

BOARD OF MANAGEMENT ACTION TRACKER

COMMITTEE: Audit and Risk Committee: 23 November 2021
(Paper 1a)

DATE RAISED	AGENDA ITEM	ACTION No	ACTION	DUE DATE	OWNER	STATUS*	COMMENTS
08.06.21		1	Learning and Teaching Committee to determine the focus of the five day curriculum based review.	November 2021	A Campbell	Complete	UPDATE: Agenda item at LTQC on 11 November 2021 An update will be provided at the meeting on 23.11.21.
14/09/2021	3	ARC33: A01	Schedule 30-minute session prior to meeting on 23 November 2021 (Subject: role of Internal and External Audit)	ASAP	Y Melvin/P Donald	Complete	A&RC Agenda item 23.11.21
14/09/2021	3	ARC33: A02	Confirm risk management workshop for the whole Board on 4 November 2021.	ASAP	Y Melvin/P Donald	Complete	Risk management session included as part of Board Induction/development day 04.11.21
14/09/2021	9	ARC33: A03	The Committee supported the recommendation from BRIC for the Board of Management to further discuss Risk BRIC 7 (Cyber Security).	15/09/2021	J Thomson	Complete	Cyber security presentation and discussion included as part of Board Induction/development day 04.11.21

* Not Started / In Progress / Complete

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AYRSHIRE COLLEGE

MANAGEMENT LETTER

FES RETURN AUDIT 2020-21
SEPTEMBER 2021



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DISTRIBUTION

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

REPORT STATUS LIST




Auditors:	Abigail Mcgurn
Dates work performed:	6 - 29 September 2021
Draft report issued:	1 October 2021
Final report issued:	6 October 2021

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AYRSHIRE COLLEGE, FES

EXECUTIVE SUMMARY

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High		0
Medium		1
Low		1

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

A review of the College's FES (further education statistical) data return has been carried out in accordance with the 'Credit Guidance: 2020-21: student activity data guidance for colleges' (SFC/GD/17/2020) issued in August 2020 and the audit guidance for colleges (SFC/GD/17/2021) issued on 2 August 2021.

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

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering whether:

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

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

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

Our review also sought to address all the risk areas outlined in Annex E of the audit guidance issued on 2 August 2021.

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

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

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TESTING SUMMARY:

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

- We confirmed that no credits have been claimed for courses which are spanning into 2021-22;
- For a sample of 15 courses we confirmed whether the courses were correctly categorised between Higher Education and Further Education. We also ensured the course was correctly categorised as full-time or as other modes of provision;
- For a sample of 15 courses we confirmed whether the correct price group and superclass group was used. The classifications on these were matched to the classifications provided by FES in the FES 3 Guidance note. As part of this test we also considered if the College had applied the correct superclass name for the course and found that all of the names were appropriate for the courses selected;
- We reviewed a sample of 10 infill students to confirm that credits were only claimed for students that had attended past the required date and who were enrolled.
- We reviewed a sample of 15 courses and confirmed the required date was calculated correctly;
- For a sample of 15 full-time students and 5 part-time students who withdrew within 2 weeks after the required date to confirm that their withdrawal was processed correctly and in a timely manner. We also confirmed their last date of attendance and confirmed this was beyond the required date;
- A sample of 15 courses, totalling 1,607 Credits (1.3% of total), was randomly selected. We agreed the number of students enrolled on class registers to supporting documentation and checked the withdrawals of students on these courses ensuring those that withdrew before the required date were not claimed for.
- A sample of 10 fee waiver students were selected and confirmed they were on eligible courses, eligible for fee waiver, were enrolled properly and had attendance beyond the required date.
- We reviewed a sample 5 Price Group 5 students and assessed whether credits claimed was based on planned hours and whether students attended beyond the required date;
- A sample of 5 students on a course with a work based assessed provision were selected and confirmed whether progression was monitored. For 1 student the Work Based Team had not notified the Management Information Systems Team that the student had not progressed on the course;
- A sample of 8 students on open distance learning courses were selected and confirmed whether the student was eligible, enrolled and whether there was sufficient evidence that the student progressed on the course. For one student there was no evidence of engagement. For another student on a one day STEM course, there was no attendance taken, but there was evidence to support that the course took place.
- We tested a sample of 5 students on a school program and confirmed they were enrolled and had attendance past the required date
- We conducted a fee waiver analytical review. This compared the fee waiver figures from the prior years' FES return and analysed in the final report. Any significant variations in the numbers were queried with the College and explanations were provided by the Finance or Business Information team.

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- Across a number of tests, we tested a total of 68 students for engagement beyond the required date. There were three instances where engagement could not be evidenced, which have been detailed above as part of our work based and open distance learning testing.
- We enquired if there were any collaborative course undertaken by the College with any other FE institution and confirmed that the guidelines set out by the SFC had been properly followed for such courses. For Ayrshire College there is still only one such arrangement and we were able to confirm that the collaborative arrangement met all of the requirements outlined by the SFC.

ANALYTICAL REVIEW:

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

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

The final 2020/21 FES return submitted to SFC by the College matched the figures we reviewed. The Colleges core activity credit target set by the Regional Board was 124,887 credits. In addition the College had an ESF activity target of 791 credits. The total credit target for 2020/21 was therefore 125,668. Total actual credits within the College's FES return were 126,682 (split 125,462 with ESF of 1,220) which is 0.8% above the total target. These figures have been accepted by the SFC.

Fundable Student Numbers	2019/20	2020/21
Head Count		
FEFT	3,877	3,048
FEPT	5,693	5,470
Total	9,570	8,518

There has been an overall drop in the number of further education fundable students in the year, for both full-time and part-time, this has been the trend over the last few years and reflects what is happening across the sector.

All Student Enrolments		
Student Numbers	2019/20	2020/21
Enrolments		
FEFT	4,284	3,492
FEPT	9,128	8,869
Total	13,412	12,361

There has been a decrease of 13% in fundable student enrolments during the year. Both part time and full time further education students have decreased in the year. The decline in 2020-21 has been exacerbated by Covid-19 as more people are deciding to not go to College due to health concerns and perceived concerns about the quality of the educational experience.

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Fee Waiver Summary:

Source of Finance of Fee for Student	Ayrshire College		
	2020-21 (£)	2019/20 (£)	Difference (£)
22 - Fee Waiver - full-time non-advanced	£ 3,036,096.00	£3,420,144.00	- 384,048
23 - Fee Waiver - income support	£ 2,280.95	£ 25,943.56	- 23,663
24 - Fee Waiver - low income	£ 1,195.80	£ 988.80	207
25 - Fee Waiver - Islands Authority Fee Waiver (excl. Orkney and Shetland)	£ -	£ 56.40	- 56
26 - Fee Waiver - cost borne by college	£ 26,464.25	£ 71,204.65	- 44,740
28 - Fee Waiver - Incapacity Benefit	£ -	£ 200.22	- 200
29 - Fee Waiver - Severe Disablement Allowance	£ -	£ -	-
30 - Fee Waiver - housing benefit	£ 619.55	£ 4,115.38	- 3,496
33 - Fee waiver - student on a DPG 18 programme	£ 68,770.78	£ 62,543.93	6,227
37 - Fee Waiver - carers allowance	£ -	£ 2,906.40	- 2,906
38 - Fee Waiver - disability living allowance	£ 225.60	£ 2,504.68	- 2,279
39 - Fee waiver - pension credit	£ 764.22	£ 738.84	25
40 - Fee Waiver - working tax credit	£ 2,063.55	£ 7,595.60	- 5,532
41 - Fee waiver - old FT criteria	£ 593,071.94	466,438.15	126,634
42 - Fee waiver - school pupil	£ 332,946.03	359,064.17	- 26,118
43 - Fee waiver - attendance allowance	£ 197.40	0.00	197
44 - Fee waiver - income based job seekers allowance	£ 2,091.75	9,613.49	- 7,522
47 - Fee waiver - income-related employment and support allowance	£ 2,915.49	6,178.26	- 3,263
49 - Fee Waiver - Asylum seeker or spouse or child of an asylum seeker	£ -	791.40	- 791
50 - Fee Waiver - contribution based employment and support allowance	£ 566.25	626.04	- 60
52 - Fee Waiver - Personal Independence Payment (PIP)	£ 4,284.47	10,239.96	- 5,955
53 - Fee Waiver - Universal credit (UC)	£ 31,026.80	69,931.85	- 38,905
55 Fee Waiver - Covid	£ 182,277.90	-	182,278
Overall	£ 4,287,858.73	4,521,825.78	- 233,967
Total - including cost borne by college	4,314,322.98	4,593,030.43	- 278,707
Total overclaim for individual students	28,189.26	10,771.79	17,417
Total - excluding cost borne by college	4,079,117.00	4,532,597.57	- 453,481
Total - excluding cost borne by college and overclaims	4,050,927.74	4,521,825.78	- 470,898

There has been an overall decrease in fee waiver (excluding cost borne by college and over claims) of roughly 10%.

There has been a decrease of 11% (£384k) in fee waiver for full-time non-advanced students. Fee waiver for school pupils decreased by 7% (£26k) due to an decrease in the volume of school pupil activity due to Covid-19.

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

CONCLUSION:

Following our review of the College's systems and procedures for collecting and recording data in respect of the FES and Fee waiver returns, we have raised a few findings and made

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recommendations that are required to improve the College's underlying systems and processes to ensure accurate reporting of student activity data to the SFC.

The following findings were identified as part of the audit:

- **Work Based:** For one student on a course with a work based assessed provision, the Work Based Team had not communicated to MIS that the student had not progressed on the course. This anomaly was the only issue identified from a sample of five students on courses with a work based assessed provision. Credits have been cleared.
- **Distance Learning: Courses:** For one student credits had been claimed despite there being no evidence of engagement. There were four other students on this course, for three there was evidence the students engaged, for one there was no evidence of engagement. Credits have been cleared for the two students where there is no evidence of engagement. Additionally for a STEM course engagement at a student level was not recorded, however there was evidence to support the course taking place.

ACKNOWLEDGEMENT:

We wish to thank the College staff for their co-operation and assistance throughout this review. Their efforts are very much appreciated.

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DETAILED FINDINGS

Work Based

Ref	Sig.	Finding
1	■	<p>SFC requires the College can evidence the student progression on courses with a work based assessed provision.</p> <p>The College's Work Based Team monitor students on courses with a work based assessed provision to ensure they are engaging and progressing. Where students are not progressing the Work Based Team will communicate this to the Management Information System (MIS) Team.</p> <p>For one student on a course with a work based assessed provision, the Work Based Team had not communicated to MIS that the student had not progressed on the course. This anomaly was the only issue identified from a sample of five students on courses with a work based assessed provision. Credits have been cleared.</p> <p>There is a risk that that credits are being claimed for work based courses where students are not progressing.</p>

RECOMMENDATION:

We recommend that the Work Based Team are reminded to communicate to MIS when students are not progressing.

MANAGEMENT RESPONSE:

We accept this recommendation and will undertake work with the Work Based Team to make sure that those work based student not progressing are clearly identified and that this is communicated to MIS.


Responsible Officer: Stuart Miller

Implementation Date: December 2021

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Distance Learning Courses

Ref	Sig.	Finding
2		<p>SFC requires the College can evidence the student engagement on distance learning courses.</p> <p>For one student credits had been claimed despite there being no evidence of engagement. There were four other students on this course, for three there was evidence the students engaged, for one there was no evidence of engagement. Credits have been cleared for the two students where there is no evidence of engagement.</p> <p>Additionally for a STEM course engagement at a student level was not recorded, however there was evidence to support the course taking place.</p> <p>There is a risk that credits are being claimed for distance learning courses where students are not engaging.</p>

RECOMMENDATION:

We recommend that management incorporates formal attendance monitoring procedures for all of distance learning courses provided.

MANAGEMENT RESPONSE:

The college has a small range of distance learning course taught using a mixed range of digital media to meet the requirements of the end user. In these circumstances the practice has always been that the curriculum retains evidence of engagement with these students and this available at audit. It is not feasible to extract this information and then upload it within the student record attendance system. The college rejects this recommendation that formal attendance monitoring of distance learning students is required and would alternatively like to propose that some further training is given to managers on capturing engagement on distance learning courses and retaining this for the purpose of audit.

Responsible Officer: Richard Simson

Implementation Date: December 2021

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APPENDIX I - ADJUSTED ERRORS

The table below shows the number of Credits errors that the auditor found during the course of the audit and whether these errors were subsequently corrected in the FES return.

Summary of Errors	Number of Credits	Adjusted in FES Return
Work Based [1]	9	9
Distance Learning [2]	1.5	1.5
Total	10.5	10.5

[1] Our work based assessed provision testing identified 1 student where the student did not progress

[2] Our testing identified two students on a distance learning course where the students did not engage

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APPENDIX II - DEFINITIONS

RECOMMENDATION SIGNIFICANCE

High

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

Medium

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

Low

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

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AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT

EDUCATION MAINTENANCE ALLOWANCE AUDIT
SEPTEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

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DISTRIBUTION

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

REPORT STATUS LIST

Auditors:	Abigail McGurn
Dates work performed:	30 August 2021 - 1 September 2021
Draft report issued:	16 September 2021
Final report issued:	24 September 2021

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AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

EXECUTIVE SUMMARY

INTRODUCTION:

A review of the College's student data returns has been carried out in accordance with the EMA Audit Guidance Notes for 2020-21 issued on 15 July 2021.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering the following:

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

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

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

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

AUDIT TESTS:

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

- A sample of 15 students, from a population of 477 eligible students was selected.
- We traced each of our sample of students to a completed enrolment form confirming eligibility and the existence of a valid audit trail.
- We re-assessed the applications to ensure they received the correct rate of EMA, and had all relevant documentation in place, such as completed learner agreements.
- We assessed whether student engagement has been monitored effectively for each of the sample.
- We traced the total income received from the SFC to the College's bank account and the monthly remittance advice slips received from the SFC to ensure claims had been correctly recorded.
- We reviewed the College's EMA reconciliation to confirm its accuracy.
- We reviewed the College's spot check workings to assess whether they had spot checked at least 5% of total students.

CONCLUSION:

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





ACKNOWLEDGEMENT:

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




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AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

APPENDIX I - DEFINITIONS

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

RECOMMENDATION SIGNIFICANCE

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

AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

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

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

In order to comply with the SFC's requirements set out in 'Education Maintenance Allowance AY 2020-21', we have been requested by Ayrshire College to carry out an EMA Audit for the year ended 31 July 2021 with the purpose being to provide an audit certificate giving an opinion on whether:

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

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

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INTERNAL AUDIT REPORT

STUDENT SUPPORT FUND AUDIT
SEPTEMBER 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



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DISTRIBUTION

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

REPORT STATUS LIST

Auditors:	Abigail McGurn
Dates work performed:	6-10 September 2020
Draft report issued:	21 September 2020
Final report issued:	24 September 2021

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AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

EXECUTIVE SUMMARY

INTRODUCTION:

A review of the College's student data returns has been carried out in accordance with the 'Student Support Fund' Audit Guidance Notes for 2020-21 issued on 3rd August 2021.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering the following:

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

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

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

Our fieldwork which took place over 5 days, was undertaken by a part-qualified auditor and was reviewed by the Director responsible for the assignment. All personnel have previous experience of internal audit of FE colleges.

