

## BOARD OF MANAGEMENT ACTION TRACKER

COMMITTEE: **Audit Committee: 8 June 2021**

(Paper 1a)

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
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	Completed	<b>UPDATE: March 2021 –</b> The Committee agreed that this Action should now be considered under the remit of BRIC and should be removed from the Audit Action Tracker and transferred as a BRIC action.
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	Completed	
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	Completed	
16.03.21	7	M Breen/J Thomson to circulate the full Zurich Municipal Survey Report to members.	March 2021	M Breen/J Thomson		
16.03.21	8	Updates on the progress of the College Cyber Security Review be provided at future meetings of the Committee pending, completion of and presentation of the review report to this Committee.	June 2021	M Breen/J Thomson		
16.03.21	9	J Thomson to work with Y Melvin to organise an Audit Development Session	ASAP	J Thomson/Y Melvin		

DATE RAISED	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
16.03.21	10	The addendum of risks in future papers to be updated to include a further additional column showing the Current Risk Appetite.	ASAP	J Thomson	Completed	
16.03.21	11	The risk category section of BRIC2 to be updated to reflect the financial components outlined in the risk wording.	ASAP	J Thomson	Completed	
16.03.21	12	The risk category section of L&T1 to be updated to reflect the learning and teaching components outlined in the risk wording.	ASAP	J Thomson	Completed	
16.03.21	13	The wording used in L&T2 to be updated to reflect that the one-off £200 payment to support FE bursary eligible students had been made.	ASAP	J Thomson	Completed	

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

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# AYRSHIRE COLLEGE

## INTERNAL AUDIT REPORT - DRAFT

CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS  
FEBRUARY 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate



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# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

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## DISTRIBUTION

James Thomson	Director of Finance, Student Funding and Estates
David Davidson	Director of HR and OD
Members of the	Audit Committee

## REPORT STATUS LIST


Auditors:	Abigail McGurn
Dates work performed:	01/02/20 - 05/02/20
Draft report issued:	12/02/20
Final report issued:	26/02/21


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# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS




## EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

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

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

## SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		0
Medium		1
Low		1

TOTAL NUMBER OF RECOMMENDATIONS: 2

## BACKGROUND:

As part of the 2020-21 Internal Audit Plan, it was agreed by management and the Audit Committee that Internal Audit would carry out a review of the Coronavirus Job Retention Scheme arrangements in place within Ayrshire College to provide assurance that claims made were accurate and compliant with HMRC requirements.

The purpose of this review was to establish whether adequate and effective controls are in place and are being maintained to mitigate risks associated with the management of CJRS grant claims.

The UK Government's Coronavirus Job Retention Scheme (CJRS) was introduced in March 2020 as a short term measure to help businesses to protect jobs throughout the COVID-19 pandemic. Essentially, the UK Government would allow businesses that meet the criteria to make a claim for furloughing their employees and not making them redundant.

The initial CJRS period, on which this audit is based, ran from March to October 2020. During this period, the College furloughed 166 of its staff.

There are specific conditions which must be met in order to make a valid claim from Her Majesty's Revenue and Customs (HMRC) who have indicated that they reserve the right to review businesses records to ensure that they have made valid claims throughout the period. These include; employers can claim for employees on any type of employment contract, including full-time, part-time, agency, flexible or zero-hour contracts. Foreign nationals are eligible to be furloughed and employees on all categories of visa may be furloughed. Employers must ensure that the agreement is consistent with employment, equality and discrimination laws. The CJRS grant amounts to 80% of the employees regular salary and the full grant amount must be paid to employees. The College took the decision to pay their employees 100% of their salary by topping up the 80% CJRS grant with an additional 20%.

# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

Employers must make the JRS claim rather than employees. In order to be eligible, the employer must confirm to the employee in writing that the employee has been furloughed. They must make sure the agreement is consistent with employment, equality and discrimination laws and must keep a written record of the agreement for the period stated by HMRC.

There are four key compliance areas relating to the Coronavirus job retention scheme (CJRS) grant claims:

- Qualifying Criteria
- Regular Salary Definition
- Salary Sacrifice
- Special Conditions

The first claim that was submitted covered the period from 1 April 2020 to 31 May 2020, with monthly claims made from then on.

Finance and HR worked closely along with the Senior Leadership Team (SLT) and, prior to every CJRS claim, government guidance and individual's circumstances were checked. HR would inform Finance of any changes as to who was on Furlough. A Furlough Claims Working Sheet prepared by the Financial Accountant was used to calculate each line of the JRS Claim. This was checked by the Head of Financial Services and finally approved by the Director of Finance, Student Funding and Estates. The Financial Accountant also conducted random spot checks using the HMRC calculator to confirm amounts were correct. The Financial Accountant would ask HR to confirm changes in the month prior to submitting the claim.

The College needs to meet all of the HMRC criteria in order for them to be qualified to make claims. The criteria outlined by HMRC are that the College must have:

- A PAYE payroll scheme on or before 19 March 2020
- Enrolled for PAYE online
- A UK bank account
- Met the Salary Sacrifice implications by paying all furloughed staff 100% of their base salary during the period of their furlough.

For staff to be eligible for furlough they were required to have:

- Been reported to HMRC on an Real Time Information (RTI) submission on or before 19 March 2020
- A written agreement to furlough employees
- Been furloughed for at least 3 weeks
- Been paid the lower of £2,500 and 80% of reference salary to August and 70% in September; and
- Not worked whilst furloughed.

The National Circular: Guidance on the Use of Coronavirus Job Retention Scheme in the College Sector (Support Staff) acted as Ayrshire College's blueprint to move ahead with the Furlough scheme, nobody was furloughed prior to this guidance being received.

The College has defined what it means by Regular Salary as being the base salary for each employee, not including any overtime or additional regular allowances available to staff. This simplified the calculation required.

# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

## SCOPE AND APPROACH:

The audit covered any CJRS applications made by the College during the period from March 2020 to October 2020. The following areas were covered as part of this review:

1. Claimant Conditions and Employee Requirements (Qualifying Criteria)
2. Regular Salary Definition and Grant Claim Calculations
3. Retention of sufficient business records
4. Monitoring and Change Management

Our testing focussed on the following areas:

1. **Claimant Conditions and Employee Requirements:** We assessed if the organisation qualified as a “Claimant” based on the requirements outlined by the Government prior to the claim being made.

In addition, for a sample of 20 furloughed employees, we assessed if all requirements were met prior to the claim being made and obtain all relevant supporting documentation for review.

2. **Regular Salary Definition & Grant Claim Calculations:** We interviewed key staff members to confirm how grant claims were calculated and the mechanisms in place to ensure all the relevant exclusions were made when calculating the grant claim.

For a sample of 20 furloughed employees, we recalculated the grant claim and identified any discrepancies to ensure all deductions and special considerations (i.e. Tips, Bonuses, Bank Holiday Payments, Sick Pay, Salary Exchange and SMART Pensions) were accurately taken into consideration. We obtained all relevant supporting documentation for the selected calculations and investigate the reasoning for any omitting documents.

We reconciled the employees included on the grant claim(s) to the payroll system and payroll records to ensure employees included in the claim are current employees.

In addition, we ensured sufficient segregation of duties was in place when performing the claim and confirmed the approval process prior to the grant claim being made.

3. **Retention of sufficient business records:** For a sample of 20 furloughed employees we reviewed the:
  - a. Furlough agreements including:
    - i. the date furlough started
    - ii. how much the furloughed worker was paid
    - iii. when the furlough was reviewed
    - iv. how the College kept in contact during furlough
  - b. Furlough extension letters (if applicable)
  - c. Notice letter issued to employees when the furlough period was coming to an end.
  - d. Any changes to employment contracts
  - e. Minutes of discussion meetings prior to the employee being furloughed

We also reviewed the strategy documentation outlining the approach used by the organisation to select employees for furlough, to ensure it was completed in a fair and transparent way.

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# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

4. **Monitoring & Change Management:** We confirmed how changes to employees' status (i.e. from furloughed to the agreed point of return) have been captured, monitored and communicated to all relevant stakeholders including the HMRC.

For a sample of 20 furloughed employees we sought the training records updated during the grant period. Where training has been undertaken we will confirm the steps taken to ensure the employees received at least the National Minimum Wage for these hours.

We interviewed management to confirm the steps taken to ensure furloughed employees did not work during the grant period.

At the conclusion of the fieldwork, we held a closing meeting to discuss the outcome of the review and agree recommendations.

