

**Meeting of the Audit and Risk Committee
to be held on Tuesday 4 June 2024 at 4.00pm
via Microsoft Teams only**

AGENDA

1. Meeting with external auditors (no College staff present)
2. Welcome and Declarations of Interest – **approx. 4:10pm**
3. Apologies
4. Minute of the meeting held on 19 March 2024
 • ARC Action & Decision Tracker Paper 1 (C/P)
Paper 1A (P)
5. Matters arising

Part A – For discussion, decision and approval

6. 2024-25 SFC Funding Implications Paper 2 (R) (AR)
7. Internal Audit – Wylie & Bisset
 (i) Internal Audit Report 2023-24 – IT Security Paper 3 (P) (SP)
 (ii) Internal Audit Report 2023-24 – Corporate Governance Paper 4 (P) (SP)
 (iii) Internal Audit Report 2023-24 – Overall Financial Controls Paper 5 (P) (SP)
 (iv) 2023-24 Internal Audit Progress Report as at June 2024 Paper 6 (P) (SP)
 (v) 2024-25 Internal Audit Plan Paper 7 (P) (AR)
8. External Audit Annual Plan 2023-24 Paper 8 (P) Azets
9. Audit and Risk Committee 2023-24 Report (Draft) Paper 9 (R) (SW)

Part B – Regular Reporting/Monitoring

10. Rolling Audit Action Plan Paper 10 (R) (AR)

Part C – Risk management and assurance

11. 2023-24 Financial Compliance Report Paper 11 (R) (LW)
12. Strategic Risk Register Paper 12 (R) (AR)

Part E – For information

13. Any Other Business

Date of Next Meeting – Tuesday 24 September 2024 at 4.00pm Ayr Dam Park (G89)

(C/P) Confirmed minutes will be published; (P) Papers will be published on the College website; (R) Papers will not be published for reasons of commercial sensitivity or for reasons of personal data confidentiality

**Minute of the Audit and Risk Committee
Held by Hybrid Attendance at Kilmarnock Campus
Thursday 19 March 2023**

Present:

Steven Wallace	Chair
Sharon Morrow	Vice – Chair
Alison Sutherland	Non-Executive Board Member
Matthew Wilson	Non-Executive Board Member

In attendance:

Anne Campbell	Vice Principal, Skills and Enterprise
David Davidson	Vice Principal, People, Performance and Transformation
Hilary Denholm	Board Governance Advisor & Minutes
Alan Ritchie	Vice Principal, Finance & Infrastructure
Stephen Pringle	Wylie & Bisset – Internal Auditors (with exception of Item 9)

1. Welcome and Declarations of Interest

The Chair, Steven Wallace, welcomed all present to the meeting.

There were no Declarations of Interest presented.

The meeting was confirmed as quorate.

2. Apologies

Apologies were recorded from Angela Cox, Principal & Chief Executive.

3. Minutes of the Previous Meeting held on 30th November 2023 (Paper 1) C/P

The minutes were approved as a correct record.

Proposed: Sharon Morrow **Seconded:** Matthew Wilson

ARC Action & Decision Tracker (Paper 1A) (P)

The Committee noted the updates regarding the actions which are all now completed.

4. Matters Arising

There were no other outstanding matters arising from the minutes.

5. Internal Audit Report – Estates Management (Paper 2) (P)

S Pringle introduced Paper 2 as presented.

The Committee noted:

- The purpose of this assignment was to review the strategic and operational arrangements in place in respect of estates management at the College.

- The Auditors reviewed the maintenance of the assets, the safety of the estates and the processes to ensure compliance with safety legislation.
- The objectives were to ensure:
 - The College's Estates Strategy supports the College objectives.
 - The College has appropriate arrangements in place to ensure that its estates are managed effectively.
 - There are robust procedures in place for ongoing maintenance and repair within the College.
 - Estates planning takes due consideration of the College's future plans for the curriculum.
 - The College is meeting its statutory obligations in relation to Estates Management.
- Areas of good practice identified included:
 - Processes in place across the Ayr Campus to ensure the safety of its buildings in accordance with the Health and Safety at Work Act 1974, with external assurances that the Kilmarnock and Kilwinning campuses are meeting their statutory obligations through monthly meetings with service providers.
 - Maintenance of Planned Preventative Maintenance (PPM) Schedules ensuring all planned works are conducted timely across the three campuses.
 - Estates team structure clearly documented with the roles and responsibilities outlined within active job descriptions, and awareness of these responsibilities.
 - Budget holder input effectively considered regarding capital budget allocation.
 - Management Accounts effectively outline any variances against the budget for both the year to date and annual forecast.
- Overall conclusion was a weak level of assurance surrounding the controls in place for Estates Management, with two recommendations:
 - High grade recommendation for improvement regarding the Infrastructure Strategy to provide a strategic plan for managing and developing its estates in line with its corporate objectives.
 - Medium grade recommendation that the College use its Estates Helpdesk for the monitoring of requests made, alongside introduction of reactive KPIs where performance can be measured on an ongoing basis.

Discussion took place regarding the weak grading, with an acknowledgment that the one high grade recommendation automatically results in a weak level of assurance. It was noted that the high-grade recommendation was partially influenced by several external factors including the lack of an SFC Infrastructure Strategy, Investment Plan and clear guidance on future levels of investment. These factors are out with the College's control with it being noted that the Estates Team have managed operations safely despite the lack of strategic lead.

It was also noted that the other 4 out of the 5 objectives were all achieved with a strong assurance.

The Committee noted the report and the two recommendations.

6. Internal Audit Report – Student Achievement (Paper 3) (P)

S Pringle introduced Paper 3 as presented.

The Committee noted:

- The purpose of this assignment was to review the level of student retention at the College.
- The Auditors assessed the processes in place at the College to highlight problem areas and where retention is low.
- The Auditors also assessed the steps taken by the College to address areas of poor student retention.
- The objectives for this review were to ensure:
 - Responsibilities for student retention are clearly defined throughout the College.
 - The College has robust quality data for quality monitoring and student retention which is reported on a timely basis.
 - The College actively monitors its student retention in a clear & defined manner.
 - The College has plans in place to address areas of poor retention in a timely manner.
 - Where poor levels of retention are highlighted, the College's procedures have been adhered to and are fit for purpose.
- Overall conclusion is a strong level of assurance surrounding the controls in place to manage student retention. Several good practice points were raised including strong plans in place to improve the retention rates through Team Operating and Enhancement Plans and weekly retention meetings; the Education Scotland inspection report where retention was identified as one of the major strengths in the College's work and several surveys are run on a regular basis to gauge student experience and improve retention.
- There were 2 low grade recommendations for improvement:
 - the Head of Business Intelligence and Information System reviews the policy in compliance with its regular review date.
 - the College in its ongoing meetings with the Curriculum Team gather feedback from the users of the systems, particularly from curriculum managers and administrators.

The Committee noted the report and acknowledged the good work being done by staff in this area.

7. Internal Audit Update (*Paper 4*) (*P*)

S Pringle introduced Paper 4 as presented which summarises the audits already completed, and those still planned, with key dates agreed.

The Committee noted:

- Detailed assignment plans are prepared for each audit undertaken, setting out the scope and objectives of the work, allocating resources and establishing target dates for the completion of the work.
- Each assignment plan is agreed and signed off by an appropriate sponsor from the College.

The Committee noted the report.

8. Draft 2024-25 Internal Audit Plan (*Paper 5*) (*P*)

A Ritchie introduced Paper 5 which presents to the Audit and Risk Committee the draft 2024-25 Internal Audit Plan for review.

The Committee noted:

- The College engaged with Wylie & Bisset to review the 2024-25 draft plan and consider what amendments could be made to it following the completion of the 2023-24 plan & wider assurance / compliance work undertaken by the College.
- The Audit Needs Assessment which reviewed the audit assignments undertaken over the last three years against other areas where the College might undertake future audit assignments.
- The College and internal auditors will look to develop the high-level remit and timing for the implementation of the 2024-25 plan.
- The College will also look to develop a plan that takes the College to the end of the potential internal audit contract in 2026-27.

Discussion took place around the suggested areas for future audits and their alignment with the strategic risk register, alongside offering best value for money, with prioritisation to allocation of audit days to areas that were required by legislation, were not being covered by ongoing development or other planned review work, and mapped to the College's strategic risks. It was agreed that it was not best value to audit areas which were undergoing transformation, and that the draft audit plan should be in some way aligned with the strategic risk register.

The Committee requested that the College review the strategic risks and align the draft 2024-25 Internal Audit Plan to those risks.

The final 2024-25 Internal Audit Plan will be brought back to the June 2024 Committee meeting for approval.

9. Annual review of effectiveness of External Auditors (Paper 6) (P)

This item was deferred to after Item 12, at which point S Pringle left the meeting.

A Ritchie introduced Paper 6 which presents the findings of the 2022-23 evaluation of the external auditors, Azets Audit Services.

The Committee noted:

- The College was content with the first year of the audit process and the approach and effectiveness of Azets Audit Services.
- There are several lessons to be learned and taken forward to 2023-24 which both the College and Azets recognise.
- It is anticipated that the 2023-24 audit will be more effective than the 2022-23 audit.

The Committee was requested to:

- a) Confirm it is content with the outcome of the College 2022-23 effectiveness review.
- b) Note that for future years the College will look to engage further with the Committee members using a questionnaire to assess the effectiveness of the external auditors.

Discussion took place around the IT controls, with acknowledgment that further information was being sought from the IT Team at Azets to clarify their recommendations, and that this information would be brought back to the Committee once received.

The Committee agreed they were content with the review outcomes and noted the report, and the planned future Committee engagement.

10. Rolling Audit Action Plan as at 31 Jan 2024 (Paper 7) (P)

A Ritchie introduced Paper 7 as presented updating on recommendations made by both the internal and external auditors.

The Committee noted:

- The College has six outstanding audit lower grade recommendations, of which two have been completed, with actions progressing on all recommendations.
- Timescales for items 3 and 4 would be extended from 31 March to 31 May.
- The review of College evidence and closure of completed recommendations will be undertaken by the internal auditors in April 2024 and reported to the June 2024 Committee.

The Committee noted the report.

12.2022-23 National Fraud Initiative (Paper 9) (P)

A Ritchie introduced Paper 9 as presented which provides an update for the Committee on the NFI process along with a review of the Audit Scotland Self-Assessment Checklist (Appendix A). This work was completed as part of year end audit, and a report will be submitted to Audit Scotland.

The Committee noted:

- The NFI review is undertaken every two years and the 2022-23 exercise was the fourth such request from Audit Scotland for the College to participate.
- The required data was limited to payroll / purchase ledger transaction / standing data. In the case of payroll data, this consisted of current employee standing data including national insurance (NI) numbers along with year to date (YTD) earnings.
- For purchase ledger information, the College supplied current address and standing data for trade creditors, and transaction histories for the period October 2019 to 30 September 2022. In line with the Audit Scotland timetable the required data was submitted by the 18 November 2022 deadline.
- The auditors raised no issues with the College approach to the 2022-23 NFI exercise.

The Committee noted the report, and the assurance and positive outcomes provided.

13.AOB

Date of Next Meeting – Tuesday 4 June 2024 at 4pm

P - Papers will be published on the College Website; R - Papers will not be published for reasons of commercial confidentiality or for reasons associated with data protection legislation; C/P - Confirmed minutes will be published on the College Website

RESERVED ITEMS ON THE NEXT PAGE

Audit & Risk Committee - Action and Decision Log
Meeting No 44 – 04 June 2024

(Paper 1a)

Meeting Date	Agenda Item	Reference	Details	Action Owner	Due Date	Action Decision	Open Complete Approved Declined
19.03.24	Strategic Risk Register	ARC43: D01	The Committee recommended the Strategic Risk Register to the Board for approval.	NA	14.12.23	Decision	Approved

Audit and Risk Committee**4 June 2024**

Strategic Objective Reference: SO5 High performing college underpinned by excellence in stewardship and governance

Subject: **Internal Audit Report – IT Security**

Purpose: The paper provides an overview of the recently conducted internal audit review into IT Security.

Recommendation: The Audit and Risk Committee is requested to consider and approve the report.

1 Executive Summary

This review formed part of the 2023-24 Annual Internal Audit Plan. The purpose of this assignment was to review the cyber security arrangements in place to ensure that there were appropriate controls in place to mitigate the loss of business-critical information due to a cyber-attack or failure of the key systems/suppliers.

Overall Assurance: Substantial

The overall conclusion is as follows:

‘Following our review, we can provide a substantial level of assurance over the College’s cyber security and their associated policies, procedures, and controls. This is highlighted as we have raised several good practice points. However, we have made 3 medium grade recommendations and 1 low grade recommendation for improvement.’

The report has identified several areas of good practice on page 11.

2 Detailed Report

The College has accepted the three medium and one low grade recommendations and these will be added to the Rolling Audit Action Plan.

3 Resource Implications

No further resource implications require to be noted in this paper.

4 Consultation

No formal consultation is required to be completed. The audit report has been discussed with the relevant members of the Senior Leadership Team (SLT) and the required actions are being undertaken to address the recommendations made.

5 Risks

There are no further risks required to be considered because of this report.

6 Equality Impact Assessment

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

7 Recommendation

The Audit and Risk Committee is requested to consider and approve the report.

Alan Ritchie
Vice Principal, Finance and Infrastructure
04 June 2024

Publication

This paper will be published on the College's website.

Ayrshire College Internal Audit 2023-24

IT Security
May 2024

Overall Conclusion

Substantial

TABLE OF CONTENTS

Section	Page
1 EXECUTIVE SUMMARY	2
2 BENCHMARKING.....	14
3 DETAILED RECOMMENDATIONS	15
4 AUDIT ARRANGEMENTS	24
5 KEY PERSONNEL.....	25
Appendix	Page
A GRADING STRUCTURE	27
B ASSIGNMENT PLAN.....	29

The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Ayrshire College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

We undertook a review of the cyber security arrangements in place to ensure that there were appropriate controls in place to mitigate the loss of business-critical information due to a cyber-attack or failure of the key systems/suppliers.

We tested these arrangements against the [National Cyber Security Centre's \(NCSC\) 10 steps to Cyber Security guidance](#).

This review forms part of our 2023/24 Annual Internal Audit Plan.

