

Audit & Risk Committee - Action and Decision Log
Meeting No 38 – 22 November 2022

(Paper 1a)

Meeting Date	Agenda Item	Reference	Details	Action Owner	Due Date	Action Decision	Open Complete Approved Declined
13/09/2022	2022-23 Committee Terms of Reference and Workplan	ARC37: A01	The Committee recommended the ARC 2022-23 Committee Terms of Reference and Workplan to the Board for approval.	P Donald	22/09/2022	Action	Complete
13/09/2022	Internal Audit rolling Action Plan as at September 2022	ARC37: A02	Rationale to support closure of action related to 'Schools and Community Provision' as detailed in the Internal Audit rolling action plan report at September 2022 to be documented and presented at next meeting.	J Thomson	22/11/2022	Action	
13/09/2022	2022-23 Corporate Risk Register (V1) as at September 2022	ARC37: A03	The Committee recommended AY2022-23 Ayrshire College Risk Register (V1) as at September 2022 to the Board for approval.	J Thomson	22/09/2022	Action	Complete
13/09/2022	Risk Management Policy	ARC37: A04	The Committee recommended the Risk Management Policy to the Board for approval.	J Thomson	22/09/2022	Action	Complete

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE MANAGEMENT LETTER

FES RETURN AUDIT 2021-22
SEPTEMBER 2022



AYRSHIRE COLLEGE, FES

EXECUTIVE SUMMARY 2

DETAILED FINDINGS 7

APPENDIX I - OBSERVATIONS 8

APPENDIX II - ADJUSTED ERRORS.....9

APPENDIX III - DEFINITIONS 10

DISTRIBUTION	
James Thomson	Assistant Principal, Finance, Funding and Estates
Richard Simson	Head of Business Intelligence and Information Systems
	Members of the Audit & Risk Committee
REPORT STATUS LIST	
Auditors:	Mark Reynolds
Dates work performed:	12 - 27 September 2022
Draft report issued:	19 October 2022
Final report issued:	24 October 2022

Ayrshire College # 484082
17/11/2022 09:11:30

Ayrshire College, FES

EXECUTIVE SUMMARY	
SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)	
High	 0
Medium	 0
Low	 1
TOTAL NUMBER OF RECOMMENDATIONS: 1	

BACKGROUND:

A review of Ayrshire College’s FES (Further Education Statistical) data return has been carried out in accordance with the ‘Credit Guidance: 2021-22: student activity data guidance for colleges’ (SFC/GD/16/2022) issued in August 2022 and audit guidance for colleges (SFC/GD/19/2022) issued on 16 August 2022.

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

- AUDIT APPROACH AND SCOPE:**
- We assessed the overall control environment by considering whether:
- The student data returns have been compiled in accordance with all relevant guidance;
 - Adequate procedures are in place to ensure the accurate collection and recording of the data; and
 - The FES return contains no material misstatement.

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

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

Our review also sought to address all the risk areas outlined in Annex E of the audit guidance issued on 16 August 2022.

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

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

TESTING SUMMARY:

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

AYRSHIRE COLLEGE, FES

- We confirmed that no credits have been claimed for courses which are spanning into 2021-22.
- We reviewed courses to confirm credits have not been claimed for non-SFC courses. We found one Flexible Workforce Development Fund course where credits had been incorrectly claimed.
- For a sample of 15 courses, we confirmed whether the courses were correctly categorised between Higher Education and Further Education. We also ensured the course was correctly categorised as full-time or as other modes of provision.
- For a sample of 15 courses, we confirmed whether the correct price group and superclass group was used. The classifications on these were matched to the classifications provided by FES in the FES 3 Guidance note. There was one instance where a more appropriate superclass could have been used. As part of this test, we also considered if the College had applied the correct superclass name for the course and found that all of the names were appropriate for the courses selected.
- We reviewed a sample of 10 infill students to confirm that credits were only claimed for students that had attended past the required date and who were enrolled.
- We reviewed a sample of 15 courses and confirmed the required date was calculated correctly.
- We reviewed all full-time students and a sample of 5 part-time students who withdrew within 2 weeks after the required date to confirm that their withdrawal was processed correctly and in a timely manner. We also confirmed their last date of attendance and confirmed this was beyond the required date.
- A sample of 15 courses, totalling 2,109 credits (1.7% of total), was randomly selected. We agreed the number of students enrolled on class registers to supporting documentation and checked the withdrawals of students on these courses ensuring those that withdrew before the required date were not claimed for.
- A sample of 15 fee waiver students were selected and confirmed they were on eligible courses, eligible for fee waiver, were enrolled properly and had attendance beyond the required date.
- We reviewed a sample 15 Price Group 5 students and assessed whether credits claimed was based on planned hours and whether students attended beyond the required date.
- A sample of 5 students on a course with a work based assessed provision were selected and confirmed whether progression was monitored. For one student the evidence could not be provided that the student had progressed on the course.
- A sample of 5 students on open distance learning courses were selected and confirmed whether the student was eligible, enrolled and whether there was sufficient evidence that the student progressed on the course. For one student there was no evidence of engagement.
- We tested a sample of 15 students on a school program and confirmed they were enrolled and had attendance past the required date.
- We conducted a fee waiver analytical review. This compared the fee waiver figures from the prior years' FES return and analysed in the final report. Any significant variations in the numbers were queried with the College and explanations were provided by the Finance or Business Information team.
- We tested a sample of 5 students on courses with non-accredited work experience and confirmed students were enrolled and had attendance past the required date

Page: 11:30 484082
No page #
4/12

AYRSHIRE COLLEGE, FES

- We tested a sample of 5 deferred students and confirmed students were enrolled and credits claimed are for units completed and not the entire course
- Across a number of tests, we tested a total of 87 students for engagement beyond the required date. There were 2 instances where engagement could not be evidenced, which have been detailed above as part of our work based and open distance learning testing.
- The College confirmed there are no collaborative courses.

ANALYTICAL REVIEW:

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

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

The final 2021-22 FES return submitted to SFC by the College matched the figures we reviewed. The College’s core activity credit target set by the Regional Board was 129,177 credits. In addition, the College had an ESF activity target of 1,591 credits. The total credit target for 2021/22 was therefore 130,768. Total actual credits within the College’s FES return were 129,143 (split 127,936 with ESF of 1,207) which is 0.96% below the total target. These figures have been accepted by the SFC.

Fundable Student Numbers	2021/22	2020/21
Head Count		
FEFT	2,572	3,048
FEPT	7,152	5,470
Total	9,724	8,518

There has been an overall increase in the number of further education fundable students in the year. Part-time students have increased because of an increase in Flexible Workforce Development Fund courses being delivered. Full-time students have decreased, this reflects what is happening across the sector.

Fundable Student Enrolments	2021/22	2020/21
FEFT	2,572	3,492
FEPT	10,000	8,869
Total	12,572	12,361

There has been a slight increase in fundable student enrolments during the year. Part-time further education students have increased in the year and full-time further education students have decreased. This movement between full-time and part-time reflects the changing demands of students as they want more flexibility in their education.

Fee Waiver Summary:

AYRSHIRE COLLEGE, FES

Source of Finance of Fee for Student	2021/22 (£)	2020/21 (£)	Difference (£)
22 Fee Waiver - full-time non-advanced	£	2,591,568.00	£ 3,036,096.00
23 Fee Waiver - income support	£	1,206.96	£ 2,280.95
24 Fee Waiver - low income	£	518.50	£ 1,195.80
25 Fee Waiver - Islands Authority fee waiver (excl. Orkney and Shetland)	£	-	£ -
26 Fee Waiver - cost borne by college	£	99,688.80	£ 26,464.25
28 Fee Waiver - incapacity benefit	£	-	£ -
29 Fee Waiver - severe disablement allowance	£	-	£ -
30 Fee Waiver - housing benefit	£	979.70	£ 619.55
33 Fee Waiver - student on a DPG 18 / PG 5 programme	£	41,132.52	£ 68,770.78
37 Fee Waiver - carers allowance	£	2,755.45	£ -
38 Fee Waiver - disability living allowance	£	479.40	£ 225.60
39 Fee Waiver - pension credit	£	225.60	£ 764.22
40 Fee Waiver - working tax credit	£	1,979.06	£ 2,063.55
41 Fee Waiver - old FT criteria	£	631,354.01	£ 593,071.94
42 Fee Waiver - school pupil	£	440,502.90	£ 332,946.03
43 Fee Waiver - attendance allowance	£	-	£ 197.40
44 Fee Waiver - Income based job seekers allowance	£	992.26	£ 2,091.75
47 Fee Waiver - income-related employment and support allowance	£	4,466.31	£ 2,915.49
48 Fee Waiver - student in care	£	282.00	£ 282.00
49 Fee Waiver - Asylum seeker or spouse or child of an asylum seeker	£	1,804.80	£ 566.25
50 Fee Waiver - contribution based employment and support allowance	£	84.60	£ 4,284.47
52 Fee Waiver - Personal Independence Payment (PIP)	£	8,014.91	£ 31,026.80
53 Fee Waiver - Universal credit (UC)	£	53,924.68	£ 182,277.90
55 Fee Waiver - COVID	£	22,928.96	£ 4,287,858.73
56 Fee Waiver - Short full-time (SFT) course where the student is eligible	£	180,588.85	£ 180,588.85
Total - including cost borne by college	£	4,085,478.28	£ 4,314,322.98
Total overclaim for individual students	£	81,486.88	£ 28,189.26
Total - excluding cost borne by college	£	3,962,860.52	£ 4,079,117.00
Total - excluding cost borne by college and overclaims	£	3,881,373.64	£ 4,050,927.74

There has been an overall decrease in fee waiver (excluding cost borne by the College and over claims) of roughly 4%. There has been a decrease of 15% (£445k) in fee waiver for full-time non-advanced students.

Fee waiver for school pupils increased by 32% (£108k) due to an increase in the volume of school pupil activity post Covid-19.

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

CONCLUSION:

During our review of Ayrshire College's systems and procedures for collecting and recording data in respect of the FES and Fee waiver returns, we raised one finding and made a recommendation that would improve the College's underlying systems and processes to ensure accurate reporting of student activity data to the SFC.

The one finding noted during the audit was:

- **Distance Learning Courses:** We reviewed a sample of 5 students on open distance learning courses. For one student, credits had been claimed despite there being no evidence of engagement. There were 247 students on the course and 23 further students were found to not have evidence of engagement. Credits have been cleared for the students where there is no evidence of engagement

AYRSHIRE COLLEGE, FES

ACKNOWLEDGEMENT:

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

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE, FES

DETAILED FINDINGS		
Distance Learning Courses		
Ref	Sig.	Finding

1		SFC requires the College can evidence the student engagement on distance learning courses. The College has policies to support this. We reviewed a sample of five students on open distance learning courses. For one of the students, credits had been claimed despite there being no evidence of engagement. There were 247 students on the course and 23 further students were found to not have evidence of engagement. Credits have been cleared for the students where there is no evidence of engagement.
---	---	--

There is a risk that credits are being claimed for distance learning courses where students are not engaging.

RECOMMENDATION:

We also recommend that support and training is provided to staff who do not follow the process.

MANAGEMENT RESPONSE:

This issue was an isolated incident regarding a specific team who did not follow due process and this will be addressed through support and training so that there is no reoccurrence of this issue.

Responsible Officer: Richard Simson

Implementation Date: Complete

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE, FES

APPENDIX I - OBSERVATIONS

1. FWDF Courses

SFC requires that credits are not claimed for non-SFC courses, including Flexible Workforce Development Fund (FWDF) courses.

We reviewed all FWDF courses and found one course where credits had been claimed. These credits are normally excluded when the course is created. Student Records also routinely exclude these student from credits as part of the process of creating these course however, manual mistakes can be made.

As part of the final validation of the FES return this error would have been identified and therefore credits would not have been claimed.

Credits have been cleared for the course.

2. Work Based

SFC requires the College can evidence the student progression on courses with a work based assessed provision.

For one student on a course with a work based assessed provision, evidence could not be provided during the time of the audit to support progression of the student. Credits were cleared so as to not delay the audit process, and evidence has since been able to be provided. All other students on the course were confirmed as passing the course therefore this was an isolated issue.

The work-based team is making increased use of a system called 'One-file' and this is helping improve the recording and availability of evidence regarding students.

3. Superclass

SFC requires that courses are classified correctly. The College manually assigns the superclass for each course.

There was one instance out of a sample of 15 courses reviewed, where the incorrect superclass code was used. The course in question was a 'COVID' course which was created to allow students affect by the pandemic to catch-up on outstanding work. The creation of these course added a considerable workload to the student records team and were created at speed to allow student to continue their studies and attend college. Given the tight timeline associated with the creation of these additional courses there was a human error.

Both superclasses were in the sample Price Group and resulted in no credit adjustments. The superclass has been updated.

AYRSHIRE COLLEGE, FES

APPENDIX II - ADJUSTED ERRORS

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

Summary of Errors	Number of Credits	Adjusted in FES Return
Work Based [1]	3	3
Distance Learning [2]	48	48
FWDF [3]	0.15	0.15
Total	51.15	51.15

- [1] Our work based assessed provision testing identified 1 student where the student did not progress
- [2] Our testing identified 24 students on an open distance learning course where the students did not engage
- [3] Our testing identified one non-eligible Flexible Workforce Development Fund course where credits had been claimed

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE, FES

APPENDIX III - DEFINITIONS

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

Ayrshire College # 484082
17/11/2022 09:11:30

FOR MORE INFORMATION:

CLAIRE ROBERTSON

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

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2022 BDO LLP. All rights reserved.

www.bdo.co.uk

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE
INTERNAL AUDIT REPORT
EDUCATION MAINTENANCE ALLOWANCE AUDIT
SEPTEMBER 2022

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



AYRSHIRE COLLEGE # 484082
17/11/2022 09:11:30

Ayrshire College, Education Maintenance Allowance

EXECUTIVE SUMMARY 2

APPENDIX I – DEFINITIONS 3

APPENDIX II - TERMS OF REFERENCE 4

DISTRIBUTION	
Michael Breen James Thomson	Vice Principal - Finance Assistant Principal of Finance, Student Funding and Estates
Louise Park Members of the	Head of Student Funding Audit & Risk Committee
REPORT STATUS LIST	
Auditors:	Joe Reid
Dates work performed:	29 th August 2022 - 2 nd September 2022
Draft report issued:	09 th September 2022
Final report issued:	12 th September 2022

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

EXECUTIVE SUMMARY

INTRODUCTION:

A review of the College's student data returns has been carried out in accordance with the EMA Audit Guidance Notes for 2021-22 issued on 15 August 2022.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering the following:

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

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

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

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

AUDIT TESTS:

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

- A sample of 15 students, from a population of 654 student applications were selected.
- We traced each of our sample of students to a completed enrolment form confirming eligibility and the existence of a valid audit trail.
- We reviewed the applications to ensure they had all the relevant documentation in place, such as completed learner agreements.
- We assessed whether student engagement has been monitored effectively for each of the samples.
- We traced the total income received from the SFC to the College's bank account and the monthly remittance advice slips received from the SFC to ensure claims had been correctly recorded.
- We reviewed the College's EMA reconciliation to confirm its accuracy.
- We reviewed the College's spot check workings to assess whether they had spot checked at least 5% of total students.