## GOOD PRACTICE:

We identified a number of areas of good practice:

- HMRC guidelines have been consistently applied; There is clear and detailed communication with all staff and those affected by the furlough arrangements on how this will be addressed and the impact it will have on the employees;
- Good processes were found to be in place for the reporting, review and authorisation of claims;
- The College and all staff furloughed were eligible for the claims process;
- The College set out clear guidance which, amongst others, addressed the Special Conditions highlighted by HMRC in its guidance. By paying 100% of the base salary to all employees furloughed, the College addressed many of the areas picked up in these conditions.
- The Salary sacrifice requirements were met by the College paying 100% of the employees' salaries during their period of furlough. All of the amounts claimed for furlough were confirmed as being paid back to the employee. The Pension and NIC reclaims for March to July were also found to have been calculated in line with HMRC guidelines. The NIC and Pension reclaim ceased in August, again, in line with Government instruction.

## KEY FINDINGS:

Notwithstanding the areas of good practice noted above, we identified the following area where there is an opportunity to improve the controls in place:

- **Checking individuals on payroll amount prior to claiming for them:** We found one individual had been claimed for past the end of their Fixed Term contract, meaning they had been over claimed for.
- **Accurate Employee Furlough Extension Letters to Period Claimed for:** We found that 7 of a sample of 20 furlough extension letters do not match the JRS Claim return to work date.

## CONCLUSION:

We are able to provide moderate assurance over the design and over the operational effectiveness of the controls and processes in place in relation to the Coronavirus Job Retention Scheme Grant Claims.

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

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- ✓ Failure to ensure Ayrshire College meets the set “Claimant” and “Employee” requirements outlined by the Government, prior to a claim(s) being made to HMRC, leading to non-compliance with government legislation, potential fines and reputational damage.
- ✓ Failure to retain sufficient business records to support the claims made, leading to an invalid claim being made, which may lead to reputational damage, an investigation from HMRC and for the grant to be repaid in full.
- ✓ Lack of monitoring and escalation processes in the event furloughed employees are requested to work during the grant period, without a declaration being made to the HMRC advising them of any change in circumstances, leading to a full investigation by the HMRC, penalties, fines and repayment of the grant funding received.

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# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

## DETAILED FINDINGS

**RISK: FAILURE TO ACCURATELY CALCULATE EMPLOYEES' "REGULAR SALARY" WHEN DETERMINING THE VALUE OF THE CJRS GRANT CLAIM, LEADING TO ERRORS AND AN OVER-OR-UNDERSTATED CLAIM BEING DECLARED TO THE GOVERNMENT AND HMRC (INCL. GHOST EMPLOYEES.)**

Ref	Sig.	Finding
1	<span style="background-color: orange; width: 15px; height: 15px; display: inline-block;"></span>	<p>It is important that accurate claims are submitted for JRS claims.</p> <p>We sampled 20 employees and checked claims submitted for them were accurate.</p> <p>The testing identified an anomaly with one individual. Upon investigation by the College, it was identified that part of the claim was made based on outdated contractual information, meaning the individual had been over claimed for.</p> <p>A similar instance was identified by the College in October 2020 and had been corrected by the College. The College therefore added an additional step to check that the salary furloughed employees received had not exceeded the amount that claimed for. The check was not however applied retrospectively.</p> <p>There is a risk that there are still unidentified instances of over-claims.</p>

## RECOMMENDATION:

We recommend the College retrospectively perform this check on all previous Furlough claims to ensure there are no more instances of Over-Claim

## MANAGEMENT RESPONSE:

Agreed. The College is performing a retrospective check for all CJRS claims and this will be completed before the February 2021 CJRS claim is submitted. To date no further instances of miscalculation have been identified.

In line with HMRC guidelines, the amount overclaimed was deducted from a subsequent CJRS claim and no further action was required.


Responsible Officer: Director of Finance, Student Funding & Estates

Implementation Date: Complete

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RISK: LACK OF MONITORING AND ESCALATION PROCESSES IN THE EVENT FURLOUGHED EMPLOYEES ARE REQUESTED TO WORK DURING THE GRANT PERIOD, WITHOUT A DECLARATION BEING MADE TO THE HMRC ADVISING THEM OF ANY CHANGE IN CIRCUMSTANCES, LEADING TO A FULL INVESTIGATION BY THE HMRC, PENALTIES, FINES AND REPAYMENT OF THE GRANT FUNDING RECEIVED.

Ref	Sig.	Finding
2		<p>It is important that information retained in relation to CJRS is accurate.</p> <p>We found that 7 of a sample of 20 furlough extension letters do not match the CJRS Claim return to work date.</p> <p>There is a risk that the correspondence issued does not match the actual return to work date and therefore the College's records could be queried by HMRC.</p>

## RECOMMENDATION:

We recommend that records be updated to hold accurate information.

## MANAGEMENT RESPONSE:

The College has provided updated correspondence to the members of staff to confirm the actual date that the staff member returned to duties.

Responsible Officer: Director of HR and OD

Implementation Date: Complete

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# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

## STAFF INTERVIEWED

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

James Thomson	Director of Finance, Student Funding and Estates
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David Davidson	Director of HR and OD
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Gillian Brown	HR Manager - Employee Relations and Resourcing
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Laura Blackhurst	Financial Accountant
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# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

## 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
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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

<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

## APPENDIX II - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

The purpose of this review is to establish whether adequate and effective controls are in place and maintained to mitigate risks associated with the management of CJRS grant claims.

The review will assess internal controls and compliance with Government guidelines, and HMRC requirements, to provide assurance that they are being followed consistently to effectively claim CJRS grants from the Government.

Where appropriate, we will make recommendations to address control gaps, control weakness or operational effectiveness and compliance issues.

### KEY RISKS:

Based upon the emerging risks facing Ayrshire College during COVID-19 and our discussions with management, the key risks associated with the area under review are:

1. Failure to ensure Ayrshire College meets the set “Claimant” and “Employee” requirements outlined by the Government, prior to a claim(s) being made to HMRC, leading to non-compliance with government legislation, potential fines and reputational damage.
2. Failure to accurately calculate employees’ “regular salary” when determining the value of the CJRS grant claim, leading to errors and an over-or-understated claim being declared to the Government and HMRC (incl. ghost employees.)
3. Failure to retain sufficient business records to support the claims made, leading to an invalid claim being made, which may lead to reputational damage, an investigation from HMRC and for the grant to be repaid in full.
4. Lack of monitoring and escalation processes in the event furloughed employees are requested to work during the grant period, without a declaration being made to the HMRC advising them of any change in circumstances, leading to a full investigation by the HMRC, penalties, fines and repayment of the grant funding received.

### SCOPE OF REVIEW:

The audit will cover any CJRS applications made by the College during the period from March 2020 to October 2020. The following areas will be covered as part of this review:

1. Claimant Conditions and Employee Requirements (Qualifying Criteria)
2. Regular Salary Definition and Grant Claim Calculations
3. Retention of sufficient business records
4. Monitoring and Change Management

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# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

## APPROACH:

Our testing will focus on the following areas:

1. Claimant Conditions and Employee Requirements: We will assess if the organisation qualified as a "Claimant" based on the requirements outlined by the Government prior to the claim being made.

In addition, for a sample of 20 furloughed employees, we will assess if all requirements were met prior to the claim being made and obtain all relevant supporting documentation for review.

2. Regular Salary Definition & Grant Claim Calculations: We will interview key staff members to confirm how grant claims were calculated and the mechanisms in place to ensure all the relevant exclusions were made when calculating the grant claim. For a sample of 20 furloughed employees, we will recalculate the grant claim and identify any discrepancies to ensure all deductions and special considerations (i.e. Tips, Bonuses, Bank Holiday Payments, Sick Pay, Salary Exchange and SMART Pensions) were accurately taken into consideration. We will obtain all relevant supporting documentation for the selected calculations and investigate the reasoning for any omitting documents.

We will reconcile the employees included on the grant claim(s) to the payroll system and payroll records to ensure employees included in the claim are current employees (i.e. employees that have worked for a full 12 months prior to being furloughed).

In addition, we will ensure sufficient segregation of duties was in place when performing the claim and confirm the approval process prior to the grant claim being made.

3. Retention of sufficient business records: For a sample of 20 furloughed employees we review the:
  - a. Furlough agreements including:
    - i. the date furlough started
    - ii. how much the furloughed worker was paid
    - iii. when the furlough was reviewed
    - iv. how the College kept in contact during furlough
  - b. Furlough extension letters (if applicable)
  - c. Notice letter issued to employees when the furlough period was coming to an end.
  - d. Any changes to employment contracts
  - e. Minutes of discussion meetings prior to the employee being furloughed.

