campuses. Ayrshire College has prominent main campuses in all three local authority areas. Our main campuses are located in Ayr, Kilwinning and Kilmarnock. Other campuses are used to support specialist curriculum provision, such as our Nethermains Campus in Kilwinning which focuses on our STEM curriculum.

Estates Development

Estates developments are evidence based and allow the College to align its estate to the emerging needs of students and curriculum delivery requirements.

Staff Report

In the 2019-20 staffing return to the SFC, it was reported that the College employed 721 full-time equivalent employees of whom 361 were curriculum staff and 360 were service staff. This equates to a headcount of 898, comprising 578 female and 320 male members of staff.

Full disclosure on staff costs is given in note 7 of the accounts.

National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. A number of National Bargaining agreements have been reached during 2019-20 for both curriculum and service staff.

Local Joint Negotiation Committees (LJNC) continued to be held during 2019-20 with both EIS-FELA and Unison.

Principal Risks and Uncertainties

The College's Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The ELT (Executive Leadership Team) monitors key performance and risk indicators and considers possible control issues brought to its attention through operational planning and monitoring. The ELT and the Audit Committee also receive regular reports from Internal Audit which include recommendations for improvement.

Due to the current COVID-19 situation, the College adapted its risk management arrangements to reflect the circumstances in which it is currently operating. This has included how the College is managing issues as well as how it is managing and reporting risks. In March 2020 the Board of Management agreed to include a new strategic risk relating to the potential impact of COVID-19. This was the risk that:

“The Coronavirus outbreak forces an unplanned closure of the College’s campuses / significant loss of staff resulting in a failure to provide curriculum service delivery and the inability to maintain core college services.”

The College therefore recognised that there were two main groupings of risk. These were as follows:

1. Existing issues and addressing risks that could impact before 31 July 2020
2. Risks that could occur following 1 August 2020 (i.e. once the College commences delivering services from its campuses).

The College collated the existing college risks within these two groupings and then detailed the actions in place across key services to mitigate the risks.

On behalf of the Board of Management, the Audit Committee reviews the Board’s risk management position and will consider the arrangements to mitigate the two risk groupings identified. Business, Resources and Infrastructure Committee and the Learning and Teaching Committee have both discussed and considered their own risk management responsibilities in the current cycle of meetings.

The College Risk Register at the end of 2019-20 identified these two strategic risk groupings. These risk groupings were assessed as follows:

- 1 risk was assessed as High
- 0 risk was assessed as Medium
- 1 risk was assessed as Moderate
- 0 risks were assessed as Low
- 0 risk was assessed as Very Low.

Stakeholder Relationships

Ayrshire College has many stakeholders. These include:

- Students
- Student Association
- Staff
- Scottish Funding Council
- Education Scotland
- Scottish Government
- Local employers / businesses
- Community planning partnerships
- Local authorities
- Colleges Scotland
- Skills Development Scotland
- Trade unions
- Universities
- The voluntary sector
- Scottish Futures Trust
- The National Union of Students

The College recognises the importance of these key relationships and engages in regular communication with its stakeholders. This is done through a variety of routes, for example social media, face to face meetings and partnership working projects.

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Staff Involvement and Participation

All staff are fully informed of College developments through a range of communication and consultation frameworks. In addition, there are also two elected staff members on the Board of Management.

Staff Development

A range of CPD activities took place during the 2019/20 academic term, with a significant focus on digital skills to support the workforce. Examples of other activity that the College engaged in is as follows:

14 staff successfully completed their Teaching Qualification in Further Education (TQFE) through the University of Stirling, and 5 members of staff undertook the PDA Teaching Practice. 13 staff completed the L&D 9 Assessor Award, and 5 staff completed the L&D 11 Verifier Award.

57 members of staff from across the College took part in a half day 'Unconscious Bias and the Further Education Environment' workshop in February 2020, delivered by MARCH Training. The workshop considered the protected characteristics covered under the Equality Act 2010 and the consequence of unconscious bias within teaching, learning and retention, providing participants with strategies to ensure a fair student recruitment process and inclusive lessons and environments.

A number of staff have also accessed the 'Promoting Positive Behaviours' e-learning course from MARCH Training, which provides information and techniques to minimise challenging behaviours amongst learners, providing staff with an understanding of the factors that increase the risk of challenges occurring, and equipping them with tools and strategies that safely help reduce challenges within both the classroom and around campus.

Equality and Inclusion

Ayrshire College is an inclusive, community-focused regional college and continues to demonstrate its commitment to equality and inclusion through, for example, its Strategic Plan 2017-2020 and Equality Outcomes 2017-2021. During the period 2019-2020, the College continued to fulfil this commitment by leading on several initiatives and activities to improve the experiences of students and staff alike. These included the award-winning student mental health campaign – Passing Positivity; the highly praised Ayrshire LGBT+ Education Network; and the hugely important, awareness raising and development of a support infrastructure regarding gender-based violence.

Following the outbreak of COVID-19, the College has been proactive in its response to student and staff equality, inclusion and wellbeing. At the same time, the College has been working successfully with its community partners to address and tackle the most pressing and prevalent issues effecting local communities in the Ayrshire region. It is clear that, the importance of ensuring the rights and opportunities of everyone are respected, valued and protected has never mattered more.

To this end, the College is in a strong position having already established structures, mechanisms and support in place including the Values, Inclusion, Equality and Wellbeing (VIEW) Steering Group and its associated sub-groups. These include the Promoting Wellbeing Group, and short-life working groups, such as the Positive about Disability project group. The VIEW Steering Group, led by the Director of HR and Organisational Development, provides leadership in the delivery of the College's Equality Outcomes 2017-2021. It has, for example, successfully overseen positive outcomes including the increased disclosure of male student mental health conditions and the increased disclosure of staff disability or long-term health conditions. Incidences such as these are attributable to the College's ongoing development of an inclusive culture as well as the steps being taken to make fundamental, organisational changes.

The College's ambitions extend to being sector-leading and playing its part in the further and higher education sector. The College's Equality and Inclusion Advisor continues to co-chair the Trans Edu Community of Practice for colleges and universities in Scotland. In November 2019, the College was formally invited to become a member of 'Fearless Glasgow', a consortium of colleges and universities in the West of Scotland committed to working together to tackle and end gender-based violence.

Find out more about the College's progress in mainstreaming equality and its Equality Outcomes 2017-2021 is published on the College's website.

Health Safety and Wellbeing

It is the policy of the College to pursue progressive improvement in the Health, Safety and Wellbeing of staff, students and visitors and take all reasonable steps to provide safe and healthy conditions in which to study, learn and work.

A range of developments were undertaken during 2019-20 (prior to COVID-19) to promote our culture of health, safety and wellbeing. These developments built on the strong foundation of work undertaken by the College in prior years.

The Health, Safety and Wellbeing of staff, students and visitors is of paramount importance to the College at all times. This was one of the four overall principles that led to the formation of the College's Campus Operations Steering Group in response to the COVID-19 pandemic. The duties of the Group included establishing and overseeing the work of appropriate workstreams to support and inform the work needed to reopen the College safely and effectively. The Group also ensures the health, safety and well being of staff, students and visitors continues to be of paramount importance now that the campuses are open.

Student Involvement

The College places great importance on the student voice and the role of the Student Association. The Sabbatical President and Vice President are members of the Board of Management. In addition, each year students are invited to give feedback to the College through a range of formal and informal routes.

Disclosure of Information to Auditors

The members of the Board of Management confirm that, so far as they are aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

The performance report is approved by the Board of Management and is signed on its behalf by:

W Mackie
Chair

C Turnbull
Principal

Ayrshire College # 484082
11/20/2020 11:30:28

ACCOUNTABILITY REPORT

Corporate Governance Report

Statement of Board of Management's Responsibilities

Remuneration and Staff Report

Ayrshire College # 484082
11/20/2020 11:30:28

CORPORATE GOVERNANCE REPORT

Colleges are required to demonstrate robust governance, maintain a sound system of internal control and to ensure that the following key principles of effective risk management have been applied.

The College is committed to exhibiting best practice in all aspects of Corporate Governance. This summary describes the manner in which the College has applied the principles set out in the Code of Good Governance for Scotland's Colleges. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the Board of Management, the College has complied with the Scottish Public Finance Manual (SPFM) throughout the year ended 31 July 2020. The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges and it has complied throughout the year ended 31 July 2020.

Board of Management

The Board of Management is responsible for the overall functioning and strategic direction of the College, including responsibility for planning the future development of the College and ensuring its effective management. In so doing, the Board of Management maintains an overarching responsibility for the management and conduct of College affairs. This includes the provision of the best possible education and learning environment for its students, the equality and diversity of staff and students; corporate governance and risk management; finance, planning, monitoring and audit; maintaining quality and standards; and maintaining the College estate. The Board of Management must also ensure that there is an adequate system of accounting and internal control which meets accepted accounting, budgetary control and auditing standards.

The Board of Management, and through its committees, is provided with regular information on the overall financial performance of the College. The Board also receives information on performance against targets, quality matters and other related issues such as health, safety and well-being.

The Board of Management meets on a quarterly basis but may hold additional meetings as needs demand. Meeting papers and confirmed minutes of all Board of Management meetings, and the meetings of the Board's committees are available from the Secretary to the Board of Management and are published on the College Website. Those papers and sections of the minutes deemed confidential by the Board of Management for reasons of commercial confidentiality or compliance with data protection legislation are normally "reserved". These are identified as such on agendas and minutes and are not available to the public.

Formal agendas, papers and reports are supplied to members in a timely manner prior to board and committee meetings. Briefings are also provided to members on an ad-hoc basis.

Directors' Report

This section of the report sets out the members who served on the Board of Management during the year to 31 July 2020 (Table 5).

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Table 5 – Serving Board Members 2019-20

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Mr W Mackie	<ul style="list-style-type: none"> Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination 	Chair of Ayrshire College BOM Chair of Ayrshire Regional College BOM	01.08.13 03.03.14 Reappointed 03.03.18	
Ms E Anderson	<ul style="list-style-type: none"> Learning & Teaching Audit 	Non-Executive Board Member	01.08.19	
Ms F Blain	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Elected Support Staff	01.08.19	31.07.20
Ms M Bryan	<ul style="list-style-type: none"> Audit Learning & Teaching 	Non-Executive Board Member	01.08.16	31.07.20 (completed period of appointment)
Mr S Cooley	<ul style="list-style-type: none"> Business, Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Mr C Hall	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning & Teaching 	Elected Curriculum / Support Staff	01.08.18	31.07.20
Mr S Graham	<ul style="list-style-type: none"> Learning & Teaching Audit 	Non-Executive Board Member	01.08.19	
Mr G James	<ul style="list-style-type: none"> Audit Learning & Teaching Performance Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed 01.08.16	31.07.20 (completed period of appointment)
Ms L Howieson	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Elected Student Member	01.08.19	
Mr J McCrindle	<ul style="list-style-type: none"> Learning & Teaching 	Elected Student Member	01.08.18	31.07.20
Ms Mary McClung	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Prof. F McQueen	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching Performance Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.18	

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Ms H Murphy	<ul style="list-style-type: none"> Audit Business, Resources & Infrastructure 	Non-Executive Board Member	01.08.18	
Mr M Stewart	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Ms A Sutherland	<ul style="list-style-type: none"> Learning and Teaching Audit 	Non-Executive Member	01.08.19	
Ms C Turnbull	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching 	Principal	01.03.19	
Mr A Walker	<ul style="list-style-type: none"> Learning and Teaching Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.17	23.09.20
Mr S Wallace	<ul style="list-style-type: none"> Learning & Teaching Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.18	

Table 6 details the number of Board of Management meetings that took place during the individual members' time as a board member during 2018-19 and how many of these meetings that they were able to attend.

Table 6 – Board Members Attendance 2018-19

Board Member	Board Meetings During Appointment	Board Meetings Attended
Mr W Mackie	4	4
Ms E Anderson	4	4
Ms F Blain	4	2
Ms M Bryan	4	3
Mr S Cooley	4	4
Mr C Hall	4	3
Mr S Graham	4	4
Mr G James	4	3
Ms L Howieson	4	3

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Board Member	Board Meetings During Appointment	Board Meetings Attended
Ms M McClung	4	3
Mr J McCrindle	4	4
Prof. F McQueen	4	4
Ms H Murphy	4	3
Mr M Stewart	4	4
Ms A Sutherland	4	2
Ms C Turnbull	4	4
Mr A Walker	4	3
Mr S Wallace	4	3

The College has an independent Board Secretary to support the work of the Board of Management.

The Board of Management conducts its business through a number of committees. The committees comprise members of the Board of Management. The Board and its committees also have the authority to co-opt members, but co-opted members may not chair or vote at meetings. In 2019-20 the only co-opted member was Mr Paul Houlden, as the requisite external member of the Search and Nomination Committee.

The Board of Management has a strong and independent non-executive element of up to twelve members and no individual or group dominates its decision making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In addition, the Board contains six members who are outwith the non-executive category. These are the Chair (appointed by Scottish Ministers), the Principal (ex-officio), two elected student members and two elected staff members. These members are also expected to exercise impartiality of judgement and be free from any external influence or relationship that could materially interfere with the exercise of their independent judgement as board members.

Register of Interests

The Secretary to the Board of Management maintains a register of financial and personal interests of the members of the Board of Management, in so far as these relate to the activities of Ayrshire College. The register is available for inspection at Ayrshire College, Ayr Campus, Dam Park, Ayr KA8 0EU. It is also published on the College website.