CONCLUSION:

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

ACKNOWLEDGEMENT:

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

AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

APPENDIX I – DEFINITIONS

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

RECOMMENDATION SIGNIFICANCE

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

AYRSHIRE COLLEGE, EDUCATION MAINTENANCE ALLOWANCE

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

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

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

In order to comply with the SFC’s requirements set out in ‘Education Maintenance Allowance AY 2021-22’, we have been requested by Ayrshire College to carry out an EMA Audit for the year ended 31 July 2022 with the purpose being to provide an audit certificate giving an opinion on whether:

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

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

Ayrshire College # 484082
17/11/2022 09:11:30

FOR MORE INFORMATION:

CLAIRE ROBERTSON

+44 (0)141 249 5204
claire.robertson@bdo.co.uk

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2022 BDO LLP. All rights reserved.

www.bdo.co.uk

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT

STUDENT SUPPORT FUND AUDIT
SEPTEMBER 2022

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial



AYRSHIRE COLLEGE # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

EXECUTIVE SUMMARY 2

APPENDIX I – DEFINITIONS.....4

APPENDIX II - TERMS OF REFERENCE.....5

DISTRIBUTION	
Michael Breen James Thomson	Vice Principal – Finance Assistant Principal- Finance, Student Funding and Estates
Louise Park Members of the	Head of Student Funding Audit Committee
REPORT STATUS LIST	
Auditors:	Joe Reid
Dates work performed:	29 th August - 2 nd September 2022
Draft report issued:	09 th September 2022
Final report issued:	12 th September 2022

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

EXECUTIVE SUMMARY

INTRODUCTION:

A review of Ayrshire College's ('the College') student data returns has been carried out in accordance with the 'Student Support Fund' Audit Guidance Notes for 2021-22 issued on 16th August 2022.

AUDIT APPROACH AND SCOPE:

We assessed the overall control environment by considering the following:

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

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

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

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

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

AUDIT TESTS:

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

- A sample of 15 students, from a population of 3,138 eligible bursary students were selected.
- We traced each of our sample of students to their application which was made online, confirming that the eligibility criteria were checked, evidence was retained, and we reviewed the back-up documentation supporting each of the applications, including confirmation that the applicant's income status is reviewed before awarding a bursary.
- We confirmed that student engagement is monitored effectively for the sample, and confirmed that withdrawn students, or those no longer meeting acceptable engagement criteria, no longer receive payment.
- We confirmed for the sample that the bursary was paid into the bank account of the correct student.
- We traced the total income received from the SFC to the College's bank account and nominal ledger and cross checked the total income to the monthly remittance advices received from the SFC to ensure these have been correctly recorded.
- We matched the College's aggregated returns to the underlying records.
- We tested a sample of 15 students from a population of 182 confirming eligibility for further education or higher education childcare award.
- We tested a sample of 10 students from a population of 1272 confirming eligibility for further education discretionary award.

AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

- We tested a sample of 5 students from a population of 93 confirming eligibility for higher education discretionary award.
- We confirmed that payments made under discretionary and childcare funds were for allowable expenditure in each of the sample selected.
- We tested a sample of 5 students from a population of 451 confirming eligibility for care experienced bursary.

CONCLUSION:

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

ACKNOWLEDGEMENT:

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

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

APPENDIX I – DEFINITIONS

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

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

AYRSHIRE COLLEGE, STUDENT SUPPORT FUNDS

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

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

In order to comply with SAAS’s requirements and SFC’s requirements set out in ‘2021-22 National policy: childcare funds for further and higher education students in Scotland’s colleges’, we have been requested by Ayrshire College to carry out an SSF Audit for the year ending 31 July 2022 with the purpose being to provide an audit certificate giving an opinion on whether:

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

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

Ayrshire College # 484082
17/11/2022 09:11:30

FOR MORE INFORMATION:

CLAIRE ROBERTSON

+44 (0)141 249 5204
claire.robertson@bdo.co.uk

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2022 BDO LLP. All rights reserved.

www.bdo.co.uk

Ayrshire College # 484082
17/11/2022 09:11:30

Audit and Risk Committee, 22 November 2022 – (Paper 5)

AYRSHIRE COLLEGE

INTERNAL AUDIT REPORT

Follow up review

September 2022



Ayrshire College #184082
17/11/2022 09:11:30

IDEAS | PEOPLE | TRUST



CONTENTS

Executive Summary	3
Appendices:	
I Staff Interviewed	6
II Definitions	7
III Terms of Reference	8

REPORT STATUS	
Auditor:	Mark Reynolds
Dates work performed:	8 September - 30 September 2022
Draft report issued:	30 September 2022
Final report issued:	11 November 2022

Restrictions of use

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

DISTRIBUTION LIST	
James Thomson	Assistant Principal, Finance, Funding and Estates
Members of the Audit Committee	

EXECUTIVE SUMMARY

Scope and Work Undertaken

Background

As part of the provision of continual assurance with regard to internal control arrangements, a review of the degree of implementation of previously agreed Internal Audit recommendations was conducted in September 2022. In accordance with the Internal Audit Annual Plan 2021-22, we have considered the implementation status of all recommendations raised. 1 recommendation was followed up from the work undertaken during 2019-20, 11 recommendations were followed up from 2020-21, and 3 recommendations were followed up from 2021-22. The recommendations relate to 7 audit areas, as listed below:

- School and Community Provisions 2019/20 (1 recommendation)
- Financial Processes 2020/21 (1 recommendation)
- Staff Recruitment and Selection 2020/21 (3 recommendations)
- IT Service Provision During Covid-19 2020/21 (3 recommendations)
- Commercial Income Generating Programmes 2020/21 (4 recommendations)
- Student Support 2021/22 (2 recommendations)
- Student Voice 2021/22 (1 recommendation)

Methodology

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

Acknowledgement

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

Ayrshire College # 484082
17/11/2022 09:11:20

EXECUTIVE SUMMARY

Status of recommendations as at September 2022

The summary below provides a simple overview of the status of each recommendation. Of the 15 recommendations due to be implemented, 14 (93%) have been categorised as fully implemented and 1 (7%) are considered as partially implemented. There are 5 recommendations not due for implementation at the commencement of fieldwork. On this basis, we conclude that Ayrshire College has made very good progress in implementing the recommendations raised and we can provide assurance that management's resolve to implement previously agreed Internal Audit recommendations is sound.

Audit	Status at October 2021					Total
	Fully implemented	Partially implemented	Not implemented	Superseded	Not due for implementation	
School and Community Provisions 2019/20	-	1	-	-	-	1
Financial Processes 2020/21	1	-	-	-	-	1
Staff Recruitment and Selection 2020/21	3	-	-	-	-	3
IT Service Provision During Covid-19 2020/21	3	-	-	-	-	3
Commercial Income Generating Programmes 2020/21	4	-	-	-	-	4
Student Support 2021/22	2	-	-	-	-	2
Marketing 2021/22	-	-	-	-	2	2
Procurement 2021/22	-	-	-	-	2	2
Student Voice 2021/22	1	-	-	-	1	2
TOTAL	14				5	20

Ayrshire College # 484082
17/11/2022 09:11:30

RECOMMENDATION STATUS - SCHOOL & COMMUNITY PROVISIONS 2019/20

Ref.	Original Recommendation	Sig.	Management Response	Responsibility & Implementation Date
1	We recommend the College has data sharing agreements in place with the local authorities it engages with. We also recommend these agreements are reviewed on a regular basis.		The College will share the draft data sharing agreement with each of the three local authorities. This will be discussed and agreed with each of the directors of education and formally approved. The draft data sharing agreement has been prepared in line with the data sharing agreements already in place across the rest of the College.	Responsible Officer: Head of Schools, Communities and Widening Access Implementation Due Date: 30/11/2020
Status at September 2022				
Partially implemented Data sharing agreements have been agreed with East Ayrshire Council, however evidence of this is still to be provided. This recommendation will be fully implemented when data sharing agreements have been signed and provided for every local authority the College engages with.				
Management Response at September 2022				
The data sharing agreement has been agreed with East Ayrshire Council and is awaiting sign off. The College has proactively engaged with South and North Ayrshire councils to obtain confirmation (or otherwise) on the draft agreements shared including escalating the matter to chief executive level, but these have yet to be formally approved. The College and three local authorities are working to the arrangements set out in the data sharing agreements. The ability for the College to drive through formal agreement would be a disproportionate level of resource, especially given that the two local authorities are working to the draft agreement. It is therefore proposed that members agree to close this audit action.				

APPENDIX I - STAFF CONTACTED

NAME	JOB TITLE
James Thomson	Director of Finance, Student Funding and Estates

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

Ayrshire College # 484082
17/11/2022 09:11:30

APPENDIX II - DEFINITIONS

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

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

APPENDIX III - TERMS OF REFERENCE

BACKGROUND

As part of the 2021-22 Internal Audit plan for Ayrshire College, it was agreed that internal audit will follow up on previously agreed recommendations made in Internal Audit reports in previous years, and where relevant during the current year.

PURPOSE OF REVIEW

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

KEY RISKS

The key risk associated with the area under review is:

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

SCOPE OF REVIEW

We will review management's action taken to implement internal audit recommendations. This will involve the review of recommendations made in each of the internal audit reports issued during 2020/21, and a follow up of any outstanding recommendations from previous years. We will also review progress against recommendations made during the current year that are due for implementation.

Ayrshire College # 484082
17/11/2022 09:11:30

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2022 BDO LLP. All rights reserved.

www.bdo.co.uk

Ayrshire College # 484082
17/11/2022 09:11:30

AYRSHIRE COLLEGE INTERNAL AUDIT ANNUAL REPORT 2021-22

NOVEMBER 2022

Ayrshire College # 484082
17/11/2022 09:11:30

IDEAS | PEOPLE | TRUST



CONTENTS

Executive Summary	3
Review of 2021-22 work	7
Annual statement of assurance	8
Performance against operational plan	9
Audit performance	10
Appendices:	
I Definitions	11

Ayrshire College # 484082
17/11/2022 09:11:30

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

EXECUTIVE SUMMARY

Background

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

Responsibilities

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

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

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

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

Ayrshire College #184082
17/11/2022 09:14:30

EXECUTIVE SUMMARY

Audit Approach
We have reviewed the control policies and procedures employed by Ayrshire College to manage risks in business areas identified by management set out in the 2021-22 Annual Internal Audit Plan approved by the Audit & Risk Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards and the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing. We discharge our role, as detailed within the audit planning documents agreed with Ayrshire College's management for each review, by: • Considering the risks that have been identified by management as being associated with the processes under review • Reviewing the written policies and procedures and holding discussions with management to identify process controls • Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage • Performing walkthrough tests to determine whether the expected risk management activities and controls are in place • Performing compliance tests (where appropriate) to determine whether the risk management activities and controls are operating as expected. The assurance statement provided on page 8 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Coverage	
During 2021-22 BDO LLP has reviewed and evaluated Ayrshire College’s processes in the following areas:	
• Covid-19 Health & Safety • Student Support • Marketing • Student Voice	• Complaints Management • Procurement • Follow Up

EXECUTIVE SUMMARY

Recommendations

To assist management in addressing our findings, we categorise our recommendations according to their level or priority. The recommendations made in the nine completed reviews totalled 8.

Summary of Recommendations (SEE APPENDIX I)			
High		0	
Medium		0	
Low		8	
Total number of recommendations: 8			

Reporting mechanisms and practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit & Risk Committee is to agree reports with management and then present and discuss the matters arising at the Audit & Risk Committee meetings.

Management action on our recommendations

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

EXECUTIVE SUMMARY

Relationship with external audit

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

Follow up

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

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

We followed up 15 recommendations from 2021-22 and prior years. We note that 14 of these recommendations had been fully implemented, and 1 was partially implemented. There were a further 5 findings not yet due for implementation.

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

Summary of work performed

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

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

REVIEW OF 2021 - 22 WORK

Reports Issued	Overall Report Conclusions - see appendix I				
				Design	Operational Effectiveness
Covid-19 Health & Safety	0	0	0	Substantial	Substantial
Student Support	0	0	2	Substantial	Substantial
Marketing	0	0	2	Substantial	Substantial
Student Voice	0	0	2	Substantial	Substantial
Complaints Management	0	0	0	Substantial	Substantial
Procurement	0	0	2	Substantial	Substantial

Ayrshire College # 484082
17/11/2022 09:11:30

ANNUAL STATEMENT OF ASSURANCE

Report by BDO LLP to Ayrshire College

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

In giving our view it should be noted that assurance can never be absolute. The internal audit service provides Ayrshire College with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021-22. Therefore, the statement of assurance is not a guarantee that all other aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no other signs of material weakness in the framework of control.

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

- All internal audits undertaken by BDO LLP during 2021-22;
- Any follow-up action taken in respect of audits from previous periods for these audit areas;
- Whether any significant recommendations have not been accepted by management and the consequent risks;
- The effects of any significant changes in the organisation's objectives or systems;
- The requirements of the Public Sector Internal Audit Standards; and
- Any limitations which may have been placed on the scope of internal audit (no restrictions were placed on our work).

Conclusion

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

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

PERFORMANCE AGAINST OPERATIONAL PLAN

Visit	Date of visit	Proposed Audit	Planned Days	Actual Days	Status
1	September 2021	Student Support Fund	3	3	Completed.
2	September 2021	FES Return	5	5	Completed.
3	November 2021	Covid-19 Health & Safety	5	5	Completed.
4	February 2022	Student Support	5	5	Completed.
5	April 2022	Marketing	5	5	Completed.
6	May 2022	Student Voice	5	5	Completed.
7	March 2022	Complaints Management	5	5	Completed.
8	May 2022	Procurement	5	5	Completed.
9	September 2022	Follow Up	3	5	Completed.

Ayrshire College # 484082
17/11/2022 09:11:30

AUDIT PERFORMANCE

AUDIT	COMPLETION OF FIELDWORK	DRAFT REPORT	FINAL MANAGEMENT RESPONSES	FINAL REPORT
FES Return	29 September 2021	1 October 2021	6 October 2021	6 October 2021
Student Support Fund	10 September 2021	21 September 2021	22 September 2021	24 September 2021
Covid-19: Health & Safety	12 November 2021	23 November 2021	25 November 2021	29 November 2021
Student Support	2 March 2022	9 March 2022	15 March 2022	16 March 2022
Marketing	21 April 2022	22 April 2022	26 April 2022	27 April 2022
Student Voice	17 May 2022	30 May 2022	30 May 2022	30 May 2022
Complaints Management	4 April 2022	19 April 2022	9 May 2022	10 May 2022
Procurement	20 May 2022	27 May 2022	7 July 2022	7 July 2022
Follow up	30 September 2022	30 September 2022	16 November 2022	11 November 2022

On average:

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

APPENDIX I - DEFINITIONS

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

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

FOR MORE INFORMATION:

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © 2022 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk



IDEAS | PEOPLE | TRUST

BDO



Board of Management Report and Financial Statements

For the year ended

31 July 2022

Ayrshire College # 484082
17/11/2022 09:11:30

Contents

Pages

Performance Report 4

Accountability Report 17

Corporate Governance Report 18

Statement of the Board of Management's Responsibilities 27

Remuneration and Staff Report 29

Independent Auditor's Report to the Members of the Board of Management of Ayrshire College, the Auditor General for Scotland and the Scottish Parliament 35

Statement of Comprehensive Income for the year ended 31 July 2022 39

Statement of Changes in Reserves 40

Balance Sheet as at 31 July 2022 41

Cash Flow Statement for the year ended 31 July 2022 42

Notes to the Financial Statements 43

Appendices

Appendix 1 – Accounts Direction for Scotland's Colleges 2021-22

Ayrshire College # 484082
17/11/2022 09:11:30

Professional Advisers

Financial Statement Auditors

Mazars LLP
100 Queen Street
Glasgow
G1 3DN

Internal Auditors

BDO
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

Bankers

Bank of Scotland 30-34 King Street Kilmarnock KA1 1NP	Royal Bank of Scotland 30 Sandgate Ayr KA7 1BY
--	---

Solicitors

Anderson Strathern
50 George Square
Glasgow
G2 1EH

Ayrshire College Registered Address

Ayrshire College
Dam Park
Ayr
KA8 0EU

Ayrshire College # 484082
17/11/2022 09:11:30

PERFORMANCE REPORT

Ayrshire College # 484082
17/11/2022 09:11:30

Principal’s Statement on Ayrshire College’s Performance 2021-22

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

Unfortunately, significant disruption to learning continued for a third year and the College, as request by Scottish Government guidance, was instructed to take a cautious approach to the commencement of AY 2021-22. The continuing restrictions around physical distancing meant that the College had to adopt a hybrid approach to delivery with all students spending some time on campus and some time at home. The collective talent and commitment of its students, staff and partners has enabled the College to continue to deliver its curriculum and support services despite the severe disruption to learning caused by the ongoing COVID-19 pandemic.