We will also review the strategy documentation outlining the approach used by the organisation to select employees for furlough, to ensure it was completed in a fair and transparent way.

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# AYRSHIRE COLLEGE, CORONAVIRUS JOB RETENTION SCHEME GRANT CLAIMS

4. **Monitoring & Change Management:** We will confirm how changes to employees' status (i.e. from furloughed to the agreed point of return) have been captured, monitored and communicated to all relevant stakeholders including the HMRC.

For a sample of 20 furloughed employees we will seek the training records updated during the grant period. Where training has been undertaken we will confirm the steps taken to ensure the employees received at least the National Minimum Wage for these hours.

We will interview management to confirm the steps taken to ensure furloughed employees did not work during the grant period.

At the conclusion of the fieldwork, we will hold a closing meeting to discuss the outcome of the review and agree recommendations. We will produce a draft report for management to comment on prior to being finalised and presented to the Audit Committee.

We will bring to the attention of management any points relating to other areas that come to their attention during the course of the review.

We assume for the purposes of estimating the number of days of review work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of review days may not be accurate.

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# AYRSHIRE COLLEGE

## INTERNAL AUDIT REPORT

STAFF RECRUITMENT & SELECTION  
MARCH 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate



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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

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## DISTRIBUTION

Jane McKie	Vice Principal - People
James Thomson	Director of Finance, Student Funding and Estates
David Davidson	Director of Human Resources and Organisational Development
Members of the	Audit and Risk Committee

## REPORT STATUS LIST


Auditors:	Abigail McGurn
Dates work performed:	01/03/21 - 18/03/21
Draft report issued:	26/03/21
Final report issued:	13/05/2021


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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

## EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

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

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

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		0
Medium		0
Low		4

TOTAL NUMBER OF RECOMMENDATIONS: 4

## BACKGROUND:

As part of the 2020-21 Internal Audit plan for Ayrshire College (the 'College'), it was agreed that Internal Audit would carry out an evaluation of the processes in place in relation to staff recruitment, to verify that a fair and consistent recruitment process is in place and consistently applied, which complies with relevant employment legislation and promotes equality of opportunity, and to verify that the necessary pre-employment checks are being carried out prior to staff being appointed.

The College's Hiring Managers Guide outlines the recruitment process from identifying the need for a vacancy through to the on-boarding of a candidate. The responsibilities of the Human Resources (HR) team and the hiring manager throughout the recruitment process are clearly documented. The Guide has been updated to reflect process changes necessitated by Covid-19. It is made available to staff via the intranet.

When a manager has identified a need to recruit, an online Recruitment Request Form must be completed in order to proceed. The Form includes reason for the vacancy, details of the post and contract type. The Recruitment Request Form requires Senior Management and Executive Management approval, which is automatically generated via the online digital form, prior to being received by the HR department. Once received by the HR Team the post is assigned to an HR Assistant who will create a vacancy on the HR Information System iTrent. The HR Assistant, along with the hiring manager, review the existing job description and person specification for the role and the post will then be advertised, usually for around two weeks.

Following the closing date, the HR assistant will download the relevant sections of the online applications from iTrent for the shortlisting process. All applicant's personal details and equalities information is retained by the HR Team and is not shared with the hiring manager and the shortlisting panel. The shortlisting panel consists of a minimum of two managers,

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including the hiring manager. The Shortlisting Rationale Form is emailed to managers along with PDF copies of the applicants and is used to assess applicants against essential and desirable criteria and once completed is returned by email to the HR team. A HR Assistant will update iTrent, to reflect the shortlisting outcome for each applicant. The College will automatically interview an applicant who declared they have a disability, if they meet the minimum criteria.

The selection process for a vacancy is dependent on the level of responsibility and the autonomy the vacancy attracts. Selection methods may include: assessment activities, presentations and computer based assessments. All selection processes include a structured panel interview as a minimum and the selection panel must have a minimum of three members. The interview process and all the relevant documentation are provided to the interview panel members on the Microsoft Teams platform. A team is created for each vacancy at interview stage, with only the panel members and the HR Team able to access the candidate information, panel questions, digital scoring form and interview outcomes. This process was developed prior to lockdown to remove the paper element of the interview process, with panel members provided with iPads to access the information during the interview(s). Currently, interviews are taking place virtually, via MS Teams video conferencing, as a result current lockdown restrictions.

The selection panel are provided with some standard interview questions, which can be adapted as required, to ensure they are able to assess each candidate's suitability. There is also guidance available for the panel on scoring criteria.

Following conclusion of the interviews, the selection panel score all candidates against the scoring criteria. This is completed by the Hiring Manager on the digital Candidate Assessment Form for each candidate, available on MS Teams. Once completed, an automated response is sent to the HR Team inbox confirming that the scoring process is complete. A Director and Vice Principal will then be invited to review and authorise the outcome by completing the digital Appointment Authorisation Form in MS Teams. HR will be notified via email to the HR Team inbox when authorisation is submitted.

Following authorisation, the hiring manager will contact all candidates to advise the outcome from the selection process. A HR Assistant will then issue written confirmation of the outcomes via email to each candidate through an automated iTrent process.

An HR Assistant will then progress the pre-employment and right to work checks for the preferred candidate. For external candidates they require: a Protection of Vulnerable Groups (PVG) Scheme Membership application, two employment references and a medical questionnaire. Once all checks have been received, the HR Assistant will advise the Hiring Manager that a start date can be agreed. Following confirmation of an agreed start date and contractual details, a Formal Offer Letter is issued to the candidate.

The College monitor and report on equalities data biannually. In 2019, they provided an interim update against their 2017-21 Equality Outcomes. The report is available on the College website and includes analysis of employee applications equalities data, such as gender split, percentage of applicants who identified themselves as disabled and percentage of applicants who identify as being from a Black and Minority Ethnic group.

Hiring managers are required to complete recruitment training, which includes reviewing guidance and completing e-learning modules and there is also unconscious bias training available. Completion of training is tracked and monitored by HR.

# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

The recruitment budget is managed and monitored by the Director of Human Resources and Organisational Development. In 2020/21 the recruitment budget was £25,000 and is used to advertise posts on job boards and social media. At the end of January 2021, the forecast year end position was £24k.

## SCOPE AND APPROACH:

The scope of this review was to assess whether:

- Policies and procedures for staff recruitment are adequate and followed consistently;
- Staff involved in recruitment are provided with effective training and support;
- There is a consistent approach taken for the recruitment of staff, and all supporting documentation is maintained to support recruitment decisions;
- Sufficient controls are in place to prevent discriminatory practices and to ensure equality of opportunities with regards to recruitment;
- The approach to staff recruitment is cost effective; and
- Pre-employment checks are carried out on staff members prior to their appointment.

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

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

## GOOD PRACTICE:

We identified a number of areas of good practice:

- Appropriate approval must be obtained before commencing recruitment;
- The Hiring Managers Guide is made available to staff on the intranet and clearly distinguishes the responsibilities of the recruiting manager and HR;
- The Guide includes a series of templates to be used throughout the recruitment process such as the job advert template, shortlisting rationale form and recruitment request form;
- There is blind shortlisting, ensuring the shortlisting process is not based on preconceptions of any protected characteristics; and
- The Hiring Managers Guide includes expected timeframes to complete tasks.

## KEY FINDINGS:

Notwithstanding the areas of good practice noted above, we identified the following areas where there is an opportunity to improve the controls in place:

- **Formal Offer Letter:** The College is currently in the process of reviewing and updating its employment contracts and are in consultation with staff unions. The College has agreed the employment contracts for lecturing staff with EIS. As a result contracts have not been issued to staff recently appointed to the College;
- **Interview Panel:** For one out of a sample of 10 shortlisting rationale forms, only listed one person on the shortlisting panel. A second sample listed two individuals but listed only the title of team leader for the second person but did not who;
- **Equalities Diversity and Inclusion Policy:** The Equalities Diversity and Inclusion Policy was due for review in January 2021 and has yet to be updated; and

# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

- **Hiring Manager's Guide:** The Hiring Manager Guide does not document the following: the document owner and when it is due for review, that all staff involved in the interview process to agree final scoring, prior to hiring manager submitting this to HR for approval process, the requirement for hiring managers to have training before they can recruit and the risk assessment process if a PVG application does not come through before the employees start date.