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

AUDIT TESTS:

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

- A sample of 17 students, from a population of 3,197 eligible bursary students were selected.
- We traced each of our sample of students to their application which was made online, confirming that the eligibility criteria were checked and evidence retained, and reviewed the back-up documentation supporting each of the applications, including confirmation that the applicant's income status is reviewed before awarding a bursary.
- We confirmed that student engagement is monitored effectively for the sample, and confirmed that withdrawn students, or those no longer meeting acceptable engagement criteria, no longer receive payment.
- We confirmed for the sample that the bursary was paid into the bank account of the correct student.
- We traced the total income received from the SFC to the College's bank account and nominal ledger and cross checked the total income to the monthly remittance advices received from the SFC to ensure these have been correctly recorded.
- We matched the College's aggregated returns to the underlying records.
- We tested a sample of 15 students from a population of 172 confirming eligibility for further education or higher education childcare award.
- We tested a sample of 10 students from a population of 1567 confirming eligibility for further education discretionary award.
- We tested a sample of 5 students from a population of 81 confirming eligibility for higher education discretionary award.

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- We confirmed that payments made under discretionary and childcare funds were for allowable expenditure in each of the sample selected.
- We tested a sample of 5 students from a population of 356 confirming eligibility for care experienced bursary.

CONCLUSION:

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





ACKNOWLEDGEMENT:

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




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AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

APPENDIX I - DEFINITIONS

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

RECOMMENDATION SIGNIFICANCE

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

AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

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

In order to comply with the SFC's requirements set out in '2020-21 National policy: childcare funds for college students', we have been requested by Ayrshire College to carry out an SSF Audit for the year ended 31 July 2021 with the purpose being to provide an audit certificate giving an opinion on whether:

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

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

Ayrshire College # 484082
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FOR MORE INFORMATION:

CLAIRE ROBERTSON

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AYRSHIRE
INTERNAL AUDIT
Follow up review
October 2021



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REPORT STATUS	
Auditor:	Gemma Rickman
Dates work performed:	6 September - 1 October 2021
Draft report issued:	14 October 2021
Final report issued:	11 November 2021

DISTRIBUTION LIST	
Michael Breen	Vice Principal - Finance
James Thomson	Assistant Principal - Finance, Student Funding and Estates
Members of the Audit Committee	

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11/17/2021 16:31:30

Restrictions of use

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

EXECUTIVE SUMMARY

Scope and Work Undertaken

Background

As part of the provision of continual assurance with regard to internal control arrangements, a review of the degree of implementation of previously agreed Internal Audit recommendations was conducted in September 2021. In accordance with the Internal Audit Annual Plan 2020-21, we have considered the implementation status of all recommendations raised from previous internal audit work which were due to be implemented at the commencement of this review (6 September 2021). 3 recommendations were followed up from the work undertaken during 2018-19, 7 recommendations were followed up from 2019-20, and 4 recommendations were followed up from 2020-21. The recommendations relate to nine audit areas, as listed below:

- Application, Recruitment, Induction & Enrolment of Students 2018/19 (3 recommendations)
- Corporate Governance 2019/20 (1 recommendation)
- Data Protection 2019/20 (1 recommendation)
- Business Continuity Management 2019/20 (1 recommendation)
- School & Community Provisions 2019/20 (2 recommendations)
- SFC Return 2019/20 (2 recommendations)
- Financial Processes 2020/21 (1 recommendation)
- Coronavirus Job Retention Scheme Grant Claims 2020/21 (2 recommendations)
- Staff Recruitment & Selection 2020/21 (1 recommendation)

Methodology

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

Acknowledgement

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

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EXECUTIVE SUMMARY


Status of recommendations as at October 2021

The summary below provides a simple overview of the status of each recommendation. Of the 14 recommendations due to be implemented, 12 (86%) have been categorised as fully implemented and 3 (21%) are considered as partially implemented. There are 10 recommendations not due for implementation at the commencement of fieldwork. On this basis, we conclude that Ayrshire College has made good progress in implementing the recommendations raised and we can provide assurance that management's resolve to implement previously agreed Internal Audit recommendations is sound. However, continued efforts should be made to ensure previously raised recommendations are implemented in a timely manner.


Audit	Status at October 2021					Total
	Fully implemented	Partially implemented	Not implemented	Superseded	Not due for implementation	
Application, Recruitment, Induction & Enrolment of Students 2018/19	3	-	-	-	-	3
Corporate Governance 2019/20	1	-	-	-	-	1
Data Protection 2019/20	1	-	-	-	-	1
Business Continuity Management 2019/20	1	-	-	-	-	1
School & Community Provisions 2019/20	1	1	-	-	-	2
SFC Return 2019/20	2	-	-	-	-	2
Partnership Working 2020/21	-	-	-	-	-	-
Financial Processes 2020/21	-	1	-	-	-	1
Curriculum Planning 2020/21	-	-	-	-	-	-
Coronavirus Job Retention Scheme Grant Claims 2020/21	2	-	-	-	-	2
Staff Recruitment & Selection 2020/21	1	-	-	-	3	4
IT Service Provision During COVID-19 2020/21	-	-	-	-	3	3
Commercial Income Generating Programmes 2020/21	-	-	-	-	4	4
TOTAL	12	2	-	-	10	24

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RECOMMENDATION STATUS - SCHOOL & COMMUNITY PROVISIONS 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
1	<p>We recommend the College has data sharing agreements in place with the local authorities it engages with.</p> <p>We also recommend these agreements are reviewed on a regular basis.</p>		<p>The College will share the draft data sharing agreement with each of the three local authorities. This will be discussed and agreed with each of the directors of education and formally approved.</p> <p>The draft data sharing agreement has been prepared in line with the data sharing agreements already in place across the rest of the College.</p>	<p>Responsible Officer: Head of Schools, Communities and Widening Access</p> <p>Implementation Due Date: 30/11/2020</p>
Status at October 2021 & Revised Recommendation				
<p>Partially Implemented</p> <p>This recommendation has yet to be implemented. Internal Audit were advised that the data sharing agreements have not been finalised with the local authorities.</p>				
Management Response at October 2021				
<p>The draft data sharing agreements have been prepared in line with the data sharing agreements already in place across the rest of the College. The College is sharing data in compliance with the draft data sharing agreements.</p> <p>The draft data sharing agreements have been shared, some time ago, with the local authorities. The College is however reliant on the local authorities prioritising and ratifying the agreements through their own processes before the agreements can be finalised. The College is continuing to press for the agreements to be signed off, working with local authority colleagues were required to achieve this. It is, however, limited to what it can press partners to do and is subject to their timescales.</p>				

RECOMMENDATION STATUS - FINANCIAL PROCESSES 2020/21

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
2	In line with management plans we recommend that the software add-on is implemented to ensure that invoices can be processed remotely in a timely manner.		The College has procured additional software that will address this issue. The software will be fully operational by May 2021.	Responsible Officer: Head of Financial Services Implementation Due Date: 31/05/2021
Status at October 2021 & Revised Recommendation				
Partially Implemented The software add-on is now in place, however this is currently not yet being used to process invoices, and is in the final testing and development stages.				
Management Response at October 2021				
The additional software has been tested and final updates are being agreed with the software provider prior to completion. The College has set a deadline of 17 December 2021 for the system to be fully operational.				

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APPENDIX I - STAFF CONTACTED




NAME	JOB TITLE
James Thomson	Assistant Principal Finance, Student Funding and Estates
Stuart Arnold	Financial Accountant

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

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APPENDIX II - DEFINITIONS

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

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

APPENDIX III - TERMS OF REFERENCE

BACKGROUND

As part of the 2020-21 Internal Audit plan for Ayrshire College, it was agreed that internal audit will follow up on previously agreed recommendations made in Internal Audit reports in previous years, and where relevant during the current year.

PURPOSE OF REVIEW

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

KEY RISKS

The key risk associated with the area under review is:

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

SCOPE OF REVIEW

We will review management's action taken to implement internal audit recommendations. This will involve the review of recommendations made in each of the 2020-21 internal audit reports which are due for implementation.

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Audit And Risk Committee, 23 November 2021 (Paper 6)

AYRSHIRE COLLEGE INTERNAL AUDIT ANNUAL REPORT 2020-21

NOVEMBER 2021

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

EXECUTIVE SUMMARY

Background

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

Responsibilities

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

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

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

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

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EXECUTIVE SUMMARY

Audit Approach

We have reviewed the control policies and procedures employed by Ayrshire College to manage risks in business areas identified by management set out in the 2020-21 Annual Internal Audit Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation.

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

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

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

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

Coverage

During 2020-21 BDO LLP has reviewed and evaluated Ayrshire College's processes in the following areas:

- | | |
|---|---|
| <ul style="list-style-type: none">• FES Return• Student Support Fund• Partnership Working• Financial Controls• Coronavirus Job Retention Scheme | <ul style="list-style-type: none">• Staff Recruitment & Selection• IT Services Provision• Curriculum Planning• Commercial Income Generating Programmes• Follow Up |
|---|---|

EXECUTIVE SUMMARY

Recommendations

To assist management in addressing our findings, we categorise our recommendations according to their level or priority. The recommendations made in the nine completed reviews totalled 15.

Summary of Recommendations (SEE APPENDIX I)

High	▲	0
Medium	■	4
Low	●	11

Total number of recommendations: 15

Reporting mechanisms and practices

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

Management action on our recommendations

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

EXECUTIVE SUMMARY

Relationship with external audit

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

Follow up

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

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

We followed up 14 recommendations from 2020-21 and prior years. We note that 12 of these recommendations had been fully implemented, and 2 were partially implemented. There were a further 10 findings not yet due for implementation.

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




Summary of work performed

Details of the nine internal audit reviews and the follow up review have been reported to the Audit Committee throughout the year and have been discussed at length with consideration and scrutiny of management responses and timescales proposed.

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

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REVIEW OF 2020 - 21 WORK

Reports Issued	Overall Report Conclusions - see appendix I				
				Design	Operational Effectiveness
FES Return	0	0	0	Substantial	Substantial
Student Support Fund	0	0	0	Substantial	Substantial
Partnership Working	0	0	0	Substantial	Substantial
Financial Controls	0	1	1	Substantial	Substantial
Coronavirus Job Retention Scheme Grant Claims	0	1	1	Moderate	Moderate
Staff Recruitment & Selection	0	0	4	Moderate	Moderate
IT Services Provision	0	1	2	Moderate	Moderate
Curriculum Planning	0	0	0	Substantial	Substantial
Commercial Income Generating Programmes	0	1	3	Moderate	Moderate

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ANNUAL STATEMENT OF ASSURANCE

Report by BDO LLP to Ayrshire College

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

In giving our view it should be noted that assurance can never be absolute. The internal audit service provides Ayrshire College with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2020-21. Therefore, the statement of assurance is not a guarantee that all other aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no other signs of material weakness in the framework of control.

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

- All internal audits undertaken by BDO LLP during 2020-21;
- Any follow-up action taken in respect of audits from previous periods for these audit areas;
- Whether any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- The requirements of the Public Sector Internal Audit Standards; and
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

Conclusion

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

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

PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	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	December 2020	Financial Controls	5	5	Completed.
5	May 2021	Commercial Income	5	5	Completed.
6	June 2021	Curriculum Planning	5	5	Completed.
7	March 2021	Staff recruitment & selection	5	5	Completed.
8	March 2021	IT Strategy	5	5	Completed.
9	February 2021	Coronavirus Job Retention Scheme	5	5	Completed.
10	September 2021	Follow Up	3	3	Completed.

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AUDIT PERFORMANCE




AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
FES Return	7 th October 2020	23 rd October 2020	16 th November 2020	16 th November 2020
Student Support Fund	11 th September 2020	30 th September 2020	1 st November 2020	2 nd November 2020
Partnership Working	10 December 2020	18 December 2020	27 January 2021	27 January 2021
Financial Controls	18 December 2020	20 January 2021	3 March 2021	4 March 2021
Coronavirus Job Retention Scheme	5 February 2021	12 February 2021	25 February 2021	25 February 2021
Staff Recruitment & Retention	18 March 2021	26 March 2021	13 May 2021	13 May 2021
IT Services Provision	22 April 2021	5 May 2021	21 May 2021	21 May 2021
Curriculum Planning	1 July 2021	5 July 2021	12 July 2021	13 July 2021
Commercial Income Generating Programmes	10 June 2021	16 June 2021	10 August 2021	10 August 2021
Follow-up	1 October 2021	14 October 2021	10 November 2021	11 November 2021

On average:

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

APPENDIX I - DEFINITIONS

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

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

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Board of Management Report and Financial Statements

For the year ended
31 July 2021

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11/17/2021 16:31:30

PERFORMANCE REPORT

Ayrshire College # 484082
11/17/2021 16:31:30

Principal's Statement on Ayrshire College's Performance 2020-21

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

Over the last year, the collective talent and commitment of its students, staff and partners has enabled the College to continue to deliver its curriculum and support services despite the severe disruption to learning caused by the ongoing COVID-19 pandemic.

Investment in digital resources supported students to learn remotely in 2020-21. Continued investment in the College's infrastructure supported innovative practice across all curriculum and service teams.

The College engaged positively with individuals, communities and employers across Ayrshire in 2020-21 and we are proud of the impact we made on people's lives.

Overview of Performance Report

The Board of Management of Ayrshire College presents its Performance Report together with the Audited Financial Statements for the year ended 31 July 2021.

This Performance Report provides a detailed summary of the performance of the College during 2020-21 and how it measures and monitors its performance. The Report also includes the strategic issues and risks facing the College.

Legal Status

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

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

Ayrshire College Statement of Ambition and Refresh and Renew Plan 2021-2024

The College's Statement of Ambition 2030, which sets out the College's long-term ambitions and aspirations as the country recovers from the pandemic, was launched in August 2021. The Statement of Ambition is as follows:

Ayrshire College Statement of Ambition 2030

Ayrshire College will be an inspirational place of learning where individuals can excel and realise their full potential. A place where businesses and communities can access skills, expertise and innovation that supports local and national economic development and inclusive growth.

We will achieve this through strong collaboration and partnership working and by investing in and valuing our staff and students.

This statement has three underpinning ambitions:

- Ambition 1: To be an accessible, inspirational, and inclusive place to work and learn
- Ambition 2: To support, empower and inspire our staff and students
- Ambition 3: To be a high-performing, environmentally responsible college recognised for excellence, equality, and integrity.

In addition, a Refresh and Renew Plan 2021-24 has been developed which identifies key strategic objectives for the next three years. These objectives will support economic and social recovery and contribute to achieving the Ambitions.

