

BOARD OF MANAGEMENT ACTION TRACKER

COMMITTEE: **Audit Committee: 16 March 2021**

(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	Completed	<p>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.</p> <p>UPDATE: November 2020 - The Committee agreed that a review of the College's use of the COVID-19 Job Retention Scheme would be the best use of the additional 5 days and approved it for inclusion in the 2020-21 Audit Plan.</p>
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)	Completed	

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
24.11.20	3	The figures included in the wider scope section of the Annual Audit Report to the BOM and Auditor General to be updated prior to being presented at the Board meeting on 10 December 2020.	December 2020	M Breen	Completed	
24.11.20	4	Risk Register: BOM5 to be recommended to the Board for closure at its meeting on 10 December 2020.	December 2020	M Breen/J Thomson	Completed	
24.11.20	5	Risk Register: The addendum of risks to be colour-coded in future papers to provide the Committee with additional clarity on individual risks.	March 2020	M Breen/J Thomson	In Progress	
24.11.20	6	The risk category section of BOM1 to be updated to coincide with the financial components outlined in the risk wording.	March 2020	M Breen/J Thomson	In Progress	

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

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AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT - FINAL

PARTNERSHIP WORKING (SDS)
JANUARY 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial

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DISTRIBUTION

Anne Campbell Audit Committee	Vice Principal - Curriculum Members
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REPORT STATUS LIST


Auditors:	Sean Morrison
Dates work performed:	16 November 2020 - 10 December 2020
Draft report issued:	18 December 2020
Final report issued:	20 January 2021


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AYRSHIRE COLLEGE, PARTNERSHIP WORKING (SDS)

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

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

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

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		0
Medium		0
Low		0

TOTAL NUMBER OF RECOMMENDATIONS: 0

BACKGROUND:

As part of the 2020-21 Internal Audit plan for Ayrshire College (the 'College'), it was agreed that Internal Audit would assess the arrangements in place to strategically manage key relationships with partners to ensure common understanding of aims, roles and responsibilities, and effective partnership and collaborative working. The review focussed specifically on the partnership that Ayrshire College has with Skills Development Scotland (SDS) and the three main themes that the College and SDS are working towards:

- Delivery of the family of apprenticeships
- Targeted support for progression for school leavers
- Use of labour market information to inform curriculum planning

The College Strategic Plan and the College Outcome Agreement are two key overarching documents which dictated the direction of the College. These set out the aims and objectives for the College. The most recent Strategic Plan covered 2017-2020, with the new plan currently in development, the strategic ambition of the new plan will focus on the themes of right learner, right place, right delivery, and right alignment. The most recent College Outcome Agreement covers the period 2020-2023, and has a mission of providing excellent, high quality, flexible learning opportunities that enables all students to fulfil their potential. There is clear alignment with elements of the SDS 2019-2022 Strategic Plan, particularly in relation to ensuring that people have the information and skills that they need.

Lead personnel have been assigned for each of the key themes that the College and SDS are working towards. The lead personnel are responsible for communicating with the respective SDS representatives and managing their respective relationships. The theme responsibilities are in alignment with the respective lead personnel job positions, for example the Head of Apprenticeships & Work Based Learning has a key role in managing the achievement of the delivery of the family of apprenticeships, and the Vice Principal for Curriculum is responsible

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for the new theme of using labour market information to inform curriculum planning. The third theme relating to Career Management/supporting school leavers is managed by the Head of Schools, Engagement & Widening Access, and the Head of Student Experience.

Across the three themes, College staff engage with SDS via a number of communication channels. Examples of communication methods include, formal monitoring meetings, industry workshops, forum attendance such as employability forums, networking and development events, student support meetings and informal discussions. These communication methods provide the opportunity to develop the partnership relationships, identify improvement areas, and to provide feedback on the partnership.

Student services in particular have a hands on student level relationship with the SDS, whereby both parties work together to provide information to the students in relation to their course choices and destinations following course completion. They also work together to identify students that may need additional support in transitioning to the College, for example young early school leavers.