Scope of review

Our objectives for this review were to ensure:

- There was an appropriate risk-based approach to securing data and systems which has been adopted.
- There was appropriate cyber-awareness training for College staff that has been mandated.
- The architecture and configuration of key College systems was easily maintained and updated to adapt effectively to emerging cyber threats.
- There were appropriate solutions in place to control access to the College's information systems.
- There were appropriate solutions in place to protect College data from unauthorised access, modification, and deletion.
- The College systems were appropriately patched to minimise the risk of vulnerabilities being successfully exploited in an attack.
- There were appropriate processes and procedures in place to respond to security incidents that will help prevent further damage.

1 EXECUTIVE SUMMARY

- There were appropriate processes in place for vetting suppliers and assessing the adequacy of their cyber security controls.
- There was an appropriate understanding of all assets that are part of the College's IT network and environment.
- The College systems were appropriately monitored with information logged and actively analysed.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

1 EXECUTIVE SUMMARY

Background

IT Team

The College's IT systems are supported by their own IT Team. The IT Team is ultimately responsible for ensuring hardware is configured for staff, software is kept up to date and that data is backed up appropriately. The College's internal and external network activity is appropriately monitored, alerting the IT Team should there be a security breach or an IT equipment failure.

Remote Access Controls

The College's IT Team is responsible for ensuring there is appropriate security in place for users accessing College resources remotely, including the cloud services provided by Microsoft 365. Layered security is enhanced through the enforcement of Multi-Factor Authentication (MFA), which helps protect College data and applications by using a second source of validation before granting external access.

Anti-virus and Anti-malware

The IT Team is responsible for employing robust anti-virus and anti-malware solutions to protect the College network. Microsoft Defender provides a suite of security tools to defend against cyber threats and malicious files / activity. Web-browsing is controlled via the College's on-premise FortiGate firewalls. These protect the IT network from external threats, including unsecure websites.

Entry and Exit Process

The College has appropriate entry and exit procedures for new starts and leavers. The IT Team ensure that as staff join the College, they receive the correct permissions and gain access to the relevant services and software applications. If a member of staff is leaving the College an automated process will deprovision network access on their last day of employment. Related licences can then be cancelled for that staff member, with the information logged and set as completed. The same automated process is in place for provisioning new starts.

Physical and Environmental Controls

The College's business-critical network infrastructure resides within the Kilmarnock Campus. Network equipment is protected by controls in the form of limited access, smoke alarms, flame suppressant equipment and a UPS device offering power continuity for a limited time and to prevent power surges to the core infrastructure.

1 EXECUTIVE SUMMARY

Patch Management

During our review, we found that patch management of the IT environment is appropriately managed by the College IT Team. Microsoft Intune and SolarWinds Patch Manager are used to update the College servers and endpoints. This reduces the risk of cyber-attacks along with the added benefit of optimising system performance.

National Cyber Security Centre 10 Steps to Cyber Security

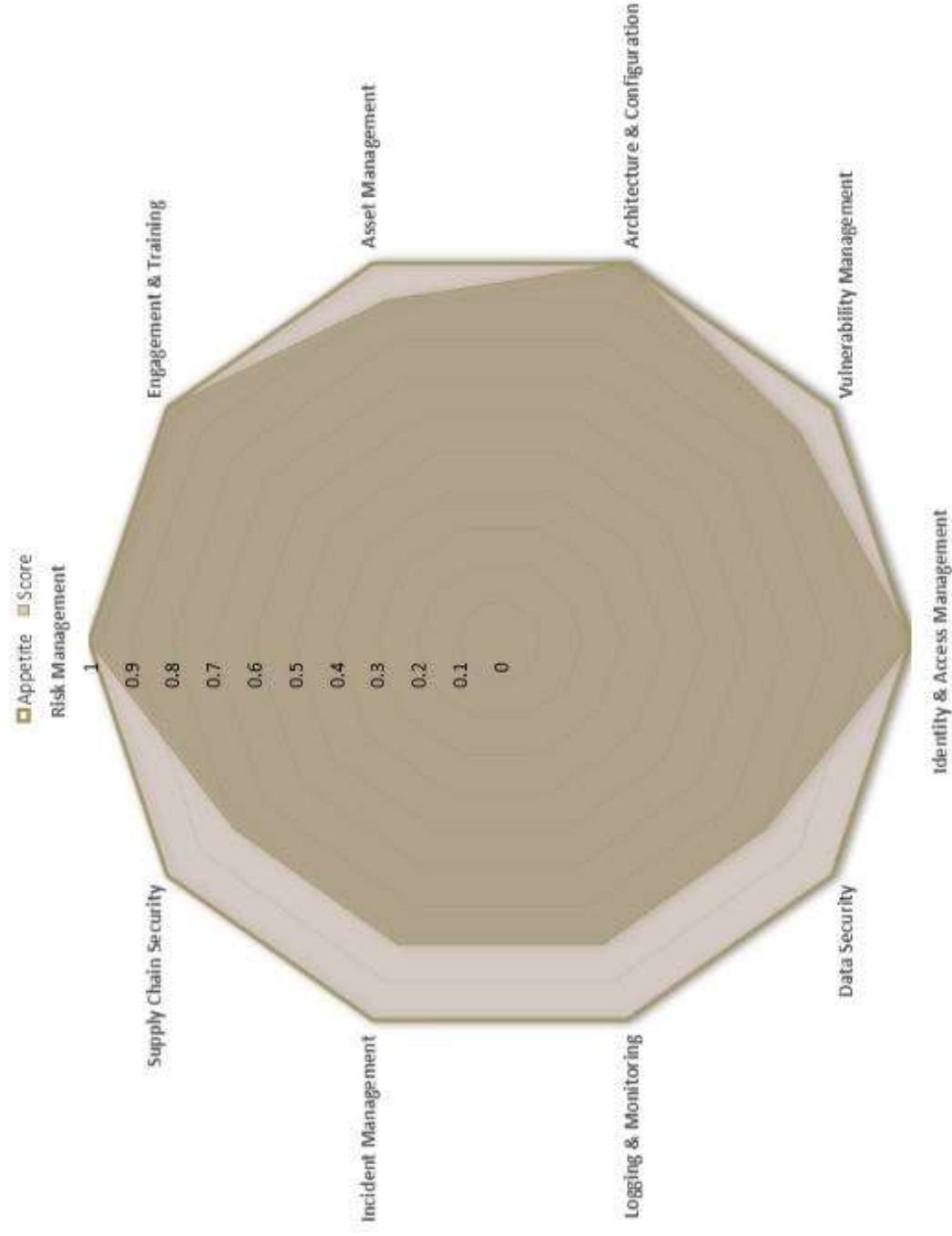
The National Cyber Security Centre (NCSC) is an organisation of the United Kingdom Government that provides advice and support for the public and private sector on how to avoid computer security threats. The NCSC's 10 steps to Cyber Security guidance aims to help organisations manage their cyber security risks by breaking down the tasks of protecting the organisation into 10 components. Adopting security measures covered by the 10 steps reduces the likelihood of cyber-attacks occurring and minimises the impact on an organisation when incidents do occur.

The graphic on the following page illustrates the College's current position in relation to the NCSC's 10 Steps to Cyber Security guidance. We have set the maximum appetite for success at 1. The closer the score is to that maximum, the stronger the performance in that area. Each of the 10 steps have been scored based on our assessment:

	Appetite	Score
Risk Management	1	1
Engagement & Training	1	1
Asset Management	1	0.9
Architecture & Configuration	1	1
Vulnerability Management	1	0.9
Identity & Access Management	1	1
Data Security	1	0.8
Logging & Monitoring	1	0.8
Incident Management	1	0.8
Supply Chain Security	1	0.8

1 EXECUTIVE SUMMARY

NCSC 10 Steps to Cyber Security



1 EXECUTIVE SUMMARY

We have raised recommendations that would help to improve scores in a number of these areas. **Please see Section 3: Detailed Recommendations for further information.**

1 EXECUTIVE SUMMARY

Work Undertaken

Our work for this review included the following:

Objective 1: There is an appropriate risk-based approach to securing data and systems which has been adopted.

- We reviewed the IT Team's Risk Register and the formal documentation of operational risks, including cyber security risks.
- We reviewed the College's risk management regime and the identification of cyber security as a key risk.

Objective 2: There is appropriate cyber-awareness training for College staff that has been mandated.

- We reviewed the College's new start cyber security training programme for adequacy.
- We reviewed the College's cyber security refresher training programme.

Objective 3: The architecture and configuration of key College systems is easily maintained and updated to adapt effectively to emerging cyber threats.

- We discussed the current network setup arrangements with the IT Team.
- We reviewed the College's network security procedures including any change management processes.

Objective 4: There are appropriate solutions in place to control access to the College's information systems.

- We reviewed the College's controls for user creation and user permissions.
- A review of the College's processes for evaluating user accounts as compared to information held by HR.

Objective 5: There are appropriate solutions in place to protect College data from unauthorised access, modification, and deletion.

- We reviewed the College's controls to safeguard sensitive data. **Please see Section 3: Detailed Recommendations for further information.**
- We reviewed the College's backup and replication procedures.

Objective 6: The College systems are appropriately patched to minimise the risk of vulnerabilities being successfully exploited in an attack.

- We reviewed the College's patching procedures and assessed the validity of the process to determine whether these are robust and in line with good practice.
- We reviewed the College's patching levels and endpoint operating systems to ensure that all platforms are suitably protected and supported.

Objective 7: There are appropriate processes and procedures in place to respond to security incidents that will help prevent further damage.

- We reviewed the College's Cyber Incident Response Plan for adequacy. **Please see Section 3: Detailed Recommendations for further information.**
- We held discussions with the College's IT Team to establish whether the plan had been exercised and if relevant staff are aware of their roles and responsibilities.

Objective 8: There are appropriate processes in place for vetting suppliers and assessing the adequacy of their cyber security controls.

- We held discussions with the College's IT Team to establish the current arrangements in place. **Please see Section 3: Detailed Recommendations for further information.**
- We reviewed the College's policies and procedures to assess whether these are robust and in line with best practice.

Objective 9: There is an appropriate understanding of all assets that are part of the College's IT network and environment.

- A review of the College's asset management register.
- A review of the College's controls that ensure unauthorised devices can be detected.

Objective 10: The College systems are appropriately monitored with information logged and actively analysed.

- A review of the College's network security appliances.
- A review of the College's network monitoring and logging capabilities. **Please see Section 3: Detailed Recommendations for further information**

1 EXECUTIVE SUMMARY

Conclusion

Overall Conclusion: Substantial
Following our review, we can provide a substantial level of assurance over the College’s cyber security and their associated policies, procedures, and controls. This is highlighted as we have raised several good practice points. However, we have made 3 medium grade recommendations and 1 low grade recommendation for improvement.

Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
IT Security	0	3	1	4

As can be seen from the above table there were no recommendations made which we have given a grading of high.

1 EXECUTIVE SUMMARY

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The College has adequate logging, monitoring, and alerting arrangements in place. This includes the functionality offered by Microsoft Defender, which allows the IT Team to easily identify, monitor, and understand the nature of a perceived cyber-threat by gathering data from various sources, including user activity, authentication, email, compromised PC's, and security incidents. The College also utilise the cyber security software, Netwrix. Netwrix provides tools to monitor, analyse, and respond to changes made on the College's server environment. This enables control over changes, configurations, and access, helping to strengthen the College's data security posture.
2.	The College has a detailed IT asset inventory, held by the IT Team. It provides a detailed database of the College's IT estate, allowing the IT Team to manage those assets and review the register if and when required.
3.	The College has a robust patching regime in place, with servers and endpoint devices patched on a regular basis and scheduled appropriately. SolarWinds Patch Manager is used to patch and update the College server estate. Should Microsoft advise that a patch be applied immediately to guard against a known vulnerability, then the IT Team will prioritise accordingly.
4.	Administrator access to network components is carried out over a dedicated and secure network infrastructure. The network is suitably protected by business grade anti-virus software. Backup data is protected through encryption and secure communication channels. Indeed, there is a distinct separation between the backup domain and the College domain, reducing the likelihood of a lateral movement in the event of a ransomware or malware attack.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

5.	The College has robust processes in place when required to create or disable staff accounts. When a new member of staff joins the College, the relevant manager will raise a ticket on the College's Service Desk. This allows the IT Team to create a user profile, supplying that user with access to the requisite applications and offering the user appropriate network privileges. For leavers, user access is removed immediately or on a date communicated. Licences can then be cancelled, and the information logged and set as completed.
6.	Staff that access the College's digital services remotely, will utilise the virtualised desktop and application solution, Citrix. Additionally, select staff are also permitted to access Virtual Private Network (VPN) connections, facilitated via the College firewalls. Network resources are accessed using existing Active Directory credentials, with additional security enforced through Multi-Factor Authentication.
7.	The College has robust physical and environmental controls protecting its core network equipment. The equipment is secured in locked rooms with temperature controls, smoke alarms, flame suppressing equipment, and Uninterrupted Power Supplies (UPS) attached.
8.	Wireless access is appropriately separated for different users on the network. Access is segregated using Service Set Identifiers (SSID's), with non-corporate devices restricted to external resources only i.e., hosted on the Internet. Access to College network resources is secured using domain credentials for both staff and students. Security is again enhanced by internet filtering and security rules set on the College firewalls. Further external protection is provided by the College's Internet Service Provider, Jisc Services Limited.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

9.	The College has a robust IT architecture. Network segmentation is in place to help improve network security and IT controls are underpinned by appropriate change management processes. The network is protected from external threats by dedicated firewalls, denying direct connections to untrusted external services and protecting internal IP addresses. Endpoints are protected by an anti-virus solution that will automatically detect and respond to cyber security threats.
10.	College staff undertake regular, mandated cyber security awareness training. Training is facilitated through the College's Staff Learning Portal and has been bolstered by the introduction of targeted phishing campaigns to help empower staff to take control of their own ability to avoid cyber security malpractice.
11.	At a corporate level, a risk management regime has been established with a Strategic Risk Register. This identifies cyber security as a key risk to the College and is monitored by the Audit & Risk Committee in line with the College's risk management framework. The College's specific cyber security risks are formally documented, along with controls and mitigations, within an IT Operational Risk Register.

