

**Meeting of the Audit and Risk Committee  
to be held on Tuesday 10 June 2025 at 4.00pm  
by Hybrid Attendance at Kilmarnock Campus and via Microsoft Teams**

## AGENDA

1. Welcome and Declarations of Interest
2. Apologies
3. Minute of the meeting held on 18 March 2025 Paper 1 (C/P)  
Paper 1A (P)
  - ARC Action & Decision Tracker
4. Matters arising

**Part A – For discussion, decision and approval** *papers must be accompanied by an EqIA where required*

5. 2025-26 SFC Funding Implications (8) Paper 2 (R) (ARi)
6. 2024-25 Fraud Risk Assessment (17) Paper 3 (P) (ARi)
7. Internal Audit – Wylie & Bisset
  - (i) Internal Audit Report – IT Systems Administration (2/10) Paper 4 (R) (SP)
  - (ii) Internal Audit Report – Overall Financial Controls Paper 5 (P) (SP)
  - (iii) 2024-25 Internal Audit Progress Report (6) Paper 6 (P) (SP)
  - (iv) 2025-26 Internal Audit Plan (2/5/14) Paper 7 (P) (ARi)
8. 2024-25 External Audit Annual Plan (8/14) Paper 8 (P) Azets
9. Audit and Risk Committee 2024-25 Draft Annual Report (11) Paper 9 (R) (SM)

**Part B – Regular Reporting/Monitoring**

10. Rolling Audit Action Plan (7) Paper 10 (R) (LW)

**Part C – Risk management and assurance**

11. 2024-25 Financial Compliance Report (3) Paper 11 (R) (LW)
12. Strategic Risk Register (15) Paper 12 (R) (ARi)
13. Assurance Mapping Process, Outputs and Risk Management Review (1/3) Pres (R) (ARi & SP)

**Part E – For information/AOB**

14. Any Other Business

**Date of Next Meeting** – Tuesday 16 September 2024 at 4.00pm

*(C/P) Confirmed minutes will be published; (P) Papers will be published on the College website; (R) Papers will not be published for reasons of commercial sensitivity or for reasons of personal data confidentiality*

**Minute of the Audit and Risk Committee  
Held by Hybrid Attendance at Kilmarnock Campus  
Thursday 18 March 2025**

**Present:**

Sharon Morrow	Chair
Jane Grant	Vice – Chair
Jason Currie	Non-Executive Board Member
Gillian Longmuir	Non-Executive Board Member
Chris Boyce	Elected EIS-FELA Staff Member

**In attendance:**

Anne Campbell	Vice Principal, Skills and Enterprise
David Davidson	Vice Principal, People, Performance and Transformation
Hilary Denholm	Board Governance Advisor & Minutes
Alan Ritchie	Vice Principal, Finance & Infrastructure
Liz Walker	Chief Financial Controller
Colin McNeill	Wbg – Internal Auditors * <i>from Item 8 onwards</i>

**1. Welcome and Declarations of Interest**

The Chair, Sharon Morrow, welcomed all present to the meeting.

There were no Declarations of Interest presented.

The meeting was confirmed as quorate.

**2. Apologies**

Apologies were received from Stephen Pringle, Wbg Internal auditors, and members were updated that Colin McNeill, Internal Auditor Senior from Wbg, who completed the two internal audits being reported on, would be in attendance in place of Stephen Pringle from Item 8 onwards.

Andy Reid from Azets External Auditors was not required to attend this meeting due to the agenda item content.

**3. Minutes of the Previous Meeting held on 10 December 2024 (Paper 1) C/P**

The minutes were approved as a correct record.

**Proposed:** Gillian Longmuir      **Seconded:** Jane Grant

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

The Committee noted all previous decisions and the actions completed.

**4. Matters Arising**

There were no other outstanding matters arising from the minutes.

## **5. Annual Review of the Effectiveness of External Auditor (*Paper 2*) (*P*)**

A Ritchie introduced this report which presented the findings of the 2023-24 evaluation of the external auditors, Azets Audit Services.

The Committee were requested to confirm it was content with the outcome of the College 2023-24 effectiveness review.

### **The Committee noted:**

- The College was content with the second year of the audit process and the approach and effectiveness of Azets Audit Services.
- There were several lessons to be learned and taken forward to 2023-24 which both the College and Azets recognise.
- The evaluation of Ayrshire College's external auditors, Azets, using KPIs and other benchmarks indicates a high level of performance and effectiveness.
- The auditors have consistently demonstrated audit quality, timeliness, compliance, cost efficiency, and positive stakeholder feedback. Their contributions have been instrumental in maintaining the financial integrity and compliance of the College.
- The auditors should continue to seek opportunities for improvement in their audit processes and methodologies to enhance the quality and efficiency of their services.
- Regular engagement with key stakeholders should be maintained to ensure that their feedback is continuously incorporated into the audit process.
- Periodic benchmarking against similar institutions should be conducted to ensure that the audit services remain competitive and aligned with industry standards.

**The Committee confirmed it was content with the outcome of the College 2023-24 effectiveness review.**

## **6. Annual Review of the Effectiveness of Internal Auditor (*Paper 3*) (*P*)**

A Ritchie introduced this report which presented the results of the annual effectiveness review of the internal audit function at the College, based on the feedback collected from key stakeholders. The review aimed to assess the performance of the internal audit function in terms of its ability to provide independent assurance on the effectiveness of risk management, control, and governance processes.

The Committee were requested to note the findings of this review and consider any recommendations for further enhancing the effectiveness of the internal audit function.

### **The Committee noted:**

- The annual effectiveness review demonstrated that the internal audit function at the College is performing effectively and adding value to the organisation.
- The feedback from stakeholders highlights the quality of audit reports, effective communication and escalation mechanisms, and the positive impact on the College's governance framework.
- The internal audit function is well-resourced and recognized for its contributions to continuous improvement.