Appointments to the Board of Management

The Board of Management consists of not less than fifteen, but not more than eighteen persons, of which not less than half shall be drawn from persons engaged in industrial, commercial or employment matters or from the professions or persons with an interest in and the ability to contribute to the management of the College. This is in line with the provisions of The Post-16 Education (Scotland) Act 2013. The other Board members include the Board Chair, who is appointed by the Scottish Government, the Principal, a curriculum/teaching staff member, a support/service staff member and two student members.

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. As such, there is a Search and Nomination Committee that is responsible for the selection and nomination of any new non-executive member for the Board of Management's consideration. The Search and Nomination Committee is also responsible on behalf of the Board for the process leading to the Appointment of the College Principal. The Board of Management has an induction programme in place and Board development activities were held during 2019-20.

Audit Committee

The Audit Committee consists of non-executive members from the Board of Management. The Chair of the Board of Management and Principal are not members of the Audit Committee. This Committee's responsibilities are to oversee the external and internal audit of the College and provide assurance to the Board that the requirements of the Code of Audit Practice published by Audit Scotland are observed. The Audit Committee has been delegated responsibility for ensuring the system of risk management established by Ayrshire College remains fit for purpose and is being appropriately maintained.

Business, Resources and Infrastructure Committee

The Business, Resources and Infrastructure Committee consists of members from the Board of Management including the Principal and the Chair of the Board. This Committee's responsibilities are to oversee the strategic and operational financial planning of the College and provide assurance to the Board on the financial expenditure, financial management and performance of the College. The Committee is responsible for overseeing the strategic and operational planning of Organisational Development within the College and providing assurance to the Board on Organisational/HR issues as well as the organisational performance of the College. In addition, the Committee oversees the strategic and operational planning of the estates function within the College and provides assurance with regard to College estates matters to the Board.

Learning and Teaching Committee

The Learning and Teaching Committee consists of members from the Board of Management including the Principal and at least one student member. This Committee's responsibilities are to oversee the strategic and operational planning of Learning and Teaching within the College and provide assurance to the Board on student issues and the learning and teaching performance of the College.

Performance Review and Remuneration Committee

Membership of this Committee comprises the Chair of the Board of Management, the Vice Chair, the Senior Independent Member and the Chairs of each of the Board's committees. The Committee is chaired by a non-executive member of the Board and cannot be chaired by the Chair of the Board of Management. This Committee's responsibilities are to agree remuneration for the Principal, Vice Principals and Directors, taking account of any advice given by the SFC in the remuneration of the Principal and senior managers, taking account of any guidelines issued by the Scottish Government and/or UK Treasury and reporting to the Board of Management on remuneration for senior staff.

Search and Nomination Committee

Membership of this Committee comprises the Chair of the Board of Management, the Vice Chair, the Senior Independent Member and the chairs of each of the Board's committees. The membership will also include an independent external co-opted member approved by the Board. This Committee's responsibilities are to oversee the appointment of the College Principal, oversee the recruitment and recommendation of new board members and to consider the reappointment of current members to the Board of Management. The Committee does this by ensuring that the search and nomination process is conducted in a fair and non-discriminatory manner with due regard to issues of equality, diversity and opportunity in any appointments recommended.

Personal data-related incidents

SFC requires colleges to outline any significant lapses of data security that take place during the year. During 2019-20 Ayrshire College reported no data-related incidents to the Information Commissioner's Office.

GOVERNANCE STATEMENT

Principal Risks and Uncertainties

The College's Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The ELT and Senior Leadership Team (SLT) monitor key performance and risk indicators and considers possible control issues brought to its attention through operational planning and monitoring. The ELT/SLT and the Audit Committee also receive regular reports from Internal Audit which include recommendations for improvement.

The Internal Audit service for 2019-20 was performed by BDO. Internal audit concentrated on areas of key activities determined by risk analysis and in accordance with the annual internal audit plan approved by the Audit Committee. The Internal Auditors had direct access to the Chair of the Audit Committee and issued an annual report with an opinion on the adequacy, reliability and effectiveness of the College's internal control system.

The management of strategic risks is a key responsibility for the Audit Committee, Board of Management and both the executive and senior leadership teams. The key elements and management of strategic risk faced by Ayrshire College are included in the College's Risk Register.

The Audit Committee considers the management of risk at each committee meeting. The College Risk Register is updated quarterly and presented to every Audit Committee and Board of Management meeting. Each substantive sub-committee of the Board receives and considers the Committee's extract from the current version of the Corporate Risk Register. The committees advise the Audit Committee accordingly on any changes to the risk or to new risks that have arisen.

The individual risks identified in the College Risk Register are clustered together based on the remit of the Board and each College committee, with the risk groupings relating to:

- Board of Management
- Business, Resources and Infrastructure
- Learning and Teaching

There is no 'Risk Cluster' specifically identified for the Audit Committee as the overall management of risks is within this Committee's Terms of Reference. The Board of Management also reviews the College Risk Register at each of its meetings.

During the final quarter of 2019-20 the College adapted its risk management framework to reflect the COVID-19 pandemic. This has included how the College is managing issues as well as how it is managing and reporting risks. In March 2020 the Board of Management agreed to include a new strategic risk relating to the potential impact of COVID-19. This was the risk that:

"The Coronavirus outbreak forces an unplanned closure of the College's campuses significant loss of staff resulting in a failure to provide curriculum service delivery and the inability to maintain core college services."

Business, Resources and Infrastructure Committee and the Learning and Teaching Committee discussed and considered their own risk management responsibilities in the cycle of meetings. On behalf of the Board of Management, the Audit Committee reviewed the Board's risk management position and considered the arrangements to mitigate the COVID-19 risk groupings identified. The COVID-19 risk register was then presented to and considered by the Board of Management.

Impact of COVID-19 on Governance Arrangements

The Board of Management and its sub-committees continued to meet throughout the COVID-19 pandemic. These meetings were conducted remotely using digital technology. The College already used an online portal for the sharing and viewing of board and committee papers. Therefore the move to digital meetings did not impact the existing arrangements for board member oversight or the distribution of documentation.

Regular updates on COVID-19 were reported to the Board of Management and its sub-committees. The College established a Campus Operations Steering Group to oversee the College's response to COVID-19. The Steering Group identified workstreams that support and inform the work needed to reopen the College safely and effectively. These workstreams work closely together to share plans, needs and approaches to ensure that activities are joined up on a whole College basis.

Infrastructure Strategy

The College's Infrastructure Strategy sets out our vision for the Estates, Facilities and Infrastructure of Ayrshire College. Its purpose is to help facilitate the College's strategic goals outlined in the Strategic Plan 2017-2020. Its success will be crucial to the delivery of excellence in learning and teaching. The College's Infrastructure Strategy was approved by the BRIC Committee in March 2018.

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

The College's governing body is its Board of Management which is responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on ongoing processes designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should they be realised, and to manage them effectively and economically.

Capacity to Handle Risk

The Board of Management has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. These key risks are identified and addressed within the risk register maintained by the College during the twelve months to 31 July 2020.

The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and approved by the Board of Management.
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against targets.
- Setting targets to measure financial and other performance.

- The operation of and reporting to the Board of Management from an Internal Audit service.

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to Management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and the College's Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from SFC and other key agencies as they affect the College's business and monitors adherence to the regulatory requirements.

COVID-19 Risk Management

Due to the current COVID-19 situation, the College adapted its risk management arrangements to reflect the circumstances in which it is currently operating. This has included how the College is managing issues as well as how it is managing and reporting risks.

The COVID-19 virus did result in the College having to close all its campuses in late March 2020. Due to mitigating actions taken by the College there was a plan in place for closure of its campuses, working remotely and the reopening of campuses.

All areas of the College have undertaken a range of mitigating actions to minimise the impact of COVID-19. High level summaries of these actions were reported to the Board of Management and the Audit Committee. Risk assessments were developed for the College to ensure that appropriate actions were being taken to protect staff and students. These risk assessments were considered and approved in consultation with EIS and Unison representatives. Risk assessments were also prepared for each curriculum and service area, thus enabling additional localised actions to be taken. Staff members returning to campus operations were also required to undertake individual risk assessments.

The College established a review panel to ensure appropriate consideration has been given to all necessary requirements, prior to staff and teams returning to our campuses and work locations. All recommendations and outcomes from the review panel process are required to be fully implemented prior to staff and teams returning to campus.

Further information on the College's COVID-19 risk management arrangements are detailed in the College's governance statement above.

Brexit Risk Management

When considering its principal risks and uncertainties Ayrshire College recognised that there are specific risks arising from the United Kingdom's decision to leave the European Union (here in after referred to as 'Brexit'). The College therefore established a separate Brexit risk register in 2019-20 to set out the specific risks arising from Brexit and the steps being taken to mitigate those risks. These were contained within one overarching risk. The risk was defined as follows:

"There is a risk to the College of the decision to leave the European Union (EU)."

The Board of Management recognises that the significant uncertainty continues to surround the Brexit process. The risks and full impact of Brexit therefore cannot yet be quantified. Therefore, the College works using the most up to date information available.

The Board of Management expects the College to have strong planning and monitoring systems in place to ensure can respond effectively to changes in Brexit policies, legislation, and changes in local circumstances and local needs. In addition, the planning for Brexit should fully consider demographics, supply chain pressures, increases in delivery times for goods and services, other institutions seeking to

target college students to off set their lost revenue due to overseas students no longer being able to attend these institutions and the impact of currency fluctuations on the supply chain.

The Committee understands the financial context in which the College operates. The modelling and planning underpinning Brexit preparations must allow for planning leeway, be balanced against delivery of the Colleges outcomes and objectives, and ensure value for money.

The College continues to monitor and review Brexit negotiations and dialogue so that it can plan and prepare accordingly.

Review of Effectiveness

The review of effectiveness of the system of internal control is informed by:

- The work of Internal Auditors, including their Annual Report on the College's control environment
- The work of college managers, who have responsibility for the development and maintenance of internal control framework
- Comments made by the College's External Auditors
- Comments made by the auditors appointed to audit specific areas such as the delivery of the credits target and the disbursement of student support funds.

The SLT receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning systems which are embedded within the operational units and reinforced by risk awareness training. The SLT and the Audit Committee also receive regular reports from Internal Audit which include recommendations for improvement.

Going Concern

The College took a range of actions to mitigate the impact of COVID-19 and thus ensure that the College could continue to deliver services during national and local lockdowns. The College developed a critical incident plan which covered closing the campus, maintaining services during lockdown and reopening as lockdown restrictions were eased. The College then established the COSG to oversee the College's response to COVID-19. The COSG continues to work together to support staff and students as the College moves forward in AY 2020-21.

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue operations for AY2020-21. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Conclusion

The College continued to improve and enhance its reputation in 2019-20, particularly in the areas of corporate governance, high quality learning and teaching, strategic planning and improving our College estate.

The COVID-19 pandemic had a significant impact on the country and on the way the College delivered its services. The College's response to the pandemic demonstrates its robust continuity planning arrangements, the resilience of staff and students and the College's commitment to providing the best quality service to its learners.

Ayrshire College # 184082
11/20/2020 11:30:23

Approved by the Board of Management and is signed on its behalf by:

W Mackie
Chair

C Turnbull
Principal

Ayrshire College # 484082
11/20/2020 11:30:28

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Board of Management is required to present audited financial statements for each financial year.

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Statement of Recommended Practice on Accounting for Further and Higher Education, the 2018-19 Government Financial Reporting Manual (FReM) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between SFC and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period.

The financial statements are prepared in accordance with the accounts direction issued by SFC, which brings together the provisions of the financial memorandum with other formal disclosures that SFC requires the Board of Management to make in the financial statements and related notes. The College is a public benefit entity and has therefore also applied the public benefit requirements of FRS 102.

In preparing the financial statements, the Board of Management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare financial statements on the going concern basis, unless it is inappropriate to presume that the College will continue in operation.

The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- Ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- Safeguard the assets of the College and prevent and detect fraud;
- Secure the economical, efficient and effective management of the College's resources and expenditure.

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- Clear definitions of the responsibilities of, and the authority delegated to, managers across the College;
- A comprehensive planning process, supplemented by detailed annual budgets including income, expenditure, capital and cash flows;
- Regular reviews of key performance indicators and business risks and monthly reviews of financial results involving variance reporting and updates of forecast outturns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Management;
- Comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee, BRIC and the Board of Management;
- A professional internal audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

Any system of internal financial control can however only provide reasonable, but not absolute, assurance against material misstatement or loss.

Approved by the Board of Management and is signed on its behalf by:

W Mackie
Chair

C Turnbull
Principal

Ayrshire College # 484082
11/20/2020 11:30:28

REMUNERATION AND STAFF REPORT

Remuneration Policy

The post of Principal and the additional posts which make up the College's Senior Leadership Team (SLT) (the Vice Principals and Directors) are not covered by national negotiating arrangements, within the terms of the National Recognition and Procedures Agreement (NRPA). All other service staff posts are covered by the NRPA with regard to the negotiation of contractual issues in respect of terms and conditions of service and salaries.

The Principal's, Vice Principals' and Directors' salaries are on incremental salary scales, with annual contractual increments on the anniversary of appointment. There are no contractual arrangements for either performance related pay or for the payment of bonuses.

The remuneration of the Chair is set by Scottish Ministers as detailed in Note 8 to these financial statements.

Operation of the Remuneration Committee

Membership of the Remuneration Committee comprises the Chair of the Board of Management and the chairs of each of the Board's committees. The Principal is not a member of the Remuneration Committee. This Committee's responsibilities are to agree remuneration for the Principal, Vice Principals and Directors. The Committee takes account of any advice given by the SFC in the remuneration of the Principal and senior managers, and takes account of any guidelines issued by the Scottish Government and/or UK Treasury. The Committee reports to the Board of Management on remuneration for senior staff.