Investment in digital resources supported students to learn remotely, in line with restrictions, in 2021-22. Continued investment in the College’s infrastructure supported innovative practice across all curriculum and service teams.

The College engaged positively with individuals, communities and employers across Ayrshire in 2021-22 and we are proud of the impact we made on people’s lives.

The previous principal, Carol Turnbull, left the College on 5 September 2022 and the new Principal, Angela Cox, took up post on 5 September 2022. The Chair’s appointment, Willie Mackie, came to an end on 2 March 2022 and a new interim chair, Fiona McQueen took over on 3 March 2022. The College would like to thank Carol Turnbull and Willie Mackie for their dedication and years of service to the College.

Overview of Performance Report

The Board of Management of Ayrshire College presents its Performance Report together with the Audited Financial Statements for the year ended 31 July 2022.

This Performance Report provides a detailed summary of the performance of the College during 2021-22 and how it measures and monitors its performance. The Report also includes the strategic issues and risks facing the College.

Legal Status

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

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

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

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

Ayrshire College Statement of Ambition 2030

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

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

This statement has three underpinning ambitions:

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

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

Over the next three years Ayrshire College will:

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

The Refresh and Renew Plan provides the context for ambitions set out in other strategic documents, such as the updated Learning and Teaching Strategy 2021-24, Digital Strategy 2022-2025 and People Strategy 2022-2025. The Refresh and Renew Plan also provides the overarching framework for the College's Outcome Agreement for 20210-221 agreed with the Scottish Funding Council (SFC).

SFC Outcome Agreement

In 2021-22, the College agreed an Outcome Agreement with the Scottish Funding Council for the period 2021-22. This Outcome Agreement focuses on the following outcomes:

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

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

Performance of Ayrshire College in 2021-22

The College reviews its portfolio of courses on an annual basis. It is an evidence-based approach which uses national and regional labour market information. Courses no longer in demand, not achieving success or not related to skills are removed from the Curriculum Delivery Plan (CDP) for the following academic year. This annual process ensures that the College's portfolio of courses is aligned to national, regional and local policy objectives. The effectiveness of the College's curriculum planning arrangements can be evidenced by an internal audit conducted during 2021-22. The internal audit of the College's Curriculum Development Planning processes provided substantial assurance on the existing arrangements (the highest assurance rating) and identified no areas for improvement.

The College's progress on improving outcomes for students, against SFC priorities, was significantly impacted by the severe disruption to learning as a consequence of COVID-19. The College's strategic focus on reducing withdrawals and increasing success, during 2021-22 continued, but the impact of COVID-19 meant that achieving national ambitions for FE programmes was undermined.

In 2020-2021, the College exceeded the core activity target set by the SFC and delivered 125,463 credits (target 124,877 credits). This is the fifth sixth year in a row that the College has exceeded the SFC core activity target. For AY 2021-22, SFC also allocated additional places to colleges to accommodate deferred students from AY 2020-21 and to manage the transition for Foundation Apprenticeships. Recruitment challenges exacerbated by COVID-19 meant that. The College did not meet its ESF or Foundation Apprenticeship target. In addition, information, on deferred students, was asked of the College, by SFC, at a time when it was estimated that students and staff would not have sufficient access to on-campus learning to be able to successfully conclude learning, teaching and assessment in AY 2020-21. The return of more students to campus from 17 May 2021, alongside the substantial summer programme meant that despite the challenges and significant disruption to learning, most students who remained on course were supported to successfully conclude their studies by the end of AY 2020-21. The College, therefore, did not meet its deferred credit target.

The College is recognised locally, regionally and nationally as an organisation which makes a positive difference to the lives of its students, to our communities, to Ayrshire's economy and to Scotland. In 21-22, 58.2% of FE full-time students (2020-21) and 58.263.8% of HE full-time students (2020-21) completed their courses with a successful outcome.

Performance, with reference to successfully completed FE full-time programmes, has increased by 1.26%. The area of concern was higher early and further withdrawal rates. This corresponds with the evidence to suggest that Ayrshire College FE students struggled with the continued disruption to learning during AY 2021-22.

Performance, with reference to successfully completed HE full-time programmes declined by 8.9%, at 62.8%. As with FE full-time programmes, early and further withdrawal rates were much higher than in previous years and students struggled with the continued disruption to learning.

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

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

The College supports a high number of students living in the 10% most deprived postcode areas. In AY 2021-22, the volume of credits delivered to the 10% most deprived was 25,577 credits – 20% of the total delivery. The College aims to ensure that the percentage of students living in the 10% most deprived postcode areas is representative of the Ayrshire region in line with national targets.

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

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

SFC has set ambitious and stretching targets for all of Scotland's colleges to deliver successful outcomes for care experienced students, aiming for parity with their peers. In 2021-22, Ayrshire College had 650 care experienced students, with 60.4% (2020-21 62.7%) achieving a successful course outcome.

A key priority area of focus is to improve outcomes for students with a declared disability. Over the six years from 2015-16 to 2021-22 there has been a significant increase in the number of students declaring a disability. In 2021-22 63.7% (2020-21 63.3%) of Ayrshire College students with a declared disability achieved a successful outcome.

A culture of partnership working is embedded across the College. Throughout 2021-22, the College continued to invest significant time, working remotely, in enhancing existing private, public and third sector partnerships, as well as developing new ones. The College's partnership approach with universities also allows its students to gain access to degree programmes with advanced standing.

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

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

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

The College continues on its journey of improvement in 2022-23 and remains focused on increasing student attainment and achievement. In particular, the College will focus efforts to address the impact of COVID-19, support students with the cost-of-living crisis improve outcomes on FE and HE programmes in line with national ambitions..

COVID-19

The College's Campus Operations Steering group (COSG), originally set up to oversee the safe and effective reopening of Ayrshire College campuses in the summer of 2020, continued to meet regularly throughout AY 2021-22. The Steering Group, chaired by the Principal, includes the College's Senior Leadership Team, the Head of Health, Safety and Wellbeing, the Head of ICT, the Head of Marketing, Ayrshire College Student Association President and Vice-President, and representatives from the College's two recognised trade unions - EIS-FELA and Unison. This has ensured a partnership approach to resuming on-campus activities safely and effectively and in reviewing activities in line with the latest Scottish Government and Public Health guidance.

In preparation for the return of staff and students, the College implemented baseline measures to mitigate the risk of COVID-19 when people were on campus. These include specific entry and exit points, a one-way system, a keep left system, sanitisation points throughout the building, restricted access to and occupancy of toilet facilities, and the wearing of face coverings.. In addition, lateral flow testing kits were available to staff and students and they were encouraged to undertake testing twice weekly. Drop-in vaccination clinics took place on all three campuses. These measures remained in place throughout until 1 April 2022.

Financial Objectives

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

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

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

Financial Review

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

The College generated a deficit in the year of (£1,545,000) before non-recurring items. The 2021-22 deficit represents an adverse figure of (3%) of overall trading income. This compares to a deficit before non-recurring items in 2020-21 of (£634,000). There were no net non-recurring costs for 2021-22.

The College, at July 2022, has £80,028,000 of net assets (excluding a pension asset of £11,518,000). At July 2021 the College had £77,501,000 of net assets (excluding a pension liability of £20,543,000). The pension asset for 2021-22 is excluded as this is outwith the College's control.

The College has significant reliance on SFC for its funding which is largely from recurrent grants. In 2021-22, SFC provided 88.4% of the College's total operational revenue income (2020-21, 88.7%). Excluding specific funding to support the Unitary Charge for the NPD contract for the Kilmarnock campus, SFC revenue income totalled 79.2% of total income (2020-21 79.4%).

Ayrshire College met with SFC colleagues on 18 July 2022 to see clarity on the SFC's position on the clawback of credit funding for 2021-22. At this time the College was told that it should not expect a final decision on the SFC clawback position for Ayrshire College until October 2022. This timescale was after the financial year-end and beyond the timeline for the preparation of the College's 2021-22 financial statements. The College therefore wrote to SFC on 19 July 2022 stating that it would prepare its financial statements on the assumption that there will be full clawback on underdelivered credits. The College asked that SFC to confirm these income recognition assumptions. On 20 July 2022 SFC stated that it expected the College to provide for clawback ESF, Foundation Apprenticeship and deferred student credits.

On 3 November SFC wrote out to college principals to confirm that it would only consider clawback on under-delivery for core and credit targets that were outside a two percent tolerance. Following receipt of this letter, SFC confirmed that Ayrshire College would not be subject to clawback on its deferred credits income. The College was therefore able to draw down additional deferred students funding of £710,786.

The cash balance of £12,713,000 shown in the Balance Sheet includes £9,009,000 of monies held by the College (in advance of Board approved funding commitments), student funding (to be repaid) and the College's own restricted and designated cash balances. Therefore, the College's trading cash balance as at 31 July 2022 was £3,704,000.

Statement of Comprehensive Income

The statement of comprehensive income shows a total deficit for the year to 31 July 2022 of £(1,545,000). This is compared to a deficit in 2020-21 of £(1,101,000).

There were no non-recurring expenditure items which impacted the deficit in 2021-22. The presentation of the Statement of Comprehensive Income in these financial statements therefore analyses trading in the period for recurring items of £(1,545,000).

○ Recurring Items

The College recorded a deficit of £(1,545,000) which represents an adverse figure of approximately (3%) of overall trading income.

The recorded deficit of £(1,545,000) in 2021-22 comprises of the following elements:

- Operating position- surplus £4,120,000
- FRS102- NPD/ PFI Capital income £1,425,000
- Net Depreciation charge £(3,243,000)
- FRS 102- Pension £(3,847,000)

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

Table 1 – Adjusted operating position 2021-22 and 2020-21

	Recurring £000	2021-22 £000	2020-21 £000
Surplus /(deficit) after other gains and losses	(1,479)	(1,479)	(1,082)
Add back:			
Provision released		-	-
Depreciation (net of deferred capital grant release)	3,243	3,243	2,835
Exceptional non-restructuring costs (e.g. impairment)	-	-	-
Non-cash pension adjustments	3,847	3,847	3,654
Donation to Arms-length Foundation	-	-	-
Provision per 1 April 2014			
Deduct:			
Non-Government capital grants (e.g. ALF capital grant)	-	-	(67)
Exceptional income	-	-	-
Revenue funding allocated to loan repayments (NPD)	(1,425)	(1,425)	(1,355)
Additional revenue funding allocated by SFC	-	-	(700)
Sub-Total Revenue	4,186	4,186	3,285
Retention of sale proceeds to fund PFI Capital and Interest payments			-
CBP allocated to PFI loan repayments		(867)	(867)
Early retirees		(87)	(87)
Adjusted operating surplus / (deficit)		3,232	2,331

Underlying operating position 2021-22 and 2020-21

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

Table 2 – Adjusted operating position 2021-22 and 2020-21

Surplus (deficit) after other gains and losses	Note	2021-22 £000	2020-21 £000
Add back:		(1,479)	(1,082)
Depreciation (net of deferred capital grant release)		3,243	2,835
Exceptional non-restructuring costs (e.g. impairment)		-	-
Pension adjustments – Net Service cost		3,645	3,206
Pension adjustments – Net Interest cost		357	405
Pension adjustments – Early Retirement Provision		(155)	43
Retention of sale proceeds to fund PFI capital and interest payments		-	-
Provision released		-	-
Deduct:			
Non-Government capital grants (e.g. ALF capital grant)		-	(67)
CBP allocated to loan repayments and other capital items		(954)	(954)
NPD Income applied to reduce NPD Balance Sheet debt		(1,425)	(1,355)
Additional revenue funding allocated by SFC		-	(700)
Adjusted operating surplus / (deficit)		3,232	2,331

Cash budgets for priorities

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

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

Table 3 – Cash budget for priorities spend 2021-22 and 2020-21

	2021-22 £000	2020-21 £000
Revenue		
Student support	-	-
2015-16 pay award	370	370
Other (give detail)	-	-
Total impact on operating position	370	370
Capital		
Loan repayments (PFI capital payment)	867	867
Early Retirees	87	87
Total Capital	954	954
Total cash budget for priorities spend	1,324	1,324

Reserves

The deficit brought forward on the income and expenditure reserve at 1 August 2021 was £(2,348,000). After the deficit for the year before non-recurring items of (£1,545,000), the non-recurring items of nil, the transfers in respect of the pension reserve, and the transfers from the revaluation reserve are taken into account, the surplus on the College's income and expenditure reserve as at 31 July 2022 is £(33,775,000).

Capital Additions

Tangible Fixed Asset additions in 2021-22 amounted to £657,000. This expenditure on the buildings of £127,000 relates mainly to small capital works. In addition, there was expenditure of £530,000 on IT and curriculum equipment.

Core Performance Indicators

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

Table 4 – Ayrshire College Performance against SFC Core Performance Indicators

No	Performance Indicator	2021-22	2020-21
1	Recurring (Deficit)/Surplus as % of total trading income	(3%)	(1.2%)
2	Non SFC Income as % of Total Income	11.6%	11.3%
3	Credit activity target set by SFC for year to July 2022	124,793	124,877
4	Credit activity achieved in year to July 2022	126,404	125,463
5	Activity achieved against target	101.3%	100.5%
6	Current Assets: Current Liabilities	1.38:1	1.21:1
7	Gearing/debt	Nil	Nil
8	Days of recurring expenditure represented by period end cash	27	34

Treasury Management Policies and Objectives

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

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

Cash Flows

The College had a net increase in cash in 2021-22 of £4,512,000. This is detailed in the Cash Flow Statement.

Liquidity

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

Payment Performance

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

Resources

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

Property

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

Estates Development

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

Ayrshire College commenced the construction of the Willie Mackie Skills Hub at ground-breaking ceremony, which was held on 26 July 2022. The Skills Hub is being constructed next to the main Kilwinning campus. The Willie Mackie Skills Hub will be the primary location for provision of high-quality STEM vocational skills development for Ayrshire College students, primary and secondary school pupils, employers and their workforce, and North Ayrshire residents seeking employment. It is also envisioned that the Willie Mackie Skills Hub will be a recognised centre of excellence that will provide training and skills development from across the UK. The Skills Hub is scheduled to be completed by June 2023.

Staff Report

The College employed 695 full-time equivalent employees, of whom 421 were curriculum staff and 274 were service staff. This equates to a headcount of 854, comprising 540 female and 314 male members of staff.

Full disclosure on staff costs is given in note 6 of the accounts.

National Bargaining

The College is a signatory to the National Recognition and Procedures Agreement (NRPA) and a member of the Employers Association. A number of National Bargaining agreements have been reached during 2021-22 for both curriculum and service staff.

Local Joint Negotiation Committees (LJNC) were held during 2021-22 with both EIS-FEPA and Unison.

Stakeholder Relationships

Ayrshire College has many stakeholders. These include:

- Students
- Student association
- Staff
- Scottish Funding Council

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

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

Staff Involvement and Participation

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

Staff Development

A range of CPD activities took place during the 2021-22 academic term, with a significant focus on digital skills to support the workforce. An area of specialist training and development was the College creating a digital skills checklist for curriculum staff. This was directly linked to a curriculum pedagogy pathway with corresponding and supporting training also provided.

In addition, the College also continued to provide and training and development for college staff. This training ensures staff continued development and to improve their qualification levels. Examples of this activity is as follows:

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

Equality and Inclusion

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

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

- Equality Outcome 1: Students and staff with protected characteristics most likely to experience hate, report that they feel safe while engaged in study or work
- Equality Outcome 2: Curriculum areas with a male or female student gender imbalance greater than a 75:25 ratio have improved

- Equality Outcome 3: The rates of declaration, retention and attainment of male students with a mental health condition have improved
- Equality Outcome 4: The recruitment and declaration rates of staff with a disability have improved.