**The Audit and Risk Committee noted the findings of this review and discussed recommendations for further enhancing the effectiveness of the internal audit function.**

### **8 Internal Audit Reports Paper 5 (P)**

*\*Colin McNeill, Senior Internal Auditor, Wbg joined the meeting at this point.*

#### **a. Staff Recruitment**

C McNeill presented the results of the review on the College's recruitment arrangements to ensure that recruitment needs for staff were fully assessed and fulfilled.

### **The Committee noted:**

- The objectives for this review were to assess whether:
  - The arrangements in place within the College for the recruitment of new staff are robust, fit for purpose and in line with current legislation.
  - Recruitment procedures are robust and as well as ensuring that the most suitable candidate is employed, ensure that a fair and transparent recruitment process is undertaken.
  - The relevant pre-employment checks (right to work, DBS, references etc.) have been undertaken prior to any new employee commencing their employment at the College.
- The overall conclusion was Strong, with several good practice points raised and one low grade recommendation for improvement around the implementation of the Recruitment & Selection Policy currently in development and due to be implemented by 31 May 2025.

#### **b. Student Recruitment**

C McNeill presented the results of the review on the College's arrangements in place surrounding student recruitment.

The review considered the suitability of the arrangements for gaining information in relation to courses, access to support, and course enrolment to ensure that the student experience is as positive as it can be, plus the suitability of the policies and procedures in place surrounding student recruitment.

### **The Committee noted:**

- The objectives for this review were to assess whether:
  - The College has robust policies and procedures in place surrounding student recruitment.
  - The College has robust mechanisms in place with clear links between application, interview, acceptance and enrolment to ensure it manages student recruitment and enrolment in an efficient and effective manner.
  - The responsibility for student recruitment is clearly defined throughout the College.
  - The arrangements in place for gaining information in relation to courses, and access to support is well communicated and easily accessible by potential students.
  - The College has sufficient, generic as well as targeted campaigns to raise awareness of its courses, support, and facilities to potential students.

The overall conclusion was Strong, and there were no recommendations for improvement.

### **10. Assurance Mapping**

A Ritchie presented on the plans for Assurance Mapping, a visual systematic approach to streamline reports and provide assurance on management reporting using critical data focused on larger strategic risks and goals.

#### **The Committee noted:**

- The purpose of ensuring assurance activities are aligned with the College's strategic goals.
- The benefits of improved transparency; reduction of duplication; addressing critical risks and a fostering of a culture of accountability.
- The steps involved in creating an Assurance Map.
- The three lines of defence: College management and risk ownership; risk management and compliance functions, internal and external audit processes.
- What an Assurance Map might look like.

There were discussions and questions from the Committee, with the main concern being the potential for audit risk being hidden due to the summary nature of the mapping process. The Committee agreed for further work to progress on this, and were supportive to receive further information and training as this mapping approach develops. **The Committee were content to consider progressing the development of a College Assurance Map. A draft Assurance Map will be brought back to the next Committee meeting.**

### **13.AOB**

There was no other business.

**Date of Next Meeting – Tuesday 10 June 2025 4pm @ Kilmarnock Campus**

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

**RESERVED ITEMS ON THE NEXT PAGE**

**Audit & Risk Committee - Action and Decision Log**  
**Meeting No 48 – 10 June 2025**

Meeting Date	Agenda Item	Reference	Details	Action Owner	Due Date	Action Decision	Open Complete Approved Declined
18.03.25	Internal Audit Service Contract Renewal	ARC47:D01	The Committee approved the Wbg internal audit contract for one additional year from 1 August 2025 to 31 July 2026, with option for rolling additional year contract to 31 July 2027 following successful review.	NA	NA	Decision	Approved
18.03.25	Rolling Audit Action Plan	ARC47:D02	The Committee noted, reviewed and approved the removal of the completed recommendations and the one extension.	NA	NA	Decision	Approved
18.03.25	Strategic Risk Register	ARC47:D03	The Committee reviewed and approved the Strategic Risk Register for consideration and approval to the Board.	NA	27.03.25	Decision	Approved

**Title of Meeting:** Audit and Risk Committee

**Date:** 10 June 2025

**Title:** **2024-25 Fraud Risk Assessment**

**Purpose:** This paper presents the Audit and Risk Committee with a summary of the 2024-25 Fraud Risk Assessment

**Recommendation:** The Audit and Risk Committee is requested to consider and note the contents of the paper

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**1. Executive Summary**

This document outlines the work undertaken by the College focusing on the 2024-25 Fraud Risk Assessment. It emphasizes the importance of identifying and mitigating fraud risks to protect the College's assets and integrity.

Fraud Risk Assessment Process - The College conducts a thorough fraud risk assessment to identify, evaluate, and mitigate risks. This includes analysing internal and external factors, using historical data and implementing controls to address high-priority risks.

Ongoing Monitoring and Reporting - The assessment is annually updated, and the College maintains comprehensive records of identified risks and mitigation actions, ensuring transparency with senior management and stakeholders. The highest risks identified include "Theft by Cyberfraud" and "Bribery of Officials."

Conclusion - The College considers that it has taken all reasonable steps to address the risk of fraud, noting that no system of controls can fully prevent fraud where there is collusion involved.

**2. Associated Risks**

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

**3. Equality and Diversity Impact Assessment**

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

**4. Publication**

This paper will be published on the College website.