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

IT Security

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	4	1	5
Number of recommendations at Ayrshire College	0	3	1	4

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Proactive Monitoring and Alerting			
Ref.	Finding and Risk	Grade	Recommendation
1.	Proactive monitoring and alerting for cyber threats is a method of keeping track of the health and performance of IT systems and applications in order to sound the earliest possible warning that a cyber incident has occurred. Proactive monitoring and alerting involves collecting, analysing, and correlating data from various sources, such as logs, metrics, events, and traces, to identify potential threats and anomalies. We commend the College for investing in a range of hardware, software, and network solutions that help monitor the IT systems and alert the IT Team should a cyber threat or anomaly be detected. This includes the College's anti-virus software, their next-generation firewalls, and the Janet internet connection. However, the preferred approach for modern cyber security environments is to use artificial intelligence and machine learning to protect against emerging threats. The College do	Medium	We recommend that the College consider identifying and adopting an appropriate security information and event management (SIEM) solution, or equivalent cyber security software, to help the IT Team monitor, analyse, and respond to security threats and incidents in real-time.

3 DETAILED RECOMMENDATIONS

	not have a comprehensive and integrated solution that can prevent, detect, and respond to cyber-attacks in real-time. Solutions that are proactive in defending a network from cyber threats also learn from each event, helping to improve the College's security posture. Having a cyber security solution that is more reactive than proactive, can expose the College to various risks, including: ➤ A failure to detect and respond to cyber threats in time, resulting in more damage, downtime, and costs; ➤ Being one step behind the attackers, who can use sophisticated and evolving techniques to bypass College defences; and ➤ The loss of trust and confidence of partners and stakeholders, who expect the College to protect their data and assets.	
--	--	--

3 DETAILED RECOMMENDATIONS

Management response	Responsibility and implementation date
The College is intending to implement Microsoft Sentinel (SIEM) as part of the Azure cloud-based delivery project. A proof-of-concept exercise will be undertaken to ensure the product is the correct way forward with the intention thereafter is to commit to Sentinel or investigate other products.	<i>Responsible Officer:</i> Head of ICT <i>Implementation Date:</i> January 2025

3 DETAILED RECOMMENDATIONS

Supply Chain Security			
Ref.	Finding and Risk	Grade	Recommendation
2.	Organisations normally have supplier partners that deliver a range of products, systems, and services. It is important for an organisation to evaluate the security standards of their suppliers and in some cases validate relevant cyber security credentials. Organisations often require suppliers to comply with industry standard cyber security controls and hold appropriate certifications. Some examples would be the National Cyber Security Centre's 'Cyber Essentials' and 'Cyber Essentials Plus' certifications and the ISO27001 information security management standard. During our review, we found that the College has procedures in place for vetting suppliers and assessing the adequacy of their cyber security controls as part of the procurement procedures. However, we noted that there is no policy or procedure in place that requires partners and suppliers to submit evidence of cyber security recertification when due, which is normally annually.	Medium	We recommend that the College continues to enforce a mandatory requirement within procurement procedures for relevant suppliers to provide evidence of their current cyber security certifications. In addition, we recommend that the College ensure that relevant suppliers provide copies of their updated certifications when these have been renewed.

3 DETAILED RECOMMENDATIONS

	The threat landscape for cyber incidents is ever evolving. If the College fails to confirm that suppliers are meeting minimum security standards, then they increase the risk of systems being compromised via the supply chain. If a supplier's cyber security does not meet the minimum standard required by the College, weaknesses in supplier security could be exploited. This could result in a cyber security incident that impacts on the College's systems and data.	
Management response		Responsibility and implementation date
The College will put in place a requirement for business/application owners to engage will suppliers at renewal to confirm their certification is still valid and evidenced.		<i>Responsible Officer:</i> Director of Digital Infrastructure <i>Implementation Date:</i> January 2025

3 DETAILED RECOMMENDATIONS

Incident Management			
Ref.	Finding and Risk	Grade	Recommendation
3.	Cyber incidents can have a significant impact on organisations in terms of cost, productivity, and reputation. However, good incident management can mitigate the impact of such an event if and when it happens. Being able to detect and quickly respond to cyber incidents will help prevent further damage, reducing the financial and operational impact. A formal Cyber Incident Response Plan (CIRP) will help an organisation to minimise the effects of a cyber-attack by outlining mitigation strategies to reduce the impact. It is crucial that an organisation exercises their CIRP as it helps identify any gaps as well as honing a robust response. During our review we were pleased to learn that the College have CIRP guidance outlined in their document 'ICT Procedures in the Event of Security Incidents'. The documentation contains key contacts, types of incidents, and guidance around escalation. However, following discussions with the IT Team it was clear that the College do not formally exercise the plan. Exercising the plan would involve	Medium	We recommend that the College should communicate the Cyber Incident Response Plan to the relevant staff and ensure that all roles and responsibilities are defined and understood. The response plan should then be practised, ensuring staff know how to react during a cyber security incident, and to highlight any problem areas in the planned response. Additionally, the College can develop discrete playbooks. These are response plans that detail specific incidents. The aim is then to have multiple playbooks to cover all the scenarios of high-risk incidents that the College could face.

3 DETAILED RECOMMENDATIONS

	running incident scenarios to ensure that key contacts understand their roles and responsibilities. It would also allow the IT Team to identify any weaknesses in their response to an incident. Ineffective incident management can increase the impact of a cyber event. An unpractised plan risks poor decisions being made under the pressure of a real incident.	
	Management response The College are currently working with an external consultancy to support the ongoing validation of the draft CIRP which will include simulations based on playbooks. As part of the wider digital transformation projects, the College communications mechanisms are being invested in which will provide an engaging tool to promote the CIRP with stakeholders.	Responsibility and implementation date <i>Responsible Officer:</i> Head of ICT <i>Implementation Date:</i> March 2025

3 DETAILED RECOMMENDATIONS

Data Leakage Prevention			
Ref.	Finding and Risk	Grade	Recommendation
4.	DLP (Data Leakage Prevention) is a strategy for making sure that end users do not send sensitive or critical information outside the corporate network. The term is also used to describe software products that help a network administrator control what data end users can transfer. Following our review, we believe improvements could be made to prevent data leakage. Whilst we acknowledge that the College's Acceptable Use Policy prohibits the use of unmanaged USB storage devices, technical controls to limit their use are not enforced. Similarly, there are no filtering rules in place to restrict access to unmanaged file sharing websites, such as Dropbox. Data could be removed from the network by members of staff via unmanaged USB storage devices and unmanaged file sharing websites, which poses a risk to the College. This could result in a GDPR breach, with the risk of associated fines and/or damage to the College's reputation.	Low	We recommend that a risk assessment which considers DLP is conducted to ensure that any areas of risk, such as access to unmanaged USB storage devices and unmanaged file-sharing websites, are assessed and that subsequent solutions are considered. The IT Team may then be tasked with providing additional security controls to mitigate these risks, helping the College to reduce the likelihood of deliberate or accidental data leakage.

3 DETAILED RECOMMENDATIONS

Management response	Responsibility and implementation date
The College will engage with staff and student stakeholders to understand the use of USBs within their areas. This engagement will involve making staff and students aware of the alternative storage available through Office365. If it is appropriate to remove the ability to use USBs this will be implemented. If there is still a requirement additional security measures will be investigated and implemented.	<i>Responsible Officer:</i> Head of ICT <i>Implementation Date:</i> December 2024

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	22 April 2024
Closing meeting	26 April 2024
Draft report issued	7 May 2024
Receipt of management responses	15 May 2024
Final report issued	16 May 2024
Audit & Risk Committee	4 June 2024
Number of audit days	5

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Director	Stephen Pringle	Director of Internal Audit	stephen.pringle@wyliebisset.com
Auditor	Kevin McDermott	Senior IT Auditor	kevin.mcdermott@wyliebisset.com

Ayrshire College			
Key Contact	Brad Johnstone	Head of ICT Services	brad.johnstone@ayrshire.ac.uk
	Kathleen Harper	Procurement Manager	kathleen.harper@ayrshire.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of review

We will undertake a review of the cyber security arrangements in place to ensure that there are appropriate controls in place to mitigate the loss of business-critical information due to a cyber-attack or failure of the key systems/suppliers.

We will test these arrangements against the National Cyber Security Centre's (NCSC) 10 steps to Cyber Security guidance.

This review will form part of our 2023/24 Annual Internal Audit Plan.

Scope of review

Our objectives for this review are to ensure:

- There is an appropriate risk-based approach to securing data and systems which has been adopted.
- There is appropriate cyber-awareness training for College staff that has been mandated.
- The architecture and configuration of key College systems is easily maintained and updated to adapt effectively to emerging cyber threats.
- There are appropriate solutions in place to control access to the College's information systems.
- There are appropriate solutions in place to protect College data from unauthorised access, modification, and deletion.
- The College systems are appropriately patched to minimise the risk of vulnerabilities being successfully exploited in an attack.
- There are appropriate processes and procedures in place to respond to security incidents that will help prevent further damage.
- There are appropriate processes in place for vetting suppliers and assessing the adequacy of their cyber security controls.

B ASSIGNMENT PLAN

- There is an appropriate understanding of all assets that are part of the College's IT network and environment.
- The College systems are appropriately monitored with information logged and actively analysed.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussion with relevant staff involved to establish the current arrangements in place.
- Review of IT security, access control and user policies for adequacy.
- Review of the College's strategy for identifying and addressing system vulnerabilities and a secure and timely manner.
- Review of the College's anti-malware/virus software including web protection.
- Review of the College's network security appliances and monitoring.
- Review of the College's data leakage prevention controls and monitoring.
- Review of the College's network access controls including user account controls, remote access, third party access
- Review of the College's Cyber Incident Response Plan including the College's backup strategy.
- Review of the College's cyber awareness training for staff.
- Review of support and maintenance for business critical services.
- Review the College's vetting processes for suppliers in relation to their cyber awareness.
- Review of College's IT asset management.
- Review of environment for business critical services.

Potential key risks

The potential key risks associated with the area under review are:

- There is no risk-based approach to securing data and systems.
- Appropriate cyber-awareness training for staff has not been mandated.
- The architecture and configuration of key IT systems are not easily maintained and updated, meaning they cannot adapt effectively to emerging cyber threats.
- There is a lack of/inadequate controls in place to control access to the College's information systems.
- The College's network is not protected from misuse, which would include unauthorised access, modification, and deletion.
- If systems of defence for College IT systems are not robust and effective, then the College could be subject to system failure and loss.
- There are insufficient processes and procedures in place to respond to security incidents to help prevent further damage.
- There are no processes in place for vetting suppliers and assessing the adequacy of their cyber security controls.
- There is a lack of understanding around the assets that form part of the College's IT network and environment.
- The College systems and not monitored meaning relevant information remains unknown and will not be acted upon.

Audit and Risk Committee**4 June 2024**

Strategic Objective Reference: SO5 High performing college underpinned by excellence in stewardship and governance

Subject: **Internal Audit Report – Corporate Governance**

Purpose: The paper provides an overview of the recently conducted internal audit review into Corporate Governance.

Recommendation: The Audit and Risk Committee is requested to consider and approve the report.

1 Executive Summary

This review formed part of the 2023-24 Annual Internal Audit Plan. The purpose of this assignment was to ensure that the College has appropriate governance arrangements in place and that these have been embedded throughout the whole College. The review looked to provide assurance that the College's Corporate Governance arrangements were appropriate and represent good practice.

Overall Assurance: Strong

The overall conclusion is as follows:

'Following our review, we can provide the College with a strong level of assurance in relation to the College's governance arrangements where we were able to confirm that these arrangements promote effective reporting, communication channels and decision making. We have raised several good practice points and no recommendations for improvement. We have also raised 3 observations for consideration. Please refer to Section 3: Observations for further information.'

The report has identified several areas of good practice on pages 13-15.

2 Detailed Report

The report made no recommendations and highlighted three observations (pages 17-18) which the College has responded to. The College accepts the content of the observations and has in two cases take remedial action

3 Resource Implications

No further resource implications require to be noted in this paper.

4 Consultation

No formal consultation is required to be completed. The audit report has been discussed with the relevant members of the Senior Leadership Team (SLT) and the required actions are being undertaken to address the recommendations made.

5 Risks

There are no further risks required to be considered because of this report.

6 Equality Impact Assessment

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

7 Recommendation

The Audit and Risk Committee is requested to consider and approve the report.

Alan Ritchie
Vice Principal, Finance and Infrastructure
04 June 2024

Publication

This paper will be published on the College's website.

Ayrshire College Internal Audit 2023-24

Corporate Governance
May 2024

Overall Conclusion

Strong

TABLE OF CONTENTS

Section	Page
1 EXECUTIVE SUMMARY	2
2 BENCHMARKING.....	16
3 OBSERVATIONS.....	17
4 AUDIT ARRANGEMENTS	19
5 KEY PERSONNEL.....	20
Appendix	Page
A GRADING STRUCTURE	22
B ASSIGNMENT PLAN.....	24

The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Ayrshire College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to ensure that the College has appropriate governance arrangements in place and that these have been embedded throughout the whole College. This review looked to provide assurance that the College's Corporate Governance arrangements were appropriate and represent good practice.

This review formed part of our 2023/24 Internal Audit Annual Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- The Board of Management and Committee terms of reference are clear and not overlapping.
- The Board of Management and Committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- Members are provided with sufficient, high quality management information in their areas of responsibility.
- The Board of Management and Committees are appropriately attended, and members are sufficiently engaged.
- The Board of Management and Committees have effectively assessed their performance and the balance of skills required within the Board of Management and Committees.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

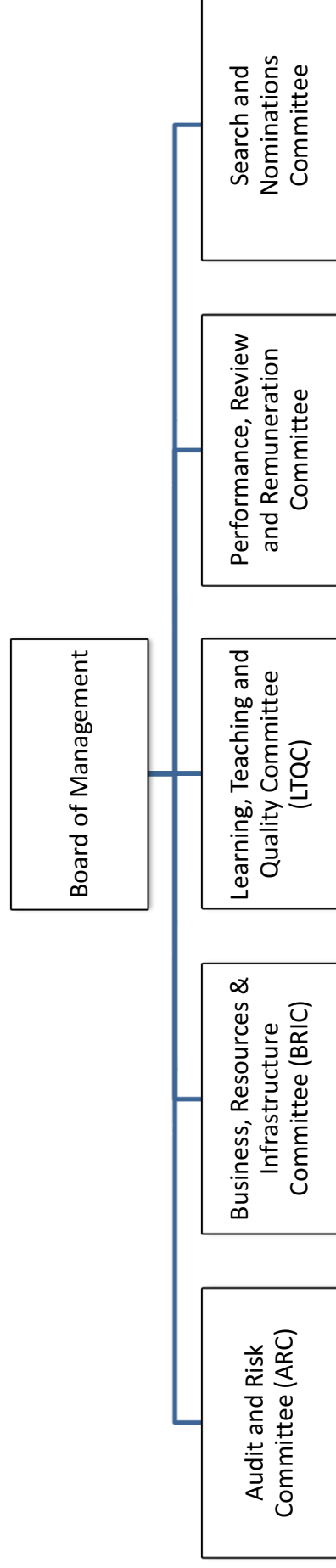
1 EXECUTIVE SUMMARY

Limitation of scope

There was no limitation of scope.