The Head of Business Intelligence & Information Systems works with SDS on a national level as a member of the SDS National Data Hub Reference Group. This relationship involves exchanging information through the data hub in line with the data sharing arrangements in place. In practice the College utilise this hub to get an understanding as to whether students may need additional support from the College based on certain triggers in the data, for example students that have a history of leaving courses early, or identifying Care Experienced students. This support can include supporting the students transitioning to the College, identifying additional funding, and providing career path information. As part of the data sharing agreement when a student leaves the College, the College put this information onto the hub, which then triggers SDS to follow up with the student to see if support can be provided, such as identifying the reason for leaving the course and identifying other education opportunities.

On an annual basis the College tenders for the delivery of SDS contracts in relation to apprenticeship provision. Upon completion of this tender details of key contacts from the College are provided to SDS, for example the Head of Apprenticeships & Work Based Learning. To ensure that effective progress is being made against the contract requirements, monthly meetings are held between the SDS local authority area representatives and the lead personnel from the College. These meetings cover progress against the contract deliverables, milestone achievement and roles and responsibilities from both partners, for example marketing and employer engagement. The Learning and Teaching Committee, which meets on a quarterly basis, also has a standing agenda item relating to the monitoring of the Apprenticeship contract performance.

SCOPE AND APPROACH:

The scope of our review was to assess whether:

- The College has in place effective arrangements (clearly defined roles and responsibilities, communication and feedback mechanisms) for managing partnership work with SDS.
- The College's aims and plans for partnership working are aligned with SDS's partnership working plans in the region.
- Contract compliance is effectively monitored, which includes the effectiveness of financial controls and reporting; operational performance and reporting; communications; and governance structures.

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

GOOD PRACTICE:

We have noted a number of areas of good practice being demonstrated at the organisation in relation to the SDS partnership working. These included:

- There is clear alignment between the College aims and objectives and those noted in the SDS strategy. In particular the focus on developing the skillsets in the region, supporting students and developing the curriculum to meet economic needs.
- The College have assigned staff to the specific strands of the SDS partnership, all of these key contacts are fully aware of their roles and responsibilities within the partnership.
- The College effectively communicates with SDS via a number of channels, for example via workshops, partnership groups, direct formal meetings and informal ad-hoc communications. These channels also provide the opportunity for feedback to be provided on the processes in place and performance.
- Modern apprenticeship contract compliance is conducted via monthly meetings between the key College staff and the SDS representatives. Also, on a quarterly basis the Learning and Teaching Committee reviews performance reports on the contract compliance as a standing agenda item.

CONCLUSION:

We are able to provide substantial assurance over the design and operational effectiveness of the partnership working controls in place in relation to the SDS partnership.

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

- ✓ Ayrshire College's partnership working plans may not be aligned with the partnership working plans of SDS.
- ✓ Roles and responsibilities within key SDS partnerships may not be clearly defined.
- ✓ Communication with SDS may not be managed effectively.
- ✓ Feedback mechanisms from SDS may not be established or may indicate weaknesses in the management of the relationship which are not addressed.
- ✓ Contract compliance is not effectively monitored.

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OBSERVATIONS

ROLES AND RESPONSIBILITIES

We recognise that the staff within the College that engage with SDS are fully aware of their roles and responsibilities and that key duties are recorded within staff job descriptions. However, there is no document that specifically outlines all of the College responsibilities in relation to the partnership themes. In our experience for completeness it would be beneficial for the roles and responsibilities within the partnership to be documented.

ACTION PLANS

Any actions developed from partnership discussions whether formal or informal should be documented and fully completed. By documenting the action it confirms the views of both parties as what was discussed and agreed. It was explained by the Head of Student Experience that following a networking event involving both the College and SDS representatives, that improvement areas were identified to the processes for working together to support the students. Some of these improvements have been actioned, for example monthly meetings are taking place between student experience team leaders and SDS representatives. However, an action plan has not been developed to allow effective tracking of the agreed upon improvement areas.