**Alan Ritchie**  
**Vice Principal, Finance and Infrastructure**  
**10 June 2025**

## 1. Fraud Risk Assessment

- 1.1. Fraud risk assessment is a critical process for the College to identify, evaluate and mitigate risks associated with fraudulent activities. This process helps in safeguarding assets, ensuring compliance and maintaining the integrity of financial reporting.
- 1.2. A fraud risk assessment will protect the College from monetary loss and reputational damage. By systematically identifying, quantifying, responding to, monitoring and reporting fraud risks, the College has created a robust framework for fraud prevention and detection.
- 1.3. During the year the College participated in a Royal Bank of Scotland (RBS) Fraud and Operational Review. This is part of the service offered by the College bankers. All the recommendations made by the RBS staff were already in place at the College including dual transaction authorisation and monetary limits on transactions. The College also undertook a full review of bank mandates and users to ensure no staff who had left the College were still included on bank mandate.
- 1.4. The College has undertaken a review of its fraud risk assessment, which included the following:

- Identify the fraud risks to which the College is exposed through:
  - Assessing the internal and external factors that could contribute to fraud including economic conditions, sector-specific risks and the College structure.
  - Use Audit Scotland surveys and reports and historical National Fraud Initiative data to identify potential fraud risks.

- Quantify the Fraud Risks

Evaluated the probability of each identified risk occurring and its potential impact on the College using the College risk scoring matrix.

- Respond to Fraud Risks

Where necessary further mitigating action have been taken to address high-priority risks. This may include strengthening internal controls or enhancing oversight. Any identified actions will be assigned to specific individuals or teams to manage and mitigate the identified risks.

- Monitor and Review Risks

The fraud risk assessment is regularly reviewed and updated to reflect changes in the College and its environment. The College uses ongoing audits and monitoring systems to track the effectiveness of mitigation actions. The College has in place policies and procedures to allow employees to report suspicious activities or weaknesses in controls including a Whistleblowing Policy.

- Report Risks

The College maintains comprehensive records of the fraud risk assessment process, including identified risks, mitigation actions and monitoring results. The College communicates findings and updates to senior management and stakeholders to ensure transparency and accountability.

## **2. National Fraud Initiative**

1.1 The College continues to participate in the National Fraud Initiative (NFI) exercise. The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Cabinet Office oversees it, and Audit Scotland leads the exercise in Scotland, working with a range of Scottish public bodies and external auditors.

1.2 The NFI exercise takes place every second year. The NFI exercise for 2024/25 started in November 2024.

1.3 After the data is uploaded to the NFI portal the NFI team identify matches for further investigation. There were a total of 172 matches, of which 165 relate to purchase ledger data. The remaining 7 relate to payroll.

1.4 The Financial Accountants assisted by the Purchase Ledger Team carried out the review exercise for matched information during March 2025. The NFI process is to look at supplier name, addresses and invoice details to identify instances where there is a match in the data sets submitted by the College.

1.5 Of the 165 purchase ledger matches identified for investigation, 165 were reviewed with reference to the supplier account on the finance system with no errors or frauds being identified.

1.6 Of the 7 payroll matches identified 7 have been checked and there is no fraud identified

- Two were employed by the College but also worked elsewhere on a casual basis.
- Five were employed by the College and had external Directorships related to their posts at the College

### **3. Conclusion**

- 3.1. The Fraud Risk Assessment (**Appendix 1**) has been reviewed and updated based upon the above methodology.
- 3.2. There have been no new areas of potential fraud identified, and the review has not identified any of the previously identified risk areas as having either increased or decreased in terms of risk score.
- 3.3. The use of internal audit to annually review the overall financial control environment provides an additional level of assurance.
- 3.4. The College still considers the risk of “Theft by Cyberfraud” to be the highest risk followed by “Bribery of Officials” and “Revenue Recognition.” Cyber crime is recognised in the Strategic Risk Register and in addition to the controls recorded in the fraud risk assessment there are further layers of controls and mitigating actions being taken by the College to address this risk.
- 3.5. The College considers that it has taken all reasonable steps to address the risk of fraud, noting that no system of controls can fully prevent fraud where there is collusion involved.
- 3.6. Additional assurance can be gained from the College’s participation in the NFI exercise and the results from the identified matches confirming no fraud identified.