Over the next three years Ayrshire College will:

- Embed a culture of open leadership and empowerment where staff and students feel valued, their voices are heard, and they are involved in decisions which affect them
- Provide an inspirational college experience which supports and enables students to overcome the disruption to learning caused by the pandemic and to successfully progress on their learning journey.
- Embed diversity and inclusion in all decisions, and support staff and students by providing accessible opportunities to learn, work and develop.
- Focus on being a high-performing college underpinned by excellence in stewardship, effective risk management and the highest standards of corporate governance.
- Respond to the climate change emergency by being environmentally responsible, embedding sustainability in our learning and teaching and business operations
- Work with partners, including businesses, to co-create a portfolio of learning and skills that is relevant, dynamic, flexible, and responsive to employer and industry needs, to current and future skills requirements and contributes to social and economic recovery.
- Develop and support staff and students to work and learn in new and innovative ways to enable excellence in all aspects of learning and teaching and service delivery.

The Refresh and Renew Plan provides the context for ambitions set out in other strategic documents, such as the updated Learning and Teaching Strategy 2021-24. The Refresh and Renew Plan also provides the overarching framework for the College's Outcome Agreement for 2020-21 agreed with the Scottish Funding Council (SFC).

SFC Outcome Agreement

In 2020-21, the College agreed an Outcome Agreement with the Scottish Funding Council for the period 2020-21. This Outcome Agreement focuses on the following three outcomes:

- Outcomes for students
- Outcomes for Economic Recovery and Social Renewal
- Responsive and Collaborative.

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

Performance of Ayrshire College in 2020-21

The College reviews its portfolio of courses on an annual basis. It is an evidence-based approach which uses national and regional labour market information. Courses no longer in demand, not achieving success or not related to skills are removed from the Curriculum Delivery Plan (CDP) for the following academic year. This annual process ensures that the College's portfolio of courses is aligned to national, regional and local policy objectives. The effectiveness of the College's curriculum planning arrangements can be evidenced by an internal audit conducted during 2020-21. The internal audit of the College's Curriculum Development Planning processes provided substantial assurance on the existing arrangements (the highest assurance rating) and identified no areas for improvement.

The College's progress on improving outcomes for students, against SFC priorities, was significantly impacted by the severe disruption to learning as a consequence of COVID-19. The College's strategic focus on reducing withdrawals and increasing success, during 2020-21 continued, but the impact of COVID-19 meant that achieving national ambitions for FE programmes, in particular, was undermined.

In 2020-21, the College exceeded the core activity target set by the SFC and delivered 125,463 credits (target 124,877 credits). This is the fifth year in a row that the College has exceeded the SFC core activity target.

The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of its students, to our communities, to Ayrshire's economy and to Scotland. In 20-21, 58.2% of FE full-time students (2019-20 63.8%) and 71.7% of HE full-time students (2019-20 68.9%) completed their courses with a successful outcome.

Performance, with reference to successfully completed FE full-time programmes, has declined by 5.6%. This area of concern, which is the biggest single factor contributing to the decline in successful outcome rates, is further withdrawal which doubled to 24.3% - the highest that it has ever been in Ayrshire College. This corresponds with the evidence to suggest that Ayrshire College FE students struggled with the severe disruption to learning during Academic Year (AY) 2020-21 and the lack of opportunities for face-to-face learning. Although sector performance indicators are as yet are unavailable, Education Scotland's [Remote Learning in Scotland's Colleges](#) suggests that this will be reflected across the wider College sector.

Performance, with reference to successfully completed HE full-time programmes increased by 2.9%. At 71.6%, this is the first time that Ayrshire College has reported success above 70%. This is perhaps reflective of evidence to suggest that HE learners coped more successfully with the disruption to learning which resulted in the majority of learning being delivered remotely in AY 2020-21.

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

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

The College supports a high number of students living in the 10% most deprived postcode areas. In AY 2020-21, the volume of credits delivered to the 10% most deprived was 22,755 credits - 18.2% of the total delivery. The College aims to ensure that the percentage of students living in the 10% most deprived postcode areas is representative of the Ayrshire region in line with national targets.

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

The most recent SFC College Leaver Destination Survey reported that 95.3% of Ayrshire College's students achieved a positive destination six months after completing their course of study.

SFC has set ambitious and stretching targets for all of Scotland's colleges to deliver successful outcomes for care experienced students, aiming for parity with their peers by 2020-21. In 2020-21, Ayrshire College had 638 care experienced students, with 62.7% (2019-20 55.8%) achieving a successful course outcome.

A key priority area of focus is to improve outcomes for students with a declared disability. Over the five years from 2015-16 to 2020-21 there has been a significant increase in the number of students declaring

a disability. In 2020-21 63.3% (2019-20 62.9%) of Ayrshire College students with a declared disability achieved a successful outcome.

A culture of partnership working is embedded across the College. Throughout 2020-21, the College continued to invest significant time, working remotely, in enhancing existing private, public and third sector partnerships, as well as developing new ones. The College's partnership approach with universities also allows its students to gain access to degree programmes with advanced standing.

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

Ayrshire College has put sustainability towards the forefront including reducing waste within the College. The College's successful drive towards sustainability has been recognised at a national level. For example, the College was highly commended for the 2019 College Development Network sustainability award.

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

The College continues on its journey of improvement in 2021-22 and remains focused on increasing student attainment and achievement. In particular, the College will focus efforts to address the impact of COVID-19 and improve outcomes on FE programmes in line with national ambitions.

COVID-19

The College's Campus Operations Steering group (COSG), originally set up to oversee the safe and effective reopening of Ayrshire College campuses in the summer of 2020, continued to meet regularly throughout AY 2020-21. The Steering Group, chaired by the Principal, includes the College's Senior Leadership Team, the Head of Health, Safety and Wellbeing, the Head of ICT, the Head of Marketing, Ayrshire College Student Association President and Vice-President, and representatives from the College's two recognised trade unions - EIS-FELA and Unison. This has ensured a partnership approach to resuming on-campus activities safely and effectively and in reviewing activities in line with the latest Scottish Government and Public Health guidance.

The College took proactive steps to support its students during the COVID-19 pandemic. This included awarding additional payments in March 2020 to students who receive discretionary financial support. This category of students includes the most financially disadvantaged out of all the College's student cohort. Further financial support and guidance was also made available to students who were not within this category but who were experiencing additional financial hardship due to the COVID-19 pandemic.

Students studying with the College during AY 2020-21 faced significant disruption to their learning. The commencement of AY 2020-21 full-time programmes was delayed until 22 September 2020. This was in order to prioritise engagement with significant numbers of deferred students from AY 2019-20. The delayed start to the term also allowed for sufficient time for the required health and safety measures, which had come to the sector over the summer holiday period, to be implemented.

Students unfortunately only had four weeks of on-campus learning before the country moved to level three restrictions on 26 October 2020 which severely restricted student numbers on campus. Thereafter, From 23 November 2020, the College operated under level four restrictions which meant a very small number

of students could be on campus where their attendance was critical and where assessment could not be delayed.

All learning, teaching and assessment was moved completely online from 21 December 2020 (covering the second national lockdown period) until a phased return to campus, from 16 February 2021, for students in employment where the security of their employment and/or salary was contingent upon them gaining a qualification.

The vast majority of students continued to study exclusively online until 17 May 2021 when Ayrshire moved to level two of the Strategic Framework and colleges were asked to operate a blended learning delivery model. The move to level two meant that more students could return to campus and course teams were asked to make a judgement on the necessity for students to return based on the overriding principle of supporting as many as possible to successfully conclude their studies in AY 2020-21.

The College continued to work with key awarding bodies to ensure that alternative models of certification could be adopted which recognised, fairly, students' achievements, allowing them to progress to work or further study, while maintaining the integrity of qualifications.

A number of activities were planned over the summer period to either facilitate completion of qualifications or to provide experiences that students would have ordinarily undertaken throughout a normal academic year. Examples include students undertaking a summer placement programme in the College's salon, a hospitality summer placement programme in the College's training restaurants, a supported learning summer transition programme and an early learning and childcare outdoor forest kindergarten placement experience.

Despite the challenges and significant disruption to learning, the vast majority of students who remained on courses were supported to successfully conclude their studies.

In preparation for the return of staff and students, the College implemented baseline measures to mitigate the risk of COVID-19 when people are on campus. These include specific entry and exit points, a one-way system, a keep left system, sanitisation points throughout the building, restricted access to and occupancy of toilet facilities, and the wearing of face coverings. These measures remained in place throughout AY 2020-21. In addition, lateral flow testing kits are available to staff and students and they are encouraged to undertake testing twice weekly. Drop-in vaccination clinics have taken place on all three campuses.

Financial Objectives

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

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

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

Financial Review

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

The College generated a deficit in the year of (£634,000) before non-recurring items. The deficit represents an adverse figure of (1%) of overall trading income. This compares to a deficit before non-recurring items in 2019-20 of (£1,557,000). After recording net non-recurring costs amounting to £467,000, the final deficit was (£1,101,000) for 2020-21. This is compared to a 2019-20 deficit of (£1,567,000).

The College, at July 2021, has £77,501,000 of net assets (excluding a pension liability of £20,543,000). At July 2020 the College had £48,207,000 of net assets (excluding a pension liability of £27,344,000). The pension liability is excluded as this is out with the College's control.

The College has significant reliance on SFC for its funding which is largely from recurrent grants. In 2020-21, SFC provided 88.7% of the College's total operational revenue income (2019-20, 86.5%). Excluding specific funding to support the Unitary Charge for the NPD contract for the Kilmarnock campus, SFC revenue income totalled 79.4% of total income (2019-20 77.2%).

The cash balance of £8,201,000 shown in the Balance Sheet includes £3,617,000 of monies held by the College (in advance) and student funding (to be repaid) and the College's own restricted and designated cash balances. Therefore, the College's trading cash balance as at 31 July 2021 was £4,584,000.

The College received additional sustainability funding from SFC to compensate for the financial impact of COVID-19. The majority of this related to lost catering and trading income of c.£725,698. The College also claimed £380,357 from the Coronavirus Job Retention Scheme. In addition, to address the loss of projected income streams the College had to identify additional spend requirements to enable ongoing service delivery whilst supporting staff and students. This included purchasing essential PPE, deep cleaning products, and ICT equipment. It also included additional spend required to configure college estates to support social distancing and to protect staff and students. The mitigating actions to offset the loss of income and to enable additional spend due to COVID-19 were overseen at a strategic level by the Campus Operations Steering Group.

Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2021 of £(1,101,000). This is compared to a deficit in 2019-20 of £(1,567,000).

There was one area of non-recurring expenditure which impacted the deficit in 2020-21. These were exceptional restructuring costs. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period between recurring items £(634,000) and non-recurring items £(467,000).

o Recurring Items

The College recorded a deficit of £(634,000) which represents an adverse figure of approximately (1%) of overall trading income.

The recorded deficit of £(634,000) in 2020-21 comprises of the following elements:

• Operating position- surplus	£3,733,000
• Non-Government Capital Grant	£67,000
• FRS102- NPD/ PFI Capital income	£2,055,000
• Net Depreciation charge	£(2,835,000)
• FRS 102- Pension	£(3,654,000)

o Non-recurring Items

Non-recurring items are one off events that occur over and above the core business of the College. The non-recurring items amounting to a deficit of £(467,000) in 2020-21 comprised the following elements:

• Exceptional restructuring costs	£467,000
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To aid the reader of these accounts, the College has provided a reconciliation to the figures reported above for recurring and non-recurring items as noted within the Statement of Comprehensive Income (Table 1).

Table 1 – Adjusted operating position 2019-20 and 2020-21 – Detailing Recurring and Non-recurring Items for 2020-21

	Recurring £000	Non- recurring £000	2020-21 £000	2019-20 £000
Surplus /(deficit) after other gains and losses	(615)	(467)	(1,082)	(1,567)
(Loss) / gain on sale	(19)	-	(19)	-
Surplus / (deficit) before other gains and losses	(634)	(467)	(1,101)	(1,567)
Add back:				
Provision released			-	-
Depreciation (net of deferred capital grant release)	2,835		2,835	2,759
Exceptional non-restructuring costs (e.g. impairment)	-		-	-
Non-cash pension adjustments	3,654		3,654	3,245
Donation to Arms-length Foundation	-		-	
Provision per 1 April 2014				
Deduct:				
Non-Government capital grants (e.g. ALF capital grant)	(67)		(67)	(209)
Exceptional income	-		-	-
Revenue funding allocated to loan repayments (NPD)	(1,355)		(1,355)	(1,280)
Additional revenue funding allocated by SFC	(700)		(700)	(700)
Sub-Total Revenue	3,733	(467)	3,266	2,248
Retention of sale proceeds to fund PFI Capital and Interest payments			-	-
CBP allocated to PFI loan repayments			(867)	(867)
Early retirees			(87)	(87)
Adjusted operating surplus / (deficit)			2,312	1,294

Underlying operating position 2019-20 and 2020-21

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

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Table 2 – Adjusted operating position 2019-20 and 2020-21

	Note	2020-21 £000	2019-20 £000
Surplus (deficit) before other gains and losses		(1,101)	(1,567)
Add back:			
Depreciation (net of deferred capital grant release)		2,835	2,759
Exceptional non-restructuring costs (e.g. impairment)		-	-
Pension adjustments – Net Service cost		3,206	2,669
Pension adjustments – Net Interest cost		405	292
Pension adjustments – Early Retirement Provision		43	284
Retention of sale proceeds to fund PFI capital and interest payments		-	-
Provision released		-	-
Deduct:			
Non-Government capital grants (e.g. ALF capital grant)		(67)	(209)
CBP allocated to loan repayments and other capital items		(954)	(954)
NPD Income applied to reduce NPD Balance Sheet debt		(1,355)	(1,280)
Additional revenue funding allocated by SFC		(700)	(700)
Adjusted operating surplus / (deficit)		2,312	1,294

Cash budgets for priorities

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

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

Table 3 – Cash budget for priorities spend 2019-20 and 2020-21

	2020-21 £000	2019-20 £000
Revenue		
Student support	-	-
2015-16 pay award	370	370
Other (give detail)	-	-
Total impact on operating position	370	370
Capital		
Loan repayments (PFI capital payment)	867	867
Early Retirees	87	87
Total Capital	954	954
Total cash budget for priorities spend	1,324	1,324

Reserves

The deficit brought forward on the income and expenditure reserve at 1 August 2020 was £(12,585,000). After the deficit for the year before non-recurring items of (£634,000), the non-recurring items noted above of £(467,000), the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the deficit on the College's income and expenditure reserve as at 31 July 2021 is £(2,348,000).

Capital Additions

Tangible Fixed Asset additions in 2020-21 amounted to £626,000. This expenditure on the buildings of £8,000 relates mainly to small capital works. In addition, there was expenditure of £618,000 on IT and curriculum equipment.