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STAFF INTERVIEWED





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

Anne Campbell	Vice Principal - Curriculum
Carol Nisbet	Head of Schools, Engagement & Widening Access
Doreen Wales	Head of Student Experience
Richard Simson	Head of Business Intelligence & information Systems
Stuart Miller	Head of Apprenticeships & Work Based Learning




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AYRSHIRE COLLEGE, PARTNERSHIP WORKING (SDS)

APPENDIX I - DEFINITIONS

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

RECOMMENDATION SIGNIFICANCE

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

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APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to provide independent assurance on how the College is managing key, formally established partnership relationships, and monitoring contract compliance with partners including:

- Effectiveness of operational performance and reporting.
- Effectiveness of communications with partners.
- Effectiveness of governance structures.

The review will focus, specifically on the partnership that Ayrshire College has with Skills Development Scotland (SDS) and the three main themes that both the College and SDS are working towards:

- Delivery of the family of apprenticeship.
- Targeted support for progression for school leavers.
- Use of labour market information to inform curriculum planning.

KEY RISKS:

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

- Ayrshire College's partnership working plans may not be aligned with the partnership working plans of SDS.
- Roles and responsibilities within key SDS partnerships may not be clearly defined.
- Communication with SDS may not be managed effectively.
- Feedback mechanisms from SDS may not be established or may indicate weaknesses in the management of the relationship which are not addressed.
- Contract compliance is not effectively monitored.

SCOPE OF REVIEW:

The scope of this review will be to assess whether:

- The College has in place effective arrangements (clearly defined roles and responsibilities, communication and feedback mechanisms) for managing partnership work with SDS.
- The College's aims and plans for partnership working are aligned with SDS's partnership working plans in the region.
- Contract compliance is effectively monitored, which includes the effectiveness of financial controls and reporting; operational performance and reporting, communications; and governance structures.

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AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT

FINANCIAL CONTROLS
JANUARY 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



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DISTRIBUTION

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

REPORT STATUS LIST


Auditors:	Sean Morrison
Dates work performed:	14 December - 18 December 2020
Draft report issued:	20 January 2021
Final report issued:	4 March 2021


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EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

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

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

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		0
Medium		0
Low		1

TOTAL NUMBER OF RECOMMENDATIONS: 1

BACKGROUND:

A high level review of financial controls was conducted as part of the 2019-2020 Internal Audit Plan, to assess whether Ayrshire College had procedures and controls in place for key financial processes which were well designed and were being complied with. That audit provided positive assurance over the financial controls. The purpose of this audit is to review and confirm whether the controls and processes in place are still functioning effectively with staff working remotely.

Overview of key financial processes

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

Within the Procedures Manual, there is an overview provided of the system, including a diagram of the system interfaces. There is a detailed overview of each business cycle or procedures group which identifies the scope, the flow transactions and any key points to be

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aware of. Each procedure is allocated a unique reference number. The purpose of the procedure is stated and the steps are outlined and allocated to relevant staff members. Details of the Open Accounts pathway are provided in a diagram for some steps where appropriate.

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

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

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

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

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

The College utilise eBIS, an automated system for the raising and processing of purchase orders; eBIS is available for 80% of the College departments, and few areas still use the manual process while the transition to eBIS continues. When following the manual process, the originating document is the Purchase Order Requisition Form which is available on the intranet and must be authorised within the College's authorisation limits. A Purchase Order is raised and the sequential PO number is recorded on the requisition. Goods are checked on receipt and the Goods Received Note is matched to the PO and filed. The Supplier Purchase

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Invoice is stamped with the date on receipt and invoices are checked against the GRN before processing.