**Alan Ritchie**  
**Vice Principal, Finance and Infrastructure**  
**10 June 2025**

Fraud Risk Assessment												
ID Number	Identified Fraud Risks and Schemes	Likelihood [1-5]	Significance [1-5]	Fraud Risk Rating	Previous Score	Movement	People and/or Department	Existing Anti-Fraud Controls	Preventive [P], Detective [D], or Combined [C]	Controls Effectiveness Assessment [1-5]	Residual Risks (High, Medium, Low)	Fraud Risk Response
1	<u>Theft by Cyberfraud</u> Professional fraudsters use phishing to obtain College's online banking login credentials and severely deplete the bank accounts	3	5	15	15	↔	-Finance staff	-Physical access controls -Dual signatures on cheques and payments -Setup the dedicated banking software with high security against both internal and external unauthorized access and use. Security measures are updated by IT on an ongoing basis -All personnel with access to online banking credentials receive mandatory training about avoiding fraudster's phishing techniques using only the permitted software for online banking and their responsibility to help ensure their colleagues comply very strictly with this policy, including the requirement to report any violations -College undertakes phishing simulation exercises to all staff to raise awareness of online attacks	C	3	Medium - Emptying the College's bank accounts would create a liquidity crisis that could severely disrupt operations	- College is considering the requirement to undertake penetration testing of its IT systems through either external company or software.
2	<u>Bribery of Officials</u>	2	4	8	8	↔	-Enterprise Development staff -Finance staff -Senior Leadership Team -Procurement	- Strictly-enforced policy against offering, giving, receiving, and soliciting anything of value to influence an official act by a public official, agent, or government employee - Strictly-enforced policy prohibiting bribing of officials as well as making unauthorized facilitation payments to those individuals involved in customs, permitting the flow of goods and other activities - Participation in National Fraud Initiative exercise to highlight any material transactions	C	3	High - Sales personnel could become part of a corruption scheme (both wittingly and unwittingly)  Significant fines and penalties as well as criminal sanctions are realistic possibilities if the bribery schemes are not dealt with in a timely fashion	-All identified employees will have annual training and be required to affirm that they understand the College policies and sign off stating that they understand its provisions.
3	<u>Revenue Recognition</u> Delivery of services prior to customer's requested delivery date or prior to receipt of customer's order	2	3	6	6	↔	-Senior Leadership Team -Enterprise Development staff -Finance staff	- Agreed invoicing processes through finance system with required authorisation levels in place - Cut off tested as part of year end process - Annual programme of internal audit of financial controls - Internal Audit will review financial controls including cut-off testing - Additional cut off and matching testing carried out as part of year end financial audit	C	4	Low - Risk of management override of internal controls to initiate early invoicing and revenue recognition for significant sales	
4	<u>Fraudulent Disbursements</u> Cheque Tampering and Expense Reimbursement Schemes	2	2	4	4	↔	Cheque tampering: -Finance staff -Procurement -Purchasing -Operational Managers -Senior Leadership Team  Expense Reimbursement: -All staff	- Physical access controls - Segregation of responsibilities in Finance function - Dual signatures on cheques and payments - Support for expenses review by line manager and payroll staff - Awareness of pressures/incentives at all levels that might drive inappropriate financial behaviour as well as observation, inquiry, and other information that focus on lifestyle, family, and personal financial issues of personnel in these departments.	D	4	Medium (if by senior management)  Low (if by other employees)	
5	<u>Conflicts of Interest</u> Undisclosed relationships or related-party transactions that negatively impact the College's reputation and may cause financial harm while benefiting the person with the relationship	2	2	4	4	↔	-Senior Leadership Team -Operational Managers -Procurement -Budget Holders -Enterprise Development staff	-Policy requires all employees including senior management to disclose any personal relationships, business transactions and related parties in a timely manner for approval by the Board -College participates in National Fraud Initiative using data analysis tools to compare vendor and customer master files with employee payroll files looking for matching addresses, names, tax identification or social security numbers and telephone numbers	C	3	Medium - Risk of management override of internal controls to conceal relationships and related party transactions	- Annual exercise to request that budget holders declare any potential conflicts of interest

Fraud Risk Assessment

ID Number	Identified Fraud Risks and Schemes	Likelihood [1-5]	Significance [1-5]	Fraud Risk Rating	Previous Score	Movement	People and/or Department	Existing Anti-Fraud Controls	Preventive [P], Detective [D], or Combined [C]	Controls Effectiveness Assessment [1-5]	Residual Risks (High, Medium, Low)	Fraud Risk Response
6	<u>Manipulation of Liabilities/Expense</u> Unrecorded supplier invoices	2	2	4	4	↔	-Finance staff -Senior Leadership Team -Enterprise Development staff	- Suppliers are instructed to send invoices only to the accounts function where they are logged into the finance system - Budget holders and accounts staff review the nature/value of pending invoices at period end to help ensure proper cut-off - External Audit will use data analytics to identify and test major invoices processed in nonstandard manner to identify potential recording in the wrong period - Accounting function will check each quarter end with the heads to help identify major invoices not recorded in the finance system	D	4	Medium - Risk of management override of internal controls to defer recognition of current period liabilities/expenses into next period by not processing invoices from certain suppliers for select transactions or for a particular period	
7	<u>Revenue Recognition</u> Backdating sales contracts	2	2	4	4	↔	-Finance staff -Senior Leadership Team -Enterprise Development staff	- A clear revenue recognition procedure and training for all sales staff and accounting personnel involved in accounting for sales - Executive set a clear and strong tone about making sure revenue recognition conditions are met before sales are booked as revenue - Well-controlled sales contract administration system - Enterprise Development management monitors transactions in sales contract system to help ensure compliance. They provide more scrutiny to significant sales	D	4	Low	
8	Inappropriate Journal Entries	2	2	4	4	↔	-Management -Senior Leadership Team -Finance staff	- Systematic access controls to the GL - Established process for entry of journals and verification to source materials - Review process for standard and non-standard journal entries - Data analysis of journal entry population by external audit for unusual DR/CR combinations; late entries to accounts subject to significant judgments & estimates; indications of journal entries being approved or entered by persons not involved	D	4	High - Risk of management override of internal controls to misstate financial results by making journal entries	
9	Disclosures - Improper or inadequate disclosures of material facts, circumstances, and events	2	2	4	4	↔	- Finance staff - Senior Leadership Team	- Vice Principal and Chief Financial Controller confer with senior management to ensure all appropriate disclosures have been made	D	4	Low - Risk of management of override of controls over disclosures	
10	<u>Revenue Recognition</u> Holding accounts open to record in the current period revenue from sales made in the next period	1	3	3	3	↔	-Finance staff -Senior Leadership Team -Enterprise Development staff	- Standard monthly account closure process - Reconciliation of invoice register to general ledger - Established procedures for invoicing and revenue recognition - Sales cut-off testing by internal and external auditors	D	4	Medium - Risk of management override of controls to hold the books open	
11	Overstated/false employee qualifications or certifications	1	3	3	3	↔	-All Departments -Enterprise Development staff -Human Resources -Senior Leadership Team	- Confirmation of qualifications via documentary evidence checks on all new employees whose qualifications or credentials are to be relied upon for regulatory or contractual compliance or key College performance purposes	C	4	Low - Involving personnel who lack required qualifications or credentials could violate provisions in contracts / financial memorandum and introduce defects into the College's products/services, leading to financial claims against the organization, charges of false invoicing and reputational harm	
12	Theft or diversion of inventory / stock	1	3	3	3	↔	-Central Stores - Purchasing - Estates staff	- Physical access controls - Goods receiving process in place - Comparison of purchase requisitions and receiving reports - Purchase requisitions that include a statement that deliveries are only to be made to the specific locations	D	3	Medium - Collusion or concealment of purchases by delivery to off-site addresses	