Background

The College's governance structure can be summarised as follows:



1 EXECUTIVE SUMMARY

As identified, the Board of Management are supported by 5 committees where their responsibilities can be summarised as follows:

- **Audit & Risk Committee-** The purpose of the ARC is to assure the Board of Management that the College has in place a system of governance, risk management and internal control which is being maintained and developed to meet legislation and regulations.
- **Business, Resources & Infrastructure Committee-** The purpose of the BRIC is to have strategic oversight of finance, procurement, human resources and organisational development, communications, marketing, information technology and sustainability, ensuring solvency, sustainability, efficiency, and innovation.
- **Learning, Teaching and Quality Committee-** The purpose of the LTQC is to have strategic oversight of all learning, teaching, training, and skills development within the College, ensuring the highest quality of student experience and the development of a sustainable and innovative curriculum to meet the current and future skills needs of students, employers, and the local community.
- **Performance, Review and Remuneration Committee-** The purpose of the Performance, Review and Remuneration Committee is to assess the performance of staff not included within the scope of NRPA in line with the College's performance review programme. Further, the Committee is responsible for determining the remuneration for those members not under the scope of NRPA.
- **Search and Nominations Committee-** The purpose of the Search and Nominations Committee is to consider and make recommendations to the Board of Management and ensuring due process is followed, to consider matters of succession planning, and to consider processes in place for the induction, training, and development of Board of Management members.

Each Committee has a clear set of Committee Remits that outline the responsibilities of the Committee, as well as Committee membership, meeting frequency, quorum etc.

Board of Management Members

The College's Board of Management comprises of the following:

- 13 Non-Executive Members, including the Chair to the Board of Management.
- 5 Elected Members.
- The College Principal.

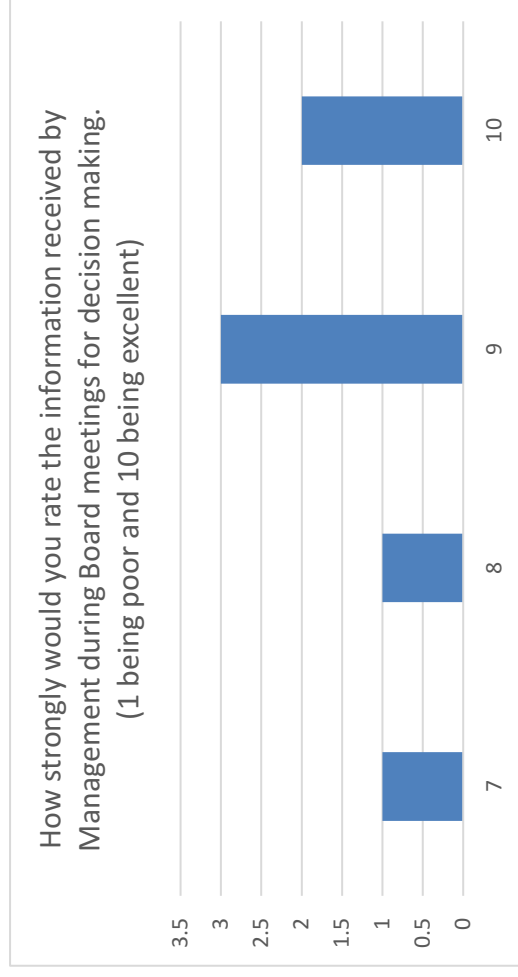
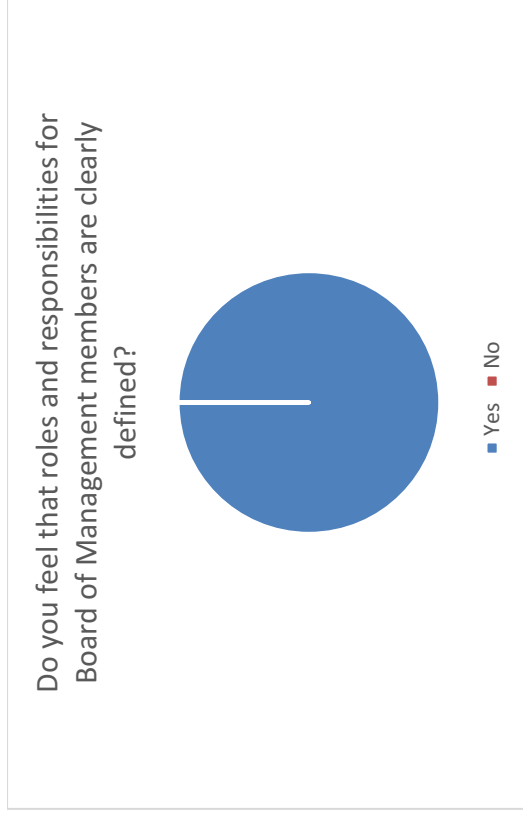
The College are currently undergoing a recruitment exercise due to two non-executive members (Chair of the ARC and Chair of the BRIC) reaching their tenure at the end of the 2023-24 academic year. This will result in the College having a gap in relation to technical finance and accountancy knowledge which is a key skill the College are now looking for.

1 EXECUTIVE SUMMARY

Board of Management Member Survey

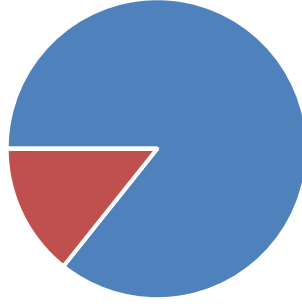
We issued a questionnaire to all the College's non-executive members of the Board of Management, and we received 7 responses.

The responses were overall positive and are in line the responses rates seen within other clients we have completed similar exercises for. These are summarised as follows:



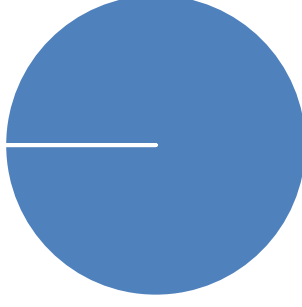
1 EXECUTIVE SUMMARY

Are you satisfied with the format and volume of information received by management.



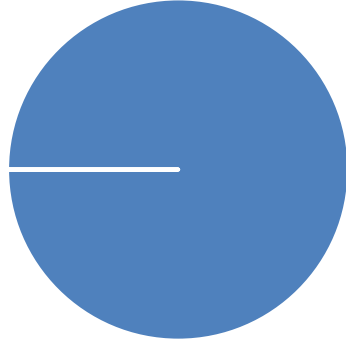
■ Very satisfied ■ Somewhat satisfied ■ Somewhat dissatisfied ■ Very dissatisfied

Do you receive reports that are forward looking and/or from an external perspective?



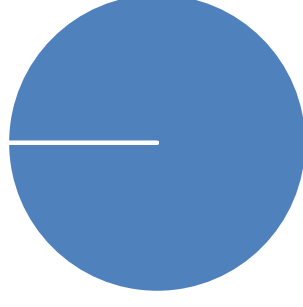
■ Yes ■ No

Are you aware of the Code of Good Governance?



■ Yes ■ No

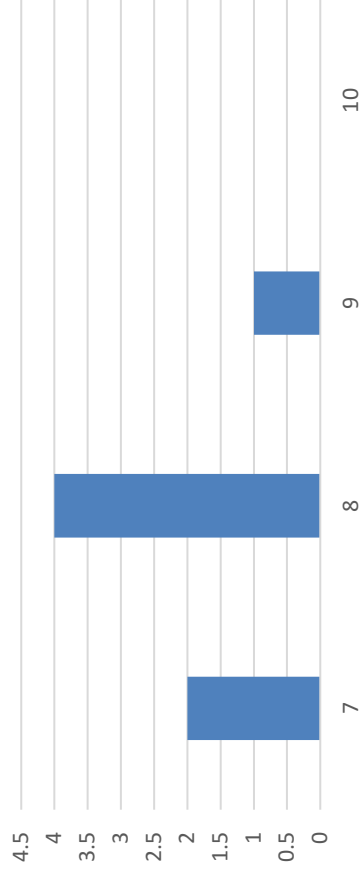
Are you provided with assurance that the College is compliant with the Code of Good Governance?



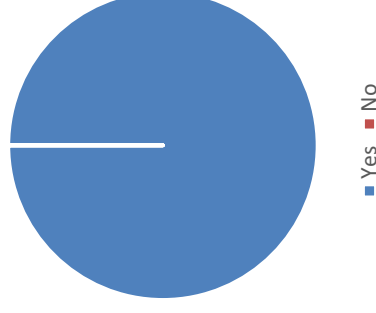
■ Yes ■ No

1 EXECUTIVE SUMMARY

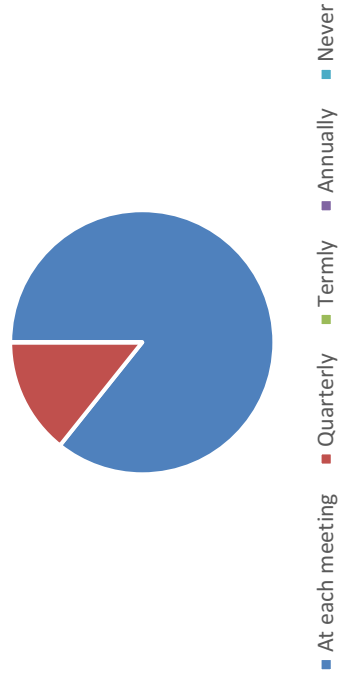
How strongly would you rate these reports in their ability to reflect the College's position and overall performance.



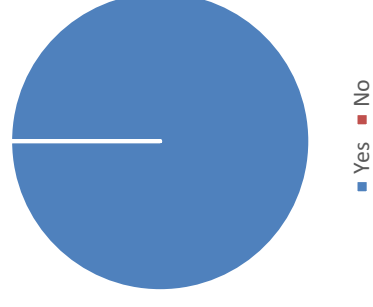
Are you provided with performance related reports in relation to the College (i.e. KPI reports).



How regularly do you receive reports from control and assurance functions such as internal audit, compliance and risk.

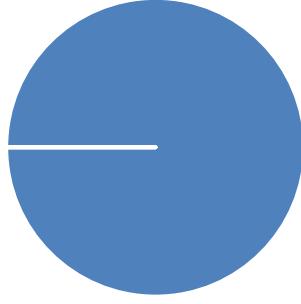


Are these reports sufficient in identifying the level of compliance in the College?



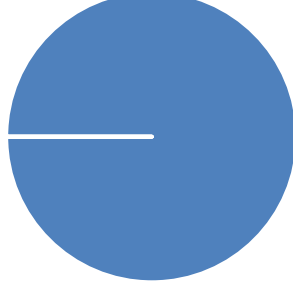
1 EXECUTIVE SUMMARY

Do you believe that sufficient training and induction is provided to Board of Management members?



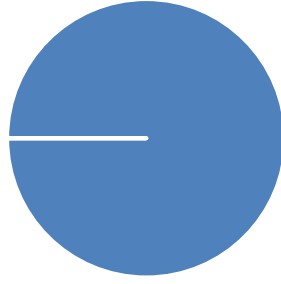
■ Yes ■ No

Is there a programme of work/annual work plan in place for Board of Management Members?



■ Yes ■ No

Is Board of Management performance appropriately appraised annually?



■ Yes ■ No

On a scale of 1 to 10 (with 1 being poor and 10 being excellent), how would you rate the range of skills present on the Board of Management.



1 EXECUTIVE SUMMARY

Work Undertaken

We completed the following work per objective of the review:

Objective 1: The Board of Management and Committee terms of reference are clear and not overlapping.

- We met with the Chair of the Board of Management and the Chairs of the Subcommittees (ARC, BRIC and LTQC) to confirm their responsibilities, satisfaction with the information provided by management for decision making and the effectiveness of the governance structure.
- We reviewed the College's Governance Structure and confirmed that this was effective in allowing the appropriate flow of information, decision making and the achievement of College goals.
- We reviewed the remittances for the following to ensure that responsibilities did not overlap, and that consistent information was covered:
 - Board of Management.
 - Audit and Risk Committee.
 - Business, Resources, and Infrastructure Committee.
 - Learning, Teaching and Quality Committee.
 - Search and Nominations Committee.
- We reviewed the Standing Orders for the College to confirm whether these were robust and outlined the relevant information.
- We met with the College's Board of Management Governance Advisor and reviewed their responsibilities in relation to governance and supporting the Board of Management.
- We reviewed coverage of the Board of Management Code of Conduct within the College's Standing Orders to confirm that this was robust. We also reviewed a sample of 5 Board of Management members to confirm that their Code of Conduct declarations were signed off.
- We reviewed the College's Register of Interest tracker and confirmed the information included was accurate and up to date.
- We completed testing on the College's Declaration Register to confirm that the information logged is up to date and accurate.
- We reviewed the coverage of Governance on the College's website.

1 EXECUTIVE SUMMARY

- We reviewed documentation in relation to the current recruitment campaign the College is undergoing to replace two Board of Management members who are due to complete their tenure in July 2024. This included reviewing the advertisement, applicant pack and application guide. We discussed the recruitment exercise with the College's Governance Board of Management Advisor and the Chairs.

Objective 2: The Board of Management and Committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.

- We reviewed the College's Work Programme for their Board of Management and Committees to confirm that information reported per Board of Management and Committee meetings were appropriately planned throughout the year.
- We completed data analysis on the College's Work Programme reviewing the planned vs actual reports provided throughout the academic year to confirm that there was an even distribution of reporting.
- We reviewed how papers are provided to the Board of Management Members via screenshare testing of the Board of Management Teams site.

Objective 3: Members are provided with sufficient, high quality management information in their areas of responsibility.

- We reviewed the March 2024 Board of Management pack to confirm that the information included was in line with the agenda, that the information reported was consistent, and that information was appropriately summarised and understandable.
- We issued a survey to Board of Management members gathering feedback in relation to the quality of information provided. We also surveyed Board of Management members in relation to their understanding of the role and the quality of support provided to facilitate them being a good Board of Management member.