The Principal could be called to attend a Remuneration Committee meeting for the purpose of presenting any paper relevant to the salary scale of members of the Vice Principals and / or Directors. However, since the Principal is not a member of the Remuneration Committee, the Principal would not be present during any decision making in this regard.

The Vice Principal – People can be called to attend the meeting for the purposes of providing professional advice, as required by the Committee.

Senior Management Remuneration including salary and pension costs

Salary entitlements

In this section of the report the College has set out, in bands of £5,000, the remuneration of executive management during 2019-20 (Table 7).

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Table 7 – Remuneration of Senior Management 2019-20

Name	12 months ended 31 July 2020			12 months ended 31 July 2019		
	Salary* £000	Pension benefit £000	Total £000	Salary* £000	Pension benefit £000	Total £000
C Turnbull, Principal **	135-140	1,168	1,305 –1,310	55-60	17	70-75
A Campbell, Vice Principal	95-100	94	195-200	35-40	47	80-85
M Breen, Vice Principal	110-115	80	190-195	90-95	40	130-135
J McKie, Vice Principal	110-115	57	165-170	90-95	36	125-130
W Mackie, Chair	25-30	-	25-30	25-30	-	25-30

* Please note the salary band reflects the actual salary paid and not the salary band of the post held by the individual.

** The figures shown in Table 7 reflect the fact that the Principal's benefits were transferred into Ayrshire College during 2019-20

The details in the tables in this section of the report are subject to audit. The format of the tables has been set by the SFC as part of its accounts direction to colleges for 2019-20.

The pension benefit figure included within Table 7 is derived by using a calculation set out by SFC in the 2019-20 accounts direction. The accounts direction states that:

“the value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension right”.

Median Remuneration

Colleges are required by the FReM to disclose the relationship between the remuneration of the highest paid official and the median (middle of the range) remuneration of their workforce.

The midpoint band of the remuneration of the highest paid official in the organisation in financial year 2019-20 was £137,250 (2018-19, £132,500). This was 3.6 times (2018-19, 3.6 times) the median remuneration of the workforce which was £37,737 (2018-19, £37,295)

Accrued Pension Benefits

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme, and the Strathclyde Pension Fund (SPF), a Local Government Pension Scheme.

Both STSS and the SPF were final salary pension schemes up to 31 March 2015. This means that pension benefits for service prior to that date are based on the final year's pay and the number of years that the person has been a member of the scheme. Since 1 April 2015 both schemes have moved to being Career Average Schemes in respect of service since that date.

Contribution rates for these two schemes are set annually for all employees, with the employer contribution rate being the same percentage of gross salary for all members of the respective schemes. Employee contribution rates increase in line with gross salary as set out in the rules for each scheme.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Senior Officials' Pension

Pension benefits are provided to senior officials on the same basis as all other staff. The senior officials are members of either the STSS or the SPF as noted below.

This section of the report sets out the accrued pension benefits for senior officials together made with the pension contributions made by the College (Table 8).

Table 8 – Employer's Contributions by Senior Official

Name	Senior Official's Pension Scheme	Accrued pension at pension age at 31 July 2020 £000	Accrued lump sum at pension age at 31 July 2020 £000	Real increase in pension 1 August 2019 to 31 July 2020 £000	Real increase in lump sum 1 August 2019 to 31 July 2020 £000	CETV at 31 July 2020 £000	CETV at 31 July 2019 £000	Real increase in CETV £000
C Turnbull*	SPF	60	103	59	103	1,131	18	1,113
M Breen	SPF	35	43	5	4	534	460	74
A Campbell	STSS	25	53	5	11	357	277	80
J McKie	SPF	21	2	3	-	397	333	64

* The figures shown in Table 8 reflect the fact that the Principal's benefits were transferred into Ayrshire College during 2019-20

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service or transferred service from previous employment and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

- The figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Compensation for loss of office

No compensation payments were made for the loss of office during 2019-20.

No members of staff left the College under a voluntary severance scheme. During 2019-20 the College made partial voluntary severance payments of £10,145. These partial voluntary severance payments to

eight members of its cleaning staff to support the alignment of cleaning staff's hours with the revised campus opening times.

Salaries and related costs for 2019-20 totalled £32,670,000 (Table 9).

Table 9 – Salaries and Related Costs 2019-20

	2020			2019
	Directly employed staff £000	Seconded and agency staff £000	Total £000	Total £000
Wages and salaries	25,364	2	25,366	24,833
Social security costs	2,440	-	2,440	2,466
Other pension costs	4,864	-	4,864	4,089
TOTAL	32,668	2	32,670	31,388
Average number of FTEs			721	732

Sickness Absence

Total sickness absence during 2019-20 was 4.2%. Of this, 1.56% was due to short-term and 2.6% was long-term sickness absence (Table 10).

Table 10 – Sickness Absence

	2019-20	2018-19
Short-term	1.56%	1.73%
Long-term	2.60%	2.29%
Total	4.16%	4.02%

Short-term absence is any absence lasting less than 28 days. Long-term absence is any absence lasting 28 days or more.

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, Ayrshire College provided support through paid facility time for union officials working at the College. The information for the year ended 31 March 2020 is set out in the Tables 11 to 13.

Table 11 – Relevant Union Officials

Number of employees who were union officials during 2018-19	Employee number by FTE:
9.0	1.02

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Table 12 – Percentage of Time Spent on Facility Time

Percentage	Number of Employees
0%	0
1%-50%	9
51%-99%	0
100%	0

Table 13 – Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£116,254
Total pay bill	£32,483,793
Percentage of total pay bill spent on facility time	0.4%

Total time spent on trade union activities as a percentage of total paid facility time hours during 2019-20 was 100%. The College also releases union officials to support staff with other meetings as required.

Approval of the Remuneration Report

The Remuneration Report has been approved by the Board of Management and is signed on its behalf by:

W Mackie
Chair

C Turnbull
Principal

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Independent auditor's report to the members of the Board of Management of Ayrshire College, the Auditor General for Scotland and the Scottish Parliament

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Ayrshire College for the year ended 31 July 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2020 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland.

Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the remuneration and staff report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK), our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

We have nothing to report in respect of these matters.

Lucy Nutley

For and on behalf of Mazars LLP

100 Queen Street
Glasgow
G1 3DN

Lucy Nutley is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 JULY 2020

	Note	Recurring	Non-recurring	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
INCOME					
SFC grants	2	44,461		44,461	46,418
Tuition fees and education contracts	3	4,345		4,345	4,269
Other grants and contracts	4	307		307	741
Other income	5	2,265		2,265	2,518
Investment income	6	2		2	6
Total Income		51,380		51,380	53,952
EXPENDITURE					
Staff costs	7	36,197	-	36,197	34,833
Restructuring costs	7	-	10	10	982
Release of Provision / Impairment of Buildings		-	-	-	(332)
Non-recurring Costs re NPD Contract		-	-	-	1,809
Other operating expenses	9	9,499	-	9,499	10,808
Depreciation	12	3,985	-	3,985	3,955
Interest and other financial costs	10	3,256	-	3,256	3,249
Total Expenditure		52,937	10	52,947	55,304
Surplus/(deficit) before other gains/(losses)		(1,557)	(10)	(1,567)	(1,352)
Gain/(loss) on disposal of assets		-	-	-	-
Surplus/(deficit) before tax		(1,557)	(10)	(1,567)	(1,352)
Taxation	11	-	-	-	-
(Deficit) for the year		(1,557)	(10)	(1,567)	(1,352)
Actuarial gain / (loss) in respect of pension schemes		-	-	(11,770)	(5,400)
Total Comprehensive Income for the year		(1,557)	(10)	(13,337)	(6,752)

All items of income and expenditure relate to continuing activities and are unrestricted.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 32 provides details of the adjusted operating position on a Central Government accounting basis.

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Account £000	Restricted Reserves £000	Revaluation Reserve £000	Total £000
Balance at 31 July 2019	(197)	466	33,931	34,200
Surplus/(deficit) from the income and expenditure statement	(1,567)	-	-	(1,567)
Transfers from pension reserve to income and expenditure reserve Revaluation	(11,770)	-	-	(11,770)
	-	-	-	-
Transfers between revaluation and income and expenditure reserve – HC Depreciation	949	-	(949)	-
Total comprehensive income for the year	(12,388)	-	(949)	(13,337)
Balance at 31 July 2020	(12,585)	466	32,982	20,863

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BALANCE SHEET AS AT 31 JULY 2020

	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Fixed Assets			
Tangible fixed assets	12	106,554	110,144
Total fixed assets		106,554	110,144
Current Assets			
Stocks		30	21
Debtors	13	2,570	2,028
Cash and cash equivalents	19	3,912	2,705
Total current assets		6,512	4,754
Less: Creditors – amounts falling due within one year	14	7,188	7,152
Net current assets/(liabilities)		(676)	(2,398)
Total assets less current liabilities		105,878	107,746
Less: Creditors – amounts falling due after more than one year	15	46,272	48,687
Less: Deferred capital grants due to be released after one year	16	9,464	10,115
Provisions			
Early Retirement Provision	17	1,474	1,277
Other Provisions	17	461	854
Net Assets excluding pension liability		48,207	46,813
Net pension liability	20	(27,344)	(12,613)
NET ASSETS INCLUDING PENSION LIABILITY		20,863	34,200
Income and expenditure account excluding pension reserve	18	14,759	12,416
Pension reserve	18	(27,344)	(12,613)
		(12,585)	(197)
Restricted Reserves		466	466
Revaluation Reserve	18	32,982	33,931
TOTAL RESERVES		20,863	34,200

The financial statements on pages 40 to 68 were approved by the Board of Management on 10 December 2020 and were signed on its behalf on that date by:

W Mackie
Chair

C Turnbull
Principal

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2020

	Year ended 31 July 2020	Year ended 31 July 2019
Note	£000	£000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(1,567)	(1,352)
Adjustment for non cash items		
Depreciation	12 3,985	3,955
Net (gain)/loss on disposal of fixed assets	-	-
Deferred capital grants released to income	16 (1,225)	(1,242)
(Increase)/decrease in stock	(9)	2
(Increase)/decrease in debtors	13 (542)	(727)
Increase/(decrease) in creditors	14 355	4
(Decrease)/increase in provisions	17 (196)	(731)
(Decrease)/increase in reserves	-	-
Impairments of Buildings	12 -	-
Net return on pension liability	20 2,961	2,818
Returns on investments and servicing of finance	(290)	(154)
Taxation	-	-
Cash flows from investing and financing activities		
Interest receivable – bank interest	6 (2)	(6)
Interest payable	10 292	160
PFI/NPD Capital Payments	15 (2,284)	(2,177)
Purchase of tangible fixed assets	12 (395)	(1,753)
Proceeds from sale of tangible fixed assets	-	1,050
Deferred Capital Grants Receipts	16 124	1,135
Increase/(decrease) in cash and cash equivalents in the year	1,207	982
Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash and cash equivalents in the year	1,207	982
Net funds at 1 August 2019	2,705	1,723
Net funds at 31 July 2020	3,912	2,705

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of Principal Accounting Policies

a) Basis of Preparation

The financial statements are prepared on a going concern basis and show a deficit for the year of (£1,557,000) before non-recurring items, with an accumulated deficit on the income and expenditure reserve of (£12,585,000). At 31 July 2020, current assets of £6,512,000 included cash and bank balances of £3,912,000. Creditors falling due within one year were £7,188,000, with net current liabilities of (£676,000).

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP); *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards. They conform to guidance published by the Scottish Funding Council. In preparing these financial statements, management has ensured compliance with the requirements of FRS 102.

b) Basis of Accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

c) Recognition of income

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account.

d) Grant Funding

Government revenue grants, including the recurrent grants from the Scottish Funding Council (SFC), are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds, subject to any performance related conditions being met. The funds will be held in deferred income under creditors until conditions are met.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

e) Maintenance of premises

The cost of maintenance is charged to the Statement of Comprehensive Income in the period in which it is incurred.

f) Pension schemes

Retirement benefits to employees of the College are provided by the Scottish Teachers' Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). The STSS is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. Contributions to the STSS are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method. The SPF is a defined benefit scheme under the definitions set out in FRS102.

g) Tangible fixed assets

Private Finance Initiative ('PFI') Assets

PFI contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the service passes to a PFI contractor.

Where the College is subject to the majority of the potential variations in property related profits or losses and has access to the risks and rewards of ownership (which is assessed having regard, in particular, to the quantum of finance provided by the private sector that is, in fact, at risk to the performance of the project) it recognises an asset and a corresponding liability for amounts due to the scheme operator to pay for the asset.

Assets recognised on Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the College.

The amounts payable to the PFI operators each year are analysed into three elements:

- Fair value of the services received during the year
- Finance cost and interest charge on the outstanding Balance sheet liability
- Payment towards liability – applied to write down the Balance sheet liability towards the PFI operator.

The annual cost of the service charge and finance cost are disclosed within Other Operating Expenses and Interest Payable notes 9 and 10 to these financial statements.

NPD Assets

The NPD model was developed and introduced as an alternative to, and has since superseded, the traditional private finance initiative or "PFI" model in Scotland

The Scottish Futures Trust states that the "NPD model is defined by the broad core principles of:

- Enhanced stakeholder involvement in the management of projects
- No dividend bearing equity
- Capped private sector returns."

Guidance on the accounting and resource treatment of NPD payments was issued to colleges with NPD projects in August 2015.

The annual cost of the service charge and finance cost are disclosed within Other Operating Expenses and Interest Payable notes 9 and 10 to these financial statements.

g) Tangible fixed assets (continued)

Land and buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the Balance Sheet at a valuation on the basis of depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2020, less amounts written off by way of depreciation.