Fraud Risk Assessment

ID Number	Identified Fraud Risks and Schemes	Likelihood [1-5]	Significance [1-5]	Fraud Risk Rating	Previous Score	Movement	People and/or Department	Existing Anti-Fraud Controls	Preventive [P], Detective [D], or Combined [C]	Controls Effectiveness Assessment [1-5]	Residual Risks (High, Medium, Low)	Fraud Risk Response
13	Commercial Bribery/Illegal Gratuities	1	3	3	3	↔	- Enterprise Development Staff - Procurement / Purchasing - Managers - Senior Leadership Team - Finance staff	- Employment of suitably vetted purchasing personnel - Ensuring that all suppliers are vetted, approved by a supervisor, and selected on a competitive bid basis - Internal audit performs audits of the purchasing department	D	4	Low	
14	<u>Fraudulent Disbursements</u> Billing Schemes through use of fake suppliers	1	2	2	2	↔	-Budget holders -Procurement -Operational managers -Senior Leadership Team -Finance staff	- Purchases can only be made from approved suppliers - Suppliers are approved by the Procurement Department	D	4	Low - Employee could set up and get approved a fake supplier either through collusion or by misleading the Procurement Department, but it would be extremely difficult for this to be material to the College	
15	Cash Skimming	2	1	2	2	↔	- Departmental staff who handle cash -Finance staff	- Use of minimal cash transactions - Cash reconciliations - Regular reconciliation of petty cash floats	C	5	Low	
16	Revenue Recognition - Manipulation of invoice and hold arrangements	1	1	1	1	↔	Finance staff Senior executives	None required due to low inherent risk	C	4	Low	

## Risk Assessment Scoring Scales

Likelihood				
Rating	Based on Annual Frequency		Based on Annual Probability of Occurrence	
	Descriptor	Definition	Descriptor	Definition
5	Very frequent	More than twenty times per year	Almost certain	>90% chance of occurrence
4	Frequent	Six to twenty times per year	Likely	65% to 90% chance of occurrence
3	Reasonably frequent	Two to five times per year	Reasonably possible	35% to 65% chance of occurrence
2	Occasional	Once per year	Unlikely	10% to 35% chance of occurrence
1	Rare	Less than once per year	Remote	< 10% chance of occurrence

Significance		
Rating	Descriptor	Definition
5	Catastrophic	<ul style="list-style-type: none"> <li>Financial loss to College in excess of £1 million</li> <li>National, long-term media coverage</li> <li>Widespread employee morale issues and loss of multiple senior leaders</li> <li>Required to report incident to authorities, resulting in significant sanctions and financial</li> </ul>
4	Major	<ul style="list-style-type: none"> <li>Financial loss to College between £500,000 and £1 million</li> <li>National, long-term media coverage</li> <li>Widespread employee morale problems and turnover</li> <li>Required to report incident to authorities, resulting in sanctions against company</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>Financial loss to College between £50,000 and £500,000</li> <li>Short-term, regional or national media coverage</li> <li>Widespread employee morale problems</li> <li>Required to report incident to authorities and take immediate corrective action</li> </ul>
2	Minor	<ul style="list-style-type: none"> <li>Financial loss to College between £1,000 and £50,000</li> <li>Limited, local media coverage</li> <li>General employee morale problems</li> <li>Incident is reportable to authorities, but no follow-up</li> </ul>
1	Incidental	<ul style="list-style-type: none"> <li>Financial loss to College less than £1,000</li> <li>No media coverage</li> <li>Isolated employee dissatisfaction</li> <li>Event does not need to be reported to authorities</li> </ul>

Control Effectiveness	
Control Risk Rating	Description
5	Very effective (reduces 81–100% of the risk)
4	Effective (reduces 61–80% of the risk)
3	Moderately effective (reduces 41–60% of the risk)
2	Marginally effective (reduces 21–40% of the risk)
1	Not effective (reduces 0–20% of the risk)



**Probability**

Almost certain	5	10	15	20	25
Likely	4	8	12	16	20
Possible	3	6	9	12	15
Unlikely	2	4	6	8	10
Rare	1	2	3	4	5
	Insignificant	Minor	Significant	Major	Extreme

**Impact**

**Title of Meeting:** Audit and Risk Committee

**Date:** 10 June 2025

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

**Purpose:** The paper provides an overview of the internal audit review of Overall Financial Controls.

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

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## 1 Executive Summary

The Overall Financial Controls Report evaluates the College’s financial control environment as part of the 2024/25 Internal Audit Annual Plan.

### Overall Assurance

- The audit provides a **strong level of assurance** over the College’s financial controls.
- **No recommendations** were raised—indicating a high standard of financial governance and operational effectiveness.

### Purpose and Scope

The review aimed to assess whether:

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

The audit covered:

- Purchasing
- Income
- Cash and banking
- Fixed assets

### Key Strengths and Good Practices

- **Robust Financial Governance:** The College maintains up-to-date Financial Regulations and a detailed Financial Procedures Manual, both reviewed in January 2025.
- **Effective Systems:** Use of Open Accounts and EBIS systems supports efficient financial processing.

- **Strong Internal Controls:**
  - Purchase orders require pre-approval and are matched against goods received and invoices.
  - Credit card use is tightly controlled and limited to six senior staff roles.
  - Petty cash and fixed asset processes are well-documented and reconciled monthly.
  - Bank reconciliations are performed and reviewed monthly.
- **Management Reporting:** The Senior Leadership Team reviews monthly accounts, and the Business, Resources and Infrastructure Committee reviews them quarterly.
- **Sample Testing:** Across all tested areas (e.g., purchases, credit cards, petty cash, SFC income) no issues were found.

### **Benchmarking**

- Compared to peer institutions, the College had **zero recommendations**, while the average was two (1 medium, 1 low), indicating good performance.