Objective 4: The Board of Management and Committees are appropriately attended, and members are sufficiently engaged.

- We reviewed the College's attendance register to confirm that attendance is closely monitored.
- We reviewed the attendance register against the meeting minutes to confirm that attendance for the October 2024 and December 2024 meeting was accurately logged.

Objective 5: The Board of Management and Committees have effectively assessed their performance and the balance of skills required within the Board of Management and Committees.

- We reviewed the meeting minutes for the Board of Management, Audit & Risk Committee, Learning, Teaching and Quality Committee and the Business, Resources, and Infrastructure Committee for the period September 2023- December 2023 to confirm that these were consistent and clear.
- We reviewed the Annual Appraisal Process completed by the College. This included reviewing the Annual Board of Management Member Development Meeting Template Form, Skills Matrix for Board of Management Members, and the Board of Management Effectiveness Report for 2022/23.
- We reviewed the College's Development Plan for 2023/24 and the corresponding Training Plan to confirm that the appropriate training is provided to Board of Management members in line with development needs.
- We reviewed documentation from the College's Board of Management Strategy Day that occurred in April 2024.
- We reviewed the guidance and support materials included in the Colleges Teams site.
- We reviewed the College's induction process. This included reviewing the induction materials on the College's Teams site, reviewing a sample of 3 induction checklists completed for newer Board of Management members, reviewing an example Board of Management induction presentation for governance, and reviewing the information pack provided to Board of Management members.

1 EXECUTIVE SUMMARY

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we can provide the College with a strong level of assurance in relation to the College's governance arrangements where we were able to confirm that these arrangements promote effective reporting, communication channels and decision making. We have raised several good practice points and no recommendations for improvement. We have also raised 3 observations for consideration. Please refer to **Section 3: Observations** for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Corporate Governance	0	0	0	0

As can be seen from the above table there were no recommendations made.

1 EXECUTIVE SUMMARY

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.	
1.	We were able to confirm that the College have the appropriate arrangements in place for effectively appraising their Board of Management member skills and ensuring that the Board of Management possess the relevant skills to make effective decisions that allow for the College to progress towards their goals.
2.	We were able to confirm that the College have the appropriate arrangements in place for Board of Management development and the provision of training. This includes a detailed Board of Management Development Plan that is produced on an annual basis after the Board of Management Effectiveness Review.
3.	We reviewed a sample of minutes across the Board of Management and Subcommittee meetings where we were able to confirm that minutes are completed on a consistent basis and are streamlined to outline the relevant information.
4.	We were able to confirm that the College have strong arrangements in place in relation to the induction of new Board of Management members. This includes a comprehensive set of induction materials which are made available on the College's Teams site. The College also has an induction checklist which outlines key steps in the induction process from the welcome and onboard stage to the year end annual review.
5.	We were able to confirm that the College have the robust systems in place to monitor attendance outwith the College's Board of Management and Subcommittee meeting minutes. We were also able to confirm through our discussions with the Chair that the College have the appropriate arrangements in place to follow up on poor attendance, ensuring that escalation actions are followed.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

6.	The College have a detailed work programme for their Board of Management and Subcommittees. This effectively outlines the reports to be presented per meeting across the Board of Management and Subcommittees where any amendments to the plan are documented alongside the original planned programme.
7.	The College will provide papers to the Board of Management for their meetings and Subcommittees meetings via Teams sites where a total of 4 are setup for the Board of Management and the 3 main Subcommittees. We reviewed the Teams sites via screenshare and were able to confirm that the system was appropriate in the provision of papers and effective dissemination of information.
8.	The purpose and responsibilities for the College's Board of Management and Subcommittees are well defined within the respective remits where we were able to confirm that these are completed in a consistent format.
9.	The College have a Board of Management Governance Adviser who is responsible for supporting the College's governance structure through ensuring that the Board of Management receive the appropriate, timely and high-quality information to effectively allow Board of Management meetings to run as scheduled and allow for Board of Management and Subcommittee Members to make decisions that actively contribute towards the College achieving their strategic goals.
10.	The College have a robust and detailed Code of Conduct that applies to all Board of Management Members. The Code of Conduct clearly outlines the responsibilities that Board of Management Members must abide by identifying their commitment to the College and consequences should the Code of Conduct be breached. The College require Board of Management Members to sign their Code of Conduct declaration on an annual basis.
11.	We were able to confirm that the College's Governance Structure effectively allows them to operate as a College.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

12.

The College have detailed Standing Orders that are set out in a clear format and are appropriately authorised. We were able to confirm that the standing orders follow good practice including the relevant information that would be expected to be covered within the standing orders.

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Corporate Governance

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at Ayrshire College	0	0	0	0

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 OBSERVATIONS

The following is a list of observations from our review	
1.	We reviewed the Board of Management meeting pack for the March 2024 meeting to confirm that information presented was in line with the agenda, in a consistent format and was clear and understandable. During our testing we identified that all documents included in the pack were reported in line with the agenda. However we did identify that 2 of the 19 documents were not presented in a consistent manner. Specifically this was the 2024/25 Schedule of Board of Management and Committee Meetings and the Financial Regulations where neither document had a covering report to coincide with the information. Further, we found that 1 of the 19 documents was not clearly interpretable and understandable. Specifically, this was the tracked changes version of the Financial Regulations where the proposed changes were challenging to follow. The College should ensure that each document (apart from the minutes for approval and action logs) are accompanied by a corresponding cover report to ensure that actions are clearly identified, information is consistently presented, and information is easily understandable. College Response: The College will ensure that all future papers have, where appropriate, a consistent covering paper which states the content of the paper and the action required.

3 OBSERVATIONS

The following is a list of observations from our review

2.	The College's website does not have a section dedicated to Governance, however there is a section dedicated to the Board of Management. This outlines each individual currently on the Board of Management providing a background to the Board of Management member, as well as their signed register of interest. As part of our testing we identified the following: ➤ One of the Board of Management members does not have a Register of Interest attached on the website. ➤ A further two Board of Management members have an old iteration of the document. The College should ensure that the information attached on the College website is the most up to date versions. College Response: The College has updated the Board of Management webpage to correct the above identified issues. Going forward the website will be reviewed regularly to ensure all governance documents are correct and up to date.
3.	The College has a register to log the return of Board of Management Members Solvency Declaration, Register of Interests and Code of Conduct. We reviewed the information logged to confirm this was complete and found the following: ➤ Two resigned Board of Management Members are still included on the Register. ➤ The Register has yet to be updated with the three new Board of Management Members recruited in January 2024 and April 2024 respectively. ➤ The Register does not include the most up to date declarations for a total of two Board of Management Members. College Response: An element of the above findings is to do with timing. Going forward the College will undertake regular reviews of the various governance documents to ensure they are correct and up to date.

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit and Risk Committee meeting.

Audit stage	Date
Fieldwork start	22 April 2024
Closing meeting	29 April 2024
Draft report issued	7 May 2024
Receipt of management responses	8 May 2024
Final report issued	10 May 2024
Audit and Risk Committee	4 June 2024
Number of audit days	5

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Director	Stephen Pringle	Director of Internal Audit	stephen.pringle@wyliebisset.com
Assistant Manager	Siobhan Archibald	Internal Audit Assistant Manager	siobhan.archibald@wyliebisset.com
Auditor	Megan Clarke	Internal Auditor	megan.clarke@wyliebisset.com

Ayrshire College			
Key Contacts:	Alan Ritchie	Vice Principal Finance and Infrastructure	alan.ritchie@ayrshire.ac.uk
	Hilary Denholm	Board of Management Governance Adviser	hilary.denholm@ayrshire.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit and Risk Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of review

The purpose of this assignment is to ensure that the College has appropriate governance arrangements in place and that these have been embedded throughout the whole College. This review will look to provide assurance that the College's Corporate Governance arrangements are appropriate and represent good practice.

This review forms part of our 2023/24 Internal Audit Annual Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- The Board of Management and Committee terms of reference are clear and not overlapping.
- The Board of Management and Committees have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- Members are provided with sufficient, high quality management information in their areas of responsibility.
- The Board of Management and Committees are appropriately attended, and members are sufficiently engaged.
- The Board of Management and Committees have effectively assessed their performance and the balance of skills required within the Board of Management and Committees.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is not limitation of scope.

Audit approach

Our approach to the review will be:

- Discussions with the College Staff to establish the current governance arrangements in place at the College.
- Evaluation of these arrangements to assess their adequacy and whether they comply with current guidance and good practice.
- Review of Governance documentation to assess whether it is fit for purpose and in line with current guidance and good practice.
- Review of a sample of Board of Management and Committee minutes, along with management information presented to each meeting.
- An overall review of the internal control environment to ensure all relevant controls are evident and being complied with.
- A review of the College website.
- Where possible, meetings with Governors to discuss arrangements in place.
- Assessment of skills training for governors.
- Review of the succession planning arrangements in place.

Potential key risks

The potential key risks associated with the area under review are:

- The Board of Management and Committee terms of reference may be unclear or overlapping.
- The Board of Management and Committees may not have a programme of work in accordance with their terms of reference that allows them to make an effective and timely contribution.
- Members may not be provided with sufficient, high quality management information in their areas of responsibility.
- The Board of Management and Committees may be poorly attended, or members not sufficiently engaged.
- The Board of Management and Committees may not have effectively assessed their performance and the balance of skills required within the

B ASSIGNMENT PLAN

Board of Management and Committees.

Audit and Risk Committee**4 June 2024**

Strategic Objective Reference: SO5 High performing college underpinned by excellence in stewardship and governance

Subject: **Internal Audit Report – Overall Financial Controls**

Purpose: The paper provides an overview of the recently conducted internal audit review into the Overall Financial Controls in operation at the College.

Recommendation: The Audit and Risk Committee is requested to consider and approve the report.

1 Executive Summary

This review formed part of the 2023-24 Annual Internal Audit Plan. The purpose of this assignment was to perform a high-level review of the key financial controls in place at the College, to provide assurance that key financial controls were suitably designed and operated effectively. The review sought to assess processes relating to purchasing, income, cash and banking, payroll, and fixed assets.

Overall Assurance: Strong

The overall conclusion is as follows:

‘Following our review, we can provide the College with a strong level of assurance surrounding the financial controls in place to manage the College data, systems, and processes. We were able to identify several good practice points and 3 low grade recommendations for improvement. Please refer to Section 3: Detailed Recommendations for further information.’

The report has identified several areas of good practice on page 9.

2 Detailed Report

The College has accepted the three low grade recommendations and these will be added to the Rolling Audit Action Plan.

3 Resource Implications

No further resource implications require to be noted in this paper.

4 Consultation

No formal consultation is required to be completed. The audit report has been discussed with the relevant members of the Senior Leadership Team (SLT) and the required actions are being undertaken to address the recommendations made.

5 Risks

There are no further risks required to be considered because of this report.

6 Equality Impact Assessment

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

7 Recommendation

The Audit and Risk Committee is requested to consider and approve the report.

Alan Ritchie
Vice Principal, Finance and Infrastructure
4 June 2024

Publication

This paper will be published on the College's website.

Ayrshire College Internal Audit 2023-24

Overall Financial Controls
May 2024

Overall Conclusion

Strong

TABLE OF CONTENTS

Section	Page
1 EXECUTIVE SUMMARY	2
2 BENCHMARKING.....	11
3 DETAILED RECOMMENDATIONS	12
4 AUDIT ARRANGEMENTS	18
5 KEY PERSONNEL.....	19
Appendix	Page
A GRADING STRUCTURE	21
B ASSIGNMENT PLAN.....	23

The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Ayrshire College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 EXECUTIVE SUMMARY

Overview

Purpose of review

The purpose of this assignment was to perform a high-level review of the key financial controls in place at the College, to provide assurance that key financial controls were suitably designed and operated effectively. This review sought to assess processes relating to purchasing, income, cash and banking, payroll, and fixed assets.

This review formed part of our 2023/24 Internal Audit Annual Plan for the College.

Scope of review

Our objectives for this review were to ensure:

- Efficient and effective procedures and controls are in place for key finance processes.
- Adequate segregation of duties are in place.
- There is adequate management oversight of finance processes.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

1 EXECUTIVE SUMMARY

Background

Financial Regulations

The College has a robust set of Financial Regulations in place. The Regulations were previously reviewed in December 2022. The purpose of these Financial Regulations is to provide control over the College's resources and provide management with assurances that the resources are being properly applied for the achievement of their strategic objectives. These assurances include:

- Achieving financial sustainability;
- Achieving value for money;
- Fulfilling the College's responsibility for the provision of effective financial controls over the use of public funds;
- Ensuring that the College complies with all relevant legislation including but not limited to OSCR obligations; and
- Safeguarding the assets of the College.

Financial Procedures Manual

The College has a robust Financial Procedures Manual that supports the College's Financial Regulations. The Manual was previously reviewed in March 2024. The Manual is intended to be used by the Finance Team and others who are responsible for initiating, recording, and controlling various accounting transactions.

College Finance Systems

The College utilise Open Accounts as their main accounting system which is supported by the purchases and payments system- EBIS. The College utilises iTrent as their payroll system. From discussions with the staff members who we met during our walkthrough testing, we found that the systems are being utilised effectively by the College, allowing for key finance activities to be processed in an efficient manner even when staff are working remotely.

1 EXECUTIVE SUMMARY

Key Financial Processes

Bank Reconciliations

Bank reconciliations are prepared monthly. Once prepared the reconciliations are reviewed and approved by the Finance Team Leader and if there are any inaccuracies these are corrected to match the nominal ledger.

Credit Cards

Any staff member who wants to make a purchase on the College credit cards must send an internal requisition to one of the Finance Assistants who will initiate a Purchase Order through the College's EBIS system. Once approved, the staff member may complete the purchase with a corresponding receipt being required for every purchase.

There are 2 credit card holders, the Head of Financial Services has a limit of £11,000 and the Finance Team Leader has a limit of £20,000

Purchases

When a Purchase Order has been placed using the electronic purchase ordering system EBIS, the process incorporates authorisation of the payment prior to an order being placed. Authorisers are required to satisfy themselves that the cost displayed is reasonable and represents value for money before they electronically sign the order.

When the goods or services have been received the originator records the receipt through a GRN (Goods Received Note) the EBIS system.

On receipt of the invoice, Finance will check whether the goods or services have been marked as received. The invoiced amount charged will be checked against the Purchase Order submitted and if the amount is within the parameters agreed by the Authoriser, the invoice will be accepted and paid.