## CONCLUSION:

We are able to provide moderate assurance over the design and moderate assurance over the operational effectiveness of the controls and processes in place in relation to the staff recruitment process.

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


- ✓ Staff involved in recruitment may be provided with inadequate training and support to apply the procedures;
- ✓ There may be insufficient controls in place to prevent discriminatory practices and to ensure equality of opportunity
- ✓ The approach to recruitment may not be cost effective
- ✓ Pre-employment checks may not be carried out on staff members prior to their appointment.

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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

## DETAILED FINDINGS

**RISK: INADEQUATE POLICIES AND PROCEDURES MAY BE IN PLACE FOR STAFF RECRUITMENT;**

Ref	Sig.	Finding
1		<p><b>Formal Offer Letter</b></p> <p>A Formal Offer letter is issued to the preferred candidate when a start date and contractual details have been agreed. It outlines salary, leave entitlement, hours, pension information and a link to the online induction process.</p> <p>The College is currently in the process of reviewing and updating its employment contracts and are in consultation with staff unions. The College has agreed the employment contracts for lecturing staff with EIS. As a result contracts have not been issued to staff recently appointed to the College.</p> <p>There is a risk that employees are not aware of all contract terms before they start employment.</p>

### RECOMMENDATION:

We recommend the College works with staff unions to finalise the employment contract and these are issued to new starters which have not received their contract

### MANAGEMENT RESPONSE:

The College is currently working with local trade unions to finalise the revised employment contracts for all staff. The contract has been agreed with EIS-FELA and work is underway to issue the outstanding contracts to curriculum staff.

Completion of this action is dependent on agreement with the trade unions.

Responsible Officer: David Davidson, Director of HR&OD


Implementation Date: 30 September 2021, with final implementation date subject to local union negotiations.

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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

**RISK: THERE MAY BE INCONSISTENCIES IN THE APPROACH TAKEN FOR THE RECRUITMENT OF STAFF, AND DOCUMENTATION TO SUPPORT RECRUITMENT DECISIONS MAY NOT BE MAINTAINED**

Ref	Sig.	Finding
2		<p><b>Interview Panel</b></p> <p>The Hiring Manager's Guide states that the interview panel should have a minimum of 3 panel members.</p> <p>One out of a sample of 10 shortlisting rationale forms, only listed one person on the shortlisting panel. One of the sample listed two individuals but listed only the title of team leader for the second person, but did not say who.</p> <p>There is a risk that the College cannot evidence the staff involved in the shortlisting of applicants.</p>

## RECOMMENDATION:

We recommend that the shortlisting rationale form is not signed unless a minimum of two named individuals are detailed on the form.

## MANAGEMENT RESPONSE:

Agreed.

Staff will be reminded that they need to list all staff members involved in shortlisting applicants.


Responsible Officer: HR Manager, Employee Resourcing and Relations

Implementation Date: Complete

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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

**RISK: THERE MAY BE INSUFFICIENT CONTROLS IN PLACE TO PREVENT DISCRIMINATORY PRACTICES AND TO ENSURE EQUALITY OF OPPORTUNITY**

Ref	Sig.	Finding
3		<p><b>Equalities Diversity and Inclusion Policy</b></p> <p>It is important that policies are updated regularly to ensure they remain relevant and reflect current expected practice.</p> <p>The Equalities Diversity and Inclusion Policy was due for review in January 2021 and has yet to be updated. HR have informed us the policy is in the process of being reviewed.</p> <p>There is a risk that the policy becomes outdated.</p>

## RECOMMENDATION:

We recommend reviewing and updating the Equalities Diversity and Inclusion Policy.

## MANAGEMENT RESPONSE:

Accepted

The Equality, Diversity and Inclusion Policy will be reviewed and updated through the College's Policy Review group which includes trade union representatives.


Responsible Officer: Director of HR and Organisational Development

Implementation Date: 30 September 2021

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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

## RISK: INADEQUATE POLICIES AND PROCEDURES MAY BE IN PLACE FOR STAFF RECRUITMENT;

Ref	Sig.	Finding
4		<p><b>Hiring Manager's Guide</b></p> <p>It is important the Hiring Manager's Guide documents expected practice so staff know expected practice when recruiting.</p> <p>The Hiring Manager's Guide does not document the following:</p> <ul style="list-style-type: none"> <li>• Document owner and when it is due for review</li> <li>• All staff involved in the interview process to agree final scoring, prior to hiring manager submitting this to HR for approval process.</li> <li>• The requirement for hiring managers to have training before they can recruit</li> <li>• The risk assessment process if a PVG application does not come through before the employees start date</li> </ul> <p>There is a risk that the Hiring Managers guide does not detail all relevant information.</p>

## RECOMMENDATION:

We recommend updating the Hiring Managers Guide to include:

- Document Owner and when it is due for review
- All staff involved in the interview process to agree final scoring, prior to hiring manager submitting this to HR for approval process.
- That Hiring Managers require training prior to recruiting
- The risk assessment process to be followed if a PVG application does not come through before an employee's start date

## MANAGEMENT RESPONSE:

Accepted.

The Hiring Managers' Guide will be updated to reflect these audit observations when it is next formally updated. This will be done during the beginning of the next Academic Year.

Responsible Officer: HR Manager, Employee Resourcing and Relations

Implementation Date: 30 September 2021

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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

## OBSERVATIONS

### Approval of Recruitment

When a manager has identified a need to recruit, a Recruitment Request Form must be completed in order to proceed. The Recruitment Request Form requires Senior Management and Executive Management approval.

Out of the sample of 10 tested, 3 instances of approvals for hiring were not available as they were on campus and could not be obtained due to current lockdown restrictions. As a result of lockdown, the College has started storing these electronically.

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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

## 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.

Gillian Brown	HR Manager
Sue Murphy	HR Advisor




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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

## 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
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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

<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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, STAFF RECRUITMENT & SELECTION

## APPENDIX II - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

The purpose of this review is to provide management and the Audit Committee with assurance on the design and effectiveness of the recruitment and selection procedures applied to both permanent and temporary staff appointments to assess whether a fair, consistent, lawful, well-controlled and cost effective approach to recruitment is being applied.

### KEY RISKS:

Inadequate policies and procedures may be in place for staff recruitment;

Staff involved in recruitment may be provided with inadequate training and support to apply the procedures;

There may be inconsistencies in the approach taken for the recruitment of staff, and documentation to support recruitment decisions may not be maintained

There may be insufficient controls in place to prevent discriminatory practices and to ensure equality of opportunity

The approach to recruitment may not be cost effective

Pre-employment checks may not be carried out on staff members prior to their appointment.

### SCOPE OF REVIEW:

The scope of this review will be to assess whether:

- Policies and procedures for staff recruitment are adequate and followed consistently;
- Staff involved in recruitment are provided with effective training and support;
- There is a consistent approach taken for the recruitment of staff, and all supporting documentation is maintained to support recruitment decisions;
- Sufficient controls are in place to prevent discriminatory practices and to ensure equality of opportunities with regards to recruitment;
- The approach to staff recruitment is cost effective; and
- Pre-employment checks are carried out on staff members prior to their appointment.

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

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# AYRSHIRE COLLEGE, STAFF RECRUITMENT & SELECTION

## APPROACH:

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

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

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

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

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FOR MORE INFORMATION:

**Claire Robertson**

+44 (0)7583 237 579  
Claire.robertson@bdo.co.uk

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# AYRSHIRE COLLEGE

## INTERNAL AUDIT PROGRESS REPORT 2020-21

June 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:




- Coronavirus Job Retention Scheme Grant Claims
- Staff Recruitment & Selection

## 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	0	1	Substantial	Substantial
Coronavirus Job Retention Scheme Grant Claims	0	1	1	Moderate	Moderate
Staff Recruitment & Selection	0	0	4	Moderate	Moderate

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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	February 2021	Coronavirus Job Retention Scheme Grant Claims	5	5	Completed
6	March 2021	Student recruitment & selection	5	5	Completed
7	April 2021	IT Service Provision During COVID-19	5	5	Completed
8	May 2021	Commercial Income	5		In progress
9		Curriculum Planning	5		Scheduled to commence 7 June 2021
10		Follow Up	3		Scheduled to commence 6 September 2021

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# AUDIT PERFORMANCE





AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
FES Return	7 October 2020	23 October 2020	16 November 2020	16 November 2020
Student Support Fund	11 September 2020	30 September 2020	1 November 2020	2 November 2020
Partnership Working	10 December 2020	18 December 2020	27 January 2021	27 January 2021
Financial Controls	18 December 2020	20 January 2021	3 March 2021	4 March 2021
Coronavirus Job Retention Scheme	5 February 2021	12 February 2021	25 February 2021	26 February 2021
Staff Recruitment & Retention	18 March 2021	26 March 2021	13 May 2021	13 May 2021
IT Service Provision During COVID-19	22 April 2021	5 May 2021	21 May 2021	21 May 2021




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
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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	
<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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

## ANNUAL INTERNAL AUDIT PLAN 2021-22

May 2021



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# 1. INTERNAL AUDIT APPROACH

## Introduction

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

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

## Internal Audit at Ayrshire College

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

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

In producing the draft internal audit plan for 2018-2022 we have sought to gain an understanding of the business of Ayrshire College together with its risk profile in the context of:

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

# 2. AUDIT RISK ASSESSMENT

## Background

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

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

## Planned approach to internal audit 2021-22

The Internal Audit proposed audit programme for 2021-22 is shown at Appendix I. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified during that period.