Core Performance Indicators

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

Table 4 – Ayrshire College Performance against SFC Core Performance Indicators

No	Performance Indicator	2020-21	2019-20
1	Recurring (Deficit)/Surplus as % of total trading income	(1.2%)	(3.0%)
2	Non SFC Income as % of Total Income	11.3%	14%
3	Credit activity target set by SFC for year to July 2021	124,877	124,943
4	Credit activity achieved in year to July 2021	125,463	125,751
5	Activity achieved against target	100.5%	100.6%
6	Current Assets: Current Liabilities	1.21:1	0.9:1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	34	11

Treasury Management Policies and Objectives

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

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

Cash Flows

The College had a net increase in cash in 2020-21 of £4,289,000. This is detailed in the Cash Flow Statement.

Liquidity

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

Payment Performance

The College has a policy of paying its suppliers within agreed terms unless an invoice is disputed. All disputes are dealt with as quickly as possible and we are not aware of any payments being made out with

the College's approved payment policy. No interest was paid by the College under the Late Payment of Commercial Debts (Interest) Act 1998.

Resources

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

Property

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

Estates Development

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

Staff Report

In the 2020-21 staffing return to the SFC, it was reported that the College employed 707 full-time equivalent employees, of whom 428 were curriculum staff and 279 were service staff. This equates to a headcount of 884, comprising 553 female and 331 male members of staff.

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

National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. A number of National Bargaining agreements have been reached during 2020-21 for both curriculum and service staff.

Local Joint Negotiation Committees (LJNC) continued to be held during 2020-21 with both EIS-FELA and Unison.

Stakeholder Relationships

Ayrshire College has many stakeholders. These include:

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

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

Staff Involvement and Participation

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

Staff Development

A range of CPD activities took place during the 2020-21 academic term, with a significant focus on digital skills to support the workforce. Examples of other activity that the College engaged in is as follows:

- Teaching Qualification in Further Education
- PDA Teaching Practice
- L&D 9 Assessor Award
- L&D 11 Verifier Award.

Equality and Inclusion

Ayrshire College is a successful, community-focussed regional College. The ongoing global pandemic continues to influence College decision-making as the College looks ahead knowing that it must support the inclusion and wellbeing of its people and the social and economic recovery and future prosperity of local communities in Ayrshire. For the next four years, the College has an opportunity through its Equality Outcomes 2021-2025 to make a difference to the lives and experiences of those most beset by inequality on the basis of their protected characteristic(s). This is why the College's Equality Outcomes 2021-2025 speak to the significance and persistence of particular inequalities and the need to continue tackling these so as to secure long-term and sustainable change in the College.

By April 2025, the College aims to be a place of learning and working where:

- Equality Outcome 1: Students and staff with protected characteristics most likely to experience hate, report that they feel safe while engaged in study or work
- Equality Outcome 2: Curriculum areas with a male or female student gender imbalance greater than a 75:25 ratio have improved
- Equality Outcome 3: The rates of declaration, retention and attainment of male students with a mental health condition have improved
- Equality Outcome 4: The recruitment and declaration rates of staff with a disability have improved.

The College's [Statement of Ambition 2030 and Strategic Objectives 2021-2023](#) make clear the importance of embedding inclusion into everyday College business. As such, Ayrshire College is demonstrating that it is an organisation which has both a strategic vision and approach to equality, inclusion and diversity.

Ayrshire College is continuing to make good progress in mainstreaming equality. The College is able to demonstrate this by giving examples across six focus areas of the College. These six focus areas are as follows:

- Strategic vision, approach and governance arrangements
- Curriculum content and / or design
- Raising awareness
- Supporting student success

- Supporting staff success
- Partnership working.

Further information on the College's progress in mainstreaming equality, inclusion and diversity and its equality outcomes is set out in its Mainstreaming Equality 2019-2021 and Equality Outcomes 2021-2025 Report. This report is available on the College's website and can also be accessed through the following link:

[Mainstreaming Equality 2019-2021 and Equality Outcomes 2021-2025 Report \(ayrshire.ac.uk\)](https://www.ayrshire.ac.uk/mainstreaming-equality-2019-2021-and-equality-outcomes-2021-2025-report)

The College is already beginning to achieve actions set out in its Equality Outcomes 2021-2025 including the implementation of new online reporting tool, Report + Support, from October 2021. Report + Support is an alternative way in which College students and staff can report, including anonymously, an incident related to, for example, hate crime, racism, and gender-based violence. Moreover, a new 'Equality Matters' section on the College's Staff Learning Portal, with e-learning modules across all protected characteristics as well as on gender-based violence, has been launched to support staff knowledge and contribute to the further development of a safe and inclusive learning and working environment. The College has also introduced a new hate crime pledge this academic year 2021-2022 to underline its commitment and at present is working on a #WeAreAyrshire campaign to promote inclusion and celebrate the diversity of its students and staff.

Health Safety and Wellbeing

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

A range of developments were undertaken during 2020-21 to promote the College's culture of health, safety and wellbeing. These developments built on the strong foundation of work undertaken by the College in prior years. The health, safety and wellbeing work of the College was adapted to ensure continued support to staff and students who were working and studying remotely. In addition, the College's Health, Safety and Wellbeing Team led on a range of initiatives to support staff and student mental health during the pandemic. For example, the College hosted wellbeing cafes and online sessions, promoted a range of online classes and online support material, as well a walking programme. For this last initiative the College was as shortlisted in the Scottish Walking Award, Walking Champion in Education, category.

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

During 2020-21 the College has continued to raise awareness of a range of health, safety and wellbeing issues during the year through regular communication, training and update sessions. Wherever possible, the College has collaborated with other agencies working in the area of health and safety and engaged in joint projects that would benefit the College, particularly in relation to Covid-19. For example, lateral flow device testing kits were made available to all staff and students from May 2021. The initial uptake was positive in comparison to other Colleges in the sector. The Head of Health, Safety and Wellbeing also worked with NHS Ayrshire & Arran to arrange on-campus vaccination clinics where 248 staff and students attended over the first two weeks of academic year 21/22.

The College continues to align its health and safety activities to changes taking place within the sector and nationally and also to continue to support post pandemic recovery. For example, the College will continue to promote wellbeing themes in partnership with NHS Ayrshire & Arran and other agencies.

Student Involvement

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

Disclosure of Information to Auditors

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

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

W Mackie
Chair

C Turnbull
Principal

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ACCOUNTABILITY REPORT

Corporate Governance Report

Statement of Board of Management's Responsibilities

Remuneration and Staff Report

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CORPORATE GOVERNANCE REPORT

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

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

In the opinion of the Board of Management, the College has complied with the Scottish Public Finance Manual (SPFM) throughout the year ended 31 July 2021. The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges and it has complied throughout the year ended 31 July 2021.

Board of Management

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

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

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

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

Directors' Report

This section of the report sets out the members who served on the Board of Management during the year to 31 July 2021 (Table 5).

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Table 5 – Serving Board Members 2020-21

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Willie Mackie	<ul style="list-style-type: none"> Business, Resources & Infrastructure Performance, Review & Remuneration Search & Nomination 	Chair of Ayrshire College BOM Chair of Ayrshire Regional College BOM	01.08.13 03.03.14 Reappointed 03.03.18	
Elaine Anderson	<ul style="list-style-type: none"> Learning & Teaching Audit and Risk 	Non-Executive Board Member	01.08.19	
Margaret Bryan	<ul style="list-style-type: none"> Audit and Risk Learning & Teaching 	Non-Executive Board Member	01.08.16	24.09.20 (completed period of appointment)
Beth Clelland	<ul style="list-style-type: none"> Learning & Teaching Business, Resources & Infrastructure 	Non-Executive Board Member	07.09.20	
Scott Cooley	<ul style="list-style-type: none"> Business, Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Steven Fegan	<ul style="list-style-type: none"> Learning & Teaching Business, Resources & Infrastructure 	Elected Support Staff	25.09.20	
Stephen Graham	<ul style="list-style-type: none"> Learning & Teaching Audit and Risk 	Non-Executive Board Member	01.08.19	
Lauren Howieson	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Elected Student Member	01.08.19	31.07.21 (completed period of appointment)
Mary McClung	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Janette Moore	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Elected Curriculum staff	05.10.20	
Fiona McQueen	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching Performance Review & Remuneration Search & Nomination 	Non-Executive Board Member	01.08.18	
Hazel Murphy	<ul style="list-style-type: none"> Audit and Risk Business, Resources & Infrastructure 	Non-Executive Board Member	01.08.18	31.07.21
Steven Oliver	<ul style="list-style-type: none"> Learning and Teaching 	Elected Student Member	01.08.20	31.07.21 (completed period of appointment)
Sathish Srinivasan	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Non-Executive Board Member	07.09.20	22.05.21
Michael Stewart	<ul style="list-style-type: none"> Learning & Teaching Business Resources & Infrastructure 	Non-Executive Board Member	01.08.19	
Alison Sutherland	<ul style="list-style-type: none"> Learning and Teaching Audit and Risk 	Non-Executive Member	01.08.19	
Carol Turnbull	<ul style="list-style-type: none"> Business, Resources & Infrastructure Learning and Teaching 	Principal Ex-Officio	01.03.19	

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Alan Walker	<ul style="list-style-type: none"> • Learning and Teaching • Business, Resources & Infrastructure • Performance, Review & Remuneration • Search & Nomination 	Non-Executive Board Member	01.08.14 Reappointed from 01.08.17	24.09.20 (completed period of appointment)
Steven Wallace	<ul style="list-style-type: none"> • Learning & Teaching • Business, Resources & Infrastructure • Performance, Review & Remuneration • Search & Nomination 	Non-Executive Board Member	01.08.18	
Matthew Wilson	<ul style="list-style-type: none"> • Learning & Teaching • Audit and Risk 	Non-Executive Board Member	07.09.20	

Table 6 details the number of Board of Management meetings that took place during the individual members' time as a board member during 2020-21 and how many of these meetings that they were able to attend.

Table 6 – Board Members Attendance 2020-21

Board Member	Board Meetings held during appointment period	Board Meetings attended
Willie Mackie	4	4
Elaine Anderson	4	4
Beth Clelland	4	4
Margarette Bryan	1	1
Scott Cooley	4	2
Steven Fegan	4	3
Stephen Graham	4	4
Lauren Howieson	4	4
Mary McClung	4	4
Janette Moore	3	2
Fiona McQueen	4	3
Hazel Murphy	4	3
Steven Oliver	4	2
Sathish Srinivasan	3	1
Michael Stewart	4	4
Alison Sutherland	4	4
Carol Turnbull	4	4
Alan Walker	4	1
Steven Wallace	4	4
Matthew Wilson	4	4

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

The Board of Management conducts its business through a number of committees. The committees comprise members of the Board of Management. The Board and its committees also have the authority to co-opt members, but co-opted members may not chair or vote at meetings. In 2020-21 the only co-opted member was Mr Paul Houlden, as the requisite external member of the Search and Nomination Committee.

The Board of Management has a strong and independent non-executive element of up to 12 members and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In addition, the Board contains six members who are out with the non-executive category. These are the Chair (appointed by Scottish Ministers), the Principal (ex-officio), two elected student members and two elected staff members. These members are also expected to exercise impartiality of judgement and be free from any external influence or relationship that could materially interfere with the exercise of their independent judgement as board members.

Register of Interests

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

Appointments to the Board of Management

The Board of Management consists of not less than 15, but not more than 18 persons, of which not less than half shall be drawn from persons engaged in industrial, commercial or employment matters or from the professions or persons with an interest in and the ability to contribute to the management of the College. This is in line with the provisions of The Post-16 Education (Scotland) Act 2013. The other Board members include the Board Chair, who is appointed by the Scottish Government, the Principal, a curriculum/teaching staff member, a support/service staff member and two student members.

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. As such, there is a Search and Nomination Committee that is responsible for the selection and nomination of any new non-executive member for the Board of Management's consideration. The Search and Nomination Committee is also responsible on behalf of the Board for the process leading to the Appointment of the College Principal. The Board of Management has an induction programme in place and Board development activities were held during 2020-21.

Audit and Risk Committee

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

Business, Resources, and Infrastructure Committee

The Business, Resources and Infrastructure Committee consists of members from the Board of Management including the Principal and the Chair of the Board. This Committee's responsibilities are to oversee the strategic and operational financial planning of the College and provide assurance to the Board on the financial expenditure, financial management and performance of the College. The Committee is

responsible for overseeing the strategic and operational planning of Organisational Development within the College and providing assurance to the Board on organisational/HR issues as well as the organisational performance of the College. In addition, the Committee oversees the strategic and operational planning of the estates function within the College and provides assurance with regard to College estates matters to the Board.

Learning and Teaching Committee

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

Performance Review and Remuneration Committee

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

Search and Nomination Committee

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

Personal data-related incidents

SFC requires colleges to outline any significant lapses of data security that take place during the year. During 2020-21 Ayrshire College reported no data-related incidents to the Information Commissioner's Office.

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GOVERNANCE STATEMENT

Principal Risks and Uncertainties

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

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

The College recognised that the actions required to be taken to mitigate the risks of COVID-19 have now become part of the new normal. Therefore, the College reverted its risk management arrangements to the system in place prior to the COVID-19 lockdown. This means risk extracts are created for the Board of Management, the Business, Resources and Infrastructure Committee and the Learning and Teaching Committee

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

The College Risk Register at the end of 2020-21 identified 15 strategic risks. The classification of these risks was as follows:

- No risks were assessed as High
- Two risks were assessed as Medium
- Five risks were assessed as Moderate
- Seven risks were assessed as Low
- One risk was assessed as Very Low.

Impact of COVID-19 on Governance Arrangements

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

Regular updates on COVID-19 were reported to the Board of Management and its sub-committees. In addition, the College's Campus Operations Steering Group continued to oversee the College's response to COVID-19.

Brexit Risk Management

When considering its principal risks and uncertainties Ayrshire College recognised that there are specific risks arising from Brexit. Prior to the United Kingdom exiting the European Union the College had therefore established a separate Brexit risk register, setting out the specific risks arising from Brexit and the steps being taken to mitigate those risks within one overarching risk.

Ayrshire College recognises the uncertainty continues to surround the Brexit process. The risks and full impact of Brexit therefore cannot yet be quantified. To ensure appropriate oversight of the risks and impact of Brexit the College has established a Brexit Working Group. This Group is chaired by a member of the College's Strategic Leadership Team and includes senior staff from curriculum and service areas. The Group is responsible for ensuring the College continues to have strong planning and monitoring systems

in place to ensure it can respond effectively to changes in Brexit policies, legislation, and changes in local circumstances and local needs.

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

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

Purpose of the System of Internal Control

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

Capacity to Handle Risk

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

The Internal Control Framework

The College's system of internal control was in place for the duration of 2020-21 and continues to remain in place up to, and beyond, the date of approval of the College's financial statements. The College's internal control system is based on a framework of regular management information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

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

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

Management is responsible for the implementation of agreed audit recommendations and the College's Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit and Risk Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from SFC and other key agencies as they affect the College's business and monitors adherence to the regulatory requirements. No significant weaknesses were identified in the College's internal control framework during 2020-21.