Land and buildings acquired since incorporation are included in the balance sheet at revaluation plus cost where this is over £5,000. Project expenditure is counted as a single asset. Freehold land associated with the buildings and undeveloped freehold land is not depreciated. Freehold building costs are depreciated on a straight line basis over their useful economic life, as assessed by external valuers, as follows:-

Main buildings and infrastructure	(up to) 68 years
Temporary buildings	(up to) 10 years

Land and Buildings are formally revalued on a quinquennial basis, with an interim desktop review, to ensure the carrying value is not significantly different from fair value

Leased assets are depreciated over the life of the lease.

Equipment

The College has attributed no value to equipment inherited from the former Strathclyde Regional Council in 1993. Other equipment is capitalised as follows:-

IT assets	-	Over £1,000 for single items or over £5,000 for groups of related assets
Other assets	-	Over £5,000 for single items or over £10,000 for groups of related assets

Equipment is depreciated on a straight line basis over its useful economic life as follows:-

Computer and media equipment	4 years
Other motor vehicles and equipment	4 to 5 years
Furniture and fittings	8 to 10 years

h) Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets which are held under hire purchase contracts which have the characteristics of finance leases are depreciated over their useful lives.

i) Stocks

Stocks are items held for resale and are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

j) Taxation

As a Scottish charity, the College benefits by being exempt from corporation tax on income and surpluses which have been derived in pursuing activities designed to carry out the main objects of its charitable status.

The College is exempted from levying VAT on most of the services it provides to students. For this reason, the College is generally unable to recover input VAT it suffers on goods and services purchased for Curriculum Areas. The College is able to recover VAT on certain trading activities and can partially recover some input tax on other non-Curriculum Area expenditure.

k) Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

l) Financial Instruments

The College only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and other loans to related parties.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

m) Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 19, will impact the carrying amount of the pension liability.

- Material Value Uncertainty (MVU)

Avison Young undertook a valuation of Strathclyde Pension Fund's (SPF) UK property portfolio. The valuation includes a "Material Valuation Uncertainty Clause". The response to COVID-19 meant that they were faced with an unprecedented set of circumstances on which to base a judgement. As at the valuation date, Avison Young considered that less weight could be attached to previous market evidence for comparison purposes to inform opinions of value. Their valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Valuation – Global Standards effective from 31 January 2020. Consequently, less certainty – and a higher degree of caution – should be attached to their valuation than would normally be the case.

Ayrshire College is a member of SPF. Therefore Ayrshire College has chosen to include an MVU in its 2019-20 Accounts. For the avoidance of doubt, this does not mean that the valuation cannot be relied upon. Rather, the material uncertainty clause is used in order to be clear and transparent with all parties, in a professional manner that – in the current COVID-19 circumstances – less certainty can be attached to the valuation than would otherwise be the case.

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	Non- recurring	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
2 SFC grants				
FE recurrent grant (including fee waiver)			34,373	33,127
HE & FE childcare funds			711	863
Release of deferred capital grants			1,154	1,171
Maintenance grant			655	1,332
NPD UC Grant (include Capital)			4,774	4,762
NPD Grant (final payment)			-	1,809
Additional financial support			700	-
SFC ESOL Grant			-	104
SFC Grants re National Bargaining			441	1,158
SFC Grants re VS Costs			-	1,015
Other SFC Grants			1,653	1,077
Total			44,461	46,418
3 Tuition fees and education contracts				
FE fees – UK			423	505
FE fees - EU			-	-
FE fees – non EU			-	-
HE fees			2,641	2,668
Education contracts			1,160	929
Other contracts			121	167
Total			4,345	4,269
4 Other grant income				
European funds			-	-
Grants from Ayrshire College Foundation – Capital			209	618
Grants from Ayrshire College Foundation - Revenue			27	52
Release of deferred capital grants		16	71	71
Total			307	741
5 Other operating income				
Catering			903	1,158
Other income-generating activities			406	765
Other income			956	595
Total			2,265	2,518
6 Investment Income				
Other interest receivable			2	6
Net return on pension asset/liability			-	-
Total			2	6

	Year ended 31 July 2020	Year ended 31 July 2019
Note	£000	£000
7 Staff costs		
Wages and salaries	25,366	24,833
Social security costs	2,440	2,466
Other pension costs	4,864	4,089
	32,670	31,388
FRS 102 pension adjustments	2,669	2,658
Job Evaluation	858	787
Total	36,197	34,833
Curriculum departments	18,153	16,475
Curriculum services	5,200	5,592
Administration and central services	9,944	9,907
Premises	1,339	1,396
Catering	703	676
Sub-total	35,339	34,046
Job Evaluation	858	787
	36,197	34,833
Non-recurring restructuring costs	10	982
Total	36,207	35,815

The average number of full-time equivalent employees, including higher paid employees, during the period was:

	2020 No.	2019 No.
Academic/teaching departments	318	316
Academic/teaching services	116	129
Administration and central services	203	205
Premises staff	51	54
Catering staff	33	28
Total	721	732

The number of staff, including senior post holders and the Principal, who received emoluments in the following ranges were:

	2020 No.	2019 No.
£50,001 to £60,000 per annum	17	14
£60,001 to £70,000 per annum	-	2
£70,001 to £80,000 per annum	3	8
£80,001 to £90,000 per annum	4	-
£90,001 to £100,000 per annum	1	3
£100,001 to £110,000 per annum	-	-
£110,001 to £120,000 per annum	2	-
£120,001 to £130,000 per annum	-	-
£130,001 to £140,000 per annum	1	1

8 Senior post-holders' emoluments

	Note	2020 No.	2019 No.
The number of senior post-holders, including the Principal was:		4	4
		Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Senior post-holders' emoluments are made up as follows:			
Salaries		461	391
Benefits in kind		-	-
Employers Pension contributions		92	73
Total emoluments		553	464

The above emoluments include amounts payable to the Principal, who was also the highest paid senior post-holder, of:

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Salary – Principal resigned 31/3/19	-	100
Salary – Principal started 1/3/19	136	55
Bonus	-	-
Benefits in kind	-	-
	136	155
Employers Pension contributions	26	28

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8 Senior post-holders' emoluments (continued)

In 2019-20 the Principal was a member of the Strathclyde Pension Fund and two other senior post holders were members of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members.

The members of the Board of Management, other than the Chair (see below), the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Chair's Remuneration

The College has paid the Chair's remuneration, set by Scottish Ministers, as follows:-

2019-20: £27,560

2018-19: £27,560

This remuneration is not pensionable.

	Note	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
9 Other operating expenses			
Teaching departments		1,550	1,672
Administration and central services		2,485	2,341
Kilwinning Campus PFI service charge		845	851
Hill Street NPD unitary charge		1,371	1,325
Other premises costs		2,021	3,105
Refurbishment works funded by Ayrshire College Foundation		-	-
Childcare costs		711	863
Student Support Bursary Costs		-	-
Catering costs		516	651
Total		9,499	10,808

	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
Other operating expenses include:		

Auditors' remuneration

- external audit of these financial statements	33	33
- internal audit services	26	30
- other services	-	-
Operating lease payments	102	255

	Note	Year Ended 31 July 2020	Year Ended 31 July 2019
		£000	£000
10 Interest payable			
Kilwinning Campus PFI interest charge	15	365	418
Hill Street NPD interest charge	15	2,599	2,671
Pension finance costs (Note 21)	20	292	160
Total		3,256	3,249

11 Taxation

The Board does not consider that the College was liable for any corporation tax arising out of its activities during the period.

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12 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Equipment £000	Total £000
Cost or Valuation						
At 1 August 2019	35,911	1,005	19,728	53,955	12,347	122,946
Additions	41	-	-	-	354	395
Revaluation	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	(5,634)	(5,634)
At 31 July 2020	35,952	1,005	19,728	53,955	7,067	117,707
Depreciation						
At 1 August 2019	1,110	403	548	1,053	9,688	12,802
Provided during year	1,128	79	547	1,053	1,178	3,985
Write back re: revaluation	-	-	-	-	-	-
On disposals	-	-	-	-	(5,634)	(5,634)
At 31 July 2020	2,238	482	1,095	2,106	5,232	11,153
Net Book Value at 31 July 2020	33,714	523	18,633	51,849	1,835	106,554
Net Book Value at 31 July 2019	34,801	602	19,180	52,902	2,659	110,144
Inherited	18,160	26	8,049	6,747	-	32,982
Financed by capital grant	8,816	497	22	-	925	10,260
Other	6,738	-	10,562	45,102	910	63,312
At 31 July 2020	33,714	523	18,633	51,849	1,835	106,554

The College's Ayr, Kilwinning and Kilmarnock Campus properties were valued at 31 July 2019 by Gerald Eve in the capacity of external valuer. The basis of valuation adopted was that set out in FRS102 being fair value: market value for existing use or depreciated replacement costs (as defined by the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors), depending on the type of asset being valued.

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	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
13 Debtors: Amounts falling due within one year		
Trade debtors – net of provision for doubtful debts	178	134
European funding	-	-
Other Debtors	74	150
Prepayments and accrued income	2,318	1,744
Amounts owed by the Scottish Funding Council	-	-
	2,570	2,028

14 Creditors: Amounts falling due within one year		
Bank loans and overdrafts	-	-
Trade creditors	164	435
Other taxation and social security	632	885
Other Creditors	875	850
Accruals and deferred income	1,899	1,112
PFI Capital payment < 1 year	15 1,060	1,004
NDP Capital payment < 1 year	15 1,355	1,280
Deferred Capital Grants to be released in <1 year	16 796	1,246
Amounts owed to Scottish Funding Council	209	325
Bursaries and Student Support Funds for future disbursements	198	15
	7,188	7,152

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Year ended	Year ended
31 July	31 July
2020	2019
£000	£000

15 Creditors: Amounts falling due after one year

Capital Element of Kilwinning PFI expenditure:

At 1 August 2019

Capital payments in year

Less amount due within one year

At 31 July 2020

	6,481	7,431
	(1,004)	(950)
	5,477	6,481
14	(1,060)	(1,004)
	4,417	5,477

Capital Element of Kilmarnock NPD expenditure:

At 1 August 2019

Capital payments in year

Less amount due within one year

At 31 July 2020

	44,490	45,717
	(1,280)	(1,227)
	43,210	44,490
14	(1,355)	(1,280)
	41,855	43,210

Total

	46,272	48,687
--	---------------	--------

16 Deferred Capital Grants

At 1 August 2019

Land and Buildings

Equipment

	SFC £000	Non SFC £000	Total £000
	7,764	1,937	9,701
	1,660	-	1,660
	9,424	1,937	11,361

Grants received in the period

Land and Buildings

Equipment

	41	-	41
	83	-	83
	124	-	124

Released to Income and Expenditure Account

Land and Buildings

Equipment

	(336)	(71)	(407)
	(818)	-	(818)
	(1,154)	(71)	(1,225)

At 31 July 2020

Land and Buildings

Equipment

	7,469	1,866	9,335
	925	-	925
	8,394	1,866	10,260

Split as follows:

Due to be released in <1 year

Due to be released in >1 year

	725	71	796
	7,669	1,795	9,464
	8,394	1,866	10,260

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
17 Provisions for liabilities and charges		
Early Retirement Provision		
At 1 August 2019	1,277	1,676
Expenditure in the period	(87)	(91)
Release of provision	284	(308)
At 31 July 2020	1,474	1,277

The above liability is in respect of future pension liabilities arising from early retirements prior to 2006 and now relating to 23 individuals receiving benefits (2018-19: 27). The pension liability has been revalued using SFC actuarial tables.

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Other Provisions		
At 1 August 2019	854	1,186
Expenditure in the period	(421)	(332)
Additional provision required in the period	28	-
At 31 July 2020	461	854

The majority of the other provisions relates to future lease commitments and dilapidations provisions on the two leased properties, Townholm and Nethermains.

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
18 Reserves		
Income & Expenditure Account		
At 1 August 2019	12,416	8,928
Surplus/(deficit) for the period	(1,567)	(1,352)
Disposal of properties in RR	-	1,050
Transfer from revaluation reserve	949	972
Impairment of Properties	-	-
Transfer to/(from) pension scheme	2,961	2,818
At 31 July 2020	14,759	12,416

18 Reserves (continued)

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Pension Reserve		
At 1 August 2019	(12,613)	(4,395)
Current service cost	(4,716)	(3,576)
Impact of curtailments	(8)	(963)
Employer contributions	2,024	1,850
Contributions re unfunded benefits	31	31
Past service costs	-	-
Net return on pension scheme	(292)	(160)
Actuarial gain/(loss) in pension scheme	(11,770)	(5,400)
At 31 July 2020	(27,344)	(12,613)

Summary

Income & expenditure account	14,759	12,416
Pensions reserve	(27,344)	(12,613)
At 31 July 2020	(12,585)	(197)

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Revaluation Reserve		
At 1 August 2019	33,931	35,953
Revaluation	-	-
Transfer to income & expenditure account in respect of Depreciation on revalued assets (include element re PFI capital reserve)	(949)	(972)
Disposal of properties	-	(1,050)
Impairment of properties	-	-
At 31 July 2020	32,982	33,931

19 Analysis of changes in cash and cash equivalents

	At 1 August 2019 £000	Cash Flows £000	Other Changes £000	At 31 July 2020 £
Cash	2,705	1,207	-	3,912
Finance lease/hire purchase contracts				
Total	<u>2,705</u>	<u>1,207</u>	<u>-</u>	<u>3,912</u>

20 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund Scheme (SPF).

The total pension costs for the period were:

	Year to 31 July 2020 £000	Year to 31 July 2019 £000
STSS: contributions paid	2,809	2,208
SPF: Contributions paid	2,055	1,881
FRS 102 charge to the Income & Expenditure Account	2,669	2,658
Total pension cost (Note 7)	<u>7,533</u>	<u>6,747</u>

Scottish Teachers' Superannuation Scheme (STSS)

The last audited full actuarial and funding valuation was carried out at 31 March 2016. The results of this valuation were rolled forward to give an overall scheme liability of £36.7 billion at 31 March 2019.