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

We have set out in Appendix IV a high level view of our proposed internal audit coverage over the period 2018-19 to 2021-22.

## Individual audits

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

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

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

## Variations to the Plan

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

## Internal Audit Charter

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

# 3. PROPOSED RESOURCES AND OUTPUTS

## Staffing

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

Name	Grade	Telephone	Email
Claire Robertson	Director	07583 237579	claire.robertson@bdo.co.uk
Chloe Ridley	Manager	0758 3060591	chloe.ridley@bdo.co.uk

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

Grade	2021 - 22(days)	Grade Mix (%)
Director	5	9
Manager	16	32
Auditors	27	59
Total	48	100

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

## Reporting to the Audit Committee

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

Following completion of the internal audit programme for 2021-22 we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements. We have set out at Appendix VI a summary of our proposed performance measures and intended working protocols.

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# APPENDIX I

## Internal Audit Plan 2021 - 22

Assurance Theme	Subject	Days	Assurance / Advisory / Regulatory
Financial Control	Procurement	5	Assurance
Internal Control Systems	Covid-19 Health & Safety	5	Assurance
	Student Support	5	Assurance
	Marketing	5	Assurance
	Curriculum Based Review	5	Assurance
	Review TBC	5	
Regulatory Reviews	Student Support Funds (SSF) Return	3	Regulatory
	Further Education Statistical (FES) Return	5	Regulatory
Follow Up and Contract Management	Follow up	3	
	Audit Committee	3	
	Client Liaison	3	
	Annual Reporting	1	
TOTAL		48	

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# APPENDIX II

## Internal Audit Plan Overview

### Overview

The plan overview sets out the proposed audits in more detail and highlights further comment and rationale for inclusion in the Annual Internal Audit Plan 2021-22, together with the risk assessment source.

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

Audit Area	Comment	Source
Procurement	We will conduct a high level review of the procurement arrangements in place from identifying procurement needs and forming a sourcing strategy, through to appraising options and contracting with suppliers. We will also undertake a review of the detailed contract management arrangements in place to monitor supplier performance and ensure contracts are successfully executed.	a) BDO Assessment
Covid-19 Health & Safety	Covid-19 has resulted in College buildings being closed for a long period of time. Upon re-opening there will be substantial changes to the way the building and its facilities are used.  We will review the health & safety arrangements the College puts in place to re-open in a manner that ensures the safety of its staff and students.	a) BDO Assessment b) Risk Register: L&T 1
Student Support	We will assess the key controls in place in relation to the provision of student support services. We will consider the types of services being offered, the management of the services, the student feedback sought and how it is actioned, and the continuous improvement practices in place in order to improve learning support in the future.	a) BDO Assessment b) Risk Register: L&T 2
Marketing	We will undertake a review of the marketing arrangements in place within the College. This will include an assessment of whether an effective marketing plan is in place with key objectives, and whether progress against the plan and objectives are monitored and reported on. We will also assess the effectiveness of the marketing mechanisms in place.	a) BDO assessment b) Risk Register: BOM4 & L&T4



# APPENDIX II

## Internal Audit Plan Overview

Audit Area	Comment	Source
Curriculum Based Review	The topic of this review is to be decided by the Learning and Teaching Committee.	a) BDO assessment b) Executive Management
Review TBC	The topic of this review is to be decided and agreed during the 2021-22 audit year.	a) BDO assessment b) Executive Management
Student Support Funds (SSF) Return	We will carry out a review of the SSF for the year ended 31 July 2021 to give an opinion on whether: the aggregate student support fund return has been completed in agreement with the underlying records, the College used these funds in accordance with the Scottish Funding Council conditions, and the systems and controls of the administration and disbursement of these funds are adequate.	a) BDO assessment
FES Return	We will review the FES return made to the SFC for the year ended 31 July 2021 to give an opinion on whether: the student data returns have been compiled in accordance with all relevant guidance, adequate procedures are in place to ensure the accurate collection and recording of the data, and the FES return contains no material misstatement.	a) BDO assessment
Follow Up	The effectiveness of the internal control system may be compromised if management fails to implement agreed audit recommendations. Our follow up work will provide the Audit Committee with assurance that prior year, and in some cases in-year, recommendations are implemented within the expected timescales.	a) BDO assessment

# APPENDIX III

## Phasing of the Plan

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

### Block 1: August - October 2021

Review	Proposed Audit Sponsor
Student Support Fund	Michael Breen / James Thomson
FES Return	Michael Breen / James Thomson

### Block 2: November 2021 - January 2022

Review	Proposed Audit Sponsor
Covid-19 Health & Safety	David Davidson / Martin Hammond
Review TBC	TBC
Student Support	Anne Campbell / Doreen Wales

### Block 3: February - April 2022

Review	Proposed Audit Sponsor
Marketing	Sheila McLachlan
Curriculum Based Review	Anne Campbell

### Block 4: May - July 2022

Review	Proposed Audit Sponsor
Procurement	Michael Breen / James Thomson
Follow up	Michael Breen / James Thomson

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# APPENDIX IV

## Internal Audit Strategy 2018- 2022

Subject	Risk Register	2018 - 2019	2019 - 2020	2020-2021	2021-22
Risk Management		✓			
Corporate Governance	✓		✓		
Financial Controls	✓	✓	✓	✓	✓
Partnership Working	✓			✓	
Data Protection (GDPR)	✓		✓		
Staff Recruitment and Retention	✓			✓	
Coronavirus Job Retention Scheme Grant Claim				✓	
IT Security	✓	✓		✓	
Commercial income generating programmes	✓			✓	
Curriculum Planning	✓	✓		✓	✓
College Assurance, management of change		✓			
Student Support					✓
Estates and Infrastructure	✓	✓			
Business Continuity Management	✓		✓		
Marketing	✓				✓
Review TBC					✓
Student Support (FE Bursary / Discretionary / Childcare funds, HE Discretionary Fund & EMA)		✓	✓	✓	✓
Further Education Statistical (FES) return		✓	✓	✓	✓
Follow up		✓	✓	✓	✓

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# APPENDIX V

## Internal Audit Charter

### Purpose of this Charter

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

### Internal Audit's Purpose

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

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

### Internal Audit's Authority

The Head of Internal Audit and internal audit staff are authorised to:

- Have unrestricted access to all the College's records, property, and personnel relevant to the performance of engagements
- Obtain the necessary assistance of the College's personnel in relevant engagements, as well as other specialised services from within or outside the College.