Petty Cash

All petty cash transactions require a Payment Request Form to be completed as part of the process. The form is authorised by the Line Manager and approved by a Budget Holder before sending the Payment Request Form and corresponding receipts to the Finance Team. A reconciliation is completed on a monthly basis for petty cash balances.

1 EXECUTIVE SUMMARY

Payroll

The College utilises iTrent as its system for managing payroll. Payroll is processed once during the month. Payroll reports are run from the system and subsequently sorted by cost centre. From the reports the appropriate cost centres are debited and the creditor accounts credited.

Fixed Assets

The College maintains two fixed asset registers, one for land & buildings and the other for all other equipment. The College outlines within the Financial Procedures Manual criteria for assets to be considered for capitalisation. If the asset meets the criteria, a capital expenditure request form can be submitted. Once authorised this is added to the appropriate register and assigned a unique capital expenditure number.

SFC Income

The main source of income for the College is from the SFC. The receipt of these payments is monitored directly by the Financial Accountants who monitor and record the income from the SFC to ensure that it matches the amount detailed in the funding agreement.

Other Income

The College also receive income through the provision of commercial courses. We analysed Commercial Evening Courses as one of the College's other income streams. A recommendation has been raised as the process for other income is not outlined in the Financial Regulations or the Financial Procedures Manual. Please see **Section 3: Detail Recommendations** for further information.

Management Reporting

Management Accounts are presented monthly to Budget Holders, and quarterly to the Business, Resources, and Infrastructure Committee. The Management Accounts include:

- Income and Expenditure for month and year to date;
- Balance Sheet; and
- Actual v Budget variances

1 EXECUTIVE SUMMARY

Work Undertaken

We completed the following work per objective of the review:

Objective 1: Efficient and effective procedures and controls are in place for key finance processes.

- We reviewed the College's Financial Regulations and Financial Procedures Manual to ensure these were robust.
- We reviewed the IT Systems utilised by the College for the processing of financial data and completion of monthly controls. We undertook testing as to how the systems were utilised in practice through our walkthrough testing.
- We conducted walkthrough testing of the College's key financial processes to ensure that the documented controls are being adhered to in practice. We reviewed the following areas:
 - Bank reconciliations;
 - Petty cash;
 - Purchase BACs;
 - Purchases;
 - Fixed Assets;
 - Payroll;
 - Other Income;
 - SFC Income; and
 - Credit cards.
- We undertook transaction testing of the key controls in place to verify the effectiveness of each control. Our samples included:
 - Bank reconciliations (RBS Main Account, SL Account CB 14, and RBS Sundry Income CB13, 3 Months, January 2024 – March 2024).
 - Other Income (Commercial Evening Courses, 2 Months, January – February 2024).
 - Purchases (10 transactions from the period January 2024 – March 2024).
 - Fixed Assets (10 additions from the period August 2023 – March 2024).
 - Payroll (3 Months, January 2024 – March 2024).
 - SFC Income (3 Months, January 2024 – March 2024).
 - Credit Cards (10 transactions from the period September 2023 – February 2024).
 - Petty Cash (10 transactions, 3 Months, January 2024 – March 2024).

1 EXECUTIVE SUMMARY

Objective 2: Adequate segregation of duties are in place.

- We reviewed and evaluated the segregation of duties in place and confirmed that these cover all financial processes. This included reviewing the Finance Team Structure and confirming the segregation of duties operated effectively in practice through our walkthrough and transaction testing.
- As part of the walkthrough testing, we met with the following staff members for the following areas:
 - Other Income and Bank Reconciliations: Finance Assistant;
 - Fixed Assets and SFC Income: Financial Accountant;
 - Purchases and Credit Cards: Finance Assistant – Expenditure; and
 - Payroll and Petty Cash: Finance Assistant – Payroll.

Objective 3: There is adequate management oversight of finance processes.

- We reviewed the monthly Management Accounts to ensure that they provide detailed information to Budget Holders, Management and to the Business Resource and Infrastructure Committee.

1 EXECUTIVE SUMMARY

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we can provide the College with a strong level of assurance surrounding the financial controls in place to manage the College data, systems, and processes. We were able to identify several good practice points and 3 low grade recommendations for improvement. Please refer to **Section 3: Detailed Recommendations** for further information.

Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
Overall Financial Controls	0	0	3	3

As can be seen from the above table there were no recommendations made which we have given a grading of high.

1 EXECUTIVE SUMMARY

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.	
1.	The College have robust management reporting arrangements in place. Monthly Management Accounts are presented to the Budget Holders, and quarterly to the Business Resources and Infrastructure Committee where a comprehensive summary is provided alongside the Accounts.
2.	We can confirm that the College has adequate segregation of duties in place where these are effectively outlined in the Financial Services Team Organisation Structure. We were able to confirm through our testing that segregation of duties was operating effectively in practice.
3.	The College has a robust set of Financial Regulations which provides guidance on the overarching principles of the financial processes in place within the College as well as outlining the responsibilities of staff. The College also has a robust Financial Procedures Manual, the Manual provides guidance to finance staff who are responsible for initiating, recording, and controlling various accounting transactions.
4.	We were able to confirm that arrangements were effective for the following areas based off our walkthrough testing: ➤ Payroll Processes. ➤ Petty Cash. ➤ Purchases. ➤ Fixed Assets. ➤ Credit Cards. ➤ SFC Income. ➤ Other Income.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

5.	Through our sample testing we were able to confirm that the College's finance systems are appropriate and fit for purpose.
6.	We completed transaction testing across the following areas and found no issues: ➤ Processing of purchases. ➤ Capitalisation of fixed assets. ➤ Monthly payroll processing. ➤ Processing of other income. ➤ Credit card transactions. ➤ Petty cash transactions. ➤ Processing of SFC income. ➤ Processing of bank reconciliations.

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Overall Financial Controls

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	2	1	3
Number of recommendations at Ayrshire College	0	0	3	3

From the table above it can be seen that the College has a similar number of recommendations compared to those colleges it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Management Account Deadline Checklist			
Ref.	Finding and Risk	Grade	Recommendation
1.	On a monthly basis, the College's Finance Team will complete a Management Account Deadline Checklist. This outlines all the steps involved in the completion of the monthly Management Accounts. Completion of the Checklist ensures that the College's Management Accounts are completed in a timely manner in line with the agreed timeframes. During our review, we found that completed and ticked off versions of the Checklist are currently not being held centrally by the College. There is a risk that the College are not maintaining the appropriate audit trail when generating their monthly Management Accounts. This may result in the College being unable to evidence whether the appropriate procedures were followed by the relevant staff in line with the agreed timeframes.	Low	We recommend that the College ensure the monthly Management Account Deadline Checklist is ticked off, dated, and saved centrally to maintain the appropriate audit trail.
Management response			Responsibility and implementation date

3 DETAILED RECOMMENDATIONS

The College will store the Management Accounts Deadline Checklist in a central file store accessible to all relevant staff. It will continue to be completed as indicated above.	<i>Responsible Officer:</i> Head of Financial Services <i>Implementation Date:</i> 30 June 2024
---	---

3 DETAILED RECOMMENDATIONS

EBIs System			
Ref.	Finding and Risk	Grade	Recommendation
2.	The College utilise the EBIS system for the processing of purchases where staff can raise Purchase Orders through the system for the appropriate budget holder authorisation. During our review, we found that on some occasions, staff in the Finance Team will copy historic Purchase Orders for recurring purchases with the same provider. This allows the appropriate information to be copied instantly rather than manually inputting the data. It should be noted that issues were identified surrounding this process where the date of the PO cannot be altered. As a result, this remains as the historic PO's origination date. There is a risk that the EBIS system is not functioning appropriately, and issues being identified due to the PO date being unable to be altered.	Low	We recommend that the College contacts the provider at EBIS to see if a solution can be provided, if not we recommend for the College to introduce a process where purchases orders cannot be copied from historical orders.
Management response		Responsibility and implementation date	

3 DETAILED RECOMMENDATIONS

The College will contact the system provider to establish if purchase orders can be copied and the current date utilised. Should this not be possible then the purchase ordering process will be Updated to ensure old purchase orders cannot be copied over. The College also checked the dates of the POs when automatically transferred over to Open Accounts and these were found to be correct.	<i>Responsible Officer:</i> Head of Financial Services <i>Implementation Date:</i> 31 July 2024
---	---

3 DETAILED RECOMMENDATIONS

Other Income Process in the Financial Procedures Manual			
Ref.	Finding and Risk	Grade	Recommendation
3.	The College have outlined their procedures in place for following in their Financial Procedures Manual: ➤ Bank Reconciliations; ➤ Purchases; ➤ Credit Cards; ➤ Grant Income; ➤ Payroll; ➤ Petty Cash; and ➤ Fixed Assets During our review, we conducted a walkthrough testing for the arrangements in place for processing income from their commercial courses. We identified that the process is not outlined in the College's Financial Procedures Manual. There is a risk that an inconsistent approach may be adopted for the processing of commercial income without this being formally documented.	Low	We recommend the College update their Financial Procedures Manual to include processes followed in relation to the processing of other income.
Management response		Responsibility and implementation date	

3 DETAILED RECOMMENDATIONS

The Financial Procedures Manual will be updated to include a section on the processing of other income sources.

Responsible Officer:
Head of Financial Services

Implementation Date:
31 July 2024

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit and Risk Committee meeting.

Audit stage	Date
Fieldwork start	22 April 2024
Closing meeting	29 April 2024
Draft report issued	7 May 2024
Receipt of management responses	8 May 2024
Final report issued	10 May 2024
Audit and Risk Committee	4 June 2024
Number of audit days	4

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Director	Stephen Pringle	Director of Internal Audit	stephen.pringle@wyliebisset.com
Assistant Manager	Siobhan Archibald	Internal Audit Assistant Manager	siobhan.archibald@wyliebisset.com
Auditor	Megan Clarke	Internal Auditor	megan.clarke@wyliebisset.com

Ayrshire College			
Key Contacts:	Liz Walker	Head of Financial Services	liz.walker@ayrshire.ac.uk
	Deana Milloy	Financial Accountant	deana.milloy@ayrshire.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit and Risk Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of review

The purpose of this assignment is to perform a high-level review of the key financial controls in place at the College, to provide assurance that key financial controls are suitably designed and operating effectively. This review will include a review of processes relating to purchasing, income, cash and banking, payroll, and fixed assets.

This review forms part of our 2023/24 Internal Audit Annual Plan for the College.

Scope of review

Our objectives for this review are to ensure:

- Efficient and effective procedures and controls are in place for key finance processes.
- Adequate segregation of duties are in place.
- There is adequate management oversight of finance processes.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Review the Financial Regulations in place within the College to confirm that these are complete, appropriately reviewed, and comply with regulatory requirements.
- Review the financial procedures to ensure that they are appropriate and in line with good practice.
- Conduct walk-through testing of key financial areas, these being: cash and bank; purchasing and payments; income; fixed assets; financial reporting.
- Sample testing key controls in place for the financial areas above to verify the effectiveness of each control.
- Review the level of integration of key systems to assess for level of efficiency.
- Review the segregation of duties in place and confirm that these cover all finance processes.
- Review the level of financial reporting in place and consider whether the reporting arrangements are robust.
- Review the month end process to confirm that there is a clear process in place which is being adhered to.
- Sample test month end reconciliations to ensure completeness and that these are appropriately reviewed.

Potential key risks

The potential key risks associated with the area under review are:

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



Ayrshire College

Progress Report

2023 - 2024

June 2024



Wylie + Bisset Internal Audit Plan 2023/24

Assignment Plans

A detailed assignment plan will be prepared for each audit undertaken, setting out the scope and objectives of the work, allocating resources and establishing target dates for the completion of the work. Each assignment plan will be agreed and signed off by an appropriate sponsor from the College.

Key Dates

Visit	Audit Areas	No. of Audit Days	Provisional Start Date for Visit	Provisional Date of Issue of Draft Report	Status	Provisional Date for Reporting to Audit & Risk Committee
Visit 1	Budgeting and Monitoring	6	14 August 2023	1 September 2023	Completed	30 November 2023
Visit 2	Estates Management Student Retention	6 5	29 January 2024	16 February 2024	Completed	19 March 2024
Visit 3	Overall Financial Controls Follow Up IT Security Corporate Governance	4 4 5 5	29 April 2024	17 May 2024	Completed	4 June 2024
Visit 4	Credits SSF EMA	6 4 4	26 August 2024 and 16 September 2024	4 October 2024		November 2024

+

+

Head Office

168 Bath Street,
Glasgow, G2 4TP

T: 0141 566 7000

E: info@wyliebisset.com

Oban

4 High Street,
Oban,
Argyll PA34 4BG

T: 0163 156 2478

Manchester

3 Hardman Square,
Spinningfields,
Manchester M3 3EB

T: 0161 694 2830

Audit and Risk Committee

4 June 2024

Strategic Objective Reference: SO5 High performing college underpinned by excellence in stewardship and governance

Subject: 2024-25 Internal Audit Plan

Purpose: This paper presents the proposed 2024-25 Internal Audit Plan for approval.

Recommendation: The Audit and Risk Committee is requested to consider and approve the 2024-25 Internal Audit Plan.

1 Executive Summary

The Audit and Risk Committee is required to annually agree the Internal Audit Plan for the following year. A draft 2024-25 internal audit plan was discussed at the March 2024 Committee meeting. The outcome of the March Committee meeting was that:

“... the suggested areas for future audits and their alignment with the strategic risk register, alongside offering best value for money, with prioritisation to allocation of audit days to areas that were required by legislation, were not being covered by ongoing development or other planned review work and mapped to the College’s strategic risks. It was agreed that it was not best value to audit areas which were undergoing transformation, and that the draft audit plan should be in some way aligned with the strategic risk register.”

The College has mapped the main strategic risks against each of the potential audit areas to allow for areas of elevated risk to be identified. Where possible the areas of high (red) risk will now be subject to either an internal audit assignment during the 5-year planning cycle or alternative assurance will be provided to the Committee. The College has continued to engage with Wylie & Bisset to review the 2024-25 Internal Audit Plan.

The 2024-25 Internal Audit Plan is attached at **Appendix 1**.

2 Background

Wylie & Bisset LLP were appointed with effect from 1 August 2022 for an initial three-year period to 31 July 2025 with the option to extend this contract by a further two years.

The prime responsibility of the Internal Audit Service (IAS) is to provide the Board of Management, via the Audit and Risk Committee, with an objective assessment of the adequacy and effectiveness of management's internal control systems.