Ayrshire College is unable to identify separately its share of the scheme's underlying assets and liabilities. However, as the scheme is unfunded, there can be no surplus or shortfall. Pension contribution rates will be set by the scheme's actuary at a level to meet the cost of pensions as they accrue.

Ayrshire College has no liability for other employers' obligations to the multi-employer scheme.

Financial assumptions at 31 March 2019

Rate of return (discount rate) 2.9%

Rate of return in excess of:

Earnings increases (1.15)%
Price increases 0.29%

Employer contributions were payable to the STSS at a rate of 17.2%. Employer rates are reviewed every five years following a scheme valuation from the Government Actuary. The rate of employee's contributions vary dependant on the employee's salary.

Strathclyde Pension Fund (SPF)

The SPF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution by the employer made for the year ended 31 July 2020 was £2,055,000.

Under the requirements of Financial Reporting Standard 102 (FRS102), the College is required to disclose information on its share of assets and liabilities of the Strathclyde Pension Fund on a market value basis at the end of the accounting period. The figures quoted form the basis of the balance sheet and funding status of Ayrshire College as at 31 July 2020, in respect of its pension obligations under this Local Government Pension Scheme (LGPS). This information is set out below:

Principal Actuarial Assumptions

	At 31 July 2020	At 31 July 2019
Rate of increase in salaries	3.3%	3.6%
Rate of increase for pensions in payment/inflation	2.2%	2.4%
Discount rate for liabilities	1.4%	2.1%
Expected return on assets	0.0%	0.0%

The current mortality assumptions include allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

		At 31 July 2020	At 31 July 2019
Current pensioners	Males	20.7	20.7
	Females	22.9	22.9
Future pensioners	Males	22.2	22.2
	Females	24.6	24.6

The approximate allocation of scheme assets is as follows:

	At 31 July 2020	At 31 July 2019
Equities	63%	65%
Bonds	25%	24%
Property	11%	10%
Cash	1%	1%
	100%	100%

The assets and the liabilities of the scheme were:

	At 31 July 2020 £000	At 31 July 2019 £000
Total market value of assets	61,176	61,122
Present value of scheme liabilities:		
Funded	(87,914)	(73,145)
Unfunded	(606)	(590)
Surplus/(deficit) in the scheme	(27,344)	(12,613)

20 Pensions and similar obligations (continued)

	At 31 July 2020 £000	At 31 July 2019 £000
Employer service cost (net of employee contributions)	4,716	3,576
Past service cost	8	963
	<hr/>	<hr/>
Total operating charge	4,724	4,539

	At 31 July 2020 £000	At 31 July 2019 £000
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	1,300	1,572
Interest on pension liabilities	(1,592)	(1,732)
	<hr/>	<hr/>
Pension finance income/(costs)	(292)	(160)

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Movements on Pension Scheme Deficit		
Deficit in scheme at 1 August 2019	(12,613)	(4,395)
Movement in year:		
Current service charge	(4,716)	(3,576)
Losses/(gains) on curtailments	(8)	(963)
Contributions by members	2,024	1,850
Contributions in respect of unfunded benefits	31	31
Past service costs	-	-
Net return on pension assets	(292)	(160)
Actuarial gains/(losses)	(11,770)	(5,400)
(Deficit) in scheme at 31 July 2020	(27,344)	(12,613)

Note 18

Asset and Liability Reconciliation

Reconciliation of Liabilities		
Liabilities at 1 August 2019	73,735	59,936
Service cost	4,716	3,576
Interest cost	1,592	1,732
Contributions by members	632	577
Actuarial (gain)/loss	8,997	8,121
Past service cost/(gain)	8	963
Losses/(gains) on curtailments	-	-
Estimated Unfunded Benefits Paid	(31)	(31)
Estimated Benefits Paid	(1,129)	(1,139)
	<hr/>	<hr/>
Liabilities at 31 July 2020	88,520	73,735

20 Pensions and similar obligations (continued)	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Reconciliation of Assets		
Assets at 1 August 2019	61,122	55,541
Expected return on assets	1,300	1,572
Contribution by members	632	577
Contribution by employer	2,024	1,850
Contribution in respect of unfunded benefits	31	31
Actuarial (gain)/loss	(2,773)	2,721
Estimated Unfunded Benefits Paid	(31)	(31)
Estimated Benefits paid	(1,129)	(1,139)
Assets at 31 July 2020	61,176	61,122

Amounts for the current and previous accounting periods

Fair value of employer assets	61,176	61,122
Present value of defined benefit obligation	(88,520)	(73,735)
Surplus/(Deficit)	(27,344)	(12,613)

21 Related Party Transactions

The Board of Management of Ayrshire College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 and is funded by the Scottish Funding Council (SFC), which is sponsored by the Scottish Government's Enterprise and Lifelong Learning department.

SFC is regarded as a related party. During the year to 31 July 2020 Ayrshire College had various material transactions with SFC and Scottish Government Departments, as well as with other entities for which the Scottish Government is regarded as the sponsor via the Student Awards Agency for Scotland and a number of other Colleges and higher education institutions. In addition, Ayrshire College has had transactions with Skills Development Scotland, Colleges Scotland and a small number of material transactions with other Scottish Government Departments and other central government bodies.

As at 31 July 2020 the College had four outstanding balances due to related parties and four balances due from related parties. These were as follows:

- Due to South Ayrshire Council - £7,500
- Due to North Ayrshire Council - £25,074
- Due to East Ayrshire Council - £8,554
- Due to Scottish Qualifications Authority - £6,816

- Due from South Ayrshire Council - £1,859
- Due from Students Awards Agency Scotland - £5,914
- Due from Colleges Scotland £27,432
- Due from Skills Development Scotland - £115,076

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the College's Board of Management may have an interest. All

transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

21 Related Party Transactions (continued)

In addition to the above named bodies, the College had transactions during the year or worked in partnership with publicly funded or representative bodies in which members of the Board of Management hold or held official positions as noted below:

Board Member	Position	Organisation	Sales/ Purchases by the College in the year
Mr W Mackie	Trustee	Ayrshire College Foundation	Sales: £10,800 Purchases: £nil
Mr S Cooley	Head of Fuel Route Systems and Defueling Preparations Group	EDF Energy	Sales: £nil Purchases: £462,569
Mr S Wallace	Chief Financial Officer	University of Strathclyde	Sales: £21,952 Purchases: £nil

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2019-20.

Three members/former members of the Board of Management were employed by the College in the year as follows:

Mrs C Turnbull	Principal and Chief Executive
Mr C Hall	Teaching Staff Member
Ms F Blain	Service Staff Member

In addition, two members/former members of the Board of Management being Mr J McCrindle and Ms Lauren Howieson were student members, elected by students and remunerated by the Student Association.

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22 FE Bursary and Other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Other	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000	£000	£000	£000	£000
Balance brought forward	(196)	198	-	13	15	50
Allocation received in year	8,916	565	586	456	10,523	9,874
Interest						
	8,720	763	586	469	10,538	9,924
Expenditure	(8,916)	(565)	(586)	(284)	(10,351)	(9,499)
Repaid to SFC/SAAS	-	(2)		(13)	(15)	(296)
Repayable to SFC as clawback					-	(114)
College contribution to funds					-	-
Virements	196	(196)			-	-
Balance carried forward	-	-	-	172	172	15
Represented by:						
Repayable to SFC as clawback	-	-	-	9	9	15
Retained by College for students	-	-	-	163	163	-
	-	-	-	172	172	15

The above grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

23 FE & HE Childcare Funds

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Balance brought forward: August 2019	-	(72)
Allocation received in period	737	959
	737	887
Expenditure	(712)	(863)
Repayable to SFC as clawback	-	72
Repayable in year	-	(96)
Virements	-	-
Balance carried forward	25	-
Represented by:		
Net repayable to SFC as clawback	25	-
Retained by College for Students	-	-
	25	-

Childcare Fund transactions are included within the College Statement of Comprehensive Income in accordance with the Accounts Direction issued by the Scottish Funding Council.

24 Commitments under Operating Leases

As at 31 July 2020 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Expiry within 1 year	-	3
Expiry within 2 to 5 years	-	-
Total	-	3

25 Capital Commitments

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Contracted for at 31 July 2020	84	22

The amounts committed at 31 July 2020 and 31 July 2019 relate to contracts in connection with small capital projects.

26 Ayrshire College Foundation

The Ayrshire College Foundation was formed on 20 December 2013. The Foundation, an independent Scottish Charity, has as its charitable objectives, the furtherance of the charitable objectives of the College which, broadly, are the advancement of education in Ayrshire.

The College has applied to the Foundation for grant assistance, primarily to assist in the College's capital investment programmes at Ayr and Kilwinning. This is as part of a planned programme of investment in the College's facilities.

In 2019-20 the Foundation agreed grant funding of £236,000 to the College in respect of Capital Works and educational projects.

In 2018-19 the Foundation agreed grant funding of £670,000 to the College in respect of Capital Works and educational projects.

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27 PFI Contract and Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2020 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2020-21	845	1,060	308	2,213
Payable within 2 to 5 years	3,034	4,417	602	8,053
Payable within 6 to 10 years	-			
Total	3,879	5,477	910	10,266

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Balance at start of year	6,481	7,431
Payments made in the year	(1,004)	(950)
Balance outstanding at end of the year	<u>5,477</u>	<u>6,481</u>

28 NPD Hill Street

Payments remaining to be made under the NPD contract at 31 July 2020 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2020-21	1,305	1,355	2,524	5,184
Payable within 2 to 5 years	5,609	5,858	9,273	20,740
Payable within 6 to 10 years	7,926	8,415	9,585	25,926
Payable > 10 years	18,985	27,582	10,468	57,035
Total	33,825	43,210	31,850	108,885

	Year ended 31 July 2020	Year ended 31 July 2019
	£000	£000
Balance at start of year	44,490	45,717
Payments made in the year	(1,280)	(1,227)
Balance outstanding at end of the year	<u>43,210</u>	<u>44,490</u>

29 Post Balance Sheet Events

There are no post balance sheet events to report.

30 Contingent Liabilities

There are no contingent liabilities at 31 July 2020 (31 July 2019: £ nil).

31 Non-Cash Allocation

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

	2019-20 £000	2018-19 £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(1,567)	(1,352)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	2,760	2,713
Operating surplus / (deficit) on Central Government accounting basis	1,193	1,361

Under the FE/HE SORP, the college recorded an operating deficit of (£1,567,000) for the year ended 31 July 2020. After taking account of the Government noncash budget, the college shows an “adjusted” surplus of £1,193,000 on a Central Government accounting basis.

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Accounts direction for Scotland's colleges 2019-20

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2019-20 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
17 July 2020

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Annual Audit Report

to the Board of Management and the
Auditor General for Scotland

Ayrshire College

Year ended 31 July 2020

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This report has been prepared in accordance with our responsibilities as appointed auditors as set out in Audit Scotland's Code of Audit Practice. Reports and letters prepared by the auditor and addressed to the College are prepared for the sole use of Ayrshire College and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Mazars LLP
100 Queen Street
Glasgow
G1 3DN

The Audit Committee
Ayrshire College
Kilmarnock Campus
Hill Street
Kilmarnock
KA1 3HY

24 November 2020

Dear Members

Annual Audit Report – Year ended 31 July 2020

We are pleased to present our Annual Audit Report for the year ended 31 July 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 9 June 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the continued challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of the finance team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0738 724 2052.

Yours faithfully

Lucy Nutley
Mazars LLP

Mazars LLP – 100 Queen Street, Glasgow, G1 3DN
Tel: 0141 227 2400 – www.mazars.co.uk

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

This Annual Audit Report sets out the findings from our audit of Ayrshire College ('the College') for the year ended 31 July 2020, and forms the basis for discussion at the Audit Committee meeting on 24 November 2020.

Our responsibilities are defined by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice ('the Code') issued by Audit Scotland. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. As outlined in more detail in section 2, we intend to include an Emphasis of Matter paragraph within our auditor's report with respect to the material valuation uncertainty disclosed in the financial statements regarding the College's share of assets in the Strathclyde Pension Fund.

Opinion on regularity

We anticipate issuing an unqualified regularity opinion, meaning that in our opinion, in all material respects the expenditure and income recognised in the financial statements have been applied for the purposes intended .

Opinion on other requirements

We anticipate issuing an unqualified opinion on the matters prescribed by the Auditor General for Scotland. Namely that the remuneration and staff report, performance report and governance statement have been properly prepared in accordance with the relevant legislation

Wider scope work

We anticipate concluding as follows against each of the four wider scope dimensions:

- The College has effective arrangements, including budgetary control, that help the Board Members scrutinise finances;
- The College has adequate financial planning arrangements in place. However, we consider that the College's ability to remain financially sustainable over their three year financial plan, without significant additional funding or cost cutting, remains a significant risk;
- The College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board; and
- The College has an effective performance management framework in place that supports progress towards the achievement of value for money.

Our proposed audit and regularity opinion is included in the draft audit report in Appendix B.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendation.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

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1. EXECUTIVE SUMMARY (CONTINUED)

Status of our audit work

We have substantially completed our work on the financial statements and wider scope work for the year ended 31 July 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Closure procedures and review	●	<p>A final review of the Annual Report and Financial Statements will be completed on receipt of the final draft document. Audit completion procedures require to be performed.</p> <p>We will also consider post balance sheet events until the date of sign-off.</p>

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures with in the financial statements

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Adding value through the audit

We recognise that all of our clients want us to provide a positive contribution to meeting their ever-changing business needs. Our aim is to add value to Ayrshire College through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the College promote improved standards of governance, better management and decision making and more effective use of limited financial resources.