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

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

### Internal Audit's Responsibility

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

The Head of Internal Audit will:

#### Strategy

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

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# APPENDIX V

## Internal Audit Charter

### Planning

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

### Performance

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

### Reporting

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

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# APPENDIX V

## Internal Audit Charter

### Independence and Internal Audit's Position within the College

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

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

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

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

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

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

### Internal Audit's Scope

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

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

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

### Standards of Internal Audit Practice

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

### Approval and Validity of this Charter

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

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# APPENDIX VI

## Internal Audit Working Protocols & Performance

### Working Protocols

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

Table One: Liaison Meetings between Internal Audit and the College

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

# APPENDIX VI

## Internal Audit Working Protocols & Performance

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

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

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# APPENDIX VI

## Internal Audit Working Protocols & Performance

### Performance Measurement

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

### Internal Audit Performance measures and indicators

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

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

Table Three: Performance Reporting to each Audit Committee

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

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# APPENDIX VI

## Internal Audit Working Protocols & Performance

Table Four: Annual performance reporting to Board of Management

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

### Management Performance Measures and Indicators

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

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

### Other Performance Measures

In addition to the above mentioned measures we will also provide the Audit Committee with the results of other reviews of our internal audit service as and when they become available, including:

- Independent quality assurance reviews as required by the Chartered Institute of Internal Auditors (IIA); and
- BDO internal quality assurance reviews

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# APPENDIX VII

## Ayrshire College Risk Register Summary

Ref	Risk Description	Current Risk Assessment
<b>BOM1</b>	There is a risk that the Coronavirus outbreak forces further unplanned closures 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.	16
<b>BOM2</b>	The College's reputation could be impacted adversely due to both internal and external factors.	12
<b>BOM3</b>	The College could fail to achieve high standards of corporate governance through the lack of a formal governance structure resulting in poor oversight of the College's strategic direction, performance and resources.	8
<b>BOM4</b>	The College could fail to engage with key internal and external stakeholders because of poor communication methods resulting in the failure to achieve strategic partnership targets.	8
<b>BOM5</b>	There is a risk that the College does not meet the legislative requirements in relation to equality and diversity resulting in a failure to provide opportunities for our local communities.	8
<b>BRIC1</b>	There is a risk that the COVID-19 outbreak forces disruption to the College's working arrangements resulting in a failure to protect staff and maintain core college services for AY 2020-21.	16
<b>BRIC2</b>	There is a risk that the remote working requirements due the COVID-19 outbreak has an adverse effect on staff health and wellbeing resulting in extended periods of absence and ill health.	15
<b>BRIC3</b>	The College fails to deliver on the two-year Financial Sustainability Plan (FSP) (2019-20 and 2020-21) resulting in the College not being financially sustainable and unable to meet its liabilities without SFC providing additional in-year financial support.	8
<b>BRIC4</b>	External funding and cost pressures <u>during 2021-22</u> result in the College not being financially sustainable and unable to meet its liabilities.	16

# APPENDIX VII

## Ayrshire College Risk Register Summary

Ref	Risk Description	Current Risk Assessment
BRIC5	There is a risk that Ayrshire College is unable to fully invest in its estate due to capital funding restrictions, resulting in the failure to develop and maintain an integrated and high-quality estate.	12
BRIC6	There is a risk that the College does not achieve its commercial income and Flexible Workforce Delivery Fund (FWDF) targets because of its inability to secure business or provide courses that meet market needs resulting in the inability to deliver the College budget, the need for increased savings and reputational damage.	16
L&T1	There is a risk that the COVID-19 outbreak forces disruption to the College's working arrangements resulting in a failure to provide curriculum service delivery and the inability to maintain core college services for AY 2020-21.	20
L&T2	There is a risk that the COVID-19 outbreak prevents students accessing support services (including funding) resulting in increased withdrawals and/or lower attainment levels.	8
L&T3	There is a risk that the College will fail to achieve its SFC credit activity target, resulting in SFC clawback.	20
L&T4	The College does not engage effectively with students due to inadequate or ineffective communication, resulting in a poor student experience.	6
L&T5	There is a risk that the College does not deliver on its education contracts due to its assessment of the market, insufficient resources, ineffective performance monitoring resulting in loss of learning opportunities and reputational damage.	15

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Audit Strategy Memorandum  
Ayrshire College  
Year ending 31 July 2021

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- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and key judgement areas
- 05** Wider scope work
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements
- A1** Key communication points

This document is to be regarded as confidential to Ayrshire College. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance by the Board of Management. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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The Board of Management  
Ayrshire College  
Kilmarnock Campus  
Hill Street  
Kilmarnock  
KA1 3HY

08 June 2021

Dear Members,

## **Audit Strategy Memorandum – Year ending 31 July 2021**

We are pleased to present our Audit Strategy Memorandum for Ayrshire College for the year ending 31 July 2021.

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

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

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Ayrshire College which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

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

Yours faithfully

Lucy Nutley  
Mazars LLP

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## Engagement and responsibilities summary

### Overview of engagement

We are appointed by the Auditor General for Scotland to perform the external audit of Ayrshire College for the year to 31 July 2021. This is our fifth year of appointment. During 2020, our contract with Audit Scotland was extended for a further year, meaning this is our penultimate year of appointment.

### Responsibilities

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

<p>Audit opinion</p>	<p>We are responsible for forming and expressing an opinion on the financial statements.</p> <p>The Audit Committee is responsible for the assessment of the College's ability to continue as a going concern. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of the disclosures made.</p>
<p>Regularity opinion</p>	<p>We are required to form and express an opinion on whether the College has, in all material respects, incurred expenditure and income in accordance with any applicable enactments and guidance issued by the Scottish Ministers.</p>
<p>Opinion on other matters</p>	<p>We are required to express an opinion on whether the audited part of the Remuneration and Staff Report, and the Governance Report have been properly prepared in line with relevant legislation and directions. We also express an opinion on whether the Performance Report is consistent with the audited financial statements.</p>
<p>Wider scope work</p>	<p>The Code requires us to conclude and make a judgement on the four dimensions of wider scope work. The four dimensions are Financial Sustainability, Financial Management, Governance and Transparency, and Value for Money.</p>

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

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

## Our audit engagement team and experience

### A committed, accessible team



Lucy Nutley  
Director  
lucy.nutley@mazars.co.uk  
0738 724 2052

Lucy is the Engagement Lead for the audit and will be the key point of contact for the Audit Committee. She will have overall responsibility for delivering a high quality audit to the College. Lucy will be responsible for the opinions given on the financial statements and will liaise with the Head of Finance and Financial Accountant. She will attend Audit Committee meetings, and where appropriate, Board meetings.



Joanne Buchanan  
Audit Senior Manager  
joanne.buchanan@mazars.co.uk  
0779 403 1384

Joanne will manage and coordinate the audit and be the key point of contact for the Head of Finance and Financial Accountant, as well as liaising with Internal Audit. Joanne will oversee completion of audit work to a high standard and attend Audit Committees as appropriate.



Ross Barlow  
Audit Senior  
ross.barlow@mazars.co.uk  
07580 554200

Ross will be responsible for leading the onsite work, reviewing the work of more junior members of the team and performing the audit work in more specialised areas.

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## Audit scope, approach and timeline