The payment processing facility in Open Accounts selects invoices for payment automatically on a weekly basis based on the invoice due date; parameters are input into the system and used to generate the suggested payment run. The payment run is reviewed by the Finance Team Leader and the physical BACs file and remittances for suppliers are generated. The BACs file is uploaded to the Bank Provider for physical payment to take place. A double entry Payment Update debits the relevant supplier account and credits the bank account within Open Accounts. The purchase ledger month end process includes a batch control check, an aged creditors report and a purchase ledger reconciliation.

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

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

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

Each month, the budget holder for each directorate receives an Income & Expenditure (I&E) Report preview. This report shows the budgeted I&E for the year compared to the actual figures for each month to date, the actual year to date (YTD), committed spend, and the remaining budget. Budget holders will then receive a full I&E Report which includes a

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summary of YTD budget vs actuals and MTD budget vs actuals. Each budget holder will have a monthly meeting with finance to discuss the report.

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

Developments as a result of COVID

The described team structure and systems are unchanged since the previous audit, and there has been no need to change the key financial procedures as a result of COVID, as the processes that were previously in place can all be completed remotely.

Some minor tweaks to the processes in place have included:

- Due to no staff being in the College until the end of August/early September, and the risks in relation to transferring COVID by using cash, the College have been transitioning to becoming a cashless campus as much as possible. In practice this has been easier due to the refectories/coffee shops, training salons and training restaurants in the college not being open, which were the main sources of cash.
- Online payment facilities have been encouraged for students that have to pay their fees, with two staff members utilizing the credit card payment machines remotely.
- Communications were sent to suppliers for invoices to be sent electronically in line with best practice.
- All backup documentation such as invoices are stored within the finance team shared drives, ensuring that the documentation can be utilised for reviews, approvals and future audits.
- All reconciliations, for example bank reconciliations are now being stored electronically, with electronic signatures being provided as verification of review and approvals.

SCOPE AND APPROACH:

The scope of our review was to assess whether:

- The procedures and controls in place for the key financial processes are well designed and are being complied with.
- There continue to be adequate controls in place despite the impact of COVID-19 on the College and its staff.
- There is adequate segregation of duties in place surrounding the finance processes.
- Effective management oversight of financial processes is in place.

The following areas were covered as part of this review:

- Cash and bank
- Purchasing and payables
- Income
- Fixed assets
- Payroll

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

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GOOD PRACTICE:

We have noted a number of areas of good practice being demonstrated at the College in relation to financial controls. These include:

- Key financial reconciliations being conducted, for example monthly bank reconciliations.
- Systems and processes have been effectively transitioned to a remote working environment, and early adoption of controls such as electronic signatures have been consistently completed.
- There are documented financial procedures and regulations in place that align to the Scottish Public Finance Manual which is considered best practice.
- There are strong controls embedded within the procedures which were found to be operating consistently.
- IT systems were found to be effective with an appropriate level of automation, reducing the risk of error from manual input.
- There was found to be appropriate segregation of duties in place for all processes which included the distribution of duties amongst team members and documented authorisation limits.
- There was found to be effective management of finance processes and monitoring through the monthly management accounts and month end processes.

KEY FINDINGS:

During our review we identified one area where improvement could be made to the process for paying supplier invoices remotely, as it was explained that a barcode is required to be generated and printed to allow payments to be made within the system.

CONCLUSION:

We are able to provide substantial assurance over the design and operational effectiveness of the financial controls and processes in place within the College, and to confirm the key financial processes are still operating effectively within the remote working environment. This was possible due to the robust systems in place, and previous adoption of remote friendly processes, such as electronic signature approvals.

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


- ✓ Ineffective or inefficient procedures and controls may be in place for the finance processes.
- ✓ Controls have been compromised through the impact of COVID-19 on the College.
- ✓ Inadequate segregation of duties may compromise the control environment in relation to finance processes.
- ✓ There is inadequate management of oversight of financial processes.

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DETAILED FINDINGS

RISK: CONTROLS HAVE BEEN COMPROMISED THROUGH THE IMPACT OF COVID-19 ON THE COLLEGE.