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

To further the College's openness and transparency in regards to its progress to mainstreaming equality and equality outcomes, it has committed to produce and publish an annual College progress report in addition to its current legislative requirements.

The progress report is available on the College's website and can be reviewed here:

Mainstreaming Equality and Equality Outcomes 2021-2025 progress report

Since the publication of this report in April 2022, the College is working towards achieving the LGBT Youth Scotland Foundation Charter Mark. The College's senior level commitment to this can be demonstrated by the majority of the College's Senior Leadership Team completing training on LGBT inclusion. In addition, Ayrshire College hosted the first ever hate crime conference in Ayrshire, called 'Empowering Communities in Ayrshire to End Hate Crime'. The conference is just one example of the College's partnership approach to challenge the behaviours and attitudes that lie beneath hate crime.

Health Safety and Wellbeing

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

A range of developments were undertaken during 2021-22 to promote the College's culture of health, safety and wellbeing. These developments built on the strong foundation of work undertaken by the College in prior years. The health, safety and wellbeing work of the College was adapted to ensure continued support to staff and students who were working and studying remotely. In addition, the College's Health, Safety and Wellbeing Team led on a range of initiatives to support staff and student mental health. For example, the College hosted wellbeing cafes and online sessions, promoted a range of online classes and online support material, as well as a walking programme.

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

During 2021-22 the College has continued to raise awareness of a range of health, safety and wellbeing issues during the year through regular communication, training and update sessions. Wherever possible, the College has collaborated with other agencies working in the area of health and safety and engaged in joint projects that would benefit the College. For example, the Head of Health, Safety and Wellbeing worked with NHS Ayrshire & Arran to arrange on-campus vaccination clinics for COVID-19 vaccinations.

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

Student Involvement

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

Disclosure of Information to Auditors

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

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

F McQueen
Chair

A Cox
Principal

Ayrshire College # 484082
17/11/2022 09:11:30

ACCOUNTABILITY REPORT

Corporate Governance Report

Statement of Board of Management's Responsibilities

Remuneration and Staff Report

Ayrshire College # 484082
17/11/2022 09:11:30

CORPORATE GOVERNANCE REPORT

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

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

In the opinion of the Board of Management, the College has complied with the Scottish Public Finance Manual (SPFM) throughout the year ended 31 July 2022. The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges and it has complied throughout the year ended 31 July 2022.

Board of Management

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

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

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

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

Directors' Report

This section of the report sets out the members who served on the Board of Management during the year to 31 July 2022 (Table 5).

Table 5 – Serving Board Members 2021-22

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Willie Mackie	- Business, Resources & Infrastructure - Performance, Review & Remuneration - Search & Nomination	Chair of Ayrshire College BOM	01.08.13	02.03.22 (completed period of appointment)
Fiona McQueen	- Business, Resources & Infrastructure - Learning, Teaching & Quality - Performance Review & Remuneration - Search & Nomination	Interim Chair of Ayrshire College BOM	Non-Executive Board Member 01.08.18	
		Interim Chair of Ayrshire Regional College BOM	Interim Chair 03.03.22	
		Appointed Chair of Ayrshire Regional College BOM	Chair 01.11.22	
Elaine Anderson	- Learning, Teaching & Quality - Audit and Risk	Non-Executive Board Member	01.08.19	06.07.22
Norman Bone	Business, Resources & Infrastructure	Non-Executive Board Member	01.08.21	
Beth Clelland	- Learning & Teaching - Business, Resources & Infrastructure	Non-Executive Board Member	07.09.20	
Scott Cooley	Business, Resources & Infrastructure	Non-Executive Board Member	01.08.19	11.10.21
Steven Fegan	- Learning, Teaching & Quality - Business, Resources & Infrastructure	Elected Support Staff	25.09.20	19.07.22
Lisa Keggans	- Learning, Teaching & Quality - Business, Resources & Infrastructure	Elected Support Staff	06.09.22	
Stephen Graham	- Learning, Teaching & Quality - Audit and Risk	Non-Executive Board Member	01.08.19	
Ellie Jamieson	- Learning, Teaching & Quality - Business Resources & Infrastructure	Elected Student Member	01.08.21	
Robert Kean	Learning, Teaching & Quality	Elected Student Member	01.08.22	
Mary McClung	- Learning, Teaching & Quality - Business Resources & Infrastructure	Non-Executive Board Member	01.08.19	12.09.22
Janette Moore	- Learning, Teaching & Quality - Business Resources & Infrastructure	Elected Curriculum staff	05.10.20	
Sharon Morrow	Learning, Teaching & Quality	Non-Executive Board Member	01.08.21	

Board Member	Committees Served	Status of Appointment	Date of Appointment	Date of Resignation
Steven Oliver	Learning, Teaching & Quality	Elected Student Member	01.08.20	31.07.21 (completed period of appointment)
Michael Stewart	- Business, Resources & Infrastructure - Learning, Teaching & Quality - Performance Review & Remuneration - Search & Nomination	Non-Executive Board Member	01.08.19	
Alison Sutherland	- Learning, Teaching & Quality - Audit and Risk	Non-Executive Member	01.08.19	
Carol Turnbull	- Business, Resources & Infrastructure - Learning, Teaching & Quality	Principal Ex-Officio	01.03.19	05.09.22
Angela Cox	- Business, Resources & Infrastructure - Learning, Teaching & Quality	Principal	05.09.22	
Steven Wallace	- Learning, Teaching & Quality - Business, Resources & Infrastructure - Performance, Review & Remuneration - Search & Nomination	Non-Executive Board Member	01.08.18	
Matthew Wilson	- Learning, Teaching & Quality - Audit and Risk	Non-Executive Board Member	07.09.20	

After the June 2022 Board Meeting two board members left unexpectedly in July 2022, meaning between 19th July 2022 and 31st July 2022 there were 14 board members. Two new board members were appointed in August and September 2022. From 1st August 2022 there were 15 board members and from 6th September 2022 there were 16 board members.

Table 6 details the number of Board of Management meetings that took place during the individual members' time as a board member during 2021-22 and how many of these meetings that they were able to attend. Please note co-opted members are not included in Table 6.

Table 6 – Board Members Attendance 2021-22

Board Member	Board Meetings held during appointment period	Board Meetings attended
Willie Mackie	2	2
Fiona McQueen	4	4
Elaine Anderson	4	3
Norman Bone	4	2
Beth Clelland	4	3

Board Member	Board Meetings held during appointment period	Board Meetings attended
Scott Cooley	1	1
Steven Fegan *	0	0
Stephen Graham	4	3
Ellie Jamieson	4	4
Mary McClung	4	2
Janette Moore	4	4
Sharon Morrow	4	4
Steven Oliver	4	2
Michael Stewart	4	3
Alison Sutherland	4	3
Carol Turnbull	4	4
Steven Wallace	4	4
Matthew Wilson	4	4

* S Fegan was unavailable to attend board meetings held during 2021-22.

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

The Board of Management conducts its business through a number of committees. The committees comprise members of the Board of Management. The Board and its committees also have the authority to co-opt members, but co-opted members may not chair or vote at meetings. In 2021-22 the co-opted members were Gordon Neil as a member of the Learning, Teaching and Quality Committee, Gillian Murray as a member of the Business, Resources and Infrastructure Committee and Paul Houlden as the requisite external member of the Search and Nomination Committee.

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

Register of Interests

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

Appointments to the Board of Management

The Board of Management consists of not less than 15, but not more than 18 persons, of which not less than half shall be drawn from persons engaged in industrial, commercial or employment matters or from the professions or persons with an interest in and the ability to contribute to the management of the

College. This is in line with the provisions of The Post-16 Education (Scotland) Act 2013. The other Board members include the Board Chair, who is appointed by the Scottish Government, the Principal, a curriculum/teaching staff member, a support/service staff member and two student members.

Any new appointments to the Board of Management are a matter for the consideration of the Board of Management as a whole. As such, there is a Search and Nomination Committee that is responsible for the selection and nomination of any new non-executive member for the Board of Management's consideration. The Search and Nomination Committee is also responsible on behalf of the Board for the process leading to the appointment of the College Principal. The Board of Management has an induction programme in place and Board development activities were held during 2021-22.

Audit and Risk Committee

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

Business, Resources, and Infrastructure Committee

The Business, Resources and Infrastructure Committee consists of members from the Board of Management including the Principal and the Chair of the Board. This Committee's responsibilities are to oversee the strategic and operational financial planning of the College and provide assurance to the Board on the financial expenditure, financial management and performance of the College. The Committee is responsible for overseeing all matters related to the College's continuing organisational development including oversight of the development, planning, and delivery of the overarching People Strategy, promoting a positive and inclusive culture, and reviewing and monitoring the quality and performance of associated programs of work.

In addition, the Committee oversees the strategic and operational planning of the estates function within the College and provides assurance with regard to College estates matters to the Board.

Learning, Teaching and Quality Committee

The Learning and Teaching Committee consists of members from the Board of Management including the Principal and at least one student member. This Committee's responsibilities are to oversee and provide assurance to the Board on all matters related to the strategic development and delivery of learning, teaching and the student experience, including monitoring and reporting on the associated quality and performance.

Performance Review and Remuneration Committee

Membership of this Committee comprises the Chair of the Board of Management, the Vice Chair, the Senior Independent Member, and the chairs of each of the Board's committees. The Committee is chaired by a non-executive member of the Board and cannot be chaired by the Chair of the Board of Management. This Committee's responsibilities are to oversee all matters related to Performance Review and Remuneration of those members of staff whose remuneration consideration lies out with the scope of the National Recognition and Procedures Agreement (NRPA) and provide assurance to the Board on all such matters. In undertaking its deliberations, the Committee will take account of any advice given by the SFC in terms of remuneration any guidance issued by the Scottish Government, HM Treasury.

Search and Nomination Committee

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

Personal data-related incidents

SFC requires colleges to outline any significant lapses of data security that take place during the year. There were no significant lapses of data security. During 2021-22 Ayrshire College reported no data-related incidents to the Information Commissioner's Office.

Ayrshire College # 484082
17/11/2022 09:11:30

GOVERNANCE STATEMENT

This statement has been prepared in accordance with Accounts Direction and Code of Good Governance for Scotland's Colleges requirements.

Principal Risks and Uncertainties

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

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

The previous principal, Carol Turnbull, left the College on 5 September 2022 and the new Principal, Angela Cox, took up post on 5 September 2022. The previous Chair's appointment came to an end on 2 March 2022 and a new interim Chair took over on 3 March 2022. Handover meetings were held between the outgoing and incoming principals and the outgoing and incoming chairs. The new Principal has received full assurances over the Governance arrangements in place at the College from the SLT for the year ended 31 July 2022.

During the June 2021 Board and committee cycle, it was agreed that for AY2021-22 onwards, the College would revert from the COVID-19 focussed risk register back to the traditional corporate focussed risk register. This enabled the College to detail specific risk areas to the College and give risk scores reflecting the mitigating actions being taken by management in that area. This meant that risk extracts are created for the Board of Management, the Business, Resources and Infrastructure Committee and the Learning and Teaching Committee. On behalf of the Board of Management, the Audit and Risk Committee reviews the Board's risk management position and considers the arrangements to mitigate the risks identified.

The College Risk Register is a standing agenda item for each meeting of the Audit and Risk Committee and thereafter the Board of Management. In addition, the relevant extracts from the Risk Register are presented to each committee for discussion, comment and approval.

The College Risk Register at the end of 2021-22 identified 18 strategic risks. The classification of these net risk scores was as follows:

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

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

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

Purpose of the System of Internal Control

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

Capacity to Handle Risk

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

The Internal Control Framework

The College's system of internal control was in place for the duration of 2021-22 and continues to remain in place up to, and beyond, the date of approval of the College's financial statements. The College's internal control system is based on a framework of regular management information, administrative procedures including the segregation of duties and a system of delegation and accountability. In particular, it includes:

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

The College's Internal Auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to Management and the Audit and Risk Committee. The internal auditors concluded that the College's risk management activities and controls in the areas which were examined were found to be suitably designed to achieve the specific risk management, control and governance arrangements.

Management is responsible for the implementation of agreed audit recommendations and the College's Internal Auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit and Risk Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from SFC and other key agencies as they affect the College's business and monitors adherence to the regulatory requirements. No significant weaknesses were identified in the College's internal control framework during 2021-22.

Review of Effectiveness

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

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

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

Going Concern

After making appropriate enquiries, the Board of Management considers that the College has adequate resources to continue operations for AY 2022-23. In addition, Audit Scotland guidance Going Concern in the Public Sector states that “the use of the going concern basis of accounting will always be appropriate for public bodies”. For this reason, Ayrshire College continues to adopt the going concern basis in preparing the financial statements.

Conclusion

The College continued to improve and enhance its reputation in 2021-22, particularly in the areas of corporate governance, high quality learning and teaching, engagement with students, and strategic partnership working.

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

F McQueen
Chair

A Cox
Principal

Ayrshire College # 484082
17/11/2022 09:11:30

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

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

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

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

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

F McQueen
Chair

A Cox
Principal

Ayrshire College # 484082
17/11/2022 09:11:30

REMUNERATION AND STAFF REPORT

Remuneration Policy

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

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

The remuneration of the Chair is set by Scottish Ministers as detailed in Note 7 to these financial statements.

Operation of the Remuneration Committee

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

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

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

Senior Management Remuneration Including Salary and Pension Costs

Salary Entitlements

In this section of the report the College has set out, in bands of £5,000, the remuneration of the College's executive management during 2021-22 (Table 7).

Ayrshire College # 484082
17/11/2022 09:11:30

Table 7 – Remuneration of Senior Management 2021-22

Name	12 months ended 31 July 2022			12 months ended 31 July 2021		
	Salary* £000	Pension benefit £000	Total £000	Salary* £000	Pension benefit £000	Total £000
C Turnbull, Principal	140-145	85	215-220	140-145	76	215-220
A Campbell, Vice Principal	100-105	17	120-125	100-105	30	130-135
M Breen, Vice Principal	100-105	50	155-160	100-105	40	140-145
W Mackie, Chair**	15-20	-	15-20	25-30	-	25-30
F McQueen Interim Chair**	10-15		10-15			

** *W Mackie tenure as Chair of the Board ended on 2nd March 2022. The role of Interim Chair of the Board was taken up by F McQueen on 3rd March 2022*

The details in the tables in this section of the report are subject to audit. The format of the tables has been set by the SFC as part of its accounts direction to colleges for 2021-22.

The pension benefit figure included within Table 7 is derived by using a calculation set out by SFC in the 2021-22 accounts direction. The accounts direction states that:

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

Median Remuneration

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

The midpoint of the remuneration pay bands for the highest paid official in the organisation in financial year 2021-22 was £142,500 (2020-21, £141,967). This was 3.7 times (2020-21, 3.8 times) the median remuneration of the workforce which was £38,672 (2020-21, £37,672). This is detailed in Table 8.

Table 8

Range of Workforce Remuneration	2021-22	2020-21	% Change
Highest paid official remuneration	143	140	3%
Median (total pay and benefits)	39	38	3%
Median (salary only)	39	38	3%
Ratio	3.7	3.8	-3%

The 25th percentile of the remuneration pay bands for the highest paid official in the organisation in financial year 2021-22 was £142,500 (2020-21, £141,967). This was 5.5 times (2020-21, 5.6 times) the median remuneration of the workforce which was £26,017 (2020-21, £25,017). This is detailed in Table 9.

Table 9

Range of Workforce Remuneration	2021-22	2020-21	% Change
Highest paid official remuneration	143	140	3%
25th percentile (total pay and benefits)	26	25	4%
25th percentile (salary only)	26	25	4%
Ratio	5.5	5.6	-1%

The 75th percentile of the remuneration pay bands for the highest paid official in the organisation in financial year 2021-22 was £142,500 (2020-21, £141,967). This was 3.3 times (2020-21, 3.3 times) the median remuneration of the workforce which was £43,357 (2020-21, £42,357). This is detailed in Table 10.