## **2 Associated Risks**

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

## **3 Equality and Diversity Impact Assessment**

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

## **4 Publication**

This paper will be published on the College website.

**Stephen Pringle**  
**Director of Internal Audit**  
wbg

**Alan Ritchie**  
**Vice Principal, Finance and Infrastructure**

**10 June 2025**



*(Paper 5 (1))*

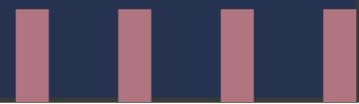
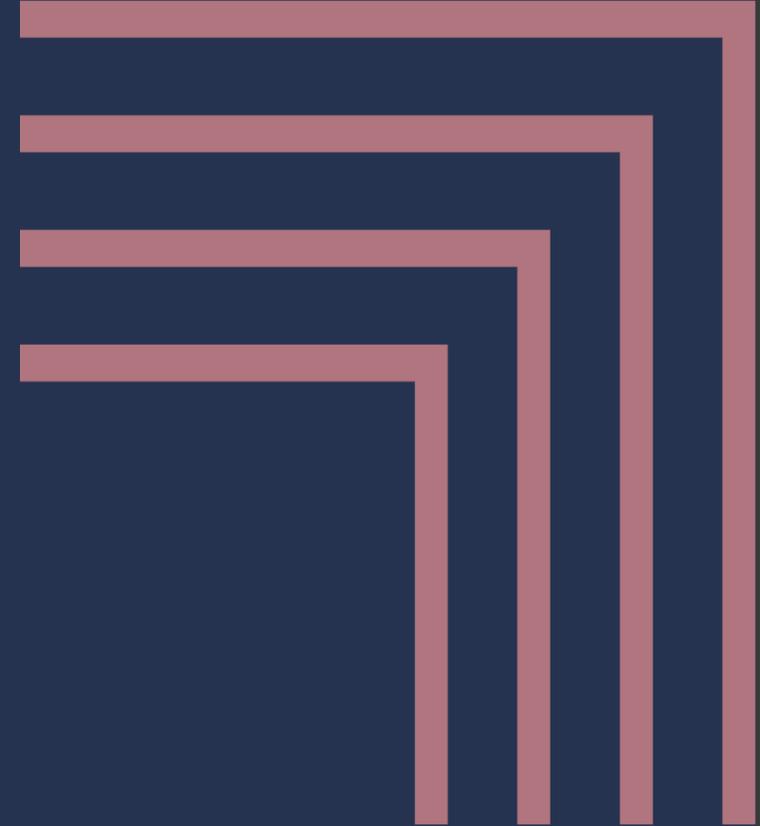
## Ayrshire College

### Internal Audit 2024-25

Overall Financial Controls  
May 2025

### Overall Conclusion

Strong



# 1 Executive summary

## Overview

### Purpose of review

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

This review formed part of our 2024/25 Internal Audit Annual Plan.

### Scope of review

Our objectives for this review were to assess if:

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

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

### Limitation of scope

There was no limitation of scope.

# 1 Executive summary

## Background Information

### Financial Regulations

The College has a robust set of Financial Regulations which are reviewed and updated annually by the Vice Principal of Finance and Infrastructure. The last review took place in January 2025 and was presented to the Business, Resources, and Infrastructure Committee for discussion and approval.

The purpose of the College's Financial Regulations is to provide control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's Strategic Plan and business objectives.

### Financial Procedures Manual

The College has a robust Financial Procedures Manual that supports the College's Financial Regulations. The Manual was previously reviewed in January 2025. The Manual is intended to be used by the Finance Team and others who are responsible for initiating, recording, and controlling various accounting transactions.

### College Finance Systems

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

### Key Financial Processes

#### Purchases

When a Purchase Order is created through the electronic ordering system EBIS, the process includes authorisation before the order is placed. Authorisers must ensure that the quoted cost is reasonable and offers value for money before electronically approving the order.

# 1 Executive summary

Once the goods or services are received, the originator records this using a goods received note (GRN) within the EBIS system. Upon receiving the invoice, the Finance Team verifies that the goods or services have been marked as received. They then compare the invoiced amount with the original purchase order. If the amount falls within the authorised limits, the invoice will be approved for payment.

## Credit Cards

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

There are six credit card holders, these being:

- | Principal and Chief Executive;
- | Vice Principal Skills and Enterprise;
- | Vice Principal of People, Performance and Transformation;
- | Vice Principal of Finance and Infrastructure;
- | Chief Financial Controller; and
- | Director of Enterprise Development.

## Petty Cash

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

# 1 Executive summary

## Fixed Assets

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

## Bank Reconciliations

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

## Scottish Funding Council (SFC) Income

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

## Sample Testing

We completed sample testing across the six areas mentioned above and found no issues.

## Management Reporting

The College's deadline checklist spreadsheet outlines what needs to be completed for the Management Accounts, who is responsible for each area, and the deadline date for completion of each area.

The Accounts are then reported monthly to the Senior Leadership Team and quarterly to the Business, Resources, and Infrastructure Committee.

# 1 Executive summary

The Management Accounts include:

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

We reviewed the last three Business, Resources, and Infrastructure Committee minutes (September 2024, December 2024, and March 2025) and confirmed appropriate discussion took place on the Management Accounts.

# 1 Executive summary

## Work Undertaken

In line with our objectives, we undertook the following work:

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

- | We reviewed the College's Financial Regulations and Financial Procedures to ensure these were robust and covered all areas we would expect to see.
- | We reviewed the finance system in place at the College to ensure this was effective in processing key financial areas.
- | We conducted walkthrough testing of the College's key financial processes to ensure that the documented controls are being adhered to in practice. We reviewed the following areas:
  - | Bank Reconciliations;
  - | Purchasing;
  - | Income;
  - | Fixed Assets;
  - | Credit Card Transactions; and
  - | Petty Cash Transactions.
- | We undertook sample testing of the key controls in place for the above financial areas to verify the effectiveness of each control. Our samples included:
  - | Bank Reconciliations (January 2025 to March 2025);
  - | Receipt of Funding Income (January 2025 to March 2025);
  - | Purchases (10 purchases between October 2024 and February 2025);
  - | Credit Card Purchases (10 purchases between October 2024 and February 2025); and
  - | Petty Cash Purchases (10 in April 2025).