### Audit scope

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

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

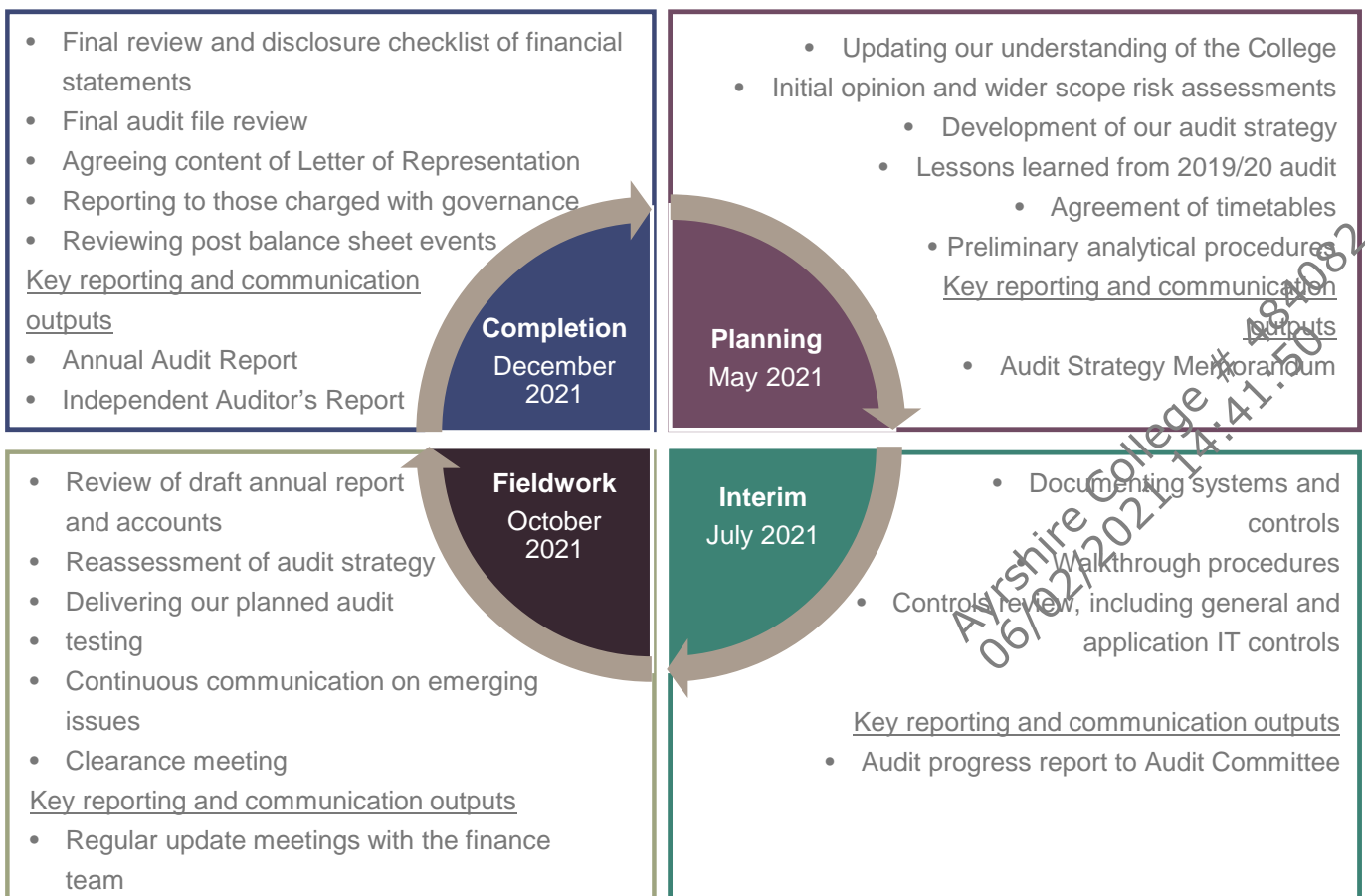
### Audit approach

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

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

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

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



## Audit scope, approach and timeline (continued)

### Reliance on internal audit

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

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

### Management's and our experts

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

Items of account	Management's expert	Planned audit approach
Defined benefit pension liability and associated accounting entries and disclosures required by FRS 102.	Actuary – Hymans Robertson	We will consider the reasonableness of the actuarial assumptions made, referring to our in-house pension scheme experts.
Land and buildings valuation	Gerald Eve	We will consider the reasonableness of the values' output, challenging assumptions made, referring to in-house specialists and relevant reporting on regional and national trends in property values.

### Reporting to Audit Scotland

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

### National Fraud Initiative

The College participated in the most recent National Fraud Initiative with all matches addressed and concluded on the system. No issues identified as a result of the exercise.

### Adding value

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

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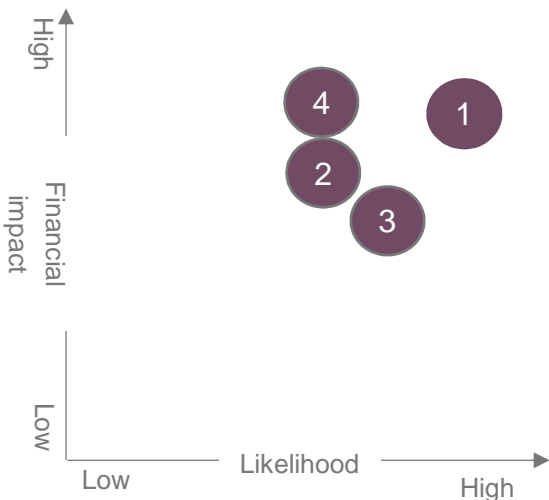
## Significant risks and key judgement areas

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

- Significant risk**     A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.
- Enhanced risk**     An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

  - key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
  - other audit assertion risks arising from significant events or transactions that occurred during the period.
- Standard risk**     This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant and other enhanced risks. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Revenue recognition
3	Expenditure recognition
4	Land and buildings valuation

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## Significant risks and key judgement areas (continued)

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

### Significant risks

	Description of risk	Planned response
1	<p><b>Management override of controls</b></p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We will address this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>Accounting estimates impacting amounts included in the financial statements;</li> <li>Consideration of identified significant transactions outside the normal course of business; and</li> <li>Journals recorded in the general ledger and other adjustments made in preparation of the financial statements</li> </ul>
2	<p><b>Revenue recognition</b></p> <p>There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when grant income should be recognised and if clawback conditions apply to the funding.</p> <p>The risk above applies only to the non-core grant income and other non-grant income generated by the College. The risk has been rebutted in relation to the core grant income received by the College, given the highly regulated nature of this income, and therefore the low inherent risk associated with it.</p> <p>Given the unconventional academic year in 2020-21 arising from COVID-19 we consider that there is a risk that revenue could be impacted as a result of deferred students, reduced credit delivery and reduced commercial funding. Provisions against income should be carefully considered, using forward looking data where appropriate and steps taken to ensure that revenue is recorded in the correct period where appropriate.</p>	<p>We will address this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>the design and implementation of controls management has in place to ensure income is recognised in the correct period;</li> <li>cash receipts around the year end to ensure they have been recognised in the right year;</li> <li>the judgements made by management in determining when non-grant income is recognised;</li> <li>for major grant income, obtaining counterparty confirmation; and</li> <li>expected credit loss provisions applied to receivables at the year end, considering the appropriateness of judgements made by management.</li> </ul>

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# Significant risks and key judgement areas (continued)

## Significant risks (continued)

	Description of risk	Planned response
3.	<p><b>Expenditure recognition</b></p> <p>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.</p>	<p>We will address the risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>the design and implementation of controls management has in place;</li> <li>testing of non-payroll expenditure around the year end to ensure transactions are recognised in the correct year;</li> <li>testing material year end payables, accruals and provisions; and</li> <li>reviewing judgements about whether the criteria for recognising provisions are satisfied</li> </ul>
4	<p><b>Valuation of land and buildings</b></p> <p>The College holds land and buildings with a net book value of £105m as at 31 July 2020.</p> <p>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, land &amp; buildings are due to receive an interim valuation at 31 July 2021.</p> <p>The College policy meets the requirement 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.</p> <p>The College is required to assess on an annual basis whether there are indicators of impairment to assets at the reporting date.</p> <p>Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.</p>	<p>We will undertake a range of substantive procedures including:</p> <ul style="list-style-type: none"> <li>examining the professional qualifications of the valuer;</li> <li>challenging and substantiate the assumptions and the appropriateness of the date of the valuation used by your value in completing the valuations;</li> <li>ensuring that valuations and impairments have been completed on the correct basis for each item and that movements are in line with expectation; and</li> <li>assessing whether the report produced by the valuer has been correctly reflected in the accounts.</li> </ul>

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# Significant risks and key judgement areas (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.

	Description of risk	Planned response
1	<p><b>Valuation of pension liabilities</b></p> <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 scheme and it is therefore accounted for as a defined contribution scheme.</p> <p>The College’s share of the SPF’s underlying assets and liabilities is identifiable and a net liability is recognised in the accounts.</p> <p>Given the scale of the liability recognised in the accounts, a misstatement in the reported position could be material to the financial statements.</p>	<p>We will consider the College’s arrangements, including the existence of any relevant controls, for making estimates in relation to pension entries within the financial statements. We will also consider the reasonableness of the actuary’s assumptions used in providing the College with information in the financial statements through the use of our internal experts.</p>
2	<p><b>Grouped assets accounting policy</b></p> <p>During 2020-21 digital funding was made available to the College for the purchase of equipment to provide to students to enable and support remote learning that was required as a consequence of Covid-19. The College is required to account for this as capital funding as a term of the funding.</p> <p>Any assets acquired using this funding, although distributed to students, are considered the property of the College and will be capitalised under a grouped asset accounting policy.</p>	<p>We will consider the College’s grouped asset accounting policy and whether this is consistent with the requirements of the digital funding provided. Enquiry will be made with management as to how the College has satisfied itself that it has appropriate processes in place around the stewardship of the associated assets and what consideration of impairment has been made.</p>

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## Wider scope work

### Our approach to wider scope work

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

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

We set out on the following page the work that we intend to perform to reach these judgements:

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## Wider scope work (Continued)