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1. EXECUTIVE SUMMARY (CONTINUED)

Materiality

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

We set materiality at the planning stage of the audit at £980,000 using a benchmark (2%) of Total Expenditures. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1,006,000, using the same benchmark.

Threshold	Initial threshold £'000	Final threshold £'000
Overall materiality	980	1,006
Performance materiality	784	804
Trivial threshold for errors to be reported to the Audit Committee	29	30

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

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

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

Performance Materiality

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

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. This level was set at 3% of materiality.



2. AUDIT OF THE FINANCIAL STATEMENTS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 12 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the College's financial statements that required special audit consideration. Although our report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Satisfactory assurance has been gained in respect of presumed risk of management override. We have no matters to report.

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2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Revenue recognition

Description of the risk

There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when grant income should be recognised.

The presumption is able to be rebutted, which we have done for the College's grant income, as it carries very low inherent risk of fraud or error in its recognition. However the risk does apply to non-grant income generated by the College.

How we addressed this risk

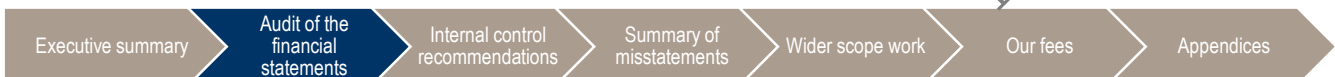
We addressed this risk through performing audit work over

- The design and implementation of controls management has in place to ensure income is recognised in the correct period;
- Cash receipts around year end to ensure they have been recognised in the appropriate year;
- The judgements made by management in determining when grant income is recognised; and
- Obtaining counterparty confirmation for major grant income.

Audit conclusion

Satisfactory assurance has been gained in respect of the presumed risk of revenue recognition. We have no matters to report.

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2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Expenditure recognition

Description of the risk

For public sector organisations, the same risk in relation to fraud and error in respect of the timing of recording of transactions can apply to the recognition of non-payroll related expenditure and contractual obligations.

The pressure to manage expenditure to ensure that budgeted outcomes are achieved increases the risk surrounding fraudulent reporting of expenditure.

How our audit addressed this risk

We have undertaken a range of substantive procedures including:

- The design and implementation of controls management has in place;
- Testing of non-payroll expenditure around the year end to ensure transactions are recognised in the appropriate year;
- Testing material year end payables, accruals and provisions; and
- Reviewing judgements about whether the criteria for recognising provisions are satisfied.

Audit conclusion

Satisfactory assurance has been gained in respect of the risk of expenditure recognition. We have no matters to report.

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2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Areas of Management Judgement

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

Valuation of Pension Liabilities	Description of area of focus
	<p>The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS and it is therefore accounted for as a defined contribution scheme. The College's share of the SPF's underlying assets and liabilities is identifiable and is recognised in the accounts.</p> <p>Given the scale of the liability recognised, a misstatement in the reported position could be material to the financial statements.</p>

How we have addressed this area of management judgement

We have addressed the risk by:

- Considering the arrangements put in place, including the controls, for making estimates in relation to pension entries in the financial statements; and
- Considering the reasonableness of the actuary's assumptions used in providing the College with information in the financial statements through the use of our internal experts

Audit conclusion

SPF intend to disclose a 'material valuation uncertainty' (MVU) in their financial statements with regards to the value of property investments held at 31 March 2020. This relates to limited market data being available at that time as a consequence of COVID-19. We conclude the Ayrshire College share of these assets is considered material and as such disclosure to highlight the MVU should be included within the College's financial statements. Subject to satisfactory disclosure being made in the financial statements we intend to include a corresponding emphasis of matter paragraph within our Audit Report.

There have been no other significant findings arising from our review of the defined benefit liability valuation and disclosures in the financial statements.

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2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Valuation of Land and Buildings

Description of area of focus

The College held land and buildings with a net book value of £107m as at 31 July 2019.

In line with the requirements of the Government Financial Reporting Manual, the College has adopted a formal revaluation policy of an external valuation every five years, with a desktop, interim valuation performed during the five year period. As the full valuation was performed as at 31 July 2018, no revaluation is planned in the current year.

The College policy meets the requirements of the FE SORP that assets are valued sufficiently regularly so that the carrying value of the asset is not materially different from its fair value. The College is required to assess on an annual basis whether there are indicators of impairment to asset at the reporting date.

How our audit addressed this area of management judgement

We have performed a range of substantive procedures including:

- Review of management's assessment as to whether the value still reflects the prior year valuation;
- Review of the reconciliation between the College's asset register and general ledger; and
- Consider the College's impairment review process for land and buildings

Audit conclusion

Our audit work provided satisfactory assurance in respect of the valuation of land and buildings at the reporting date. We have no matters to report.

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2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the College's accounting policies and disclosures and concluded they comply with the requirements of the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education and the Government Financial Reporting Manual 2019/20, appropriately tailored to the College's circumstances.

Draft financial statements were received from the College on 19 October 2020 at the start of audit fieldwork. The draft annual report was received during fieldwork on 29 October 2020. Both draft financial statements and draft annual report were of a good quality.

Producing quality supporting working papers is a crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. Working papers provided for audit were of a good standard and staff were responsive to our requests during the audit.

Significant matters discussed with management

No significant matters arose during the course of the audit.

Significant difficulties during the audit

Despite the undoubted impact of the pandemic on both the preparation and completion of the draft accounts, which were completed for audit in line with agreed timetables, as well as our audit work, during the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. We would like to express our thanks to management and officers for their co-operation throughout the audit.

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3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	nil
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	nil

Recommendations

PFI contract - Level 2

The College's PFI contract for the Kilwinning Campus is due to expire on 14 August 2025. Well in advance of the expiry, during 2019/20 the College obtained legal advice to understand any obligations and actions that should be taken in relation to the expiry. The legal advice sets out that the College has three options at the end of the contract; make a final payment to purchase the campus, extend the term of the PFI contract or exit the contract with no asset. There has been no firm decision made by the Board of Management as to what action the College will take in 2025. The model used to account for the PFI contract does not currently include the final payment.

We recommend that the contract cessation and College action is considered by the Board of Management in a timely manner. Where a decision is made to make a final payment and purchase the campus, the PFI model will require to be updated to accurately reflect the value of future payments.

Potential effects

Without a clear decision from the Board of Management on the future of the Kilwinning Campus at the expiration of the PFI contract, there is a risk that any associated liability or commitment is not appropriately incorporated into future financial statements.

Management Response

A decision is not contractually required to be made until 18 months before the contract is due to expire. The College is working with the Scottish Futures Trust and legal advisors to inform the actions and decisions required to be taken prior to the cessation of the contract. A decision will be taken by the Board of Management at an appropriate time and within the requirements of the contract.



4. SUMMARY OF MISSTATEMENTS

Unadjusted misstatements

There were no unadjusted misstatements identified during the course of the audit above the trivial threshold of £30k.

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5. WIDER SCOPE

Our approach to wider scope work

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

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

Dimension	Description	Our approach
Financial sustainability	Extending our work on the going concern assumption in the financial statements looking forward two to five years from the reporting date, reviewing and assessing the college's arrangements for financial planning and affordable and sustainable service delivery	We have considered: <ul style="list-style-type: none"> • the financial planning system in place for short, medium and long term periods • the adequacy and accuracy of financial reporting arrangements • the reasonableness of affordability assumptions made in financial planning • the extent to which the financial planning assumptions have been updated and affected by the COVID-19 pandemic.
Governance Statement	The Governance Statement sets out the internal control arrangements and governance framework in place for the year under review	We have considered: <ul style="list-style-type: none"> • The effectiveness of internal control arrangements • the appropriateness of disclosures made in the Governance Statement • whether the disclosure requirements of the Accounts Direction and the Code of Good Governance for Scotland's Colleges have been met
Financial Management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	We have considered: <ul style="list-style-type: none"> • the monitoring of the effectiveness of internal control arrangements • the response to the COVID-19 pandemic and whether this has involved changes to the governance of the College • whether the College's budgetary control system is timely and accurate • whether and how the College has assessed their financial capacity and skills
Value for Money	Value for money concerns using resources effectively and continually improving services.	We have considered: <ul style="list-style-type: none"> • the College's evidence of providing value for money • the focus on improving value for money and the pace of change at the College.

In 2019/20 we have also considered the following risk areas as they relate to the College:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency

We do not consider that any of the above additional risk areas constitute a significant risk for the College at this point, but will continue to monitor.



5. WIDER SCOPE FINANCIAL MANAGEMENT

Dimension

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Our conclusion

Ayrshire College has effective arrangements, including budgetary control, that help Board Members scrutinise finances.

Financial performance

FE/HE SORP position

	2019/20 £'000	2018/19 £'000
Operating income	51,380	53,952
Staff costs	(36,197)	(34,833)
Operating expenditure	(16,750)	(20,471)
Operating Deficit for the year (FE/HE SORP basis)	(1,567)	(1,352)

The above table shows the financial performance of the College for 2019/20 and 2018/19 under the FE/HE SORP. Despite a deficit being shown over both years:

- The College achieved its financial targets and spending was in line with the plan; and
- The student credit target was exceeded confirming the level of funding in the financial statements.

Adjusted operating position

The table above sets out the financial position in accordance with the SORP requirements. The table overleaf reflects the 'adjusted operating position' as required by the Accounts Direction set by the SFC. The adjusted operating position removes more volatile accounting entries, such as the valuation of pensions. Full details of the adjustments included are shown in the Performance Report within the Annual Report and Financial Statements.

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5. WIDER SCOPE FINANCIAL MANAGEMENT (CONTINUED)

	2019/20 £'000	2018/19 £'000
(Deficit) before other gains and losses	(1,567)	(1,352)
Add back:		
- Depreciation (net of deferred capital grant release)	2,759	2,713
- Non-cash pension adjustment – Net Service Cost	2,669	2,658
- Non-cash pension adjustment – Net Interest Cost	292	160
- Non-cash pension adjustment – Early retirement provision	284	(308)
- Retention of sales proceeds to fund PFI	-	1,050
- Release of provision	-	(332)
Deduct:		
- Non government capital grants from ACF	(209)	(618)
- Loan repayments (NPD)	(1,280)	(1,227)
- Loan repayments (PFI)	(700)	-
- CBP allocated to loan repayments and other capital items	(954)	(954)
Adjusted operating surplus	1,294	1,790

The Accounts Direction issued by the SFC for 2019/20 required Colleges to submit the adjusted operating position calculation with draft accounts to the SFC for review before the accounts are signed off. This is in progress by the College at the time of writing.

The table above indicates that once the non cash and other applicable adjustments are made, the College has achieved a surplus in the year.

Impact of Depreciation Budget

The Statement of Comprehensive Income and Expenditure is prepared under the FE/HE SORP, which does not permit the inclusion of the non-cash budget for depreciation. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules.

	2019/20 £'000	2018/19 £'000
Operating Deficit for the year (FE/HE SORP basis)	(1,567)	(1,352)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	2,760	2,713
Operating Surplus on Central Government accounting basis	1,193	1,361

The table above shows a surplus, when the impact of the depreciation budget is taken as the only adjusting factor to the financial position. The operating position table at the top of the page reflects further adjustments that show an operating surplus. The College is currently considered to be operating sustainably within its funding allocation.

Executive summary	Audit of the financial statements	Internal control recommendations	Summary of misstatements	Wider scope work	Our fees	Appendices
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5. WIDER SCOPE FINANCIAL MANAGEMENT (CONTINUED)

Budgetary process

We have reviewed and considered the budgetary processes and controls and budget monitoring arrangements in place at the College. Our work consisted of a review of budget monitoring reports and committee papers and attendance at committees. Overall, we consider that the Board of Management obtains regular and timely financial information that reflects the actual financial position.

We noted that there was a degree of fluctuation in budget reports over the year regarding the prediction of the final financial position. Movements in advance of Covid-19 however were generally favourable and so indicate a prudent budget and effective control system. Following the impact of Covid-19 forecasts were appropriately updated to reflect the changes to the financial environment and circumstances. Budgets and forecast were produced on a timely basis and considered by the appropriate committee. The Business, Resources and Infrastructure Committee considers the management accounting pack regularly, reporting to the Board of Management. Minutes of the meetings document the level of challenge to the financial performance.

Internal controls

As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have also considered the work of internal audit, from individual reviews of financial systems and their annual audit opinion on the control framework in place at the College.

We conclude that the processes and controls in place at the College are operating effectively. The College has all the expected control, risk, performance and financial arrangements in place. There are a series of regularity documents including standing orders, articles of governance, code of conduct, and financial regulations intended to ensure regularity of transactions.

Prevention and detection of fraud and irregularity

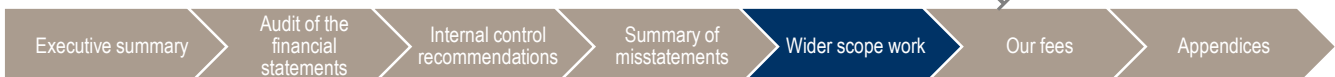
Management and the Audit Committee, as those charged with governance, also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

We have a responsibility to review the College's arrangements for the prevention and detection of fraud. Our audit work was planned to provide a reasonable expectation of detecting material misstatements in the financial statements resulting from fraud and irregularity. We found the arrangements in place to be satisfactory and identified no material misstatements resulting from fraud or irregularity.

National Fraud Initiative

The College participates in the National Fraud Initiative (NFI) exercise. Data was submitted in line with timescales and the Audit Committee have been informed of the exercise. No significant findings or issues arose from NFI during the 2019/20 audit process

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5. WIDER SCOPE FINANCIAL SUSTAINABILITY

Dimension

Financial sustainability extends the going concern assumption from the financial statements, looking forward two to five years, reviewing and assessing arrangements for financial planning and affordable and sustainable service delivery in this timescale.