Table 10

Range of Workforce Remuneration	2021-22	2020-21	% Change
Highest paid official remuneration	143	140	3%
75th percentile (total pay and benefits)	43	42	2%
75th percentile (salary only)	43	42	2%
Ratio	3.3	3.3	0%

Accrued Pension Benefits

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

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

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

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

Senior Officials' Pension

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

This section of the report sets out the accrued pension benefits for senior officials together made with the pension contributions made by the College (Table 11).

Table 11 – Employer's Contributions by Senior Official

Name	Senior Official's Pension Scheme	Accrued pension at age at 31 July 2022 £000	Accrued lump sum at age at 31 July 2022 £000	Real increase in pension 1 August 2020 to 31 July 2022 £000	Real increase in lump sum 1 August 2020 to 31 July 2022 £000	CETV at 31 July 2022 £000	CETV at 31 July 2021 £000	Real increase in CETV £000
C Turnbull	SPF	70	110	5	3	1,356	1,237	119
A Campbell	STSS	31	56	1	-	430	390	40
M Breen	SPF	40	45	3	-	631	579	52

Cash Equivalent Transfer Value

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

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

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

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

Compensation for Loss of Office

No compensation payments were made for the loss of office during 2021-22. There were no payments in 2020-21

No voluntary severance payments were made for the loss of office during 2021-22. During 2020-21 the College made voluntary severance payments of £467,000.

Salaries and related costs for 2021-22 totalled £33,394,000 (Table 12).

Table 12 – Salaries and Related Costs 2021-22

	2021-22		2020-21
	Directly employed staff £000	Seconded and agency staff £000	Total £000
Wages and salaries	25,692	23	25,715
Social security costs	2,589	-	2,446
Other pension costs	5,090	-	4,947
TOTAL	33,371	23	33,394
Average number of FTEs			707

In 2021-22, the College employed 540 females and 314 males. No member of staff currently identifies as non-binary or gender neutral. The College continues to promote trans and gender diverse inclusion to ensure all staff are supported.

In the year ended 31 July 2022 staff turnover was 6.1%. The figure for the year ended 31 July 2021 was 6.6%.

Sickness Absence

Total sickness absence during 2021-22 was 3.74%. Of this, 1.33% was due to short-term and 2.41% was long-term sickness absence (Table 13).

Table 13 – Sickness Absence

Sickness Absence Duration	2021-22	2020-21
Short-term	1.33%	0.6%
Long-term	2.41%	1.5%
Total	3.74%	2.1%

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

Trade Union Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, Ayrshire College provided support through paid facility time for union officials working at the College. The information for the year ended 31 July 2022 is set out in the Tables 14 to 16.

Table 14 – Relevant Union Officials

Number of employees who were union officials during 2021-22	Employee number by FTE:
8.0	1.2

Table 15 – Percentage of Time Spent on Facility Time

Percentage	Number of Employees
0%	0
1%-50%	8
51%-99%	0
100%	0

Table 16 – Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£58,447
Total pay bill	£33,938,554
Percentage of total pay bill spent on facility time	0.2%

Total time spent on trade union activities as a percentage of total paid facility time hours during 2021-22 was 100%. The College also releases union officials to support staff with other meetings as required.

Approval of the Remuneration Report

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

F McQueen
Chair

A Cox
Principal

Ayrshire College # 484882
17/11/2022 09:11:30

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

Report on the Audit of the Financial Statements

Opinion on Financial Statements

We have audited the financial statements in the annual report and accounts of Ayrshire College for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue. These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Lucy Nutley

For and on behalf of Mazars LLP
100 Queen Street
Glasgow
G1 3DN

(Full Date)

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

Ayrshire College # 484082
17/11/2022 09:11:30

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR TO 31 JULY 2022

	Note	Recurring	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
INCOME				
SFC grants	2	46,272	46,272	45,523
Tuition fees and education contracts	3	3,989	3,989	4,256
Other grants and contracts	4	74	74	82
Other income	5	1,988	1,988	1,450
Investment income		-	-	-
Total Income		52,323	52,323	51,311
EXPENDITURE				
Staff costs	6	37,897	37,897	36,772
Restructuring costs	6	-	-	467
Other operating expenses	8	8,782	8,782	8,183
Depreciation	11	4,072	4,072	3,734
Interest and other financial costs	9	3,051	3,051	3,237
Total Expenditure		53,802	53,802	52,393
Surplus/(deficit) before other gains/(losses)		(1,479)	(1,479)	(1,082)
Gain/(loss) on disposal of assets		(66)	(66)	(19)
Surplus/(deficit) before tax		(1,545)	(1,545)	(1,101)
Taxation	10	-	-	-
(Deficit) for the year		(1,545)	(1,545)	(1,101)
Unrealised surplus on revaluation of assets			70	26,784
Actuarial gain / (loss) in respect of pension schemes			36,063	10,412
Total Comprehensive Income for the year			34,588	36,095

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

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 30 provides details of the adjusted operating position on a Central Government accounting basis.

STATEMENT OF CHANGES IN RESERVES

	Income and Expenditure Account £000	Restricted Reserves £000	Revaluation Reserve £000	Total £000
Balance at 31 July 2021				
Surplus/(deficit) from the income and expenditure statement	(2,348)	466	58,840	56,958
	(1,545)	-	-	(1,545)
Revaluation	-	-	70	70
Transfers from pension reserve to income and expenditure reserve				
Transfers between revaluation and income and expenditure reserve – HC Depreciation	36,063	-	-	36,063
	1,605	-	(1,605)	-
Total comprehensive income for the year	36,123	-	(1,535)	34,588
Balance at 31 July 2022	33,775	466	57,305	91,546

Ayrshire College # 484082
17/11/2022 09:11:30

BALANCE SHEET AS AT 31 JULY 2022

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Fixed Assets			
Tangible fixed assets	11	126,796	130,207
Total fixed assets		126,796	130,207
Current Assets			
Stocks		43	30
Debtors	12	4,185	3,539
Cash and cash equivalents	17	12,713	8,201
Total current assets		16,941	11,770
Less: Creditors – amounts falling due within one year	13	12,234	9,707
Net current assets/(liabilities)		4,707	2,063
Total assets less current liabilities		131,503	132,270
Less: Creditors – amounts falling due after more than one year	14	41,054	43,727
Less: Deferred capital grants due to be released after one year	15	8,642	9,021
Provisions			
Early Retirement Provision	16	1,188	1,430
Other Provisions	16	591	591
Net Assets excluding pension liability		80,028	77,501
Net pension liability	19	11,518	(20,543)
NET ASSETS INCLUDING PENSION LIABILITY		91,546	56,958
Income and expenditure account excluding pension reserve	17	22,257	18,195
Pension reserve	17	11,518	(20,543)
		33,775	(2,348)
Restricted Reserves		466	466
Revaluation Reserve	17	57,305	58,840
TOTAL RESERVES		91,546	56,958

The financial statements on pages 37 to 62 were approved by the Board of Management and are signed on its behalf by:

F McQueen
Chair

A Cox
Principal

CASH FLOW STATEMENT FOR THE YEAR TO 31 JULY 2022

	Note	Year ended 31 July 2022	Year ended 31 July 2021
		£000	£000
Cash inflow from operating activities			
Surplus/(deficit) for the year		(1,545)	(1,101)
Adjustment for non-cash items			
Depreciation	11	4,072	3,734
Net (gain)/loss on disposal of fixed assets		66	19
Deferred capital grants released to income	15	(829)	(899)
(Increase)/decrease in stock		(13)	-
(Increase)/decrease in debtors	12	(646)	(969)
Increase/(decrease) in creditors	14	2,399	2,286
(Decrease)/increase in provisions	16	(242)	86
(Decrease)/increase in reserves		-	-
Net return on pension liability	19	4,002	3,611
Returns on investments and servicing of finance		(357)	(405)
Taxation		-	-
Cash flows from investing and financing activities			
Interest receivable – bank interest		-	-
Interest payable	9	357	405
PF/NPD Capital Payments	14	(2,545)	(2,415)
Purchase of tangible fixed assets	11	(657)	(626)
Proceeds from sale of tangible fixed assets		-	4
Deferred Capital Grants Receipts	15	450	559
Increase/(decrease) in cash and cash equivalents in the year		4,512	4,289

Reconciliation of net cash flow to movement in net funds

Increase/(decrease) in cash and cash equivalents in the year

Net funds at 1 August 2021

4,512	4,289
8,201	3,912

Net funds at 31 July 2022

12,713	8,201
---------------	-------

NOTES TO THE FINANCIAL STATEMENTS**1 Statement of Principal Accounting Policies****a) Basis of Preparation**

The financial statements are prepared on a going concern basis and show a deficit for the year of (£1,545,000) before non-recurring items, with an accumulated deficit on the income and expenditure reserve of £33,775,000. At 31 July 2022, current assets of £16,941,000 included cash and bank balances of £12,713,000. Creditors falling due within one year were £12,234,000, with net current liabilities of £4,707,000.

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

b) Basis of Accounting

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

c) Recognition of income

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

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

d) Grant Funding

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

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

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

e) Maintenance of Premises

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

f) Pension Schemes

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

g) Tangible Fixed Assets

Private Finance Initiative (PFI) Assets

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

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

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

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

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

The annual cost of the service charge and finance cost are disclosed within Other Operating Expenses and Interest Payable notes 8 and 9 to these financial statements.

NPD Assets

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

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

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

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

The annual cost of the service charge and finance cost are disclosed within Other Operating Expenses and Interest Payable notes to these financial statements (notes 8 and 9).

g) **Tangible Fixed Assets (continued)**

Land and Buildings

Land and buildings inherited from the former Strathclyde Regional Council in 1993 are stated in the Balance Sheet at a valuation on the basis of depreciated replacement cost for specialised properties and open market value for non-specialised properties, as at 31 July 2022, less amounts written off by way of depreciation.

Land and buildings acquired since incorporation are included in the balance sheet at revaluation plus cost where this is over £10,000. Project expenditure is counted as a single asset. Freehold land associated with the buildings and undeveloped freehold land is not depreciated. Freehold building costs are depreciated on a straight-line basis over their useful economic life, as assessed by external valuers, as follows:

Main buildings and infrastructure	(up to) 65 years
Temporary buildings	(up to) 10 years

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

Leased assets are depreciated over the life of the lease.

Equipment

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

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

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

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

h) **Leased Assets**

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

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

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

i) **Stocks**

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

j) Taxation

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

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

k) Provisions

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

l) Financial Instruments

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

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

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

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

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

Other key sources of estimation uncertainty:

- Tangible Fixed Assets

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

- Local Government Pension Scheme

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

	Note	Year ended 31 July 2022	Year ended 31 July 2021
		£000	£000
2 SFC Grants			
FE recurrent grant (including fee waiver)		37,107	36,272
HE & FE childcare funds		408	367
Release of deferred capital grants		755	828
Maintenance grant		786	684
NPD UC Grant (include Capital)		4,809	4,791
Additional financial support		-	700
SFC Grants re Job Evaluation		858	858
Other SFC Grants		1,549	1,023
Total		46,272	45,523
3 Tuition Fees and Education Contracts			
FE fees – UK		542	361
FE fees – EU		-	-
FE fees – non-EU		-	-
HE fees		2,197	2,477
Education contracts		1,078	1,259
Other contracts		172	159
Total		3,989	4,256
4 Other Grant Income			
European funds		-	-
Grants from Ayrshire College Foundation – Capital		-	11
Grants from Ayrshire College Foundation - Revenue		-	-
Release of deferred capital grants	15	74	71
Total		74	82
5 Other Operating Income			
Catering		467	9
Other income generating activities		1,026	677
Other income – East Ayrshire Council discretionary support		-	56
Other income		495	708
Total		1,988	1,450

	Note	Year ended 31 July 2022	Year ended 31 July 2021
6 Staff Costs		£000	£000
Wages and salaries		25,715	25,315
Social security costs		2,589	2,446
Other pension costs		5,090	4,947
		33,394	32,708
FRS 102 pension adjustments		3,645	3,206
Job Evaluation		858	858
Total		37,897	36,772
Curriculum departments		18,215	18,111
Curriculum services		5,540	5,232
Administration and central services		11,409	10,530
Premises		1,361	1,402
Catering		514	639
Sub-total		37,039	35,914
Job Evaluation		858	858
		37,897	36,772
		-	467
Total		37,897	37,239

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

	2022 No.	2021 No.
Academic/teaching departments	307	314
Academic/teaching services	114	114
Administration and central services	200	198
Premises staff	49	51
Catering staff	25	30
Total	695	707

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

	2022 No.	2021 No.
£50,001 to £60,000 per annum	20	20
£60,001 to £70,000 per annum	2	-
£70,001 to £80,000 per annum	2	2
£80,001 to £90,000 per annum	5	5
£90,001 to £100,000 per annum	-	1
£100,001 to £110,000 per annum	2	2
£110,001 to £120,000 per annum	-	-
£120,001 to £130,000 per annum	-	-
£130,001 to £140,000 per annum	-	-
£140,001 to £150,000 per annum	1	1

7 Senior Post-holders' Emoluments

Note	2022 No.	2021 No.
	3	4

The number of senior post-holders, including the Principal was:

Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
353	446
-	-
73	88
426	534

Senior post-holders' emoluments are made up as follows:

Salaries
Benefits in kind
Employers Pension contributions

Total Emoluments

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

Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
144	140
-	-
-	-
144	140
28	27

Salary

Bonus

Benefits in kind

Employers Pension contributions

Ayrshire College # 484082
17/11/2022 09:11:30

7 Senior Post-holders’ Emoluments (continued)

In 2021-22 the Principal and one other senior post-holder were members of the Strathclyde Pension Fund and one senior post holder was a member of the Scottish Teachers Superannuation Scheme. All pension contributions were paid at the same rate as for other members.

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

Chair’s Remuneration

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

2021-22: £27,560
 2020-21: £27,560

This remuneration is not pensionable.