Review of Effectiveness

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

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

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

Going Concern

The College took a range of actions to mitigate the impact of COVID-19 and thus ensure that the College could continue to deliver services during national and local lockdowns. For example, the College developed a Critical Incident Plan which covered closing the campus, maintaining services during lockdown and reopening as lockdown restrictions were eased. The College also established the Campus Operations Steering Group to oversee the College's response to COVID-19. The Group continues to work together to support staff and students as the College moves forward in AY 2021-22.

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue operations for AY 2021-22. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Conclusion

The College continued to improve and enhance its reputation in 2020-21, particularly in the areas of corporate governance, engagement with students, and strategic partnership working in response to the on-going impact of the COVID-19 pandemic. The College's continued response to the pandemic, supported by the findings of relevant internal audit reports, demonstrates the robustness of its business continuity planning arrangements, the resilience of staff and students and the College's commitment to providing the best quality service to its learners and support to its staff.

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

W Mackie
Chair

C Turnbull
Principal

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STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

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

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

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

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

W Mackie
Chair

C Turnbull
Principal

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REMUNERATION AND STAFF REPORT

Remuneration Policy

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

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

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

Operation of the Remuneration Committee

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

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

The Assistant Principal Human Resources and Organisational Development can be called to attend the meeting for the purposes of providing professional advice, as required by the Committee.

Senior Management Remuneration Including Salary and Pension Costs

Salary Entitlements

In this section of the report the College has set out, in bands of £5,000, the remuneration of the College's executive management during 2020-21 (Table 7).

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Table 7 – Remuneration of Senior Management 2020-21

Name	12 months ended 31 July 2021			12 months ended 31 July 2020		
	Salary* £000	Pension benefit £000	Total £000	Salary* £000	Pension benefit £000	Total £000
C Turnbull, Principal **	140-145	76	215-220	135-140	1,168	1,305–1,310
A Campbell, Vice Principal	100-105	30	130-135	95-100	94	195-200
M Breen, Vice Principal	100-105	40	140-145	110-115	80	190-195
J McKie, Vice Principal ***	95–100	35	130-135	110-115	57	165-170
W Mackie, Chair	25-30	-	25-30	25-30	-	25-30

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

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

*** J McKie retired on 30th June 2021

The details in the tables in this section of the report are subject to audit. The format of the tables has been set by the SFC as part of its accounts direction to colleges for 2020-21.

The pension benefit figure included within Table 7 is derived by using a calculation set out by SFC in the 2020-21 accounts direction. The accounts direction states that:

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

Median Remuneration

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

The midpoint of the remuneration pay bands for the highest paid official in the organisation in financial year 2020-21 was £141,967 (2019-20, £137,250). This was 3.8 times (2019-20, 3.6 times) the median remuneration of the workforce which was £37,672 (2019-20, £37,737).

Accrued Pension Benefits

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

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

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

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

Senior Officials' Pension

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

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

Table 8 – Employer's Contributions by Senior Official

Name	Senior Official's Pension Scheme	Accrued pension at pension age at 31 July 2021 £000	Accrued lump sum at pension age at 31 July 2021 £000	Real increase in pension 1 August 2020 to 31 July 2021 £000	Real increase in lump sum 1 August 2020 to 31 July 2021 £000	CETV at 31 July 2021 £000	CETV at 31 July 2020 £000	Real increase in CETV £000
C Turnbull	SPF	65	107	5	4	1,237	1,131	106
A Campbell	STSS	28	54	2	1	390	357	33
M Breen	SPF	37	44	3	1	579	534	45
J McKie *	SPF	24	2	2	-	429	397	32

* J McKie retired at 30th June 2021 and the figures are as at that date.

Cash Equivalent Transfer Value

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

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

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

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

Compensation for Loss of Office

No compensation payments were made for the loss of office during 2020-21.

25 members of staff left the College under a voluntary severance scheme. During 2020-21 the College made voluntary severance payments of £467,000.

Table 9 – Voluntary Severance Payments 2020-21

Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed (including any voluntary redundancies)	Total number of exit packages by cost band
<£10,000	-	6	6
£10,000 - £25,000	-	15	15
£25,000 - £50,000	-	4	4
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
Total number of exit packages	-	25	25
Total cost (£)	-	£467,000	£467,000

Salaries and related costs for 2020-21 totalled £32,708,000 (Table 10).

Table 10 – Salaries and Related Costs 2020-21

	2020-21			2019-20
	Directly employed staff £000	Seconded and agency staff £000	Total £000	Total £000
Wages and salaries	25,297	18	25,315	25,366
Social security costs	2,446	-	2,446	2,440
Other pension costs	4,947	-	4,947	4,864
TOTAL	32,690	18	32,708	32,670
Average number of FTEs			707	721

In 2020-21, the College employed 553 females and 331 males. The College continues to promote trans and gender diverse inclusion but, no members of staff have identified themselves in this way. In the year ended 31 July 2021 staff turnover was 6.6%.

Sickness Absence

Total sickness absence during 2020-21 was 2.1%. Of this, 0.6% was due to short-term and 1.5% was long-term sickness absence (Table 11).

Table 11 – Sickness Absence

Sickness Absence Duration	2020-21	2019-20
Short-term	0.6%	1.6%
Long-term	1.5%	2.6%
Total	2.1%	4.2%

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

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, Ayrshire College provided support through paid facility time for union officials working at the College. The information for the year ended 31 March 2021 is set out in the Tables 12 to 14.

Table 12 – Relevant Union Officials

Number of employees who were union officials during 2020-21	Employee number by FTE:
9.0	1.2

Table 13 – Percentage of Time Spent on Facility Time

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

Table 14 – Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£55,474
Total pay bill	£32,851,271
Percentage of total pay bill spent on facility time	0.2%

Total time spent on trade union activities as a percentage of total paid facility time hours during 2020-21 was 100%. The College also releases union officials to support staff with other meetings as required.

Approval of the Remuneration Report

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

W Mackie
Chair

C Turnbull
Principal

Ayrshire College # 484082
11/17/2021 16:31:30

Independent Auditor's Report to the Members of the Board of Management of Ayrshire College the Auditor General for Scotland and the Scottish Parliament

Report on the Audit of the Financial Statements

Opinion on Financial Statements

We have audited the financial statements in the annual report and accounts of Ayrshire College for the year ended 31 July 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)..

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College's affairs as at 31 July 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of Opinion

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

Emphasis of Matter: Material valuation uncertainty

We draw attention to Note 1(m) of the financial statements, which discloses a material valuation uncertainty caused by Covid-19 declared in the valuation report for property. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue

Risks of Material Misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include.

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the College;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Report on Regularity of Expenditure and Income

Opinion on Regularity

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

Responsibilities for Regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on Other Requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

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

Statutory other information

The Board of Management is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

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

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Lucy Nutley

For and on behalf of Mazars LLP

Apex 2

97 Haymarket Terrace

Edinburgh

EH12 5HA

[Full Date]

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 JULY 2021

	Note	Recurring	Non-recurring	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
INCOME					
SFC grants	2	45,523	-	45,523	44,461
Tuition fees and education contracts	3	4,256	-	4,256	4,345
Other grants and contracts	4	82	-	82	307
Other income	5	1,450	-	1,450	2,265
Investment income	6	-	-	-	2
Total Income		51,311	-	51,311	51,380
EXPENDITURE					
Staff costs	7	36,772	-	36,772	36,197
Restructuring costs	7	-	467	467	10
Other operating expenses	9	8,183	-	8,183	9,499
Depreciation	12	3,734	-	3,734	3,985
Interest and other financial costs	10	3,237	-	3,237	3,256
Total Expenditure		51,926	467	52,393	52,947
Surplus/(deficit) before other gains/(losses)		(615)	(467)	(1,082)	(1,567)
Gain/(loss) on disposal of assets		(19)	-	(19)	-
Surplus/(deficit) before tax		(634)	(467)	(1,101)	(1,567)
Taxation	11	-	-	-	-
(Deficit) for the year		(634)	(467)	(1,101)	(1,567)
Unrealised surplus on revaluation of assets				26,784	
Actuarial gain / (loss) in respect of pension schemes				10,412	(41,770)
Total Comprehensive Income for the year				36,095	(13,337)

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

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 31 provides details of the adjusted operating position on a Central Government accounting basis.

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Account £000	Restricted Reserves £000	Revaluation Reserve £000	Total £000
Balance at 31 July 2020	(12,585)	466	32,982	20,863
Surplus/(deficit) from the income and expenditure statement	(1,101)	-	-	(1,101)
Revaluation	-	-	26,784	26,784
Transfers from pension reserve to income and expenditure reserve	10,412	-	-	10,412
Transfers between revaluation and income and expenditure reserve – HC Depreciation	926	-	(926)	-
Total comprehensive income for the year	10,237	-	25,858	36,095
Balance at 31 July 2021	(2,348)	466	58,840	56,958

Ayrshire College # 484082
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BALANCE SHEET AS AT 31 JULY 2021

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Fixed Assets			
Tangible fixed assets	12	130,207	106,554
Total fixed assets		130,207	106,554
Current Assets			
Stocks		30	30
Debtors	13	3,539	2,570
Cash and cash equivalents	18	8,201	3,912
Total current assets		11,770	6,512
Less: Creditors – amounts falling due within one year	14	9,707	7,188
Net current assets/(liabilities)		2,063	(676)
Total assets less current liabilities		132,270	105,878
Less: Creditors – amounts falling due after more than one year	15	43,727	46,272
Less: Deferred capital grants due to be released after one year	16	9,021	9,464
Provisions			
Early Retirement Provision	17	1,430	1,474
Other Provisions	17	591	461
Net Assets excluding pension liability		77,501	48,207
Net pension liability	20	(20,543)	(27,344)
NET ASSETS INCLUDING PENSION LIABILITY		56,958	20,863
Income and expenditure account excluding pension reserve	18	18,195	14,759
Pension reserve	18	(20,543)	(27,344)
		(2,348)	(12,585)
Restricted Reserves		466	466
Revaluation Reserve	18	58,840	32,982
TOTAL RESERVES		56,958	20,863

The financial statements on pages 39 to 66 were approved by the Board of Management and are signed on its behalf by:

W Mackie
Chair

C Turnbull
Principal

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2021

	Year ended 31 July 2021	Year ended 31 July 2020
Note	£000	£000
Cash inflow from operating activities		
Surplus/(deficit) for the year	(1,101)	(1,567)
Adjustment for non-cash items		
Depreciation	12 3,734	3,985
Net (gain)/loss on disposal of fixed assets	19	-
Deferred capital grants released to income	16 (899)	(1,225)
(Increase)/decrease in stock	-	(9)
(Increase)/decrease in debtors	13 (969)	(542)
Increase/(decrease) in creditors	15 2,286	355
(Decrease)/increase in provisions	17 86	(196)
(Decrease)/increase in reserves	-	-
Net return on pension liability	20 3,611	2,961
Returns on investments and servicing of finance	(405)	(290)
Taxation	-	-
Cash flows from investing and financing activities		
Interest receivable – bank interest	6 -	(2)
Interest payable	10 405	292
PFI/NPD Capital Payments	15 (2,415)	(2,284)
Purchase of tangible fixed assets	12 (626)	(395)
Proceeds from sale of tangible fixed assets	4	-
Deferred Capital Grants Receipts	16 559	124
Increase/(decrease) in cash and cash equivalents in the year	4,289	1,207
Reconciliation of net cash flow to movement in net funds		
Increase/(decrease) in cash and cash equivalents in the year	4,289	1,207
Net funds at 1 August 2020	3,912	2,705
Net funds at 31 July 2021	8,201	3,912

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of Principal Accounting Policies

a) Basis of Preparation

The financial statements are prepared on a going concern basis and show a deficit for the year of (£634,000) before non-recurring items, with an accumulated deficit on the income and expenditure reserve of (£2,348,000). At 31 July 2021, current assets of £11,770,000 included cash and bank balances of £8,201,000. Creditors falling due within one year were £9,707,000, with net current liabilities of £2,063,000.

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

b) Basis of Accounting

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

c) Recognition of income

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

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

d) Grant Funding

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

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

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

e) Maintenance of Premises

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

f) Pension Schemes

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

g) Tangible Fixed Assets

Private Finance Initiative (PFI) Assets

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the service passes to a PFI contractor.

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

Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the College.

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

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

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

NPD Assets

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

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

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

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

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

g) Tangible Fixed Assets (continued)

Land and Buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the Balance Sheet at a valuation on the basis of depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2021, less amounts written off by way of depreciation.

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

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

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

Leased assets are depreciated over the life of the lease.

Equipment

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

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

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

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

h) Leased Assets

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

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

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

i) Stocks

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

j) Taxation

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

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

k) Provisions

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

l) Financial Instruments

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

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

m) Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty

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

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

Other key sources of estimation uncertainty:

- Tangible Fixed Assets

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

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount

rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability.

- Material Value Uncertainty (MVU)

The College properties were revalued by Ryden as at 31 July 2021. The outbreak of the Novel Coronavirus on 11 March 2020 has impacted global financial markets with activity being impacted in many sectors. As at the valuation date, Ryden considers that it can attach less weight to previous market evidence for comparison purposes, to inform their opinions of value. The current response to the global pandemic means that the valuers are faced with an unprecedented set of circumstances on which to base a judgement. Ryden's valuation is, therefore, reported on the basis of 'material valuation uncertainty' as per VPGA 10 of the Royal Institute of Chartered Surveyors (RICS) Red Book Global.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather the declaration has been included to ensure transparency of the fact that, in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

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	Year ended 31 July 2021	Year ended 31 July 2020
Note	£000	£000
2 SFC Grants		
FE recurrent grant (including fee waiver)	36,272	34,373
HE & FE childcare funds	367	711
Release of deferred capital grants	828	1,154
Maintenance grant	684	655
NPD UC Grant (include Capital)	4,791	4,774
Additional financial support	700	700
SFC Grants re National Bargaining	-	441
Other SFC Grants	1,881	1,653
Total	45,523	44,461
3 Tuition Fees and Education Contracts		
FE fees – UK	361	423
FE fees - EU	-	-
FE fees – non EU	-	-
HE fees	2,477	2,641
Education contracts	1,259	1,160
Other contracts	159	121
Total	4,256	4,345
4 Other Grant Income		
European funds	-	-
Grants from Ayrshire College Foundation – Capital	11	209
Grants from Ayrshire College Foundation - Revenue	-	27
Release of deferred capital grants	71	71
Total	82	307
5 Other Operating Income		
Catering	9	903
Other income-generating activities	677	406
Other income	764	956
Total	1,450	2,265
6 Investment Income		
Other interest receivable	-	2
Net return on pension asset/liability	-	-
Total	-	2

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	Year ended 31 July 2021	Year ended 31 July 2020
Note	£000	£000
7 Staff Costs		
Wages and salaries	25,315	25,366
Social security costs	2,446	2,440
Other pension costs	4,947	4,864
	32,708	32,670
FRS 102 pension adjustments	3,206	2,669
Job Evaluation	858	858
Total	36,772	36,197
Curriculum departments	18,111	18,153
Curriculum services	5,232	5,200
Administration and central services	10,530	9,944
Premises	1,402	1,339
Catering	639	703
Sub-total	35,914	35,339
Job Evaluation	858	858
	36,772	36,197
Non-recurring restructuring costs	467	10
Total	37,239	36,207

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

	2021 No.	2020 No.
Academic/teaching departments	314	318
Academic/teaching services	114	116
Administration and central services	198	203
Premises staff	51	51
Catering staff	30	33
Total	707	721

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

	2021 No.	2020 No.
£50,001 to £60,000 per annum	20	17
£60,001 to £70,000 per annum	-	-
£70,001 to £80,000 per annum	2	3
£80,001 to £90,000 per annum	5	4
£90,001 to £100,000 per annum	1	1
£100,001 to £110,000 per annum	2	-
£110,001 to £120,000 per annum	-	2
£120,001 to £130,000 per annum	-	-
£130,001 to £140,000 per annum	-	1
£140,001 to £150,000 per annum	1	-

8 Senior Post-holders' Emoluments

	Note	2021 No.	2020 No.
The number of senior post-holders, including the Principal was:		4	4
		Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Senior post-holders' emoluments are made up as follows:			
Salaries		446	461
Benefits in kind		-	-
Employers Pension contributions		88	92
Total Emoluments		534	553

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Salary	140	136
Bonus	-	-
Benefits in kind	-	-
	140	136
Employers Pension contributions	27	26

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8 Senior Post-holders' Emoluments (continued)

In 2020-21 the Principal and two other senior postholders were members of the Strathclyde Pension Fund and one senior post holder was a member of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members.

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

Chair's Remuneration

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

2020-21: £27,560

2019-20: £27,560

This remuneration is not pensionable.

	Note	Year Ended 31 July 2021 £000	Year Ended 31 July 2020 £000
9 Other Operating Expenses			
Teaching departments		1,585	1,550
Administration and central services		2,160	2,485
Kilwinning Campus PFI service charge		813	845
Hill Street NPD unitary charge		1,395	1,371
Other premises costs		1,851	2,021
Childcare costs		367	711
Catering costs		12	516
Total		8,183	9,499

		Year Ended 31 July 2021 £000	Year Ended 31 July 2020 £000
Other operating expenses include:			
Auditors' remuneration			
- external audit of these financial statements		35	33
- internal audit services		29	28
- other services		-	-
Operating lease payments		97	102

	Note	Year Ended 31 July 2021	Year Ended 31 July 2020
		£000	£000
10 Interest Payable			
Kilwinning Campus PFI interest charge		308	365
Hill Street NPD interest charge		2,524	2,599
Pension finance costs	20	405	292
Total		3,237	3,256

11 Taxation

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

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12 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Equipment £000	Total £000
Cost or Valuation						
At 1 August 2020	35,952	1,005	19,728	53,955	7,067	117,707
Additions	8	-	-	-	618	626
Revaluation	5,405	-	3,859	9,352	-	18,616
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	(555)	(555)
At 31 July 2021	41,365	1,005	23,587	63,307	7,130	136,394
Depreciation						
At 1 August 2020	2,238	482	1,095	2,106	5,232	11,153
Provided during year	1,129	79	547	1,053	926	3,734
Write back re: revaluation	(3,367)	-	(1,642)	(3,159)	-	(8,168)
On disposals	-	-	-	-	(532)	(532)
At 31 July 2021	-	561	-	-	5,626	6,187
Net Book Value at 31 July 2021	41,365	444	23,587	63,307	1,504	130,207
Net Book Value at 31 July 2020	33,714	523	18,633	51,849	1,835	106,554
Inherited	26,364	14	13,336	19,126	-	58,840
Financed by capital grant	8,484	430	21	-	985	9,920
Other	6,517	-	10,230	44,181	519	61,447
At 31 July 2021	41,365	444	23,587	63,307	1,504	130,207

The College's Ayr, Kilwinning and Kilmarnock Campus properties were valued at 31 July 2021 by Ryden in the capacity of external valuer. The basis of valuation adopted was that set out in FRS102 being fair value: market value for existing use or depreciated replacement costs (as defined by the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors), depending on the type of asset being valued.

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	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
13 Debtors: Amounts falling due within one year			
Trade debtors – net of provision for doubtful debts		315	178
European funding		-	-
Other Debtors		192	74
Prepayments and accrued income		3,032	2,318
Amounts owed by the Scottish Funding Council		-	-
		3,539	2,570
		Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
14 Creditors: Amounts falling due within one year			
Bank loans and overdrafts		-	-
Trade creditors		214	164
Other taxation and social security		649	632
Other Creditors		833	875
Accruals and deferred income		2,838	1,899
PFI Capital payment < 1 year	15	1,120	1,060
NDP Capital payment < 1 year	15	1,425	1,355
Deferred Capital Grants to be released in <1 year	16	899	796
Amounts owed to Scottish Funding Council		1,179	209
Bursaries and Student Support Funds for future disbursements		550	198
		9,707	7,188

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	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
15 Creditors: Amounts falling due after one year			
Capital Element of Kilwinning PFI expenditure:			
At 1 August 2020		5,477	6,481
Capital payments in year		<u>(1,060)</u>	<u>(1,004)</u>
		4,417	5,477
Less amount due within one year	14	<u>(1,120)</u>	<u>(1,060)</u>
At 31 July 2021		<u>3,297</u>	<u>4,417</u>
Capital Element of Kilmarnock NPD expenditure:			
At 1 August 2020		43,210	44,490
Capital payments in year		<u>(1,355)</u>	<u>(1,280)</u>
		41,855	43,210
Less amount due within one year	14	<u>(1,425)</u>	<u>(1,355)</u>
At 31 July 2021		<u>40,430</u>	<u>41,855</u>
Total		<u>43,727</u>	<u>46,272</u>

16 Deferred Capital Grants

	SFC £000	Non SFC £000	Total £000
At 1 August 2020			
Land and Buildings	7,469	1,866	9,335
Equipment	925	-	925
	<u>8,394</u>	<u>1,866</u>	<u>10,260</u>
Grants Received in the Period			
Land and Buildings	8	-	8
Equipment	551	-	551
	<u>559</u>	<u>-</u>	<u>559</u>
Released to Income and Expenditure Account			
Land and Buildings	(338)	(71)	(409)
Equipment	(490)	-	(490)
	<u>(828)</u>	<u>(71)</u>	<u>(899)</u>
At 31 July 2021			
Land and Buildings	7,139	1,795	8,934
Equipment	986	-	986
	<u>8,125</u>	<u>1,795</u>	<u>9,920</u>
Split as follows:			
Due to be released in <1 year	828	71	899
Due to be released in >1 year	7,297	1,724	9,021
	<u>8,125</u>	<u>1,795</u>	<u>9,920</u>

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
17 Provisions for Liabilities and Charges		
Early Retirement Provision		
At 1 August 2020	1,474	1,277
Expenditure in the period	(87)	(87)
Release of provision	43	284
At 31 July 2021	1,430	1,474

The above liability is in respect of future pension liabilities arising from early retirements prior to 2006 and now relating to 23 individuals receiving benefits (2019-20: 23). The pension liability has been revalued using SFC actuarial tables.

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Other Provisions		
At 1 August 2020	461	854
Expenditure in the period	(70)	(421)
Additional provision required in the period	200	28
At 31 July 2021	591	461

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
18 Reserves		
Income & Expenditure Account		
At 1 August 2020	14,759	12,416
Surplus/(deficit) for the period	(1,101)	(1,567)
Disposal of properties in revaluation reserve	-	-
Transfer from revaluation reserve	926	949
Impairment of Properties	-	-
Transfer to/(from) pension scheme	3,611	2,961
At 31 July 2021	18,195	14,759

18 Reserves (continued)

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Pension Reserve		
At 1 August 2020	(27,344)	(12,613)
Current service cost	(5,034)	(4,716)
Impact of curtailments	(3)	(8)
Employer contributions	1,805	2,024
Contributions re unfunded benefits	26	31
Past service costs	-	-
Net return on pension scheme	(405)	(292)
Actuarial gain/(loss) in pension scheme	10,412	(11,770)
At 31 July 2021	(20,543)	(27,344)

Summary

Income & expenditure account	18,195	14,759
Pensions reserve	(20,543)	(27,344)
At 31 July 2021	(2,348)	(12,585)

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Revaluation Reserve		
At 1 August 2020	32,982	33,931
Revaluation	26,784	-
Transfer to income & expenditure account in respect of Depreciation on revalued assets (include element re PFI capital reserve)	(926)	(949)
Disposal of properties	-	-
Impairment of properties	-	-
At 31 July 2021	58,840	32,982

19 Analysis of Changes in Cash and Cash Equivalents

	At 1 August 2020 £000	Cash Flows £000	Other Changes £000	At 31 July 2021 £000
Cash	3,912	4,289	-	8,201
Finance lease/hire purchase contracts	-	-	-	-
Total	3,912	4,289	-	8,201

20 Pensions and Similar Obligations

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

The total pension costs for the period were:

	Year to 31 July 2021 £000	Year to 31 July 2020 £000
STSS: contributions paid	3,116	2,809
SPF: Contributions paid	1,831	2,055
FRS 102 charge to the Income & Expenditure Account	3,206	2,669
Total Pension Cost (Note 7)	8,153	7,533

Scottish Teachers' Superannuation Scheme (STSS)

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

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

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

Financial Assumptions at 31 March 2019

Rate of return (discount rate) 2.9%

Rate of Return in Excess of:

Earnings increases (1.15)%
Price increases 0.29%

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

Strathclyde Pension Fund (SPF)

The SPF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution by the employer made for the year ended 31 July 2021 was £1,831,000.

Under the requirements of Financial Reporting Standard 102 (FRS102), the College is required to disclose information on its share of assets and liabilities of the Strathclyde Pension Fund on a market value basis at the end of the accounting period. The figures quoted form the basis of the balance sheet and funding status of Ayrshire College as at 31 July 2021, in respect of its pension obligations under this Local Government Pension Scheme (LGPS). This information is set out below:

Principal Actuarial Assumptions

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.6%	3.3%
Rate of increase for pensions in payment/inflation	2.9%	2.2%
Discount rate for liabilities	1.6%	1.4%
Expected return on assets	0.0%	0.0%

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

		At 31 July 2021	At 31 July 2020
Current pensioners	Males	19.8	20.7
	Females	22.6	22.9
Future pensioners	Males	21.2	22.2
	Females	24.7	24.6

The approximate allocation of scheme assets is as follows:

	At 31 July 2021	At 31 July 2020
Equities	66%	63%
Bonds	24%	25%
Property	9%	11%
Cash	1%	1%
	100%	100%

The assets and the liabilities of the scheme were:

	At 31 July 2021 £000	At 31 July 2020 £000
Total Market Value of Assets	74,670	61,176
Present value of scheme liabilities:		
Funded	(94,722)	(87,914)
Unfunded	(491)	(606)
Surplus/(deficit) in the Scheme	(20,543)	(27,344)

20 Pensions and Similar Obligations (continued)

	At 31 July 2021 £000	At 31 July 2020 £000
Employer service cost (net of employee contributions)	5,034	4,716
Past service cost	3	8
	<u>5,037</u>	<u>4,724</u>

	At 31 July 2021 £000	At 31 July 2020 £000
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	862	1,300
Interest on pension liabilities	(1,267)	(1,592)
Pension finance income/(costs)	<u>(405)</u>	<u>(292)</u>

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Movements on Pension Scheme Deficit		
Deficit in scheme at 1 August 2020	(27,344)	(12,613)
Movement in year:		
Current service charge	(5,034)	(4,716)
Losses/(gains) on curtailments	(3)	(8)
Contributions by members	1,805	2,024
Contributions in respect of unfunded benefits	26	31
Past service costs	-	-
Net return on pension assets	(405)	(292)
Actuarial gains/(losses)	10,412	(11,770)
(Deficit) in scheme at 31 July 2021	18 <u>(20,543)</u>	<u>(27,344)</u>

Asset and Liability Reconciliation**Reconciliation of Liabilities**

Liabilities at 1 August 2020	88,520	73,736
Service cost	5,034	4,716
Interest cost	1,267	1,592
Contributions by members	575	632
Actuarial (gain)/loss	1,359	8,997
Past service cost/(gain)	3	8
Losses/(gains) on curtailments	-	-
Estimated Unfunded Benefits Paid	(26)	(31)
Estimated Benefits Paid	(1,519)	(1,129)
Liabilities at 31 July 2021	<u>95,213</u>	<u>88,520</u>

20 Pensions and Similar Obligations (continued)

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Reconciliation of Assets		
Assets at 1 August 2020	61,176	61,122
Expected return on assets	862	1,300
Contribution by members	575	632
Contribution by employer	1,805	2,024
Contribution in respect of unfunded benefits	26	31
Other Experience	(956)	-
Actuarial (gain)/loss	12,727	(2,773)
Estimated unfunded benefits paid	(26)	(31)
Estimated benefits paid	(1,519)	(1,129)
Assets at 31 July 2021	74,670	61,176

Amounts for the current and previous accounting periods

Fair value of employer assets	74,670	61,176
Present value of defined benefit obligation	(95,213)	(88,520)
Surplus/(Deficit)	(20,543)	(27,344)

21 Related Party Transactions

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

SFC is regarded as a related party. During the year to 31 July 2021 Ayrshire College had various material transactions with SFC and Scottish Government Departments, as well as with other entities for which the Scottish Government is regarded as the sponsor via the Student Awards Agency for Scotland and a number of other Colleges and higher education institutions. In addition, Ayrshire College has had transactions with Skills Development Scotland, Colleges Scotland and a small number of material transactions with other Scottish Government Departments and other central government bodies.

As at 31 July 2021 the College had two outstanding balances due to related parties and five balances due from related parties. These were as follows:

- Due to Scottish Qualifications Authority - £3,370
- Due to Skills Development Scotland - £1,880
- Due from South Ayrshire Council - £750
- Due from Colleges Scotland £17,138
- Due from Students Awards Agency Scotland - £29,385
- Due from University of Strathclyde - £36,815
- Due from Skills Development Scotland - £208,810

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

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

21 Related Party Transactions (continued)

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

Board Member	Position	Organisation	Sales/ Purchases by the College in the year
Mr W Mackie	Trustee	Ayrshire College Foundation	Sales £5,400 Purchases nil
Mr S Wallace	Chief Financial Officer	University of Strathclyde	Sales £71,263 Purchases £nil

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2020-21.