Our conclusion

Ayrshire College has adequate financial planning arrangements in place, including budgetary control, that help the Board members scrutinise finances. However, we consider that the College's ability to remain financially sustainable over their three year financial plan, without significant additional funding or cost cutting, remains a significant risk.

Identified significant risks to our wider scope work

As part of our planning procedures we considered whether there were significant risks that would impact on any of the four areas of our wider scope work that would require special audit consideration. We set out the identified risk to this area of wider scope work and how we addressed the risk.

Financial Sustainability

Description of the risk

A funding gap had previously been identified by the College principally as a result of the contractual PFI capital and interest payments of £1.4m per annum in respect of the Kilwinning Campus along with increasing staff costs as a result of National Bargaining. The College engaged in discussions with the SFC and a Financial Sustainability Plan was initiated in 2018/19. The SFC has also pledged support for a two year period (2019/20 and 2020/21) to help the College meet its PFI payment in respect of Kilwinning Campus. The College had identified that there remained a continued financial sustainability risk with cash funds forecast to being exhausted during 2022/23.

The COVID-19 pandemic has resulted in the temporary cessation of operations of public sector organisations, including colleges, albeit some courses are now being taught remotely. As a result there is significant increased uncertainty around current and future revenue for colleges due to loss or partial loss of funding as a result of credit targets not being met and from a reduction in commercial activities. The College is able to partially mitigate this risk through cost saving measures, however as the Financial Sustainability Plan was still in its infancy, there is a risk that this will accelerate the exhaustion of cash funds. The financial plans set by the College in prior years will require to be re-set with new funding assumptions as and when they become clearer.

How we addressed the risk

We have addressed the risk by reviewing:

- The forecast financial position in the 5 year financial plans submitted to SFC
- The financial and resource implications of any voluntary severance scheme proposed to be run by the College;
- The College's achievement of requirements set by the SFC on receipt of funding;
- The alternative plans considered by the College to ensure a balanced budget is achieved;
- The financial reporting arrangements in place at the College.

Wider scope conclusion

The College has prepared a three year forecast in the current year which continues to highlight a future funding gap although the risk around cash resources extends to beyond the period being forecast. The College is in discussions with the SFC regarding future financial sustainability and has begun to identify where savings required in 2021/22 will be found.

Given the level of sector wide uncertainties around future funding and of the general economic environment that has arisen following Covid-19, there is a risk the timing of the future funding gap could be accelerated without additional action by the College and / or additional funding from the SFC. As a result, there is a risk that the College will not remain financially sustainable in the three year forecasting period.

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5. WIDER SCOPE FINANCIAL SUSTAINABILITY (CONTINUED)

Financial Planning

The College prepares a 5 year budget and forecast which forms the basis of the Financial Forecast Return (FFR) required to be submitted to the SFC annually. In the current year, given the level of uncertainties relating to financial planning, the SFC has requested only a 3 year FFR which has been considered below. The College have continued to prepare a five year forecast for their own internal budget and forecast purposes.

The plan includes assumptions about inflation in the short and medium term and highlights other financial stability risks. The College is very clear on the risks it faces to financial sustainability and the uncertainty of funding over the medium and long term, impact of national bargaining and funding PFI payments at the Kilwinning Campus.

A summary of the College's three year forecast is included in the table below.

	Budget 2020/21 £'000	Forecast 2021/22 £'000	Forecast 2022/23 £'000
Total Income	52,147	51,789	50,875
Staff costs	34,986	34,473	35,173
Total other expenditure	17,382	17,143	17,064
Operating surplus/(deficit) before other gains and losses	(221)	173	(1,362)
Operating position adjustment (e.g non cash and exceptional items)	307	96	(174)
Adjusted operating surplus /(deficit)	86	269	(1,536)

Included in the forecast for 2021/22 are efficiency savings of £1.1m, the savings were identified as being required as part of the 2018/19 FFR process, but the details are still to be finalised by the College, but we note are in progress. If these are met the forecast indicates that the College will have an adjusted operating surplus until 2022/23 at which point an operating deficit of £1.4m is currently being forecast. This follows the same general trajectory as was forecast in the prior year FFR, indicating that the College will require to make greater efficiencies than currently planned to reduce or remove the forecast deficit, or further funding will be require to be obtained.

This three year forecast was prepared by the College and submitted to SFC in June 2020 based on information and assumptions available to the College at that time. In recognition of the challenging environment that forecasting is being prepared under, and a reflection of the level of uncertainties in connection with COVID-19, the College has since prepared an updated budget for 2020/21 with further updates to these assumptions. The updated budget has been further scrutinised and approved by Committee and Board, a summary is included in the table below.

	Updated Budget 2020/21 £'000
Total Income	51,997
Staff costs	35,265
Other expenditure	17,367
Operating deficit	(635)

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5. WIDER SCOPE

FINANCIAL SUSTAINABILITY (CONTINUED)

The reduced income being budgeted mainly relates to catering income with revised planning assumptions updated for projected opening of refectories, now not expected until January 2021. Increased staff costs are budgeted following revised staffing requirements and pay awards. The updated College projections are for 2020/21 only, and no change has been made to later years of the financial plan.

The impact of Covid-19 provides an additional risk for the College in achieving a balanced budget over the FFR period where any efficiencies able to be generated in this time may not be sufficient to address a growing funding gap – if, for example, projections around commercial income cannot be achieved.

The FFR reflects budgeted efficiency savings until 2021/22 that are within the bounds of the agreed Financial Sustainability Plan. Other than planned efficiencies being sought and included in the current forecast, no further immediate action has been considered by the College to reduce the funding gap. It was planned to be addressed when further clarity was gained over the future funding model.

Whilst this is a sector-wide risk relating to uncertainties resulting from the impact of Covid-19, given the College has an existing known future funding gap and required savings in their plan, we would have expected further progress to have been made on identifying savings at this point. We would expect that notwithstanding the limitations imposed by Covid-19 uncertainties, planning arrangements are made at an early stage to address this.

Until such time as either additional funding is made available or the College is able to identify and implement additional cost efficiencies, we therefore consider there to be concerns over the financial sustainability of the College.

Asset Management and Estates Strategy

National estates survey

Gardiner & Theobald were appointed by the Scottish Funding Council in January 2017 to provide a summary of the conditions of the estates within the Scottish Further Education sector, being the first independent review of the college estate in Scotland for 10 years. Across Scotland the estimated net total backlog of maintenance and renewals cost is £163 million excluding contingencies, any related operational and management costs of the colleges, professional fees, VAT, optimism bias and inflation allowance. When taking these items into account, the resulting total gross estimated backlog is £363 million. 10% of these costs were defined as urgent, requiring action within the next year, with the majority of the costs requiring action within 3-5 years.

The Scottish Funding Council is working with the Scottish Government and Scottish Futures Trust to produce a framework for college sector estate development to manage competing demands for estate development.

The survey showed an estimate of £4.7 million of costs over the 5 year period from 2017-18 to 2022-23 for the Ayrshire College estate, with £1.8m being identified as urgent. The most significant urgent costs identified relate to Dam Park Campus in Ayr.

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5. WIDER SCOPE GOVERNANCE AND TRANSPARENCY

Dimension

Governance and transparency covers the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Our conclusion

Ayrshire College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board.

Governance arrangements

Our work in this area has considered the overall governance arrangements in place at the College, reviewed the financial and performance reporting to the Board, and reviewed the minutes of committees to inform our assessment of the appropriateness of the governance structure. We have also attended Audit Committees during the year.

Financial papers submitted to committees are relevant and timely. Each paper has a summary setting out the purpose of the paper and the action required by the members. Minutes are understandable and contain detail of discussions and rationale for decision making.

At 31 July 2020, the Board consisted of 16 members, 7 female (including the Principal) and 9 male. The Board continues to maintain a gender balance that meets with the objective of the Gender Representation on Public Boards (Scotland) Bill which was introduced by the Scottish Parliament in June 2017 with an implementation date of 2022.

The committees comprise of, and are chaired by Board members. The Principal is a member of the key committees with the exception of the Audit Committee. In addition, the Chair of the Board is also not permitted to be a member of the Audit Committee. Appropriate College officers attend committees and present reports as required.

Covid -19 Governance arrangements

Following the Government announcement of lockdown, the College suspended all face-to-face teaching from Wednesday 18 March and teaching and College operations were performed remotely for the remainder of the 2019/20 academic year.

Board and Committees continued to meet regularly during this period using appropriate virtual platforms. Only one meeting was required to be cancelled in this period, being the Audit Committee which had been scheduled for 17 March. To preserve appropriate governance arrangements certain items that were planned for review and approval at this meeting were instead considered at the following Board meeting.

Ongoing communication was made with students and staff via the College website with FAQ's created and updated on a daily basis and messages shared throughout social media platforms with links to the website. Free mental health support was available to students through the College's membership of 'Big White Wall' community with messages and links shared regularly.

The College re-opened to students on 22 September 2020 for the 2020/21 academic year on a blended learning delivery method for teaching. To help plan and support for reopening actions taken by the College include;

- Issuance of questionnaire to all students to identify to establish needs that may exist
- FAQ guide published on the College website and links shared throughout social media
- YouTube videos released for guidance around aspects such as online learning, ICT guidance, use of TEAMS and Office 365

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5. WIDER SCOPE

GOVERNANCE AND TRANSPARENCY

Governance Statement

As part of our audit we have read the governance statement included in the annual report. The governance statement sets out the corporate governance framework in place throughout the reporting year, the internal controls in operation, the work of internal audit and the overall efficiency and effectiveness of the governance framework.

The governance statement confirms the college's compliance with the 2016 Code of Good Governance for Scotland's Colleges.

We are required to read and provide an opinion on the governance statement. In our opinion, the information contained within is consistent with the financial statements. We also consider that the governance statement has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and further directions made by the Scottish Funding Council.

Internal audit

An effective internal audit service is an important element of any organisation's governance arrangements. Internal audit provide the College with independent assurance on internal control and corporate governance processes. The internal audit function at the College is provided by BDO. Internal audit have attended Audit Committees throughout the year and have produced 8 reports to support the overall Head of Internal Audit Opinion.

Transparency

Transparency means that service users and the public have access to understandable information about how the College is making decisions and using its resources. There is a commitment to transparency, with the minutes and papers of the Board of Management and key committees being available on the website.

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5. WIDER SCOPE VALUE FOR MONEY

Dimension

Value for money concerns using resources effectively and continually improving services.

Our conclusion

Ayrshire College has an effective performance management framework in place that supports progress towards the achievement of value for money.

Performance management

The College delivered its Regional Outcome Agreement (ROA) target credits. A financial deficit was incurred in the year, this was following the impact of the Covid-19 lockdown. There is close monitoring of the delivery of the ROA and financial performance reports provide sufficient information to allow members to understand performance. Budget monitoring information provides a detailed analysis of variances allowing budget to be appropriately managed. Through this management of the 2019/20 budget there is clear evidence that the College understands cost drivers and is in control of costs as far as can be reasonably expected given the circumstances of the year.

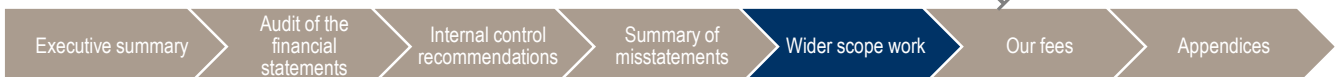
Regularity

As part of our audit of the College's financial statements, we are required by the Public Finance and Accountability (Scotland) Act 2000 to give an opinion on the regularity of expenditure and receipts shown in the financial statements. Regular expenditure and income is that which has been incurred / obtained in line with guidance issued by the Scottish Ministers and the terms and conditions of funding of the Scottish Funding Council.

The College has arrangements to monitor the requirements of the Scottish Funding Council, Audit Scotland and other regulatory or advisory bodies to ensure it complies with the terms and conditions of funding including regular reporting of financial and operational performance to the Board and its committees.

Our review found an effective control environment exists over regularity of expenditure and receipts. No instances of non-compliance with Scottish Funding Council terms and conditions were noted.

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6. OUR FEES

Fees for work as the College's appointed auditor

We reported our proposed fees for the delivery of our work in our Audit Strategy Memorandum, presented to the Audit Committee in June 2020. Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	Proposed fee 2019/20	Final fee 2019/20
Auditor remuneration	£29,890	£29,890
Pooled costs	£1,590	£1,590
Contribution to Audit Scotland costs	£1,520	£1,520
Total Fee	£33,000	£33,000

We confirm that these fees are in line with the scale fee set by Audit Scotland. We also confirm that we have not undertaken any non-audit services for the College in the year.

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APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Dear Sirs

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the college's accounts for the period ended 31 July 2020.

We acknowledge as members of the Board of Management our responsibility for ensuring:

- a) the financial statements are free of material misstatements including omissions;
- b) that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2020;
- c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- d) all other records and related information, including minutes of all management meetings, have been made available to you;
- e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

BDO LLP act as Internal Auditors to the College. All reports issued to the College and our responses to them have been made available to you.

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

The College has no liabilities or contingent liabilities other than those disclosed in the accounts.

All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.

There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

The College has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for the Board of Management nor to guarantee or provide security for such matters.

We confirm that we have disclosed to you all related party transactions relevant to the College and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of charities legislation, the Statement of Recommended Practice for Further and Higher Education accounts or accounting standards.

The College has not contracted for any capital expenditure other than as disclosed in the accounts.

The College has satisfactory title to all assets and there are no liens or encumbrances on the College's assets, except for those that are disclosed in the financial statements.