Dimension	Description	Our planned approach
<b>Financial sustainability</b>	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.	<p>We intend to consider:</p> <ul style="list-style-type: none"> <li>the financial planning system in place for short, medium and long term periods</li> <li>the adequacy and accuracy of financial reporting arrangements</li> <li>the reasonableness of affordability assumptions made in financial planning</li> <li>the extent to which the financial planning assumptions have been updated and affected by the COVID-19 pandemic</li> </ul>
<b>Governance and transparency</b>	The Governance Statement sets out the internal control arrangements and governance framework in place for the year under review.	<p>We intend to consider:</p> <ul style="list-style-type: none"> <li>the effectiveness of internal control arrangements</li> <li>the appropriateness of disclosures made in the Governance Statement</li> <li>whether the disclosure requirements of the Accounts Direction and the Code of Good Governance for Scotland's Colleges have been met</li> <li>where governance arrangements were modified in response to the COVID-19 pandemic, that they are working effectively</li> </ul>
<b>Financial management</b>	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	<p>We intend to consider:</p> <ul style="list-style-type: none"> <li>the monitoring of the effectiveness of internal control arrangements</li> <li>the response to the COVID-19 pandemic and whether this has involved changes to the governance of the College</li> <li>whether the College's budgetary control system is timely and accurate</li> <li>whether and how the College has assessed their financial capacity and skills</li> </ul>
<b>Value for money</b>	Value for money concerns using resources effectively and continually improving services.	<p>We intend to consider:</p> <ul style="list-style-type: none"> <li>the College's evidence of providing value for money</li> <li>the focus on improving value for money and the pace of change at the College.</li> </ul>

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## Wider scope work (Continued)

### Identified significant risks to our wider scope work

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

Description of significant risk	Planned response
<p>Our 2019/20 Annual Audit Report concluded that Ayrshire College had 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..</p> <p>The College and its Board are aware of the financial challenges and associated risks that it faces. A funding gap had previously been identified by the College principally as a result of the contractual PFI capital and interest payments of £1.4m per annum in respect of the Kilwinning Campus along with increasing staff costs as a result of National Bargaining.</p> <p>The College engaged in discussions with the SFC and a Financial Sustainability Plan (FSP) 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 it's PFI payment in respect of Kilwinning Campus. The College had identified that there remained a continued financial sustainability risk with cash funds forecast to being exhausted during 2022/23. Part of the FSP was the offering of a voluntary severance program for staff to reduce costs. This has taken place during the year, costing £465k, taken from existing cash resources.</p> <p>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. There are revised credit targets for next year with ESF credits being realigned and increased beyond a level that the College has previously planned for. The College is able to partially mitigate this risk through cost saving measures, however as this cost impact was not known at the point the FSP was agreed, there is a risk that this will accelerate the exhaustion of cash reserves, increasing the risk that the College is not financially sustainable in the medium term, without additional funding or cost cutting.</p> <p>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.</p>	<p>We intend to consider:</p> <ul style="list-style-type: none"> <li>• the forecast financial position in the five year financial plans submitted to the SFC;</li> <li>• the financial and resource implications of any voluntary severance scheme run by the College;</li> <li>• alternative plans being considered by the College to ensure a balanced budget is achieved;</li> <li>• the financial reporting arrangements in place at the College; and</li> <li>• how management have considered the longer term implications of the COVID-19 outbreak</li> </ul>

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## Fees for audit and other services

### Fees for audit and other services

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

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

Service	2020/21 proposed fee £	2019/20 final fee £
Auditor remuneration*	31,440	29,890
Pooled costs	1,850	1,590
Contribution to Audit Scotland costs	1,210	1,520
<b>Total Fee</b>	<b>34,500</b>	<b>33,000</b>

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

\*Auditor remuneration will require to be increased for 2020/21 to reflect the additional work required in respect of the property valuations. The additional fee will be reported to the Audit Committee once approved by Audit Scotland and agreed with the College.

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## Our commitment to independence

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

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

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

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

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

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

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

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## Materiality and misstatements

### Definitions

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

### Summary of initial materiality thresholds

Threshold	Initial threshold £'000
Overall materiality	1,059
Performance materiality	847
Trivial threshold for errors to be reported to the Audit Committee	31

### Overall Materiality

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

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

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

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

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

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

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

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## Materiality and misstatements (Continued)

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

We expect to set a materiality threshold at 2% of gross expenditure (£1,058,940).

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

### Performance Materiality

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

### Specific Materiality

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

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

### Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £31,768 based on 3% of overall materiality.

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## Key communication points

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

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

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**Audit and Risk Committee****8 June 2021**

**Subject:** 2020-2021 Internal Audit Rolling Internal Audit Action Plan as at 28 May 2021

**Purpose:** To provide Members with an update on the Rolling Internal Audit Action Plan as at 17 May 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 28 May 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	Schools and Community Provision	3	2	1
2	2020-21	Business Continuity Management	1	1	0
3	2020-21	GDPR	1	1	0
4	2020-21	Student Recruitment	2	2	0
5	2020-21	SFC Returns	2	2	0
<b>TOTAL</b>			<b>7</b>	<b>6</b>	<b>1</b>

## 2.1 Schools and Community Provision

The first outstanding audit point was that the College has data sharing agreements in place with the local authorities for the Schools College Programme (SCP) and that these agreements are reviewed on a regular basis. The draft data sharing agreement has been prepared in line with the data sharing agreements already in place across the rest of the College and been shared with the local authorities. The data sharing agreements have however not been finalised with the local authorities. This audit action is therefore not complete.

The second audit point was that the College would create a timetable for the SCP which includes key dates and deadlines, such as deadlines for meeting with curriculum and head teachers. The Head of Schools, Communities and Widening Access has confirmed that this timetable has been created and the audit action is complete.

The third audit point was that the exceptional entrant programme should be completed by the College. The Head of Schools, Communities and Widening Access has confirmed that the exceptional entrant programme was completed and that the audit action is complete.

## 2.2 Business Continuity Management

The auditors recommended that the College develops a testing plan/schedule for BCP which should be reviewed regularly to ensure a strategic approach to testing is developed and implemented. This plan should ensure that varying categories of events are scheduled to be tested on a regular basis based upon likelihood and overall risk. In addition, we recommend that the outcomes, lessons learned and required actions are documented, and thereafter reflected within the plan for each test where applicable. Testing should consider whether the timescales within the plan are achievable.

The BCP testing schedule has been developed and was approved by the BCP Steering Group. Outcomes, lessons learned and required actions from tests and live BCP events will be documented and used to inform future versions of the BCP Plan. This audit point is therefore complete.

## 2.3 GDPR

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

A schedule for the audits, checks and scenario testing has been approved by the GDPR Working Group. Progress against this schedule will be reported quarterly to the GDPR Working Group. This audit point is therefore complete.

## 2.4 Student Recruitment

The first outstanding audit point was that the College would develop a strategy for sharing information with students over the summer period. This audit point was now being addressed as part of the College's work to develop and implement a new on

line student portal. Therefore the deadline for this audit action was put back to 28 February 2021.

The student portal has been implemented and is operational. Due to the particular circumstances around Covid-19, the College also developed a substantial electronic student induction booklet which was sent out prior to students joining in both summer and winter. It is expected that public health measures including physical distancing and the wearing of face coverings will be a feature of AY 2021-22. Therefore the information on the My Ayrshire College App and the electronic induction booklet will be updated to reflect the guidance of the time. This audit action is therefore complete.

The second audit point was that the College should identify a set of KPIs to monitor and report on the quality of experience for unsuccessful applicants. A process has been established to ensure that unsuccessful applicants are engaged with and directed to the most appropriate agency. KPI targets had however not been set and the deadline for this audit action point was revised to 28 February 2021.

The College has now identified three KPIs for reporting. The three KPIs are as follows:

1. The number of students who are unsuccessful at first application
2. The number of students who successful engage with a member of the student services team
3. The number of students who are successful in a further application for a course following an intervention from the student services team.

This audit action is therefore complete.

## 2.5 SFC Returns

The first audit point relates to the College ensuring that there is supporting documentation/calculations or explanations of the estimates and assumptions applied for all figures within the Mid-Year Return (MYR). This recommendation was to ensure that figures can be easily reconciled for accuracy by auditors.

The second audit point relates to explanations for variances between budgeted figures and the figures shown in the MYR. Whilst explanations for all significant variances are not be required by the SFC, the auditors recommended that it would be good practice to include these explanations for completeness and transparency.

The two recommendations were low level findings to help provide a document trail for audit reconciliation. Working papers have been updated from the 2021 MYR onwards to provide this audit trail. These two audit actions are therefore complete.

## 3 **Proposals**

No further proposals are contained in this report.

## 4 **Consultation**

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

## 5 Resource Implications

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

## 6 Risks

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

## 7 Equality Impact Assessment

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

## 8 Conclusion

Members are asked to note the content of this paper.

**Michael Breen**  
**Vice Principal, Finance**  
**28 May 2021**

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

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