Ref	Sig.	Finding
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1		<p>Efficient Payment Of Invoices</p> <p>Ensuring that there are quick and effective invoice payment processes in place is essential for ensuring that there are strong supplier relationships, and also during difficult times, such as the current economic environment, that suppliers are able to keep themselves afloat.</p>
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It was explained by management that there has been an issue in relation to the processing of purchase ledger invoices. Whereby the system requires a barcode to be printed off and scanned to allow payment, however this has not been easily done with the current software and home working. To solve this issue and improve the efficiency of processing invoices management have investigated a software add-on which will allow the barcode to be taken as an image and to be processed within the finance systems. Once implemented this will also remove the need for scanning and filing paper copies of invoices.

Until the solution is put in place there is a risk that purchase ledger invoices are not being processed in a timely and efficient manner.

RECOMMENDATION:

In line with management plans we recommend that the software add-on is implemented to ensure that invoices can be processed remotely in a timely manner.

MANAGEMENT RESPONSE:

The College has procured additional software that will address this issue. The software will be fully operational by May 2021.

Responsible Officer: Head of Financial Services

Implementation Date: 31 May 2021

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STAFF INTERVIEWED





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

Geraldine Milloy	Financial Accountant
Laura Blackhurst	Financial Accountant
Liz Walker	Head of Financial Services
Lorraine Murray	Finance Team Leader
Mary Robertson	Finance Team Leader
Sandra James	Finance Assistant - Payroll




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AYRSHIRE COLLEGE, FINANCIAL CONTROLS

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, FINANCIAL CONTROLS

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this review is to assess whether Ayrshire College has procedures and controls in place for key financial processes which are well designed and are being complied with. We will assess whether there is adequate segregation of duties in place and whether there is effective management oversight. We will provide assurance to management and the Audit & Risk Committee on the design and effectiveness of the key financial control processes in place.

KEY RISKS:

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

- Ineffective or inefficient procedures and controls may be in place for the finance processes.
- Controls have been compromised through the impact of COVID-19 on the College.
- Inadequate segregation of duties may compromise the control environment in relation to finance processes.
- There is inadequate management of oversight of financial processes.

SCOPE OF REVIEW:

The scope of this review will be to assess whether:

- The procedures and controls in place for the key financial processes are well designed and are being complied with.
- There continue to be adequate controls in place despite the impact of COVID-19 on the College and its staff.
- There is adequate segregation of duties in place surrounding the finance processes.
- Effective management oversight of financial processes is in place.

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

- Cash and bank
- Purchasing and payables
- Income
- Fixed assets
- Payroll

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AYRSHIRE COLLEGE
INTERNAL AUDIT PROGRESS REPORT 2020-21
March 2021



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Restrictions of use

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

EXECUTIVE SUMMARY

Introduction

The purpose of this report is to *advise* the Audit Committee of the progress of the Internal Audit Plan for 2020-21. This paper together with progress and assignment updates are discussed with management and the Audit Committee throughout the year. These reports will form the basis of information to support our Annual Internal Audit Report for 2020-21.

Internal Audit Plan 2020-21

Since the last Audit Committee meeting, the following internal audit reports for the 2020-21 plan have been finalised and are presented under separate cover:




- Partnership Working
- Financial Controls

Conclusion

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

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WORK COMPLETED

Reports Issued	Overall Report Conclusions - see appendix I				
				Design	Operational Effectiveness
FES Return	0	0	0	Substantial	Substantial
Student Support Fund	0	0	0	Substantial	Substantial
Partnership Working	0	0	0	Substantial	Substantial
Financial Controls	0	1	1	Substantial	Substantial

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PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	September 2020	Student Support Fund	3	3	Completed
2	September 2020	FES Return	5	5	Completed
3	November 2020	Partnership Working	5	5	Completed
4	January 2021	Financial Controls	5	5	Completed
5		Commercial Income	5		Scheduled to start 17 May 2021
6	February 2021	Coronavirus Job Retention Scheme	5	5	Complete
7	March 2021	Student recruitment & selection	5		In Progress
8		IT Service Provision	5		Scheduled to start 29 March 2021
9		Curriculum Planning	5		Scheduled to start 7 June 2021
10		Follow Up	3		Scheduled to start 6 September 2021