# 1 Executive summary

## **Objective 2: Adequate segregation of duties are in place.**

- | We reviewed and evaluated the segregation of duties in place and looked to confirm that these cover all finance processes, this included a review of the Financial Regulations.

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

- | We reviewed the management oversight over the finance processes to ensure that they are appropriate.
- | We reviewed the monthly management accounts (January 2025 to March 2025).
- | We reviewed the month end deadline spreadsheet to ensure this is appropriate and being completed in a timely manner.
- | We reviewed the last three Business, Resources, and Infrastructure Committee meetings (September 2024, December 2024, and March 2025) to ensure there was appropriate discussion regarding management accounts.

# 1 Executive summary

## Conclusion

### Overall conclusion

#### Overall Conclusion: Strong

Following our review, we can provide the College with a strong level of assurance surrounding the financial controls in place to manage the key financial functions. We have identified several areas of good practice and have not raised any recommendations for improvement.

### Summary of recommendations

#### Grading of recommendations

	High	Medium	Low	Total
Overall Financial Controls	0	0	0	0

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

# 1 Executive summary

## Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.	
1.	The College have robust management reporting arrangements in place. Monthly management accounts are presented to the Senior Leadership Team, and quarterly to the Business Resources and Infrastructure Committee where a comprehensive summary is provided alongside the accounts.
2.	We can confirm that the College has adequate segregation of duties in place where these are effectively outlined in the Financial Regulations and the Financial Team Structure document. We were able to confirm through our testing that segregation of duties was operating effectively in practice.
3.	<p>The College has a comprehensive set of Financial Regulations that outline the core principles guiding its financial operations and clearly define staff responsibilities.</p> <p>Additionally, the College maintains a detailed Financial Procedures Manual, which offers guidance to finance staff on how to initiate, record, and manage a range of accounting transactions.</p>
4.	<p>We were able to confirm that arrangements were effective for the following areas based off our walkthrough testing:</p> <ul style="list-style-type: none"><li>  Purchases.</li><li>  Bank reconciliations.</li><li>  Fixed assets.</li><li>  Credit cards.</li><li>  Petty cash.</li><li>  SFC Income.</li></ul>

# 1 Executive summary

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

5.	Through our sample testing we were able to confirm that the College's finance systems are appropriate and fit for purpose.
6.	We completed transaction testing across the following areas and found no issues: <ul style="list-style-type: none"><li>  Processing of purchases.</li><li>  Capitalisation of fixed assets.</li><li>  Credit card transactions.</li><li>  Petty cash transactions.</li><li>  Processing of SFC income.</li><li>  Processing of bank reconciliations.</li></ul>

## 2 Benchmarking

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

### Overall Financial Controls

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

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

### 3 Audit arrangements

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

Audit stage	Date
Fieldwork start	22 April 2025
Closing meeting	24 April 2025
Draft report issued	6 May 2025
Receipt of management responses	20 May 2025
Final report issued	23 May 2025
Audit & Risk Committee	10 June 2025
Number of audit days	4

## 4 Key personnel

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

Wbg			
Partner	Graham Gillespie	Partner	gg@wbg.co.uk
Director	Stephen Pringle	Director of Internal Audit	sp@wbg.co.uk
Senior	Calum Montgomery	Internal Audit Senior	chm@wbg.co.uk

Ayrshire College			
Key Contacts:	Liz Walker	Chief Financial Controller	liz.walker@ayrshire.ac.uk
	Gillian Love	Finance Manager	gillian.love@ayrshire.ac.uk
Wbg appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			



# A Grading structure

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

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

# A Grading structure

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

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

## Purpose of review

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

This review forms part of our 2024/25 Internal Audit Annual Plan.

## Scope of review

Our objectives for this review are to assess if:

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

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

## Limitation of scope

There is no limitation of scope.

## Audit approach

Our approach to the review will be:

- | Review the Financial Regulations in place within the college to confirm that these are complete, appropriately reviewed, and comply with regulatory requirements.

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

## Potential key risks

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

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



# Ayrshire College

Internal Audit 2024/25

Progress Report

June 2025

*(Paper 6)*

# 3. Audit Findings

## Summary of Work Undertaken

The following table summarises the audit work undertaken in 2024/25 to date.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
GDPR/FOI	6	6	Complete	Strong	-	-	-
Payroll	5	5	Complete	Strong	-	-	1
Staff Recruitment	5	5	Complete	Strong	-	-	1
IT Systems Administration	5	5	Complete	Strong	-	-	-
Student Recruitment	6	6	Complete	Strong	-	-	-
Overall Financial Controls	4	4	Complete	Strong	-	-	-
<b>Carried Forward</b>	<b>31</b>	<b>31</b>			-	-	2

# 3. Audit Findings



## Summary of Work Undertaken

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
<b>Brought Forward</b>	<b>31</b>	<b>31</b>			-	-	2
Follow Up	4	4	Ongoing	TBC	-	-	-
Credits	6	6	Scheduled	N/A	TBC	TBC	TBC
SSF	4	4	Scheduled	N/A	TBC	TBC	TBC
EMA	4	4	Scheduled	N/A	TBC	TBC	TBC
Audit Management	6	6	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>55</b>	<b>55</b>	-	-	-	-	2

<b>Title of Meeting:</b>	Audit and Risk Committee
<b>Date:</b>	10 June 2025
<b>Title:</b>	<b>2025-26 Internal Audit Plan</b>
<b>Purpose:</b>	The purpose of this report is to present the 2025-26 Internal Audit Plan.
<b>Recommendation:</b>	The Audit and Risk Committee is requested to approve the 2025-26 Internal Audit Plan.