	Note	Year Ended 31 July 2022	Year Ended 31 July 2021
		£000	£000
8 Other Operating Expenses			
Teaching departments		1,533	1,585
Administration and central services		2,301	2,160
Kilwinning Campus PFI service charge		812	813
Hill Street NPDP unitary charge		1,435	1,395
Other premises costs		2,058	1,851
Childcare costs		408	367
Catering costs		235	12
Total		8,782	8,183

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
Other operating expenses include:		
Auditors’ remuneration	35	35
- external audit of these financial statements	27	29
- internal audit services	-	-
- other services	95	97
Operating lease payments		

	Note	Year Ended 31 July 2022	Year Ended 31 July 2021
		£000	£000
9 Interest Payable			
Kilwinning Campus PFI interest charge		249	308
Hill Street NPD interest charge		2,445	2,524
Pension finance costs	19	357	405
Total		3,051	3,237

10 Taxation

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

Ayrshire College # 484082
17/11/2022 09:11:30

11 Tangible Fixed Assets

	Freehold Land and Buildings £000	Leasehold Land and Buildings £000	PFI Building £000	NPD Building £000	Equipment £000	Total £000
Cost or Valuation						
At 1 August 2021	41,365	1,005	23,587	63,307	7,130	136,394
Additions	114	-	-	13	530	657
Revaluation	70	-	-	-	-	70
Impairments	-	-	-	-	-	-
Disposals	-	-	-	-	(2,426)	(2,426)
At 31 July 2022	41,549	1,005	23,587	63,320	5,234	134,695

Depreciation

At 1 August 2021	-	561	-	-	5,626	6,187
Provided during year	1,274	79	680	1,329	712	4,074
Write back re: revaluation	-	-	-	-	-	-
On disposals	-	-	-	-	(2,362)	(2,362)
At 31 July 2022	1,274	640	680	1,329	3,976	7,899

Net Book Value at

31 July 2022	40,275	365	22,907	61,991	1,258	126,796
---------------------	---------------	------------	---------------	---------------	--------------	----------------

Net Book Value at

31 July 2021	41,365	444	23,587	63,307	1,504	130,207
Inherited	25,626	2	12,953	18,724	-	57,305
Financed by capital grant	8,266	363	21	13	878	9,541
Other	6,383	-	9,933	43,254	380	59,950
At 31 July 2022	40,275	365	22,907	61,991	1,258	126,796

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

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
12 Debtors: Amounts falling due within one year			
Trade debtors – net of provision for doubtful debts		156	315
European funding		-	-
Other Debtors		21	192
Prepayments and accrued income		4,008	3,032
Amounts owed by the Scottish Funding Council		-	-
		4,185	3,539
13 Creditors: Amounts falling due within one year			
Bank loans and overdrafts		-	-
Trade creditors		436	214
Other taxation and social security		954	649
Other Creditors		1,079	833
Accruals and deferred income		3,661	2,838
PFI Capital payment < 1 year	14	1,183	1,120
NDP Capital payment < 1 year	14	1,490	1,425
Deferred Capital Grants to be released in <1 year	15	899	899
Amounts owed to Scottish Funding Council		1,531	1,179
Bursaries and Student Support Funds for future disbursements		1,001	550
		12,234	9,707

Ayrshire College # 484082
17/11/2022 09:11:30

	Year ended 31 July 2021 £000	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Note	31 July 2022 £000		

14 Creditors: Amounts falling due after one year

Capital Element of Kilwinning PFI expenditure:

At 1 August 2021

Capital payments in year

	4,417	5,477
	(1,120)	(1,060)

Less amount due within one year

13	3,297	4,417
	(1,183)	(1,120)

At 31 July 2022

	2,114	3,297
--	--------------	--------------

Capital Element of Kilmarnock NPD expenditure:

At 1 August 2021

Capital payments in year

	41,855	43,210
	(1,425)	(1,355)

Less amount due within one year

13	40,430	41,855
	(1,490)	(1,425)

At 31 July 2022

	38,940	40,430
--	---------------	---------------

Total

	41,054	43,727
--	---------------	---------------

15 Deferred Capital Grants**At 1 August 2021**

Land and Buildings

Equipment

	SFC £000	Non SFC £000	Total £000
	7,139	1,795	8,934
	986	-	986

Grants Received in the Period

Land and Buildings

Equipment

	8,125	1,795	9,920
	127	-	127
	323	-	323
	450	-	450

Released to Income and Expenditure Account

Land and Buildings

Equipment

	(325)	(74)	1,399
	(430)	-	(430)
	(755)	(74)	(829)

At 31 July 2022

Land and Buildings

Equipment

	6,941	1,721	8,662
	879	-	879
	7,820	1,721	9,541

Split as follows:

Due to be released in <1 year

Due to be released in >1 year

	828	71	899
	6,992	1,650	8,642
	7,820	1,721	9,541

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
16 Provisions for Liabilities and Charges		
Early Retirement Provision		
At 1 August 2021	1,430	1,474
Expenditure in the period	(87)	(87)
Release of provision	(155)	43
At 31 July 2022	1,188	1,430

The above liability is in respect of future pension liabilities arising from early retirements prior to 2006 and now relating to 23 individuals receiving benefits (2020-21: 23). The pension liability has been revalued using SFC actuarial tables.

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Other Provisions		
At 1 August 2021	591	461
Expenditure in the period	-	(70)
Additional provision required in the period	-	200
At 31 July 2022	591	591

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

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
17 Reserves		
Income & Expenditure Account		
At 1 August 2021	18,195	14,759
Surplus/(deficit) for the period	(1,545)	(1,101)
Disposal of properties in revaluation reserve	-	326
Transfer from revaluation reserve	1,605	-
Impairment of Properties	-	-
Transfer to/(from) pension scheme	4,002	3,611
At 31 July 2022	22,257	18,195

17 Reserves (continued)

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Pension Reserve		
At 1 August 2021	(20,543)	(27,344)
Current service cost	(5,540)	(5,034)
Impact of curtailments	-	(3)
Employer contributions	1,869	1,805
Contributions re unfunded benefits	26	26
Past service costs	-	-
Net return on pension scheme	(357)	(405)
Actuarial gain/(loss) in pension scheme	36,063	10,412
At 31 July 2022	11,518	(20,543)

Summary

Income & expenditure account	22,257	18,195
Pensions reserve	11,518	(20,543)
At 31 July 2022	33,775	(2,348)

Revaluation Reserve

At 1 August 2021	58,840	32,982
Revaluation	70	26,784
Transfer to income & expenditure account in respect of		
Depreciation on revalued assets (include element re	(1,605)	(926)
PFI capital reserve)	-	-
Disposal of properties	-	-
Impairment of properties	-	-
At 31 July 2022	57,305	58,840

18 Analysis of Changes in Cash and Cash Equivalents

	At 1 August 2021 £000	Cash Flows £000	Other Changes £000	At 31 July 2022 £000
Cash	8,201	4,512	-	12,713
Finance lease/hire purchase contracts	-	-	-	-
Total	8,201	4,512	-	12,713

19 Pensions and Similar Obligations

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

The total pension costs for the period were:

	Year to 31 July 2022 £000	Year to 31 July 2021 £000
STSS: contributions paid	3,195	3,116
SPF: Contributions paid	1,895	1,831
FRS 102 charge to the Income & Expenditure Account	3,645	3,206
Total Pension Cost (Note 6)	8,735	8,153

Scottish Teachers' Superannuation Scheme (STSS)

The last audited full actuarial and funding valuation was carried out at 31 March 2016. The results of this valuation were rolled forward to give an overall scheme liability of £48.2 billion at 31 March 2021.

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

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

Financial Assumptions at 31 March 2021

Rate of return (discount rate) 1.25%

Rate of Return in Excess of:

Earnings increases (2.38)%
Price increases (0.95)%

Employer contributions were payable to the STSS at a rate of 23%. Employer rates are reviewed every five years following a scheme valuation from the Government Actuary. The rate of employee's contributions vary dependant on the employee's salary.

Strathclyde Pension Fund (SPF)

The SPF is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution by the employer made for the year ended 31 July 2022 was £1,895,000.

Under the requirements of Financial Reporting Standard 102 (FRS102), the College is required to disclose information on its share of assets and liabilities of the Strathclyde Pension Fund on a market value basis at the end of the accounting period. The figures quoted form the basis of the balance sheet and funding status of Ayrshire College as at 31 July 2022, in respect of its pension obligations under this Local Government Pension Scheme (LGPS). This information is set out below:

Principal Actuarial Assumptions

	At 31 July 2022	At 31 July 2021
Rate of increase in salaries	3.5%	3.6%
Rate of increase for pensions in payment/inflation	2.8%	2.9%
Discount rate for liabilities	3.5%	1.6%
Expected return on assets	0.0%	0.0%

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

	At 31 July 2022	At 31 July 2021
Current pensioners	19.6	19.8
	Females	22.6
Future pensioners	21.0	21.2
	Females	24.7

The approximate allocation of scheme assets is as follows:

	At 31 July 2022	At 31 July 2021
Equities	60%	66%
Bonds	27%	24%
Property	11%	9%
Cash	2%	1%
	100%	100%

The assets and the liabilities of the scheme were:

Total Market Value of Assets

Present value of scheme liabilities:

Funded	(64,475)	(94,722)
Unfunded	(396)	(491)
Surplus/(deficit) in the Scheme	11,518	(20,543)

19 Pensions and Similar Obligations (continued)

	Note	At 31 July 2022 £000	At 31 July 2021 £000
Employer service cost (net of employee contributions)		5,540	5,034
Past service cost		-	3
Total operating charge		5,540	5,037
		At 31 July 2022	At 31 July 2021 £000
Analysis of pension finance income/(costs)			
Expected return on pension scheme assets		1,202	862
Interest on pension liabilities		(1,559)	(1,267)
Pension finance income/(costs)		(357)	(405)
		Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Movements on Pension Scheme Deficit			
Deficit in scheme at 1 August 2021		(20,543)	(27,344)
Movement in year:			
Current service charge		(5,540)	(5,034)
Losses/(gains) on curtailments		-	(3)
Contributions by members		1,869	1,805
Contributions in respect of unfunded benefits		26	26
Past service costs		-	-
Net return on pension assets		(357)	(405)
Actuarial gains/(losses)		36,063	10,412
(Deficit) in scheme at 31 July 2022	17	11,518	(20,543)

Asset and Liability Reconciliation**Reconciliation of Liabilities
Liabilities at 1 August 2021**

Service cost	95,213	88,520
Interest cost	5,540	5,034
Contributions by members	1,559	1,267
Actuarial (gain)/loss	572	575
Past service cost/(gain)	(36,509)	1,359
Losses/(gains) on curtailments		3
Estimated Unfunded Benefits Paid		-
Estimated Benefits Paid		(26)
		(1,519)

Liabilities at 31 July 2022

	64,871	95,213
--	---------------	---------------

19 Pensions and Similar Obligations (continued)

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Reconciliation of Assets		
Assets at 1 August 2021	74,670	61,176
Expected return on assets	1,202	862
Contribution by members	572	575
Contribution by employer	1,869	1,805
Contribution in respect of unfunded benefits	26	26
Other Experience	-	(956)
Actuarial (gain)/loss	(446)	12,727
Estimated unfunded benefits paid	(26)	(26)
Estimated benefits paid	(1,478)	(1,519)
Assets at 31 July 2022	76,389	74,670

Amounts for the current and previous accounting periods

Fair value of employer assets	76,389	74,670
Present value of defined benefit obligation	(64,871)	(95,213)
Surplus/(Deficit)	11,518	(20,543)

20 Related Party Transactions

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

SFC is regarded as a related party. During the year to 31 July 2022 Ayrshire College had various material transactions with SFC and Scottish Government Departments, as well as with other entities for which the Scottish Government is regarded as the sponsor via the Student Awards Agency for Scotland and a number of other Colleges and higher education institutions. In addition, Ayrshire College has had transactions with Skills Development Scotland, Colleges Scotland and a small number of material transactions with other Scottish Government Departments and other central government bodies.

As at 31 July 2022 the College had no outstanding balances due to related parties and two balances due from related parties. These were as follows:

- Due from SDS - £58,005
- Due from University of Strathclyde - £5,648

Due to the nature of the College's operations and the composition of its Board of Management (being drawn from local public and private sector organisations), it is inevitable that transactions will take place with organisations in which a member of the College's Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

20 Related Party Transactions (continued)

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

Board Member	Position	Organisation	Sales/ Purchases by the College in the year
Steven Wallace	Employee	University of Strathclyde	Sales - £50,739 Purchases - £nil
Gillian Murray	Employee	Anderson Strathearn	Sales - £nil Purchases - £12,092

There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2021-22.

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

Mrs C Turnbull	Principal and Chief Executive (resigned 05.11.2022)
Janette Moore	Teaching Staff Member
Steven Fegan	Service Staff Member

21 FE Bursary and Other Student Support Funds

	FE Bursary	FE Hardship	FE EMA's	Other	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000	£000	£000	£000	£000
Balance brought forward	-	-	-	331	331	172
Allocation received in year	8,701	2,035	382	284	11,402	11,364
Interest						
	8,701	2,035	382	615	11,733	11,536
Expenditure						
Repaid to SFC/SAAS	(6,974)	(1,776)	(382)	(359)	(9,491)	(9,386)
Repayable to SFC as clawback	(1,477)	-	-	-	(1,477)	(1,839)
College contribution to funds	-	-	-	(112)	(112)	-
Virements	-	-	-	-	-	-
Balance carried forward	250	259	-	144	653	331
Represented by:						
Repayable to SFC as clawback	250	259	-	136	645	113
Retained by College for students	-	-	-	8	8	218
	250	259	-	144	653	331

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

22 FE & HE Childcare Funds

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Balance brought forward	219	25
Allocation received in period	756	796
Expenditure	975	821
Repayable to SFC as clawback	(408)	(367)
Repayable in year	(219)	(25)
Virements	-	(210)
Balance carried forward	-	-
	348	219
Represented by:		
Net repayable to SFC as clawback	348	219
Retained by College for Students	-	-
	348	219

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

23 Commitments under Operating Leases

As at 31 July 2022 the College had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	-	-
Total	-	-

24 Capital Commitments

Year ended 31 July 2022	Year ended 31 July 2021 £000s
2,550	50

25 Ayrshire College Foundation

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

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

26 PFI Contract and Kilwinning Campus

Payments remaining to be made under the PFI contract at 31 July 2022 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2022-23	845	1,183	186	2,214
Payable in 2021-22	1,344	2,114	167	3,625
Payable within 2 to 5 years	-	-	-	-
Payable within 6 to 10 years	-	-	-	-
Total	2,189	3,297	353	5,839

	Year ended 31 July 2022	Year ended 31 July 2021
Balance at start of year	£000	£000
Payments made in the year	4,417	5,477
	(1,120)	(1,060)
Balance outstanding at end of the year	3,297	4,417

27 NPD Hill Street

Payments remaining to be made under the NPD contract at 31 July 2022 are as follows:

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2022-23	1,333	1,490	2,362	5,185
Payable within 2 to 5 years	6,122	6,039	8,579	20,740
Payable within 6 to 10 years	8,174	9,170	8,581	25,925
Payable > 10 years	15,576	23,731	7,358	46,665
Total	31,205	40,430	26,880	98,515

	Year ended 31 July 2022	Year ended 31 July 2021
Balance at start of year	£000	£000
Payments made in the year	41,855	43,210
	(1,425)	(1,355)
Balance outstanding at end of the year	40,430	41,855

28 Post Balance Sheet Events

There are no post balance sheet events to report.

29 Contingent Liabilities

There are no contingent liabilities at 31 July 2022 (31 July 2021: £nil).

30 Non-Cash Allocation

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

	2021-22 £000	2020-21 £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(1,545)	(1,101)
Add back: Non-cash allocation for depreciation (net of deferred capital grant)	3,243	2,835
Operating surplus / (deficit) on Central Government accounting basis	1,698	1,734

Under the FE/HE SORP, the college recorded an operating deficit of (£1,545,000) for the year ended 31 July 2022. After taking account of the Government noncash budget, the college shows an “adjusted” surplus of £1,698,000 on a Central Government accounting basis.