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AUDIT PERFORMANCE





AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
FES Return	7 th October 2020	23 rd October 2020	16 th November 2020	16 th November 2020
Student Support Fund	11 th September 2020	30 th September 2020	1 st November 2020	2 nd November 2020
Partnership Working	10 December 2020	18 December 2020	27 January 2021	27 January 2021
Financial Controls	18 December 2020	20 January 2020	3 March 2021	4 March 2021
Coronavirus Job Retention Scheme	5 February 2021	12 February 2021	25 February 2021	25 February 2021 Final report submitted to College




On average:

- Reports were issued in draft within 14 working days of completion of our fieldwork and a debrief meeting with management.
- Final reports were issued within 1 working day of management responses being received

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APPENDIX I - DEFINITIONS

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

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

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Audit and Risk Committee Meeting

16 March 2021

Subject: Business Continuity Plan (V5) at February 2021

Purpose: To present to the Audit Committee the updated Business Continuity Plan (V5) for review, discussion and approval

Recommendation: Members are asked to approve the College's Business Continuity Plan (V5).

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 College developed its first BCP in November 2014. The most recent BCP was approved by the Audit Committee in November 2019.

2 Current Situation

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.

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.

The College's BCP arrangements were live tested through the unprecedented BCP events of the COVID-19 pandemic. Given the scale and impact of COVID-19 the College was keen to ensure that the experiences and lessons learnt were used to develop and inform the revised Business Continuity Plan. The College therefore commissioned Zurich Municipal to conduct a lessons learnt and horizon scan exercise. This work included a survey of key staff and the facilitation of a virtual workshop to present Zurich's findings. The findings of Zurich's work are reflected in the updated Business Continuity Plan (V5).

Business Continuity Plan (V5) is now presented to members for their review and approval.

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 and loss of computer records and data.

7 Equality Impact Assessment

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

8 Conclusion

Members are asked to approve the College's Business Continuity Plan (V5).

Michael Breen
Vice Principal, Finance
5 March 2021

[James Thomson, Director of Finance, Student Funding and Estates]

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Audit and Risk Committee Meeting**16 March 2021**

Subject: 2020-2021 Internal Audit Rolling Internal Audit Action Plan as at 8 March 2021

Purpose: To provide Members with an update on the Rolling Internal Audit Action Plan as at 8 March 2021

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 8 March 2021. 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	1	0
2	2019-20	Business Continuity Management	1	1	0
TOTAL			2	2	0

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 meeting took place

following the Audit and Risk Committee meeting on 24 November 2020. The audit action is therefore complete.

2.2 Business Continuity Management

This audit point relates to the College's Business Continuity Plan. The Plan states the College has established a Business Continuity Steering Group and that a Business Continuity Response Team (BCRT) will be established for each business continuity event. The auditors noted that the membership of the Steering Group and BCRT is not defined within the Business Continuity Plan.

Management agreed that the Business Continuity Plan would be updated to state that the membership of each BCRT is dependent on the incident and the relevant skills and expertise required to address it. The Business Continuity Plan will also be amended to show the members of the Steering Group within the relevant section of the document.

This action was due to be completed in November 2020 in line with the planned date for the approval of the updated Business Continuity Plan. 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 Business Continuity Plan. The College has therefore commissioned Zurich Municipal to conduct a lessons learnt and horizon scan exercise. The findings of this work will be captured in the updated Business Continuity Plan.

The revised and amended Business Continuity Plan is being presented to the March 2021 cycle of Board and committee meetings. 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.

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8 Conclusion

Members are asked to note the content of this paper.

Michael Breen
Vice Principal, Finance
8 March 2021

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

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