The Internal Auditor objectively examines, evaluates, and reports on the adequacy of internal control thus contributing to the economic, efficient, and effective use of resources and to the reduction of the potential risks faced by the College. Also, the operation and conduct of the Internal Auditor must comply with the standards and guidelines set down by the Chartered Institute of Internal Auditors.

The Audit Needs Assessment at **Appendix 1** indicates the audits that have been undertaken over the course of the first three years of the contract, the proposed 2024-25 assignments and the worked planned for 2025-26

3 Audit Needs Assessment (ANA)

The ANA is split into sections and a commentary on the proposed 2024-25 assignments is noted below for consideration by the Committee:

Financial Systems

- Overall Financial Controls / Health Check
 - Given the high-risk rating in this area, the College will annually review a specific aspect of the financial control environment.
- Review of Financial Regulations
 - The College would propose to undertake a specific financial control review of the Financial Regulations in 2025-26 to ensure that they are compliant with the SFC Financial Memorandum / Scottish Public Finance Manual.
- Procurement and Tendering
 - College will be subject to a review of procurement and tendering during 2024 by APUC. Results of this review will be fed back to the Committee. No further assurance felt to be necessary.
- Alternative / Non-SFC Funding Sources
 - This area is subject to a current staff structure review and will be reviewed in 2025-26 to allow for the new structure to embed itself into College operations.

- Treasury & Cash Management
 - The College has no control over who it banks with and is required to only hold cash as needed. No impact of a review being undertaken and to be removed from the Audit Needs Assessment.
- Payroll Review
 - Given the high-risk rating and that payroll is circa 70% of the College expenditure this function will be subject to a review in 2024-25.

Non-Financial Systems

- The overall area is rated as medium to low risk with the highest risk areas being internal and external communications.
- The College will undertake a review of the effectiveness of its external communications in 2025-26 as the College website is subject to renewal in the summer of 2024.

Strategy

- Potential areas for review are noted and can be considered should the Committee feel there is a material risk to the achievement of the College strategic objectives in these areas.
- The College has undertaken to draft an updated Infrastructure Strategy by the end of 2024. To allow time for the revised strategy to become embedded into College operations it is proposed to undertake a review in 2025-26
- IT Strategy is a high-risk area for the College. The College believes that the assurance provided through the 2023 work of the external auditors (see Rolling Audit Action Plan for update) and the audit assignments highlighted in the IT Systems section below, provides sufficient assurance that the risks in this area are being addressed.

Student

- It would be anticipated that student related activities are the subject of at least one audit assignment per year and student recruitment is scheduled for review in 2024-25
- It would be proposed that either student voice or student support is reviewed in 2025-26 although it maybe that another area becomes more relevant, and the work plan can be adjusted accordingly.

People

- Much like student activity, it would be anticipated that staff related activities are the subject of at least one audit assignment per year. The original 2024-25 plan had 5 days allocated to Human Resources.

- The College would propose using the 5 days to review staff recruitment and retention procedures. Continuing Professional Development is the subject of a staff development project which will lead to a review and refresh of the current process. This area could be reviewed in 2025-26

IT Systems

- The College is currently undertaking a significant amount of work to enhance its IT infrastructure and architecture through several transformation projects. The IT controls are also subject to review as part of the external audit process and reported upon annually.
- Given the medium risk level associated with IT Systems it is proposed that an IT Systems Administration review is undertaken in 2024-25 with Cyber Incident Response Planning being reviewed in 2025-26
- There is likely to be a degree of overlap in terms of the work that the external auditors have undertaken, and the work currently being undertaken regarding IT Security. The College will discuss the outcomes from the current work and whether the IT Systems Administration review will provide further assurance.

Governance

- Business Continuity and Disaster Recovery will be subject to a separate audit / scenario exercise to be undertaken by the College insurance provider. They are experts in this field and will report back on the current College BCP arrangements.
- Work will now be undertaken to review both GDPR and Freedom of Information policies and procedures.

Funding and Required

- These are set days to undertaken statutory audits and the management of the internal audit contract.

The Audit and Risk Committee are requested to review the Audit Needs Assessment (**Appendix 1**) considering:

- The strategic risks faced by the College.
- The overall coverage as shown in the Audit Needs Assessment.
- The College strategic objectives

The Committee are requested to consider whether the proposed 2024-25 Internal Audit Plan is appropriate and if so the College and internal auditors will look to develop the high-level remit and timing for the implementation of the 2024-25 plan.

3 Resource Implications

No further resource implications require to be noted in this paper.

4 Consultation

No formal consultation is required to be completed.

5 Risks

There are no further risks required to be considered because of this report.

6 Equality Impact Assessment

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

7 Recommendation

The Audit and Risk Committee is requested to review and approve the 2024-25 Internal Audit Plan.

Alan Ritchie
Vice Principal, Finance and Infrastructure
4 June 2024

Publication

This paper will be published on the College's website.

Appendix 1 – Audit Needs Assessment

System	Primary Strategic Risk	Residual Risk	Audit Area	2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Planned	2025-26 Planned
Financial Systems	SR001-Operational Pressures	20	Overall Financial Controls / Health Check		6	4	4	
	SR001-Operational Pressures	20	Review of Financial Regulations					5
	SR001-Operational Pressures	20	Budget and Monitoring			6		
	SR001-Operational Pressures	20	Procurement and Tendering ⁱ	5				
	SR001-Operational Pressures	20	Alternative / Non-SFC Funding Sources					5
	SR001-Operational Pressures	20	Treasury & Cash Management ⁱⁱ					
	SR003 – Job Evaluation	16	Payroll Review				5	
Non-Financial System	SR005 – People and Culture	12	Fraud Awareness		5			
	N/a		Covid-19 Health and Safety	5				
	SR005 – People and Culture	12	Project Management					
	SR005 – People and Culture	12	Complaints Handling	5				

System	Primary Strategic Risk	Residual Risk	Audit Area	Internal Audit Plan				
				2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Planned	2025-26 Planned
	SR007 – Curriculum Offer	9	Marketing	5				
	SR005 – People and Culture	12	External Comms – Website					5
	SR005 – People and Culture	12	Internal Comms - Intranet					
	N/a		Assurance Mapping					
Strategy	SR005 – People and Culture	12	Digital Strategy					
	SR005 – People and Culture	12	Curriculum Strategy					
	SR006 – Climate Change	12	Sustainability Strategy					
	SR002 – Investing in College Estate	16	Estates Strategy					5
	SR004 – Data Security	16	IT Strategy					
	SR005 – People and Culture	12	People Strategy					
	SR005 – People and Culture	12	Communications and Marketing Strategy					
Student	SR007 – Curriculum Offer	9	Curriculum Planning & Timetabling					

System	Primary Strategic Risk	Residual Risk	Audit Area	Internal Audit Plan				
				2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Planned	2025-26 Planned
	SR007 – Curriculum Offer	9	Student Voice	5				5
	SR007 – Curriculum Offer	9	Student Retention			5		
	SR007 – Curriculum Offer	9	Student Recruitment				6	
	SR007 – Curriculum Offer	9	Student Enrolment Procedures		5			
	SR005 – People and Culture	12	Safeguarding and Child Protection		5			
	SR007 – Curriculum Offer	9	Student Support	5				
People	SR005 – People and Culture	12	Continuing Professional Development					
	SR008 – Recruitment and Retention	9	Succession Planning					
	SR008 – Recruitment and Retention	9	Staff Recruitment and Retention				5	
	SR005 – People and Culture	12	Sickness and Absence Reporting					
IT Systems	SR004 – Data Security	16	IT Systems Administration				5	
	SR004 – Data Security	16	Response to IT Incident					5

System	Primary Strategic Risk	Residual Risk	Audit Area	Internal Audit Plan				
				2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Planned	2025-26 Planned
	SR004 – Data Security	16	IT Security			5		
Governance	SR005 – People and Culture	12	Corporate Governance			5		
	SR001-Operational Pressures	20	Risk Management		5			
	SR001-Operational Pressures	20	Business Continuity and Disaster Recovery					
	SR005 – People and Culture	12	GDPR Compliance				3	
	SR005 – People and Culture	12	Freedom of Information				3	
	SR005 – People and Culture	12	Whistleblowing					
	SR005 – People and Culture	12	Strategic / Operational Planning					
	SR002 – Investing in College Estate	16	Estate Management			6		
Funding	SR001-Operational Pressures	20	SSF	3	4	4	4	4
	SR001-Operational Pressures	20	EMA		4	4	4	5
	SR001-Operational Pressures	20	Credits	5	6	6	6	6

System	Primary Strategic Risk	Residual Risk	Audit Area	Internal Audit Plan				2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Planned	2025-26 Planned
Required	N/a		Follow Up					5	4	4	4	4
	N/a		Audit Management					7	6	6	6	6
Total Days								50	50	55	55	55

ⁱ Procurement will be subject to an audit by APUC during 2024 with the outcome being feedback to the Committee.

ⁱⁱⁱ The College is required to comply with the SPFM banking regulation which requires limited cash holding and no investments. No requirement to audit College treasury management practices.

Audit and Risk Committee**4 June 2024**

Strategic Objective Reference: SO5 High performing college underpinned by excellence in stewardship and governance

Subject: 2023-24 External Audit Annual Plan

Purpose: The purpose of the paper is to present the External Audit Annual Plan 2023-24 for approval.

Recommendation: The Audit and Risk Committee is requested to consider and approve the 2023-24 External Audit Annual Plan.

1 Executive Summary

Azets have been appointed by Audit Scotland as the College's external audit for the five years ending in 2026-27. This will be Azets second year of their five-year appointment. The purpose of this report is to present to the Committee the 2023-24 External Audit Annual Plan and fee proposal.

Following consideration by this Committee, the 2023-24 External Audit Annual Plan will also be circulated to the members of the Business, Resources and Infrastructure Committee in line with the Audit and Risk Committee annual accounts approval remit:

Considering the College's annual financial statements and external auditor's report prior to submission to the Board of Management by the Business, Resources, and Infrastructure Committee. Recommending to the Board the adoption of the audited Annual Accounts.

The 2023-24 External Audit Annual Plan provides the Audit and Risk Committee with an overview of the external auditor's preliminary audit planning and approach in relation to the financial statements of the College for the year ended 31 July 2024. The Plan also provides an overview of significant risks and key judgement areas (page 10).

On page 17 the Plan develop the approach to be taken in relation to the four wider scope areas upon which the auditors require to make a judgement:

- Financial sustainability.
- Financial management.
- Vision, leadership and governance.
- Use of resources to improve outcomes.

Azets have set their 2023-24 fee at £54,030 (2022-23: £50,970) a 6% increase. The 2023-24 fee is within the range set by Audit Scotland.

The College has started work with Azets to provide them with sufficient information to develop their External Audit Annual Plan. The manager in charge of the day-to-day audit work has been confirmed as Caitlin Mackenzie.

The terms of appointment of Azets can be found on the [Audit Scotland website](#). The appointment was made using a framework agreement.

Andy Reid who has taken over from David Eardley will update the Committee on their approach to the audit of the College financial statements, along with highlighting the any additional work that is required for 2023-24

2 Resource Implications

No further resource implications require to be noted in this paper.

3 Consultation

No formal consultation is required to be completed.

4 Risks

There are no further risks required to be considered because of this report.

5 Equality Impact Assessment

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

6 Recommendation

The Audit and Risk Committee is requested to consider and approve the External Audit Annual Plan 2023-24.

Andy Reid
Director, Azets

Adrian Kolodziej
Senior Manager, Azets

4 June 2024

Publication

This paper will be published on the College's website.

Ayrshire College

External Audit Annual Plan

Year ended 31 July 2024

June 2024



Table of Contents

Introduction	3
Audit scope and general approach	4
Financial statements - significant audit risks	11
The wider scope of public audit	18
Audit team and timetable	21
Audit Fee	23
Audit independence and objectivity	24
Appendices	25

Introduction

Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Ayrshire College for the year ended 31 July 2024 for those charged with governance.

Our audit work will cover:

- the financial statements within the 2023/24 annual report and accounts;
- the wider scope of public audit; and
- any other work requested by Audit Scotland.

Adding Value through the Audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the 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 resources.

Feedback

If there are any elements of this audit plan to which you do not agree or you would like to discuss, please let us know as soon as possible.

Any comments you may have on the service we provide, the quality of our work, and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

This plan has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audits Services to third parties.

Openness and transparency

This report will be published on Audit Scotland's website <http://www.audit-scotland.gov.uk/>

Audit scope and general approach

Responsibilities of the auditor and the College

The [Code of Audit Practice](#) outlines the responsibilities of external auditors appointed by the Auditor General for Scotland and it is a condition of our appointment that we follow it.

Auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code of Audit Practice and guidance from Audit Scotland.

The College has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing a set of annual report and accounts that are in accordance with proper accounting practices. The College is also responsible for complying with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

[Appendix 2](#) provides further details of our respective responsibilities.

Risk-based audit approach

We follow a risk-based approach to the audit that reflects our overall assessment of the relevant risks that apply to the College. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:

Discussions with senior officers	Our understanding of the college sector, its key priorities and risks	Attending & observing the Audit & Risk Committee
Guidance from Audit Scotland	Discussions with Audit Scotland and public sector auditors	Discussions with internal audit and review of plans and reports
Review of the College's corporate strategies and plans	Review of the College's strategic risk register	Consideration of the work of other inspection bodies

Planning is a continuous process and our planning will be updated during the course of our audit to take account of developments as they arise.

Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Audit & Risk Committee.

Partnership working

We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

Audit Scotland

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may review the College's arrangements for taking action on any issues reported in the national performance reports which have a local impact. We also consider the extent to which the College uses the national performance reports as a means to help improve performance at the local level.

During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

Internal Audit

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to the College is used as efficiently and effectively as possible.

Delivering the audit

Hybrid audit approach

We adopt a hybrid approach to our audit which combines on-site visits (as required) with remote working; learning from the better practices developed during the pandemic.

All of our people have the equipment, technology and systems to allow them to work remotely or on-site, including secure access to all necessary data and information.

All of our staff are fully contactable by email, phone call and video-conferencing.

Meetings can be held over Microsoft Teams or by telephone.

We employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

Secure sharing of information

We use a cloud-based file sharing service that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

Regular contact

During the 'fieldwork' phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

Signing annual accounts

Audit Scotland recommends the electronic signing of annual accounts and uses a system called DocuSign.