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

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

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

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22 FE Bursary and Other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Other	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000	£000	£000	£000	£000
Balance brought forward	-	-	-	172	172	15
Allocation received in year	8,942	1,450	400	572	11,364	10,523
Interest						
	8,942	1,450	400	744	11,536	10,538
Expenditure	(7,152)	(1,450)	(400)	(364)	(9,366)	(10,351)
Repaid to SFC/SAAS	(1,790)	-	-	(49)	(1,839)	(15)
Repayable to SFC as clawback	-	-	-	-	-	-
College contribution to funds	-	-	-	-	-	-
Virements	-	-	-	-	-	-
Balance carried forward	-	-	-	331	331	172
Represented by:						
Repayable to SFC as clawback	-	-	-	113	113	9
Retained by College for students	-	-	-	218	218	163
	-	-	-	331	331	172

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

23 FE & HE Childcare Funds

	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000
Balance brought forward: August 2020	25	-
Allocation received in period	796	737
	821	737
Expenditure	(367)	(732)
Repayable to SFC as clawback	(25)	-
Repayable in year	(210)	-
Virements	-	-
Balance carried forward	219	25
Represented by:		
Net repayable to SFC as clawback	219	25
Retained by College for Students	-	-
	219	25

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

24 Commitments under Operating Leases

As at 31 July 2021 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	-	-
Total	-	-

25 Capital Commitments

	Year ended 31 July 2021 £000's	Year ended 31 July 2020 £000
Contracted for at 31 July 2021	50	84

The amounts committed at 31 July 2021 relate to computer equipment which was ordered prior to 31 July 2021 but not delivered until after the year end.

26 Ayrshire College Foundation

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

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

In 2020-21 the Foundation agreed grant funding of £11,000 to the College in respect of Capital Works and educational projects.

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

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27 PFI Contract and Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2021 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2021-22				
Payable in 2020-21	846	1,120	249	2,215
Payable within 2 to 5 years	2,189	3,297	352	5,838
Payable within 6 to 10 years	-			
Total	3,035	4,417	601	8,053

	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000
Balance at start of year	5,477	6,481
Payments made in the year	(1,060)	(1,004)
Balance outstanding at end of the year	4,417	5,477

28 NPD Hill Street

Payments remaining to be made under the NPD contract at 31 July 2021 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2021-22				
Payable in 2020-21	1,314	1,425	2,445	5,184
Payable within 2 to 5 years	5,791	6,019	8,931	20,741
Payable within 6 to 10 years	8,078	8,754	9,093	25,925
Payable > 10 years				
	17,336	25,657	8,857	51,850
Total	32,519	41,855	29,326	103,700

	Year ended 31 July 2021	Year ended 31 July 2020
	£000	£000
Balance at start of year	43,210	44,490
Payments made in the year	(1,355)	(1,280)
Balance outstanding at end of the year	41,855	43,210

29 Post Balance Sheet Events

There are no post balance sheet events to report.

30 Contingent Liabilities

There are no contingent liabilities at 31 July 2021 (31 July 2020: £nil).

31 Non-Cash Allocation

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

	2020-21 £000	2019-20 £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(1,101)	(1,567)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	2,835	2,760
Operating surplus / (deficit) on Central Government accounting basis	1,734	1,193

Under the FE/HE SORP, the college recorded an operating deficit of (£1,101,000) for the year ended 31 July 2021. After taking account of the Government noncash budget, the college shows an “adjusted” surplus of £1,734,000 on a Central Government accounting basis.

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Accounts Direction for Scotland's Colleges 2020-21

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2020 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2020-21 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
5. The annual report and accounts should be signed by the Chief Executive Officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
17 July 2021

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Annual Audit Report
to the Board of Management and the
Auditor General for Scotland

Ayrshire College
Year ended 31 July 2021

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Appendix A – Draft management representation letter

Appendix B – Draft audit report

Appendix C – Independence

This document is to be regarded as confidential to Ayrshire College and 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.

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

23 November 2021

Dear Members,

Annual Audit Report – Year ended 31 July 2021

We are pleased to present our Annual Audit Report for the year ended 31 July 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Audit Committee on 8 June 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

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

Yours faithfully

Lucy Nutley

For and on behalf of Mazars LLP

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Executive summary

Purpose of this report and principal conclusions

This Annual Audit Report sets out the findings from our audit of Ayrshire College ('the College') for the year ended 31 July 2021 and forms the basis for discussion at the Audit Committee meeting on 23 November 2021.

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

Opinion on the financial statements	We anticipate issuing an unqualified opinion, without modification, on the financial statements. As outlined in more detail in section 2, we intend to include an Emphasis of Matter paragraph within our auditor's report with respect to the material valuation uncertainty disclosed in the financial statements regarding the College's land and buildings valuation in the year. Our proposed audit opinion is included in the draft auditor's report in Appendix B
Opinion on regularity	We anticipate issuing an unqualified regularity opinion, meaning that in our opinion, in all material respects the expenditure and income recognised in the financial statements have been applied for the purposes intended.
Opinion on other requirements	We anticipate issuing an unqualified opinion on the matters prescribed by the Auditor General for Scotland. Namely that the remuneration and staff report, performance report and governance statement have been properly prepared in accordance with the relevant legislation.
Wider scope work	<p>We anticipate concluding as follows against each of the four wider scope dimensions:</p> <ul style="list-style-type: none"> • The College has effective arrangements, including budgetary control, that help the Board Members scrutinise finances; • The College has adequate financial planning arrangements in place, including budgetary control, that help the Board members scrutinise finances. However, we consider that the College's ability to remain financially sustainable over the medium to longer term, without significant additional funding or cost cutting, remains a significant risk; • The College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board of Management; and • The College has an effective performance management framework in place that supports progress towards the achievement of value for money.

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

Executive summary (continued)

Status of our audit work

We have substantially completed our work on the financial statements and wider scope work for the year ended 31 July 2021. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Land and Buildings Valuation	●	Review and agreement of wording for the Emphasis of Matter to be included in our audit opinion arising from the valuation of the College's land and buildings between the audit team, Mazars independent partner and Audit Scotland
Cash and cash equivalents – bank confirmation	●	We are still waiting on receipt of the Bank of Scotland bank letter. We require to have third party confirmation of the bank balance to complete the audit.
Closure procedures and review	●	A final review of the Annual Report and Financial Statements will be completed on receipt of the final draft document. Standard audit completion procedures still require to be performed. We will also consider post balance sheet events until the date of sign-off.

Status

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

Internal control recommendations and misstatements

We did not identify any significant control weaknesses during our audit and have not raised any internal control recommendations. There were also no internal control recommendations from prior years to provide an update on.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. To date we have not identified any misstatements through our audit work. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

Executive summary (continued)

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum on 08 June 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Adding value through the audit

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

Materiality

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

We set materiality at the planning stage of the audit at £1,058,940 using a benchmark (2%) of total expenditure. Our final assessment of materiality, based on the draft financial statements is £1,047,860 using the same benchmark.

	Initial Threshold £'000	Final Threshold £'000
Overall materiality	1,058	1,047
Performance materiality	847	838
Trivial threshold for errors to be reported to the Audit Committee	32	31

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Executive summary (continued)

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

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

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

Performance Materiality

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

Misstatements

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

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Audit of the financial statements

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

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

Significant risks and key areas of management judgement

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

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Audit of the financial statements (continued)

Valuation of Land and Buildings

Description of area of focus

The College held land and buildings with a net book value of £128m as at 31 July 2021.

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, an interim valuation was carried out as at 31 July 2021.

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

How our audit addressed this area of management judgement

We have performed a range of substantive procedures including:

- Examining the professional qualifications of the valuer;
- Challenging and substantiating the assumptions and the appropriateness of the date of valuations used by the valuer;
- Ensuring valuations and impairments have been completed on the appropriate basis and that movements are in line with expectation;
- Assessing whether the report produced by the valuer has been appropriately reflected in the accounts;
- Reviewing the reconciliation between the College's asset register and general ledger; and
- Considering the College's impairment review process for land and buildings.

Audit conclusion

An interim valuation of the College estate was performed as at 31 July 2021, by a professional external valuer. The estate was valued at £128m. This has been appropriately reflected in the financial statements.

The College's external valuer has included a material valuation uncertainty paragraph within their valuation report covering the College's land and buildings. Consequently, the College has included a disclosure reporting the material valuation uncertainty in the notes to the financial statements. In our view, this matter is fundamental to the users' understanding of the financial statements and as such we intend to include an 'Emphasis of Matter' paragraph in respect of this disclosure within our draft auditors report set out in Appendix B. This is not a modification of opinion.

Audit of the financial statements (continued)

Management override of controls

Description of the risk

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

How we addressed this risk

We addressed this risk through performing audit work over:

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

Audit conclusion

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

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Audit of the financial statements (continued)

Revenue recognition

Description of the risk

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

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

How we addressed this risk

We addressed this risk through performing audit work over:

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

Audit conclusion

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

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Audit of the financial statements (continued)

Expenditure recognition

Description of the risk

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

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

How our audit addressed this risk

We have undertaken a range of substantive procedures including:

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

Audit conclusion

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

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Audit of the financial statements (continued)

Key Areas of Management Judgement

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

Valuation of Pension Liabilities

Description of area of focus

The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS and it is therefore accounted for as a defined contribution scheme. The College's share of the SPF's underlying assets and liabilities is identifiable and is recognised in the accounts.

Given the scale of the liability recognised, a misstatement in the reported position could be material to the financial statements.

How we have addressed this area of management judgement

We have addressed the risk by:

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

Audit conclusion

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

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Audit of the financial statements (continued)

Grouped assets accounting policy

Description of area of focus

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.

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.

How we have addressed this area of management judgement

We have addressed the risk by:

- Considering the College's grouped asset accounting policy and whether this is consistent with the requirements of the digital funding provided.
- Enquiring 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.

Audit conclusion

Satisfactory assurance has been gained in respect of the risk of Grouped assets accounting policy. We have no matters to report.

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Audit of the financial statements (continued)

Qualitative aspects of the entity's accounting practices

We have reviewed the College's accounting policies and disclosures and concluded they comply with the requirements of the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education and the Government Financial Reporting Manual 2020/21 and were appropriately tailored to the College's circumstances.

Draft financial statements were received from the College on 18 October 2021 at the start of audit fieldwork. The draft annual report was received during fieldwork on 2 November 2021. Both the draft financial statements and draft annual report were of a good quality.

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

Significant matters discussed with management

No significant matters arose during the course of the audit.

Significant difficulties during the audit

We completed our audit remotely. During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. The draft accounts, working papers and annual report were all provided in line with the agreed timetable. We would like to express our thanks to management and officers for their co-operation throughout the audit.

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Internal control recommendations

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

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

We did not identify any significant control weaknesses during our audit and have raised no internal control recommendations.

In the prior year we provided one recommendation relating to the PFI contract. This has been followed up during this years' audit, see below.

Recommendation

The College's PFI contract for the Kilwinning Campus is due to expire on 14 August 2025. We recommended that the contract cessation and College action is considered by the Board of Management in a timely manner. Where a decision is made to make a final payment and purchase the campus, the PFI model will require to be updated to accurately reflect the value of future payments.

Management response

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

Updated position

A paper was presented to the November Business, Resources and Infrastructure Committee on the options available to the College the termination of the Killwinning Campus PFI Agreement in 2025. The Committee took the decision that the College should seek to purchase the campus at the end of the agreement. This is expected to be presented to the Board in December 2021. Financial plans will be updated accordingly following a Board decision.

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Summary of Misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £31k.

Adjusted misstatements

There were no adjusted misstatements identified during the course of the audit above the trivial threshold of £31k.

Unadjusted misstatements

There were no unadjusted misstatements identified during the course of the audit above the trivial threshold of £31k.

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Wider Scope

Our approach to Wider Scope work

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

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

The table overleaf sets out the four dimensions of Wider Scope and our adopted approach.

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Wider scope (continued)

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

Wider scope

Financial management

Dimension

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

Our conclusion

Ayrshire College has effective arrangements, including budgetary control, that help Board of Management members scrutinise finances.

Financial performance

FE/HE SORP position

	2020/21 £'000	2019/20 £'000
Operating income	51,311	51,380
Staff costs	(36,772)	(36,197)
Operating expenditure	(15,621)	(16,750)
(Loss) on disposal of assets	(19)	-
Operating Deficit for the year (FE/HE SORP basis)	(1,101)	(1,567)

The above table shows the financial performance of the College for 2020/21 and 2019/20 under the FE/HE SORP. Despite a deficit being shown over both years:

- The College achieved its financial targets and spending was in line with the plan;
- There were no significant changes to the reported position during the year; and
- The student credit target was met confirming the level of funding in the financial statements.

Adjusted operating position

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

Wider scope

Financial management (continued)

	2020/21 £'000	2019/20 £'000
(Deficit) before other gains and losses	(1,101)	(1,567)
Add back:		
- Depreciation (net of deferred capital grant release)	2,835	2,759
- Non-cash pension adjustment – Net Service Cost	3,206	2,669
- Non-cash pension adjustment – Net Interest Cost	405	292
- Non-cash pension adjustment – Early Retirement Provision	43	284
Deduct:		
- Non-government capital grants from ACF	(67)	(209)
- Loan repayments (NPD)	(954)	(1,280)
- Loan repayments (PFI)	(1,355)	(700)
- CBP allocated to loan repayments and other capital items	(700)	(954)
SFC Declared adjusted operating surplus / (deficit)	2,312	1,790

The Accounts Direction issued by the SFC for 2020/21 required Colleges to submit the adjusted operating position calculation with draft accounts to the SFC for review before the accounts are signed off. **SFC have confirmed they are satisfied with the Adjusted Operating Position calculation reported to them.**

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

2020-21 has been a challenging year for the college sector and Ayrshire College. The College incurred additional costs due to the impact of Covid-19 and planned income streams were adversely affected. The College was however able to make savings in projected expenditure due to changes in service delivery and also received additional funding support from the SFC and through the Coronavirus Job Retention Scheme.

Impact of Depreciation Budget

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

Wider scope

Financial management (continued)

	2020/21 £'000	2019/20 £'000
Operating Deficit for the year (FE/HE SORP basis)	(1,101)	(1,567)
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year	2,835	2,760
Operating Surplus on Central Government accounting basis	1,734	1,193

The table above shows a surplus when the impact of the depreciation budget is taken as the only adjusting factor to the financial position. The operating position table at the top of the page also shows an operating surplus for 2020/21. The College is currently considered to be operating sustainability within its funding allocation.

Budgetary process

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

We note that budget reports were produced on a timely basis and considered by the appropriate committee throughout the year. Budget reports and forecasts were appropriately updated based on prudent assumptions, there was considered no unreasonable movements throughout the quarterly forecasts and budgets considering the impact of actual and potential Covid-19 lockdowns throughout the year. Following the impact of Covid-19 forecasts were appropriately updated to reflect the changes to the financial environment and circumstances. The Business, Resources and Infrastructure Committee considers the management accounting pack regularly, reporting to the Board of Management. Minutes of the meetings document the level of challenge to the financial performance.