We have disclosed to you, all known irregularities, including fraud, involving existing management or employees of the College, of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss.

We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the College conducts its business.

We confirm that, in our opinion, the College is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the College's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the College's ability to continue as a going concern need to be made in the financial statements.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

We confirm that we have carried out an assessment of the potential impact of the Covid-19 pandemic on the College, including the impact of mitigation measures and uncertainties, and that the disclosure in the Performance Report fairly reflects that assessment.

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Performance Report fairly reflects that assessment.

We confirm that no unadjusted misstatements have been brought to our attention.

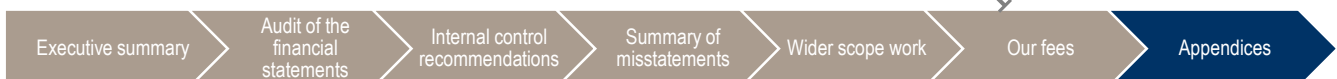
We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

..... Chair of Board

..... Principal

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APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of the Board of Management of Ayrshire College, the Auditor General for Scotland and the Scottish Parliament

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Ayrshire College for the year ended 31 July 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2020 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the College in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of pension fund property assets

We draw attention to Note XX of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the College's share of Strathclyde Pension Fund's property assets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

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APPENDIX B

DRAFT AUDITOR'S REPORT

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the remuneration and staff report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK), our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

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APPENDIX B

DRAFT AUDITOR'S REPORT

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

We have nothing to report in respect of these matters.

Lucy Nutley,
For and on behalf of Mazars LLP

100 Queen Street
Glasgow
G1 3DN

December 2020

Lucy Nutley is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000

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APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Ayrshire College # 484082
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CT/JN

November 2020



Mazars LLP
100 Queen Street
Glasgow
G1 3DN

Dear Sirs

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the college's accounts for the period ended 31 July 2020.

We acknowledge as members of the Board of Management our responsibility for ensuring:

- a) the financial statements are free of material misstatements including omissions;
- b) that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2020;
- c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- d) all other records and related information, including minutes of all management meetings, have been made available to you;
- e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

BDO LLP act as Internal Auditors to the College. All reports issued to the College and our responses to them have been made available to you.

Ayr Campus
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Ayr, KA8 0EU
T 01292 265184
E enquiries@ayrshire.ac.uk

Kilmarnock Campus
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T 01563 523501
E enquiries@ayrshire.ac.uk

Kilwinning Campus
Lauchlan Way
Kilwinning, KA13 6DE
T 01294 559000
E enquiries@ayrshire.ac.uk



Letter of Representation

November 2020

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We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

The College has no liabilities or contingent liabilities other than those disclosed in the accounts.

All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.

There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

The College has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for the Board of Management nor to guarantee or provide security for such matters.

We confirm that we have disclosed to you all related party transactions relevant to the College and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of charities legislation, the Statement of Recommended Practice for Further and Higher Education accounts or accounting standards.

The College has not contracted for any capital expenditure other than as disclosed in the accounts.

The College has satisfactory title to all assets and there are no liens or encumbrances on the College's assets, except for those that are disclosed in the financial statements.

We have disclosed to you, all known irregularities, including fraud, involving existing management or employees of the College, of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss.

We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the College conducts its business.

We confirm that, in our opinion, the College is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the

Letter of Representation

November 2020

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College's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the College's ability to continue as a going concern need to be made in the financial statements.

We confirm that we have carried out an assessment of the potential impact of the Covid-19 pandemic on the College, including the impact of mitigation measures and uncertainties, and that the disclosure in the Performance Report fairly reflects that assessment.

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Performance Report fairly reflects that assessment.

We confirm that no unadjusted misstatements have been brought to our attention.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully,

..... **Chair of Board**
(Willie Mackie)

..... **Principal**
(Carol Turnbull)

Ayrshire College # 484082
11/20/2020 11:30:28

Ayrshire College Audit Committee 2019-20 Annual Report

Draft: 24 November 2020

Ayrshire College # 484082
11/20/2020 11:30:28

AYRSHIRE COLLEGE

2019-20 AUDIT COMMITTEE INTERNAL ANNUAL REPORT

1. INTRODUCTION

The Audit Committee of the Board of Management of Ayrshire College presents their annual report in respect of the period 1 August 2019 to 31 July 2020.

2. COMMITTEE MEMBERSHIP

2.1 Board Members who served on the Audit Committee during 2019-20 were as follows:

- Gordon James (Chair)
- Hazel Murphy (Vice Chair)
- Margarett Bryan
- Elaine Anderson
- Scott Cooley
- Steve Graham
- Alison Sutherland

Mrs Hazel Murphy took over as Chair of the Audit Committee on 24 September 2020, its first meeting of 2020-21.

2.2 The Audit Committee met on three occasions during the 2019-20 period as follows:

- 17 September 2019
- 26 November 2019
- 9 June 2020

The meetings were attended as required by members of the Executive/Senior Management Team, the External Auditors and the Internal Auditors.

A meeting of the Audit Committee was scheduled for 17 March 2020 and papers were issued for this meeting. The Committee did not however meet, due to the COVID-19 pandemic.

3. INTERNAL AUDIT

3.1 Internal Audit Services were provided throughout 2019-20 by:

BDO
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

3.2 2019-20 Internal Audit Assignments

The Audit Committee received six Internal Audit reports in respect of 2018-19 (12 months) covering the following operations of the College:

	Audit Areas Covered
Report (1)	Corporate Governance
Report (2)	GDPR – Data Protection
Report (3)	Business Continuity Management
Report (4)	Financial Controls
Report (5)	School Community Provision
Report (6)	SFC Returns

As was the position in previous years, the Scottish Funding Council (SFC) Returns audit above was carried out at the request of the Audit Committee to ensure that good governance was being undertaken in an identified area of risk.

3.3 The SFC Financial Memorandum and the Audit Committee's Terms of Reference state that the Internal Audit Service must produce an annual report addressed to the College's Board of Management and the Chief Executive which should also be considered by the Audit Committee.

The Internal Audit Annual Report for 2019-20 prepared by BDO was presented to the Audit Committee at its November 2019 meeting. The report detailed a number of areas including a statement of the internal audit cover achieved and a summary audit opinion on the College's control environment and systems of internal control.

The following opinion as noted by BDO is extracted from its 2019-20 Annual Report

In our opinion, based on the other reviews undertaken during the period, and in the context of materiality, we can conclude that:

- *The risk management activities and controls in the areas which we examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.*
- *Based on our verification reviews and sample testing the risk management, control and governance arrangements were operating with sufficient effectiveness to provide reasonable, but not absolute assurance that the related risk management, control, value for money and governance objectives were achieved by the end of the period under review.*

3.4 In respect of Internal Audit, the Audit Committee is pleased to confirm to the Board of Management that it is satisfied that the areas audited and the standard of work carried out have been appropriate.

3.5 Based on the audit assignments completed during 2019-20 and the engagement with the Internal Auditors, the members of the Audit Committee believe that their responsibilities in respect of Internal Audit to the Board of Management have been satisfactorily discharged.

4. EXTERNAL AUDIT

4.1 2019-20 Financial Statements

Mazars presented its draft Annual Audit Report to the Board of Management of Ayrshire College and the Auditor General for Scotland for the year ended 31 July 2020 to the Audit Committee at its meeting on 24 November 2020.

The Mazars annual report, in line with governance arrangements, will be presented to the Board of Management at its meeting on 10 December 2020.

Mazars has issued an unqualified opinion in relation to the 2019-20 Annual Financial Statements for Ayrshire College. Mazars' audit opinions are as follows:

Opinion on financial statements

In our opinion the...financial statements:

- *give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2020 and of its deficit for the year then ended;*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and*
- *have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).*

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council

In our opinion, based on the work undertaken in the course of the audit

- *the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and*
- *the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.*

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- *adequate accounting records have not been kept; or*
- *the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or*
- *we have not received all the information and explanations we require for our audit; or*
- *there has been a failure to achieve a prescribed financial objective*

We have nothing to report in respect of these matters.

4.2 2019-20 Academic Year Audits by BDO

BDO, as Internal Auditors, have undertaken the following annual audits for Academic Year 2019-20, reporting to SFC or Students Awards Agency for Scotland ('SAAS')

- 2019-20 Credits Audit
- 2019-20 Student Support Funds Audits.

These audits were satisfactory and the various BDO reports or copies of signed certification were presented to the Audit Committee at its meeting on 24 November 2020.

5. RISK MANAGEMENT

- 5.1 Risk Management has a high profile within Ayrshire College and the Risk Register is updated by the Executive Leadership Team on a quarterly basis and presented as a standing item to each Audit Committee meeting for review, discussion, amendment and approval. The most recent Risk Register for AY 2019-20 was the AY2019-20 High Level COVID-19 Risk Register presented to the Audit Committee on 9 June 2020 for its approval. The Risk Register is also a standing Agenda items for the Board of Management meetings. The AY2019-20 High Level COVID-19 Risk Register was approved by the Board of Management on 18 June 2020.

6. Other Matters

There are no other matters to report.

7. CONCLUSION

Based on the engagement with both Internal and External Auditors at each Audit Committee meeting, the Members of the Audit Committee believe their responsibilities to the Board of Management have been satisfactorily discharged for 2019-20 in relation to the matters contained within this report.

.....

Mrs Hazel Murphy, Chair of Audit Committee
24 November 2020

Publication

Due to the commercially sensitive information, this paper will not be published on the College website.

Ayrshire College # 484082
11/20/2020 11:30:28

Audit Committee Meeting

24 November 2020

Subject: Business Continuity Planning as at November 2020

Purpose: To update Members on the process for reviewing and updating the College's Business Continuity Plan

Recommendation: Members are asked to note the contents of this paper.

1. Background

Business Continuity is seen as the activities required to maintain and recover College operational effectiveness against threats or events which, if realised, may materialise as incidents and ultimately escalate into a full scale emergency or crisis.

A Business Continuity Plan (BCP) is required to guide actions and responses in a structured manner in the event of a sudden or unseen event that could seriously disrupt College operations and impair its ability to operate services efficiently and effectively. The most recent BCP was approved by the Audit Committee in November 2019.

The College has established a Business Continuity Plan Steering Group. The purpose of the Group is to ensure the College's BCP is continually monitored and up to date. The Group's membership includes staff from curriculum and service areas. Attendees have been selected to give a cross-representation of the key areas of the College and are directly linked to the lead roles identified in the College's BCP.

2. Current Situation

The Group meets on a quarterly basis to review and consider any BCP events that have taken place and to assess the College's response to the event. The Group is responsible for updating the BCP, where relevant, after each meeting and conducts a full formal review of the BCP review on an annual basis.

The Group's responsibilities include overseeing frequent testing of the College's BCP arrangements. This includes assessing and reviewing how the College's BCP arrangements following live incidents.

COVID-19 is the largest live testing of the College's BCP arrangements. Ayrshire College established a Campus Operations Steering Group to help coordinate and direct the College's response to COVID-19. The Steering Group is responsible for overseeing the return of staff and students to campus operations. The Steering Group also reviews relevant Scottish Government and other advice (SFC etc.) in

relation to campus operations and the delivery of service provision, modifying the College's arrangements as appropriate

Given the scale and impact of COVID-19 the College is keen to ensure that the experiences and lessons learnt can be used to develop and inform the revised BCP. The College has therefore commissioned Zurich Municipal to conduct a lessons learnt and horizon scan exercise. This work will include a survey of key staff and the facilitation of a virtual workshop to present Zurich's findings and how these are captured in the updated BCP. The costs for this exercise are included within the College's insurance costs.

The revised and amended BCP will be presented to the March 2021 meeting of the Committee, following completion of the Zurich Municipal exercise.

3. Proposals

No further proposals are contained in this report.

4. Consultation

No formal consultation is required given the subject of this paper.

5. Resource Implications

No specific resource implications require to be noted.

6. Risks

The BCP addresses a number of key risks which the College may face, including for example denial of access to campuses, the impact of a pandemic and the loss of computer records and servers.

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 contents of this paper.

Michael Breen
Vice Principal, Finance
16 November 2020

[James Thomson, Director of Finance, Student Funding and Estates]

Audit Committee Meeting**24 November 2020**

Subject: 2020-21-20 Internal Audit Rolling Internal Audit Action Plan as at 13 November 2020

Purpose: To provide Members with an update on the Rolling Internal Audit Action Plan as at 13 November 2020

Recommendation: Members are asked to note the content of this paper

1 Background

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

2 Current Situation

The Rolling Internal Audit Action Plan for 2020-21 onwards covers any audit recommendations made by our current internal auditors (BDO), once the audit reports and proposed management responses have been approved by the Audit Committee. The three year audit plan was approved by the Audit Committee on 18 June 2018 and the 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 13 November 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	1	0	1
2	2019-20	Data Protection (GDPR)	1	1	0
TOTAL			2	1	1

2.1 Corporate Governance

The outstanding audit point relates to the recommendation that the Audit Committee meets with External and Internal auditors without management present on an annual basis. This was scheduled to take place in March 2020 but the Audit Committee was cancelled due to the developing COVID-19 pandemic. The September Audit Committee agreed that the Committee will hold this meeting at the November 2020 meeting. The audit action is therefore incomplete.

2.2 Data Protection (GDPR)

This audit point relates to the College introducing implements a 'due by' function within the HR system. This will allow for staff members with upcoming training due dates to be identified, and action taken to ensure the training is completed in a timely manner.

There is a reporting function within the system that enables managers to assess the current status of their staff members' mandatory training. This functionality can be run College wide by the Staff Learning and Development Team. This achieves the outcome recommended by Internal Audit. Therefore this audit action is 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
16 November 2020

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