Electronic signatures simplify the process of signing the accounts and are acceptable for laying in Parliament. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high-quality PDF version of the accounts.

Approach to audit of the financial statements

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an independent auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- perform risk assessment procedures including updating our understanding of the College, including its environment, the financial reporting framework and its system of internal control;
- review the design and implementation of key internal controls;
- identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;

- design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

Materiality

“Reasonable assurance”, referred to above, is a high level of assurance, but is not a guarantee that an audit 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 the financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. We include an explanation in the auditor’s report of the extent to which the audit was capable of detecting irregularities, including fraud, and respective responsibilities for prevention and detection of fraud.

We apply the concept of materiality in planning and performing the audit, and in evaluating the effect of misstatements within the financial statements identified during the audit.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out in [Appendix 1](#).

Any identified errors greater than £53,700 will be recorded and discussed with you and, if not adjusted, confirmed as immaterial as part of your letter of representation to us.

Accounting systems and internal controls

We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the annual accounts such that we are able to design appropriate audit procedures. However, this work will not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If we identify significant deficiencies in controls, we will report these to you in writing.

Going Concern

In most public sector entities (including colleges), the financial reporting framework envisages that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For many public sector entities, the financial sustainability of the entity is more likely to be of significant public interest than the application of the going concern basis. Our wider scope audit work considers the financial sustainability of the College.

Prevention and detection of fraud or error

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control and;
- are over £5,000.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a biennial counter fraud exercise led by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole. The most recent NFI exercise commenced in 2022 and most matches should have been investigated by 30 September 2023. As part of our 2023/24 audit, we will monitor the College's participation and progress in the NFI.

Anti-money laundering

We require the College to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Reporting our findings

At the conclusion of the audit we will issue:

- an independent auditor's report setting out our formal audit opinions within the annual report and accounts; and
- an annual audit report describing our audit findings, conclusions on key audit risks, judgements on the pace and depth of improvement on the wider scope areas, and any recommendations.

Definitions

We will use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Financial statements - significant audit risks

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Management override of controls	Audit approach
Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals. • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been

Management override of controls	Audit approach
Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. Risk of material misstatement: Very High	undertaken in line with the College's journals policy. • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Fraud in revenue recognition	Audit approach
Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements). The presumption is that the College could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position. Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. In respect of the College's income for Scottish Funding Council (SFC) grant funding, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate revenue of this nature. The risk of fraud in relation to revenue recognition is however present in all other income streams. Inherent risk of material misstatement: • Revenue (occurrence): High	We will perform the below procedures based on their value within the financial statements: • Documenting our understanding of the College's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.

Fraud in expenditure recognition	Audit approach
As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements. Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end leading to a material misstatement in the reported financial position. In respect of the College's expenditure for payroll, however, we do not consider the expenditure recognition risk to be significant due to a lack of incentive and opportunity to manipulate expenditure of this nature. The risk of fraud in relation to expenditure recognition is however present in all other expenditure streams. Inherent risk of material misstatement: • Expenditure (completeness): High • Accruals (existence and completeness): High	We will perform the below procedures based on their value within the financial statements: • Documenting our understanding of the College's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year. • Reviewing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Valuation of land and buildings (key accounting estimate)	Audit approach
Ayrshire College held land and buildings with a net book value of £116.3 million at 31 July 2023, with external valuations performed on a five-year basis. The College's Ayr, Kilwinning and Kilmarnock Campus properties were valued at 31 July 2023 by Gerald Eve (external valuer). This year, the College is planning to perform a desktop valuation exercise to ensure that the value of the land and buildings included in the accounts does not differ materially from its fair value. There is a significant degree of subjectivity in the measurement and valuation of land and buildings. This subjectivity and the material nature of the College's asset base represents an increased risk of misstatement in the financial statements. Inherent risk of material misstatement: • Land & Buildings (valuation): High	Procedures performed to mitigate risks of material misstatement in this area will include: • Considering the basis on which the valuation is carried out and challenging the key assumptions applied. • Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of the valuation expert. • Testing the information used by the valuer/management to ensure it is complete and consistent with our understanding. • If there have been any specific changes to the assets in the year, the College should ensure these have been communicated to the valuer. • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct.

Pension net asset / liability (key accounting estimate)	Audit approach
An actuarial estimate of the pension fund asset/liability is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. A significant level of estimation is required in order to determine the valuation of pension assets and liabilities. Small changes in the key assumptions (including discount rates, inflation, and mortality rates) can have a material impact on the pension asset/liability. There is a risk that the assumptions used are not appropriate. Inherent risk of material misstatement: • Pension net asset or liability (valuation): High	Procedures performed to mitigate risks of material misstatement in this area will include: • Reviewing the controls in place to ensure that the data used by the actuary is consistent with the information we receive from the College. • Reviewing the reasonableness of the assumptions used in the calculation against other pension fund actuaries and other observable data. • Agreeing the disclosures in the financial statements to information provided by the actuary. • Examining accounting for the pension movements the financial statements. • Considering the competence, capability, and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.

Valuation of PFI provision (key accounting estimate)	Audit approach
The College's PFI contract for the Kilwinning Campus is due to expire in June 2025. The Board intends to purchase the facility at the end of the PFI contract from its provider - KE Projects. The initial associated cost has been included within the College's 2022/23 financial statements as a provision of £1.4 million. However, this amount is subject to further review of the PFI contract and negotiations between the parties and is likely to increase further. A significant level of estimation is required in order to determine the valuation of provision. This is one of the first PFI assets transferring back to the public sector in Scotland and consideration of the legal and accounting requirements are likely to be complex. There is a risk that the assumptions used in valuing the provision are not appropriate. Inherent risk of material misstatement: • Provisions (valuation): High	Procedures performed to mitigate risks of material misstatement in this area will include: • Reviewing the controls in place to ensure that the provision valuation is consistent with the relevant documentation and agreements made by the College and PFI provider. • Reviewing the reasonableness of the assumptions used in the calculation of the value of the provision. • Examining the accounting, classification and disclosure of the provision in the financial statements.

The wider scope of public audit

Introduction

The Code of Audit Practice frames a significant part of our responsibilities in terms of four wider scope audit areas:

- Financial sustainability
- Financial management
- Vision, leadership and governance
- Use of resources to improve outcomes.

Our audit approach to the wider scope audit areas

Appointed auditors are required to consider the wider scope areas when:

- identifying significant audit risks at the planning stage of the audit;
- reaching conclusions on those risks;
- making recommendations for improvement; and
- where appropriate, setting out conclusions on the audited body's performance.

When reporting on such arrangements, the Code of Practice requires us to structure our commentary under the four areas identified above. [Appendix 2](#) provides further detail on the definition, scope and audit considerations under each wider scope area.

Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon our understanding of the College's key priorities and risks along with discussions with management and review of board and committee minutes and key strategy documents.

We have identified one significant risk in relation to financial sustainability as set out in the table below. At this stage, we have not identified any significant risks in relation to the other wider scope areas. Audit planning is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report.

Financial sustainability

The College continues to face significant financial challenges, operating within tight financial parameters, and activity continues to plan the measures required to ensure the College is in a long-term sustainable position.

Ayrshire College presented the Financial Strategy to the Board of Management in June 2023. The College estimates adjusted operating deficit totalling £3.4 million for the period between 2023-26. This position is based on a 5% pay award assumption in 2023/24 and 3.5% after this, non-pay cost increase of 2% per annum. It also includes an expectation of no other sources of income and no change to the Scottish Government or SFC funding model. The medium-term financial plan is currently being updated by the College with an aim of presenting to the Board in October 2024 for an approval.

The greatest risks to the College's sustainability are those around levels of funding from SFC, particularly with the removal of the one-off elements funded and the projected "flat cash" position for 2023/24 and beyond.

The College recognises that it has a structural deficit with significant efficiencies requiring to be realised in 2023/24 and in every subsequent year thereafter.

Staff costs continues to be a significant pressure area for the College and a key aspect of the College's ambitious transition plan. With the uncertainty around the public sector pay settlements, any increase in staff costs will have a material impact on the finances of the College. While the College will also have savings from the reduced pension contributions over the next two financial years, after that period these are going to increase to 17.5%, so the nature of these savings will be short term.

The continuing and uncertain impact on the College's finances and, ability to deliver savings plans and services in a sustainable manner remains a significant challenge and risk.

Our audit response:

During our audit we will review whether the College has appropriate arrangements in place to manage its future financial position. Our work will include an assessment of progress made in developing financially a sustainable plan that reflects the medium- and longer-term impact of cost pressures and that continues to support the delivery of the College's statutory functions and strategic objectives.

In formulating our audit plan, we identified areas of possible significant risk in relation to financial management, vision, leadership and governance and use of resources to

improve outcomes. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist:

Financial Management

- Whether the College achieves its 2023/24 financial and performance targets.
- Whether the new SFC guidance on how to allocate the funding between revenue and capital has been followed.

Vision, leadership and governance

- Whether the planned establishment of a trading subsidiary is supported by appropriate governance, scrutiny and risk management frameworks.
- Whether appropriate governance arrangements are in place in preparation for the PFI asset return under the College's control and operation.
- Whether the new Board and Committee members have been provided with appropriate training to perform their functions effectively.

Use of resources to improve outcomes

- Whether the College can evidence a clear link between prioritised spending and improvement against outcomes.
- Whether reporting in the Colleges' annual report and accounts give the readers a comprehensive picture of the College's activities.

Audit team and timetable

Audit Team

Our audit team will be as follows:

Role	Name	Email
Engagement Lead	Andy Reid	Andy.Reid@azets.co.uk
Engagement Manager	Adrian Kolodziej	Adrian.Kolodziej@azets.co.uk
Senior	Caitlin Mackenzie	Caitlin.Mackenzie@azets.co.uk

Timetable

Please find below confirmation of our proposed timetable for the audit as previously discussed with management:

Audit work/ output	Date
Audit planning meeting	7 May 2024
Audit & Risk Committee to consider audit plan	4 June 2024
Interim audit	w/c 24 June 2024
Receipt of draft accounts and commencement audit fieldwork	14 October 2024
Audit & Risk Committee to consider accounts and audit report	10 December 2024
Board meeting to approve accounts for signing	19 December 2024
Annual Report to the College and the Auditor General for Scotland	31 December 2024

Our Requirements

The audit process is underpinned by effective project management to co-ordinate and apply our resources efficiently to meet your deadlines. It is essential that the audit team and the Colleges finance team work closely together to achieve the above timetable.

In order for us to be able to complete our work in line with the agreed fee and timetable, we require the following:

- draft financial statements of a good quality by the deadlines you have agreed with us. These should be complete including all notes, the performance report and the accountability report;
- good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- ensuring staff are available and on site (as agreed) during the period of the audit;
- prompt and adequate responses to audit queries.

Audit Fee

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit. Audit Scotland sets an expected audit fee that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate unaudited accounts and meets the agreed timetable for audit.

The expected fee is reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2023/24 audits) have been developed in the context of a challenging economic environment, increased expectations on the audit profession and the ongoing process of recovery following the Covid-19 pandemic.

The 2023/24 expected audit fee is based on applying a 6% increase to the 2022/23 expected audit fee. This increase is applied on a sector basis and reflects the conditions of the public sector market.

As auditors we negotiate a fee with the College during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.

For 2023/24, we propose setting the audit fee above the expected fee level.

Fee element	2023/24	2022/23
Auditor remuneration (expected fee level)	54,130	51,070
Pooled costs	(5,770)	(7,490)
Audit support costs	-	1,320
Sectoral cap adjustment	5,670	6,070
Total fee	54,030	50,970

We will take account of the risk exposure of the College and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant exercises not within our planned audit activity.

Audit independence and objectivity

Auditor Independence

We are required to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we comply with FRC's Ethical Standard. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets and the College, its Board members and senior management that may reasonably be thought to bear on our objectivity and independence.

In particular, FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We have detailed in the table below the non-audit services provided to the College, the threats to our independence and the safeguards we have put in place to mitigate those threats.

Non-audit service	Fee	Type of threat	Safeguard
VAT advisory services	£5,100	Self-review Management decisions	VAT advisory services are provided by a separate team.



Appendices



Appendix 1: Materiality	26
Appendix 2: Responsibilities of the Auditor and the College	28

.....

Appendix 1: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the College and the needs of the users.

When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 July 2024 was calculated as follows.

	£
Overall materiality for the financial statements	1,075,000
Performance materiality (75% of materiality)	806,000
Trivial threshold	53,700
Materiality	Our initial assessment is based on approximately 2% of gross expenditure as disclosed in the 2022/23 audited annual report and accounts. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance of the College.
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater

	level of testing on the areas deemed to be at significant risk of material misstatement. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
Trivial misstatements	Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. Individual errors above this threshold are communicated to those charged with governance.

The Remuneration & Staff Report and Related Parties disclosures are material by nature.

In performing our audit, we will consider any errors which cause result in a movement between the relevant bandings on the disclosure table to be material.

For Related Party transactions, in line with the standards we will consider the significance of the transaction with regard to both Ayrshire College and the Counter party, the smaller of which will drive materiality considerations on a transaction by transaction basis.

Appendix 2: Responsibilities of the Auditor and the College

The Auditor General and Audit Scotland

The Auditor General for Scotland is a Crown appointment and independent of the Scottish Government and Parliament. The Auditor General is responsible for appointing independent auditors to audit the accounts of the Scottish Government and most Scottish public bodies, including Colleges, and reporting on their financial health and performance.

Audit Scotland is an independent statutory body that co-ordinates and supports the delivery of high-quality public sector audit in Scotland. Audit Scotland oversees the appointment and performance of auditors, provides technical support, delivers performance audit and Best Value work programmes and undertakes financial audits of public bodies.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the [2021 Code](#)) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the College and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance

Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.



Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.



Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#)

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2022/23 | Audit Scotland \(audit-scotland.gov.uk\)](#)

College responsibilities

The College has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

Area	College responsibilities
Corporate governance	The College is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.
Financial statements and related reports	The College has responsibility for: • preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Area	College responsibilities
	The College is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The College is also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct for prevention and detection of fraud and error	The College is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.
Financial position	The College is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to: • such financial monitoring and reporting arrangements as may be specified; • compliance with statutory financial requirements and achievement of financial targets; • balances and reserves, including strategies about levels and their future use; • plans to deal with uncertainty in the medium and long term; and • the impact of planned future policies and foreseeable developments on the financial position.

© Azets 2024. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology