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Wider scope

Financial management (Continued)

Internal controls

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

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

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

Prevention and detection of fraud and irregularity

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

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

National Fraud Initiative

The College participates in the National Fraud Initiative (NFI) exercise. Data was submitted in line with timescales and the Audit Committee have been informed of the exercise. No significant findings or issues arose from NFI during the 2020/21 audit process. The College met all deadlines set by the NFI and investigated potential matches in a timely manner.

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Wider scope

Financial sustainability

Dimension

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

Our conclusion

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

Identified significant risks to our wider scope work

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

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Wider scope

Financial sustainability (continued)

Financial Sustainability	Description of the risk
	<p>A funding gap had previously been identified by the College principally as a result of the contractual PFI capital and interest payments of £1.4m per annum in respect of the Kilwinning Campus along with increasing staff costs as a result of National Bargaining. The College engaged in discussions with the SFC and a Financial Sustainability Plan was initiated in 2018/19. The SFC has also pledged support for a two year period (2019/20 and 2020/21) to help the College meet its PFI payment in respect of Kilwinning Campus. The College had identified that there remained a continued financial sustainability risk with cash funds forecast to being exhausted during 2022/23.</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. The College is able to partially able to mitigate this risk through cost saving measures, however as this cost impact was not known at the point the Financial Sustainability Plan was agreed, there is a risk that the College is not financially sustainable in the medium term, without additional funding or cost cutting.

The financial plans set by the College in prior years will require to be re-set with new funding assumptions as and when they become clearer.

How we addressed the risk

We have addressed the risk by:

- Reviewing the forecast financial position in the three-year financial plans submitted to SFC;
- Reviewing the financial and resource implications of any voluntary severance scheme run by the College;
- Reviewing alternative plans being considered by the College to ensure a balanced budget is achieved;
- Reviewing the financial reporting arrangements in place at the College;
- Considering how management have considered the longer term implications of the COVID-19 outbreak: and
- Considering progress made by the College as the expiration of the Kilwinning Campus PFI contract approaches

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Wider scope

Financial sustainability (continued)

Wider scope conclusion

In 2019, the College agreed a Financial Savings Plan (FSP) with the SFC, which whilst giving the College additional funding, set targets for savings to be met over 2019/20 and 2020/21. These targets have been met and in some cases exceeded, providing a better than expected position at the start of this year's FFR.

During 2020/21, the College has prepared a three-year forecast which highlights a future funding gap. The College has taken steps to identify areas where savings can be made to mitigate the funding gap in the FFR. Given the level of sector wide uncertainties around future funding and of the general economic environment that has arisen following Covid-19, there is a risk the timing of the future funding gap could be accelerated, or made greater without the plans identified by the College being fully implemented and / or additional funding not being made available from the SFC.

We also note that should a decision be made to retain the Kilwinning Campus at the end of the PFI contract, there will be a final payment required that will have to be funded – either through additional SFC funding or further cost cutting measures than have already been planned. As a result, we consider that there remains a risk that the College will not remain financially sustainable in medium to longer term.

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Wider scope

Financial sustainability (continued)

Financial Planning

The College would normally prepare a 5-year budget and forecast which forms the basis of the Financial Forecast Return (FFR) required to be submitted to the SFC annually. The 2020/21 FFR was prepared using the figures in a baseline budget approved by the Board of Management in June 2021. In the prior year, given the level of uncertainties relating to financial planning, the SFC requested only a 3-year FFR, this approach has been adopted again in the current year due to these uncertainties continuing.

SFC's FFR Call for Information set out a number of key assumptions which were to be used by colleges in their FFR. The resulting income and expenditure movements resulting from the assumptions detailed above between the 2021-22 budget and the 2022-23 forecast and 2023-24 forecasts are summarised in the table below.

	2022/23 Cash Movements £'000	2023/24 Cash Movements £'000
Opening Balance	248	(1,261)
Income Movements	(1,236)	749
Expenditure Movements	(273)	(592)
Closing Balance	(1,261)	(1,104)

In order to address the cash deficits, the College has proposed efficiency savings, mainly relating to staff savings, within the FFR for 2022/23 of £1,262k, which will be maintained into 2023/24. If these savings are met, the forecasts indicate that the College will report a surplus over the next 3 years.

A summary of the College's three year forecast, including the proposed efficiency savings, is included in the table below.

Ayrshire College # 484082
11/17/2021 16:31:30

Wider scope

Financial sustainability (continued)

	Forecast 2021/22 £'000	Forecast 2022/23 £'000	Forecast 2023/24 £'000
Total Income	54,667	52,507	53,526
Staff costs	(35,924)	(35,891)	(36,319)
Total other expenditure	(17,557)	(16,548)	(16,696)
Operating surplus/(deficit) before other gains and losses	1,186	68	241
Total Depreciation	2,690	2,690	2,690
Non-Government capital grants	(1,000)	0	0
Loan Repayments	(954)	(954)	(954)
NPD payments	(1,425)	(1,490)	(1,490)
Adjusted Operating Result	497	314	537

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

This is a sector-wide risk relating to uncertainties resulting from the impact of Covid-19, given the College has an existing known future funding gap and required savings in their plan, we understand the College will require to make further efficiency savings/require to obtain additional income to achieve financial sustainability.

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

Asset Management and Estates Strategy

National estates survey

Gardiner & Theobald were appointed by the Scottish Funding Council in January 2017 to provide a summary of the conditions of the estates within the Scottish Further Education sector, being the first independent review of the college estate in Scotland for 10 years. Across Scotland the estimated net total backlog of maintenance and renewals cost is £163

Wider scope

Financial sustainability (continued)

million excluding contingencies, any related operational and management costs of the colleges, professional fees, VAT, optimism bias and inflation allowance. When taking these items into account, the resulting total gross estimated backlog is £363 million. 10% of these costs were defined as urgent, requiring action within the next year, with the majority of the costs requiring action within 3-5 years.

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

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

Kilwinning Campus PFI Contract

The College's PFI contract for the Kilwinning Campus is due to expire on 14 August 2025. Well in advance of the expiry, during 2019/20 the College obtained legal advice to understand any obligations and actions that should be taken in relation to the expiry. The legal advice sets out that the College has three options at the end of the contract; make a final payment to purchase the campus, extend the term of the PFI contract or exit the contract with no asset. There has been no firm decision made by the Board of Management as to what action the College will take in 2025, although decision papers are being submitted to the Business, Resources and Infrastructure Committee in November 2021.

When a firm decision is made by the College as to what option will be taken, the financial implications of the choice will have to be factored into the College's future financial plans. Should the decision be to make a final payment on the contract to purchase the campus and continue providing services from the Kilwinning Campus, without additional funding, or further cost cutting than is already planned the College's financial sustainability could be put at risk

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Wider scope

Governance and transparency

Dimension

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

Our conclusion

Ayrshire College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board of Management. We consider the additional governance arrangements made by the College to deal with the impact of COVID-19 to be appropriate.

Governance arrangements

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

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

During the year ended 31 July 2021, the Board consisted of 20 members, 10 female (including the Principal) and 10 male. The Board continues to maintain a gender balance that meets with the objective of the Gender Representation on Public Boards (Scotland) Bill which was introduced by the Scottish Parliament in June 2017 with an implementation date of 2022.

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

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Wider scope

Governance and transparency (continued)

Covid-19 Governance arrangements

Following the Government announcement of the initial lockdown in 2020, the College suspended all face-to-face teaching from Wednesday 18 March and teaching and College operations were performed remotely for the remainder of the 2019/20 academic year.

Since the first restriction were introduced, Board and Committees have continued to meet on their original schedule during this period using virtual platforms. The College's Campus Operations Steering group (COSG), originally set up to oversee the safe and effective reopening of Ayrshire College campuses in the summer of 2020, has continued to meet regularly throughout the year. This has ensured the approach to resuming on-campus activities has been safe and activities have been undertaken in line with the latest Scottish Government and Public Health guidance.

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

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

- Issue of questionnaire to all students to identify to establish needs that may exist
- Introduction of safety measures one way systems to facilitate safe traffic flow
- FAQ guide published on the College website and links shared throughout social media
- YouTube videos released for guidance around aspects such as online learning, ICT guidance, use of Microsoft Teams and Office 365

Lockdowns occurred throughout 2020/21 and the threat of imminent lockdowns remained throughout. The College was set up to deal with these effectively due to their blended learning approach being operational from the prior year.

We have reviewed the College's Covid-19 Governance arrangements and conclude that there is evidence of appropriate governance arrangements in this regard.

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Wider scope

Governance and transparency (continued)

Governance Statement

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

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

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

Internal audit

An effective internal audit service is an important element of any organisation's governance arrangements. Internal audit provide the College with independent assurance on internal control and corporate governance processes. The internal audit function at the College is provided by BDO. Internal audit have attended Audit Committees throughout the year and have produced 9 reports to support the overall Head of Internal Audit Opinion.

Transparency

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

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11/17/2021 16:31:30

Wider scope

Value for money

Dimension

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

Our conclusion

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

Performance management

The College delivered its Regional Outcome Agreement (ROA) target credits. A financial deficit was incurred in the year, highlighting the continued financial difficulties the College faces. There is close monitoring of the delivery of the ROA and financial performance reports provide sufficient information to allow members to understand performance. Budget monitoring information provides a detailed analysis of variances allowing budget to be appropriately managed. Through this management of the 2020/21 budget there is clear evidence that the College understands cost drivers and is in control of costs as far as can be reasonably expected given the circumstances of the year.

Regularity

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

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

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

Ayrshire College # 484082
11/17/2021 16:31:30

Our fee

Fees for work as the College's appointed auditor

We reported our proposed fees for the delivery of our work in our Audit Strategy Memorandum, presented to the Audit Committee on 08 June 2021. Having completed our work for the 2020/21 financial year, we can confirm that our final fees are as follows:

Area of work	Proposed fee 2020/21	Final fee 2020/21
Auditor remuneration	£31,440	£32,440
Pooled costs	£1,850	£1,850
Contribution to Audit Scotland costs	£1,210	£1,210
Total Fee	£34,500	£35,500

The audit of the valuation of land and buildings is subject to a high level of scrutiny from our regulators, which has resulted in us having to perform higher levels of work to ensure we are meeting the expectations of our regulators. In addition, due to the land and building valuation as at 31 July 2021 including a Material Valuation Uncertainty clause, we have incurred additional costs in our audit and reporting. An additional £1,000 will be charged for this work.

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

Ayrshire College # 484082
11/17/2021 16:31:30



Appendix A

Draft Management Representation letter

Dear Sirs

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the College's accounts for the period ended 31 July 2021.

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

- a) the financial statements are free of material misstatements including omissions;
- b) that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2021;
- c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- d) all other records and related information, including minutes of all management meetings, have been made available to you;
- e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

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

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

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

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

Ayrshire College #484082
11/17/2021 16:21:30

Appendix A

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

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

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

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

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

We are not aware of any irregularities, including fraud, involving existing management or employees of the College, nor are we aware of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such breaches have come to our attention.

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

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

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

Appendix A

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

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

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

Yours faithfully

..... Chair of Board

..... Principal

Ayrshire College # 484082
11/17/2021 16:31:30

Draft Audit Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Ayrshire College for the year ended 31 July 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the College's affairs as at 31 July 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Ayrshire College #184082
11/17/2021 16:51:20

Appendix B

Emphasis of Matter: Material valuation uncertainty

We draw attention to **Note 1(g)** of the financial statements, which discloses a material valuation uncertainty caused by Covid-19 declared in the valuation report for property. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the College;

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Appendix B

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

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

Statutory other information

The Board of Management is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

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Appendix B

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

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Ayrshire College # 484082
11/17/2016 16:31:30

Appendix B

Use of our report

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

Lucy Nutley
For and on behalf of Mazars LLP

Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HA

[Full date]

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

Ayrshire College # 484082
11/17/2021 16:31:30

Appendix C

Independence

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

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

Ayrshire College # 484082
11/17/2021 16:31:30

CT/JN

November 2021



Mazars LLP
100 Queen Street
Glasgow
G1 3DN

Dear Sirs

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the College's accounts for the period ended 31 July 2021.

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

- a) the financial statements are free of material misstatements including omissions;
- b) that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2021;
- c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- d) all other records and related information, including minutes of all management meetings, have been made available to you;
- e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

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

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

Kilmarnock Campus
Hill Street
Kilmarnock, KA1 3HY
T 01563 523501
E enquiries@ayrshire.ac.uk

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



Letter of Representation

November 2021

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

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

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

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

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

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

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

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

We are not aware of any irregularities, including fraud, involving existing management or employees of the College, nor are we aware of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such breaches have come to our attention.

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

Ayrshire College #162116314082
11/17/2021 16:21:50

Letter of Representation

November 2021

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

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

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

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

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

Yours faithfully,

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

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

Ayrshire College # 484082
11/17/2021 16:31:30

Audit and Risk Committee**23 November 2021**

Subject: 2020-2021 Internal Audit Rolling Internal Audit Action Plan as at 31 October 2021

Purpose: To provide Members with an update on the Rolling Internal Audit Action Plan as at 31 October 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 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 2021-22 audit plan approved by the Audit Committee on 8 June 2021.

Table 1 below lists all outstanding recommendations from the internal audits that were due to have been completed by 30 September 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	1	0	1
2	2020-21	Financial Processes	1	0	1
3	2021-22	ICT Service Provision COVID-19	2	2	0
TOTAL			4	2	2

2.1 Schools and Community Provision

The outstanding audit point is 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.

2.2 Financial Processes

The auditor's recommendation supported the College's proposed action to improve the efficiency of processing invoices by installing a software add-on. Once the add-on was implemented it will remove the need for scanning and filing paper copies of invoices. The College has procured the additional software which is in the final testing and development stages. The software is however not yet fully operational and the audit point is therefore not complete.

2.3 ICT Service Provision During COVID-19

The first audit finding recommended that additional were put in place to ensure the data reported in the monthly SLA team reports were accurate. This recommendation relates to an ICT Team internal report. The audit finding did not identify any issue that would have changed how the ICT team responded to the data reported. The ICT Team has put in place additional checks to ensure the totals tally. This audit recommendation is therefore complete.

The second audit recommendation related to the internal staff guidance document prepared by the ICT Team. This is a live document created to provide an overview of the service desk system (Simplysis). The auditors recommended that the guide should include additional information. For example, this included guidance on what constitutes a 'critical' to 'very low' issue and supporting definitions for high/medium/low urgency and impact. The auditors also recommended that the document is extended to include descriptors for assessing and prioritising tickets. The College has updated the staff guidance document to reflect the points raised by the auditors. This audit recommendation is therefore complete.

3 **Proposals**

No further proposals are contained in this report.

4 **Consultation**

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

5 **Resource Implications**

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

6 **Risks**

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

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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
11 November 2021

(James Thomson, Assistant Principal – Finance, Student Funding and Estates)

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