Ayrshire College # 484082
17/11/2022 09:11:30

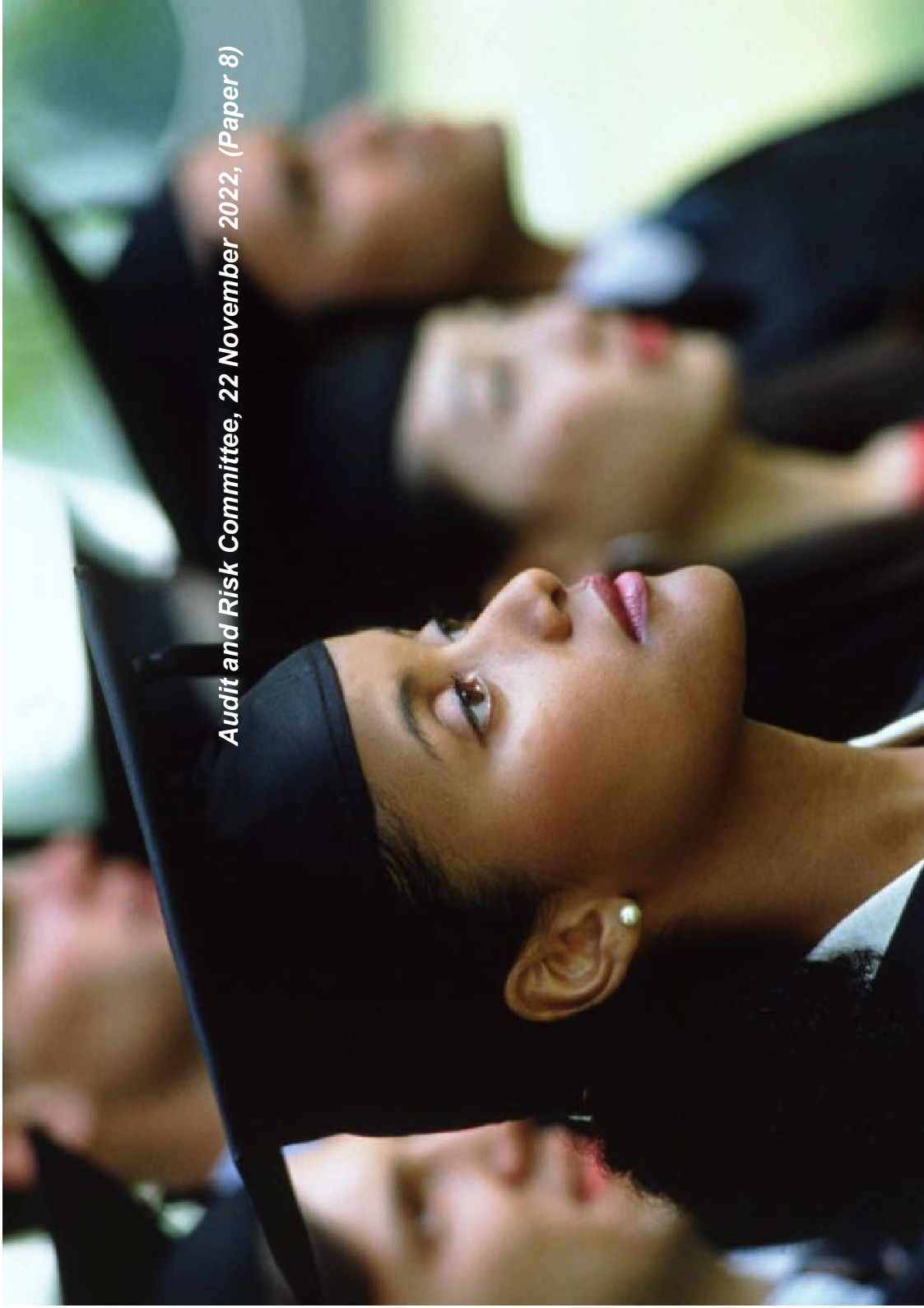
Appendix 1

Accounts Direction for Scotland's Colleges 2021-22

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2021-22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
18 July 2022

Ayrshire College # 484082
17/11/2022 09:11:30



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

Ayrshire College
Year ended 31 July 2022

Ayrshire College # 484082
17/11/2022 09:11:30

Contents

01	Executive summary
02	Audit of the financial statements
03	Internal control recommendations
04	Summary of misstatements
05	Wider scope work • Financial management • Financial sustainability • Governance and transparency • Value for Money

06 Our fees

Appendix A – Draft management representation letter
Appendix B – Draft audit report
Appendix C – Independence

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

Mazars

2



Mazars LLP
100 Queen Street
Glasgow
G1 3DN

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

22 November 2022

Dear Members,

Annual Audit Report – Year ended 31 July 2022

We are pleased to present our Annual Audit Report for the year ended 31 July 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Audit & Risk Committee on 7 June 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

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

Yours faithfully,

Lucy Nutley
For and on behalf of Mazars LLP

Ayrshire College # 484082
17/11/2022 09:11:30

1. Executive Summary

Purpose of this report and principal conclusions

This Annual Audit Report sets out the findings from our audit of Ayrshire College ('the College') for the year ended 31 July 2022 and forms the basis for discussion at the Audit and Risk Committee meeting on 22 November 2022.

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

Opinion on the financial statements	We anticipate an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B
Opinion on regularity	We anticipate issuing an unqualified regularity opinion, meaning that in our opinion, in all material respects the expenditure and income recognised in the financial statements have been applied for the purposes intended.
Opinion on other requirements	We anticipate issuing an unqualified opinion on the matters prescribed by the Auditor General for Scotland. Namely, that the remuneration and staff report, performance report and governance statement have been properly prepared in accordance with the relevant legislation.
Wider scope work	We anticipate concluding as follows against each of the four wider scope dimensions: • The College has effective arrangements, including budgetary control, that help the Board Members scrutinise finances; • The College has adequate financial planning arrangements in place, including budgetary control, that help the Board members scrutinise finances. However, given the overall sector financial position, we consider that the College's ability to remain financially sustainable over the medium to longer term, without significant additional funding or cost cutting, remains a significant risk; • The College has governance arrangements in place that provide appropriate scrutiny of decisions made by the Board of Management; and • The College has an effective performance management framework in place that supports progress towards the achievement of value for money.

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

Ayrshire College # 484082
17/11/2022 09:11:30

Status of our audit work

We have substantially completed our audit work on the financial statements and wider scope work for the year ended 31 July 2022. At the time of preparing this report the following matters remain outstanding.

Audit Area	Status	Description of outstanding matters
Annual Report	●	Consideration of the consistency of the content of the annual report with the financial statements and any other relevant supporting documentation where not obviously consistent with financial statements.
Closure procedures and review	●	A final review of the Annual Report and Financial Statements will be completed on receipt of the final draft document. Standard audit completion still procedures required to be performed. We will also consider post balance sheet events until the date of sign-off.

Status

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

Internal control recommendation and misstatements

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

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

Mazars

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum on 7 June 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Adding value through the audit

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

Materiality

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

We set materiality at the planning stage of the audit at £1,048,000 using a benchmark (2%) of total expenditure. Our final assessment of materiality, based on the draft financial statements is £1,076,000 using the same benchmark.

	Initial Threshold £'000	Final Threshold £'000
Overall materiality	1,048	1,076
Performance materiality	838	861
Trivial threshold for errors to be reported to the Audit and Risk Committee	31	32

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

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;

- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgements and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements

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

Performance materiality

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

Misstatements

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

2. Audit of the financial statements

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

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

Significant risks and key areas of management judgment

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

**Management
override of
controls**

Description of the risk

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

How we addressed this risk

We addressed this risk by performing audit work over:

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

Audit conclusion

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

Ayrshire College # 484082
17/11/2022 09:11:30

Revenue recognition

Description of the risk

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

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

How our audit addressed this area of management judgement

We addressed this risk by performing audit work over:

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

Audit conclusion

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

Expenditure recognition

Description of the risk

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

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

How we addressed this risk

We addressed this risk by performing audit work over:

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

Audit conclusion

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

Key Areas of Management Judgement

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

Valuation of land and buildings	Description of the area of focus
	The College held land and buildings with a net book value of £126m as at 31 July 2022 (£129m as at 31 July 2021). In line with the requirements of the Government Financial Reporting Manual, the College has adopted a formal revaluation policy of an external valuation every five years, with a desktop, interim valuation performed during the five year period. As the external valuation was performed at 31 July 2021, there was no full revaluation in the current year. A valuation of land transferred to the Kilwinning Campus as part of the Future Skills Hub was performed during the year. The College policy meets the requirement of the FE SORP that assets are valued sufficiently regularly so that the carrying value of the asset is not materially different from its fair value. The College is required to assess on an annual basis whether there are indicators of impairment to assets at the reporting date. Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.

How our audit addressed this area of management judgement

We have performed a range of substantive procedures including:

- Ensuring valuations and impairments have been completed on the appropriate basis and that movements are in line with expectation;
- Review of the reconciliation between the College's asset register and general ledger; and
- Considering the College's impairment review process for land and buildings.

Audit conclusion

Satisfactory assurance has been gained in respect of the valuation of land and buildings.

Valuation of pension liabilities

Description of the risk

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

The College's share of the SPF's underlying assets and liabilities is identifiable and is recognised in the accounts.

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

How our audit addressed this area of management judgement

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

Audit conclusion

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

Ayrshire College # 484082
17/11/2022 09:11:30

Qualitative aspects of the entity's accounting practices

We have reviewed the College's accounting policies and disclosures and concluded they comply with the requirements of the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education and the Government Financial Reporting Manual 2021/22 and were appropriately tailored to the College's circumstances.

Draft financial statements were received from the College on 13 October 2022 at the start of audit fieldwork. The draft annual report was received during fieldwork on 2 November 2022. Both draft financial statements and the draft annual report were of good quality.

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

Significant matters discussed with management

At 31 July 2022 the College's share of the Strathclyde Pension Fund was recorded as a notional surplus as the value of the defined benefit obligation was less than the fair value of the plan assets at that date, meaning that the pension liability usually recorded is now a pension asset. We have had discussions with management as to the most appropriate accounting treatment and disclosure of the pension asset.

During the course of the audit, the financial position of the College changed resulting from a late announcement from the Scottish Funding Council (SFC) declaring that Colleges who had not met their credit targets could use a 2% tolerance for missed credit targets. This resulted in the College being able to release around £711k of a credit provision that was intended to be returned to SFC, into income. The impact was the reported adjusted operating position going from deficit to surplus as at 31 July 2022.

No other significant matters arose during the course of the audit.

Significant difficulties during the audit

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

Ayrshire College
17/11/2022 09:11:30 #484082

3. Internal Control Recommendations

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

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

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

4. Summary of Misstatements

This section outlines misstatements identified during the course of the audit, above the clearly trivial threshold for adjustment of £32k.

Adjusted misstatements

There was one adjusted misstatement identified during the course of the audit above the trivial threshold of £32k. This was as a result of late guidance issued by the Scottish Funding Council that allowed the College to take advantage of a 2% credit tolerance that would improve the financial position. This increased income by £711k and moved the adjusted operating position from deficit to surplus.

	SOCIE		Balance Sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Funding body grants		(711)		
Amounts owed to SFC			711	
<i>Being the adjustment to income following adoption of 2% credit tolerance</i>				
		(711)	711	

Unadjusted misstatements

There were no unadjusted misstatements identified during the course of the audit above the clearly trivial threshold of £32k.

5. Wider Scope

Our approach to Wider Scope work

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

- Financial sustainability
- Financial management
- Governance and transparency; and
- Value for money

The table overleaf sets out the four dimensions of wider scope and our adopted approach.

Ayrshire College # 484082
17/11/2022 09:11:30

Dimension	Description	Our approach
Financial management	Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively	We have considered: - the monitoring of the effectiveness of internal control arrangements - whether the College's budgetary control system is timely and accurate - whether and how the College has assessed their financial capacity and skills
Financial sustainability	Extending our work on the going concern assumption in the financial statements looking forward two to five years from the reporting date, reviewing, and assessing the college's arrangements for financial planning and affordable and sustainable service delivery	We have considered: - the financial planning system in place for short, medium and long term periods - the adequacy and accuracy of financial reporting arrangements - the reasonableness of affordability assumptions made in financial planning
Governance and transparency	Governance and transparency covers the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information. The Governance Statement sets out the internal control arrangements and governance framework in place for the year under review	We have considered: - the effectiveness of internal control arrangements - the appropriateness of disclosures made in the Governance Statement - whether the disclosure requirements of the Accounts Direction and the Code of Good Governance for Scotland's Colleges have been met
Value for money	Value for money concerns using resources effectively and continually improving services	We have considered: - the College's evidence of providing value for money - the focus on improving value for money and the pace of change at the College.

Financial management

Dimension

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

Our conclusion

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

Financial performance

FE/HE SORP position

	2021/22 £'000	2020/21 £'000
Operating income	52,323	51,311
Staff costs	(37,897)	(36,772)
Operating expenditure	(15,905)	(15,621)
Operating Deficit for the year (FE/HE SORP basis)	(1,479)	(1,082)

The above table shows the financial performance of the College for 2021/22 and 2020/21 under the FE/HE SORP. Despite a deficit being shown over both years:

- The College's spending was in line with the plan;
- The College consistently reported a deficit during the year, albeit the level varied depending on the level of support that would potentially be available through credit tolerance from the SFC.; and
- The student core credit target was met confirming the level of funding in the financial statements.

Adjusted operating position

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

	2021/22 £'000	2020/21 £'000
Deficit before other gains and losses	(1,479)	(1,082)
Add back		
• Depreciation (net of deferred capital grant release)	3,243	2,835
• Non-cash pension adjustments – net service costs	3,645	3,206
• Non-cash pension adjustments – net interest cost	357	405
• Non-cash pension adjustments – early retirement provision	(155)	43
Deduct		
• Non-government capital grants from ACF	-	(67)
• CBP allocated to loan repayments and other capital items	(954)	(954)
• NPD income applied to reduce NPD balance sheet debt	(1,425)	(1,355)
• Additional revenue funding allocated by SFC	-	(700)
SFC declared adjusted operating surplus	3,232	2,331

The Accounts Direction issued by the SFC for 2021/22 requires Colleges to submit the adjusted operating position calculation with draft accounts to the SFC for review before the accounts are signed off. The SFC have confirmed that they are satisfied with the above calculation from the College.

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

Impact of depreciation budget

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

Operating Deficit for the year (FE/HE SORP basis)		2021/22 £'000	2020/21 £'000
Add:		(1,479)	(1,082)
Depreciation budget for government funded assets (net of deferred capital grant) for the academic year		3,243	2,835
Operating surplus on Central Government accounting basis		1,764	1,753

The table above shows a surplus when the impact of the depreciation budget is taken as the only adjusting factor to the financial position. The operating position table at the top of the page also shows an operating surplus for 2021/22. The College is currently considered to be operating sustainability within its funding allocation.

Budgetary process

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

We note that budget reports are produced on a timely basis and considered by the appropriate committee throughout the year. Budget reports and forecasts were appropriately updated based on prudent assumptions, there was considered to be no unreasonable movements throughout the quarterly forecasts and budgets considering the ongoing impact of the recovery from the Covid-19 pandemic.

The Business, Resources and Infrastructure Committee considers the management accounting pack regularly, reporting to the Board of Management. Minutes of the meetings document the level of challenge to the financial performance.

In response to the late announcement by the SFC provided updated guidance on the 2% credit tolerance, the Finance team updated the adjusted operating position and wrote to the SFC asking to confirm the revised position. The SFC confirmed the revised position as being appropriate and therefore the Finance team processed the adjustment. The Board will be informed at the next meeting, due to take place in December.

Internal controls

Mazars

Ayrshire
17/11/2022 11:30 AM
484082

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

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

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

Prevention and detection of fraud and irregularity

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

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

Ayrshire College # 484082
17/11/2022 09:11:30

Financial Sustainability

Dimension

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

Our conclusion

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

Identified significant risks to our wider scope work

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

Financial sustainability	Description of the risk
	During 2020/21, the College prepared a three-year forecast which highlights a future funding gap. The College has taken steps to identify areas where savings can be made to mitigate the funding gap in the FFR. Given the level of sector wide uncertainties around future funding and of the general economic environment that has arisen following Covid-19, there is a risk the timing of the future funding gap could be accelerated, or made greater without the plans identified by the College being fully implemented and / or additional funding not being made available from the SFC. We also note that should a decision be made to retain the Kilwinning Campus at the end of the PFI contract, there will be a final payment required that will have to be funded – either through additional SFC funding or further cost cutting measures than have already been planned.
	How we addressed the risk We have addressed the risk by: • Reviewing the forecast financial position in the five-year financial plans submitted to SFC;

-
- Considering alternative plans being considered by the College to ensure a balanced budget is achieved;
 - Reviewing the financial reporting arrangements in place at the College; and
 - Considering how management have considered the longer term implications of the COVID-19 outbreak;
 - Considering the Board's plans for the Kilwinning Campus.
-

Wider scope conclusion

During 2021/22, the College has prepared a five-year forecast which highlights a future funding gap. The College has taken steps to identify areas where savings can be made to mitigate the funding gap in the FFR. Given the level of sector wide uncertainties around future funding and of the general economic environment that has arisen following Covid-19, there is a risk the timing of the future funding gap could be accelerated, or made greater without the plans identified by the College being fully implemented and / or additional funding not being made available from the SFC.

The Board has approved a decision, in principle, but subject to a final business case to retain the Kilwinning Campus at the end of the PFI contract, on 14 August 2025. As such, a £1.3m final payment will be required to be paid at this point. The College are highly likely to have to fund this from their own funds and this should be factored into future financial plans. This will either be through additional SFC funding or further cost cutting measures than have already been planned.

As a result, we consider that there remains a risk that the College will not remain financially sustainable in medium to longer term.

Ayrshire College # 484082
17/11/2022 09:11:30

Financial planning

This year the College has been requested to produce a five-year Financial Forecast Return (FFR) to the SFC.

SFC’s FFR Call for Information set out two scenarios for colleges to consider.

Scenario One

The first scenario is the planning assumptions which are based on the Scottish Government’s Spending Review.

The Key planning assumptions used in this scenario are as follows:

- Core grant funding will remain at 2022-23 levels
- Credit targets remain at 2022-23 levels
- Foundation apprenticeship funding cannot be guaranteed beyond 2022-23
- FWDF income levels from 2023-24 are likely to be reduced
- Capital maintenance funding will remain at 2022-23 levels

In addition, the College is required to apply pay and pricing uplifts across the five years of the FFR. The uplifts to be used are set out in the table below.

	2022-23	2023-24	2024-27
Pay awards	Public sector pay policy	2%	2%
Non-staff costs	3.7%	2.3%	2%
Gas unit price	3.7%	2.3%	2%
Electricity unit price	3.7%	2.3%	2%

The income and expenditure projections using SFC’s planning assumptions result in the following in-year cash surplus / deficit:

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
In-year cash surplus / (deficit)	43	(385)	(872)	164	(724)

Using the planning assumptions set out within the FFR, Ayrshire College would need to deliver a total of £1.774m of efficiency savings over the five-year period. These savings would need to be achieved across three of the five years.

The College is confident that it would be able to achieve these levels of anticipated savings by delivering further cash releasing efficiency savings covering both staff

and non-staff budget areas. However, to frame the level of savings within a context and using 2020-21 median remuneration levels the College estimates that savings required would equate to the loss of 36.2 full time equivalent (FTE) staff members on the basis that saving were found solely from salary costs.

Further detail on the College's five-year forecast is included in the table below:

	Forecast 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Forecast 2026/27 £'000
Total income	52,624	52,648	52,671	52,696	52,721
Staff costs	(36,050)	(36,219)	(36,920)	(37,635)	(38,364)
Total other expenditure	(16,852)	(17,118)	(17,252)	(16,305)	(16,565)
Operating deficit before other gains and losses	(278)	(689)	(1,500)	(1,244)	(2,208)
Total depreciation	3,079	3,079	3,079	3,079	3,079
Loan repayments	(954)	(954)	(954)	(945)	(945)
NPD payments	(1,490)	(1,440)	(1,502)	(716)	(640)
Adjusted operating surplus / (deficit)	357	(4)	(877)	165	(723)

Scenario Two

The second scenario asked for colleges to model alternative planning scenarios that are considered relevant to their operating and planning environment. To ensure consistency across the sector alternative assumptions were agreed by the FDN (Finance Directors Network).

The key planning assumptions used in the FDN Alternative Scenario matched those in the FFR. However, different assumptions were used in a number of other areas:

	2022-23	2023-24	2024-27
NTTF & YPG income	Nil	Nil	Nil
Reductions in FWDF income	20%	10%	10%
Pay awards	5%	5%	3%
Non-staff costs	9%	7%	7%
Gas unit price	230%	8%	13%
Electricity unit price	27%	54%	41%

The income and expenditure projections using those planning assumptions result in the following in-year cash deficits:

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
In-year cash deficit	(1,702)	(3,960)	(5,575)	(5,542)	(7,655)

Using the planning assumptions set out using these assumptions the College estimate that they would need to deliver £24.434m of efficiency savings over the five-year period. Not insubstantial amounts of savings would need to be achieved each of the five years of the FFR.

If the £24.434m of savings were to be achieved solely through staff cost reductions the College estimates to equate to the loss of 498.9 FTE staff members based on 2020-21 median remuneration levels. During 2020-21 Ayrshire College had a total workforce of 707 FTE. Therefore, the level of savings required under the FDN Alternative Scenario cannot be achieved through a restructure or organisational review process. Ayrshire College could not function at its current capacity or deliver the educational credit activity included within our Regional Outcome Agreement with this level of staffing cuts.

Ayrshire College Alternative Scenario

Having reviewed the two scenarios set out in the FFR, the Board of Management supported the consideration of an alternative Ayrshire College planning scenario. This planning scenario reflects the tight financial environment and the fact that the College is constrained by the funding announced.

The Board recognised that the FDN Alternative Scenario would result in the College and wider sector no longer being financially sustainable. Therefore, if these projections proved to be a reality, then the sector would require to engage with SFC / Scottish Government on the future shape and size of colleges in Scotland.

Colleges would, however, have to make significant levels of saving. Therefore, for illustrative purposes, the Board approved management calculating the level of savings required by the College if it was required to achieve 25% of the savings resulting from the FDN Alternative Scenario assumptions.

Under this scenario Ayrshire College would need to deliver £6.108m of efficiency savings over the five-year period. These savings would need to be achieved across each of the five years.

If the £6.108m of savings was to be achieved solely through staff then this equates to the loss of 124.7 FTE staff members (based on the gross median remuneration level of £48,975).

The recovery from Covid-19 provides an additional risk for the College in achieving a balanced budget over the FFR period where any efficiencies able to be generated in

this time may not be sufficient to address a growing funding gap – if, for example, projections around commercial income cannot be achieved.

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

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

Asset management and estates strategy

National estates survey

Gardiner & Theobald were appointed by the Scottish Funding Council in January 2017 to provide a summary of the conditions of the estates within the Scottish Further Education sector, being the first independent review of the college estate in Scotland for 10 years. Across Scotland there was a significant estimated net total backlog of maintenance and renewals cost of over £350m.

The Ayrshire College estate benefits from having a relatively new estate, maintained as part of PFI and NPD contracts. The survey showed an estimate of £4.7 million of costs over the 5 year period from 2017-18 to 2022-23 for the Ayrshire College estate, with £1.8m being identified as urgent. The most significant urgent costs identified relate to Dam Park Campus in Ayr.

Kilwinning Campus PFI Contract

The College's PFI contract for the Kilwinning Campus is due to expire on 14 August 2025. Well in advance of the expiry, during 2019/20 the College obtained legal advice to understand any obligations and actions that should be taken in relation to the expiry. The legal advice sets out that the College has three options at the end of the contract; make a final payment to purchase the campus, extend the term of the PFI contract or exit the contract with no asset.

A decision was made by the Business, Risk and Infrastructure Committee, endorsed by the Board in December 2022, that the College's preferred option is the first, to make a final payment and purchase the campus, subject to a business case for the expenditure at the appropriate point. No formal decision is required under the PFI contract until September 2023. No provision is recorded as management consider there is no contractual obligation to purchase the campus as at 31 July 2022.

Governance and Transparency

Dimension

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

The Governance Statement sets out the internal control arrangements and governance framework in place for the year under review.

Our conclusion

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

Governance arrangements

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

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

At 31 July 2022, the Board consisted of 14 members, 8 female (including the Principal) and 6 male. The Board should consist of no less than 15 members, as set out in the Post-16 Education Scotland (Act) 2013. The reduction in Board members was caused by an unexpected resignation in June 2022 which was filled in August 2022. As new Board member appointments are made, the recruitment process will continue to try and maintain a gender balance that meets with the objective of the Gender Representation on Public Boards (Scotland) Act 2018.

The tenure of the Chair of the Board ended in March 2022. A new Chair is yet to be appointed, following a recruitment process that is led by the Scottish Government.

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

Governance Statement

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

Mazars

internal audit and the overall efficiency and effectiveness of the governance framework

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

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

Internal audit

An effective internal audit service is an important element of any organisation's governance arrangements. Internal audit provide the College with independent assurance on internal control and corporate governance processes. The internal audit function at the College is provided by BDO. Internal audit have attended Audit and Risk Committees throughout the year and have produced 6 reports to support the overall Head of Internal Audit Opinion.

Transparency

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

Value for Money

Dimension

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

Our conclusion

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

Performance management

The College delivered its Regional Outcome Agreement (ROA) target credits. The College achieved an adjusted operating surplus in the year. There is close monitoring of the delivery of the ROA and financial performance reports provide sufficient information to allow members to understand performance. Budget monitoring information provides a detailed analysis of variances allowing budget to be appropriately managed. Through this management of the 2021/22 budget there is clear evidence that the College understands cost drivers and is in control of costs as far as can be reasonably expected given the circumstances of the year.

Regularity

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

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

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

Ayrshire College # 484082
17/11/2022 09:11:30

6. Our Fee

Fees for work as the College’s appointed auditor

We reported our proposed fees for the delivery of our work in our Audit Strategy Memorandum, presented to the Audit and Risk Committee on 7 June 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	Proposed fee 2021/22	Final fee 2021/22
Auditor remuneration	31,910	31,910
Pooled costs	1,630	1,630
Contribution to Audit Scotland costs	1,460	1,460
Total Fee	35,000	35,000

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

Appendix A

Draft Management Representation Letter

Dear Sirs

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the College's accounts for the period ended 31 July 2022.

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

- a) the financial statements are free of material misstatements including omissions;
- b) that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2022;
- c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- d) all other records and related information, including minutes of all management meetings, have been made available to you;
- e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

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

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

Mazars

35

Accepted for release
11/11/2022 09:11:30
College # 484082

material effect on the financial statements.

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

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

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

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

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

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

The College does not consider that a contractual liability exists for the cessation of the Kilwinning Campus PFI contract at 31 July 2022 and therefore no provision has been made for this in the financial statements.

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

We are not aware of any irregularities, including fraud, involving existing management or employees of the College, nor are we

aware of any breaches or possible breaches of statute, regulations, contracts, agreements or College's Constitution and Articles of Government which might result in the College suffering significant penalties or other loss. No allegations of such irregularities, including fraud, or such breaches have come to our attention.

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

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

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

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

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

Yours faithfully

..... Chair of Board

..... Principal

Ayrshire College # 484082
17/11/2022 09:11:30

responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue. These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for

Mazars

40

expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

Mazars

41

statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Lucy Nutley, for and on behalf of Mazars LLP

100 Queen Street

Glasgow

G1 3DN

Date

Lucy Nutley is eligible to act as an auditor in terms of section 2 of the Public Finance and Accountability (Scotland) Act 2000.

Mazars

42

Appendix C

Independence

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

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

AC/JN

November 2022



Mazars LLP
100 Queen Street
Glasgow
G1 3DN

Dear Sirs

LETTER OF REPRESENTATION

We confirm to the best of our knowledge and belief the following representations given to you in connection with your audit of the College's accounts for the period ended 31 July 2022.

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

- a) the financial statements are free of material misstatements including omissions;
- b) that the financial statements give a true and fair view of the state of affairs of the College as at 31st July 2022;
- c) all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the College have been properly reflected and recorded in the accounting records;
- d) all other records and related information, including minutes of all management meetings, have been made available to you;
- e) the accounting policies used are detailed in the financial statements and are consistent with those adopted in the previous financial statements and are in accordance with the Accounts Direction issued by the Scottish Funding Council (SFC) under the terms of the Further and Higher Education (Scotland) Act 1992; and
- f) compliance with the terms and conditions of the Financial Memorandum issued to the Board of Management by the SFC.

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

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

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

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



November 2022

Letter of Representation

2

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

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

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

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

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

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

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

The College does not consider that a contractual liability exists for the cessation of the Kilwinning Campus PFI contract at 31 July 2022 and therefore no provision has been made for this in the financial statements.

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

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

November 2022

Letter of Representation

3

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

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

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

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

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

Yours faithfully

..... **Chair of Board**
(Fiona McQueen)

..... **Principal**
(Angela Cox)

Ayrshire College # 484082
17/11/2022 09:11:30

Audit and Risk Committee

22 November 2022

Subject: Internal Audit Rolling Internal Audit Action Plan as at 18 October 2022

Purpose: To provide Members with an update on the Rolling Internal Audit Action Plan as at 18 October 2022

Recommendation: Members are asked to note the content of this paper

1 Background

The rolling Internal Audit Action Plan is a standing agenda item for the Senior Leadership Team (SLT). The rolling action plan is updated on an exceptions basis for actions approved by the Audit Committee which are now beyond their agreed completion dates. It is reviewed on a monthly basis by the College's SLT and presented to each meeting of the Audit Committee.

2 Current Situation

The Rolling Internal Audit Action Plan covers any audit recommendations made by our current internal auditors (BDO), once the audit reports and proposed management responses have been approved by the Audit Committee. The 2021-22 audit plan was approved by the Audit Committee on 8 June 2021.

Table 1 below lists all outstanding recommendations from the internal audits that were due to have been completed by 19 October 2022. Table 1 also shows if the recommendation has been actioned or is still remaining.

Table 1

Ref	Audit Year	Audit Area	Points Due in Period	Actioned in Period	Remaining Points
2.1	2019-20	Schools and Community Provision	1	1	0
2.2	2021-22	Student Support	1	1	0
2.3	2021-22	Student Voice	1	1	0
2.4	2021-22	Marketing	2	1	1
TOTAL			5	4	1

2.1 Schools and Community Provision

This audit point relates to the need for the College to have data sharing agreements in place with the local authorities for the Schools College Programme (SCP). The auditors also recommended that these agreements are reviewed on a regular basis.

The draft data sharing agreement were prepared by College staff in autumn 2021. The draft agreements were prepared in line with the data sharing agreements already in place across the rest of the College and were shared with each of the three Ayrshire

local authorities. The data sharing agreement has been agreed with East Ayrshire Council and is awaiting sign off. The College has proactively engaged with South and North Ayrshire councils to obtain confirmation (or otherwise) on the draft agreements shared including escalating the matter to chief executive level, but these have yet to be formally.

The College and three local authorities are working to the arrangements set out in the data sharing agreements. The ability for the College to drive through formal agreement would be a disproportionate level of resource, especially given that the two local authorities are working to the draft agreement. It is therefore proposed that members agree to close this audit action.

2.2 Student Support

The first audit recommendation was that the College considers further methods to gain student feedback on services provided by the Student Services Team. The College agreed to enhance its existing arrangements by engaging a sample of those who have used the service in focus groups both with staff and also the Student Association. Students Services is currently establishing the appropriate membership and frequency of a focus groups on student services. The first focus group meeting will take place by the end of August (due to annual leave). Focus groups have been held on other areas such student counselling service and the UCAS process.

The college has yet to hold specific focus group on Students Services as it has been agreed that this will be more beneficial if held later in the academic year. The College has however gained feedback on student service areas through specific feedback on events and targeted student engagement. Therefore, this audit action is complete.

2.3 Student Voice

This audit recommendation relates to the Constitution for the Ayrshire College Students Association. The revised constitution was developed through a shortlife working group, which included senior management, and through liaison with the National Union of Students, Scotland. The Constitution was approved by the Board of Management in September 2022. Therefore this audit action is complete.

2.4 Marketing

The first audit action point relates to the College's Social Media Personal Use and Social Media Staff Corporate Use policies, which were due for review at the time of the audit. This action point was highlighted to the auditors by the Marketing Team at the initial audit meeting.

The College established a Short-Life Working Group to review the College's social media policies. Where required the existing practices have been updated and amended before being formally reviewed and approved. The policies have been prepared and are due to be presented to the next policy review meeting with the trade unions. Subject to the outcome of this review meeting the policies will then be presented for approval. Therefore this audit action is incomplete.

The second audit action relates to the formal documenting of arrangements within the Social Media Staff Corporate Use. The audit report referenced the good practice and documentation in place by the Marketing Team regarding social media passwords

and access. The audit report also notes that communications and social media platforms are monitored and reviewed by the Head of Marketing and Front of House. These areas were not however formally documented in the Social Media Staff Corporate Use policy. This audit recommendation was considered by the Short-Life Working Group and the revised arrangements and good practices already in place are now documented within the amended social media policies going to the policy review meeting. This audit recommendation is therefore complete.

3 Proposals

No further proposals are contained in this report.

4 Consultation

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

5 Resource Implications

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

6 Risks

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

7 Equality Impact Assessment

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

8 Conclusion

Members are asked to note the content of this paper.

James Thomson
Vice Principal, Finance
10 November 2022

Ayrshire College # 484082
17/11/2022 09:11:30