---

## 1 Executive Summary

The plan (**Appendix 1**) outlines the internal audit plan for the upcoming academic year, aimed at ensuring effective internal controls and addressing key risk areas. The draft plan was presented at the Audit and Risk Committee meeting on 18 March 2025. Further work has been done to refine the objectives of the planned work and to agree an indicative timetable with the audit team.

The purpose of the plan is to provide assurance on the effectiveness of the College's internal controls, risk management, and governance processes. The plan covers various areas including financial and non-financial systems, governance, IT systems, and student-related audits.

The College Audit Needs Assessment (CANA) is split into sections and provides a commentary on the internal audit assignments. The CANA indicates the audits undertaken since 2020-21 and the planned work for 2025-26, expanded to include other areas that may be subject to future audit assignments.

- The **Financial Systems** section includes a review of Financial Regulations to ensure practical guidance and control over the College's resources. It also covers alternative/non-SFC funding sources, ensuring compliance with regulations and effective management.
- The **Non-Financial Systems** section includes an audit of external communications, including the website to ensure effective communication practices.
- The **Strategy and Planning** section covers strategic/operational planning to ensure alignment with strategic objectives and continuous improvement.

- The **Student** section includes an audit of the Student Voice to assess the effectiveness of student representation in decision-making processes.
- The **IT Systems** section covers cyber incident response planning to ensure the College is well-prepared to manage future cyber incidents.

## **2 Associated Risks**

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

## **3 Equality and Diversity Impact Assessment (EqIA)**

There are no issues or recommendations contained within this paper that require an EqIA to be undertaken.

## **4 Publication**

This report will be published on the College website.

**Alan Ritchie**  
**Vice Principal, Finance and Infrastructure**  
**10 June 2025**



# Ayrshire College

*(Paper 7 (1))*

Internal Audit Plan 2025/26

May 2025

# Table of Contents

Section	Page number
Introduction	3
Operational Plan 2025/26	4
Appendices:	
A. Summary of Internal Audit Input	15
B. Grading Structure	17
C. Key Performance Indicators	18
D. Training Topics	19
E. Audit Universe	20

# Introduction

## **Background**

Wbg Services LLP (Wbg) were appointed as Internal Auditors by the College with effect from 1 August 2022 until 31 July 2025. The Audit & Risk Committee took the option to extend the contract by a further 2 years to 31 July 2027.

## **Internal Audit**

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

The IAS objectively examines, evaluates and reports on the adequacy of internal control thus contributing to the economic, efficient and effective use of resources and to the reduction of the potential risks faced by the College.

Also, the operation and conduct of the IAS must comply with the guidelines set down by the Institute of Internal Auditors, including the Global Internal Audit Standards effective from January 2025, as well as the requirements of the Public Sector Internal Audit Standards.

## **Terms of Reference – Internal Audit**

The provision of the IAS by Wbg is covered by the letter of engagement dated 16 August 2022.

## **Preparation of Audit Plan**

This Plan was developed following discussions with the Vice Principal Finance and Infrastructure and the Chief Financial Controller.

## **Formal Approval**

The original Audit Needs Assessment was presented to the Audit & Risk Committee for approval on 13 September 2022. This Plan covers the period 2025/26 and will be presented to the Audit & Risk Committee for approval on 10 June 2025.



# Operational Plan

2025/26

# External Communications - Website



Audit area	High level indicative summary scope	Total number of days
<p>External Communications - Website</p>	<p>The purpose of this assignment is to review the external communications methods adopted by the College to liaise with key stakeholders and in particular the College website. This review will encompass reviewing the use of external communications channels to understand how the College engages with their stakeholders and how this shapes their communication strategy.</p> <p>Our objectives for this review are to assess whether:</p> <ul style="list-style-type: none"> <li>  There is an effective external communications framework in place which operates effectively in line with defined policies and procedures.</li> <li>  The College has a detailed Communications Strategy that is designed to allow the College to communicate effectively and meet their core objectives.</li> <li>  The College adopts a variety of methods to communicate with stakeholders removing any inherent barriers to information.</li> <li>  The communication methods adopted are suitable for the College and allows for effective operations.</li> <li>  The College effectively gathers feedback from their key stakeholders on the methods adopted and ensure actions are raised for areas of improvement.</li> <li>  The College have robust mechanisms in place to measure their communication strategies through statistical analysis and stakeholder engagement.</li> <li>  The College website is robust to ensure sufficient information is provided to key stakeholders.</li> <li>  There are appropriate controls in place to ensure only approved personnel can post on the website.</li> </ul>	<p>5</p>

# Strategic Planning

Audit area	High level indicative summary scope	Total number of days
Strategic Planning	<p>We will undertake a review of the strategic planning arrangements in place with consideration of compliance with regulatory guidance. We will also look to assess whether the Board were fully involved in the development of the Strategic Plan. We will also review the methods in place to monitor the progress of the Strategic Plan and the reporting arrangements in place to confirm that the Board receive regular updates.</p> <p>Our objectives for this review are to assess whether:</p> <ul style="list-style-type: none"> <li>  The College has robust planning processes in place to develop the Strategic Plan.</li> <li>  The College regularly reviews and monitors the Strategic Plan and takes necessary action when objectives are not being met.</li> <li>  The Board were fully involved in the development of the Strategic Plan and receive regular updates on the progress of the Plan.</li> <li>  There is alignment between performance measures, operational plans and the Strategic Plan.</li> </ul>	5

# Financial Regulations and Compliance



Audit area	High level indicative summary scope	Total number of days
Financial Regulations and Compliance	<p>The purpose of this assignment is to perform a high-level review of the Financial Regulations in place at Ayrshire College, to provide assurance that key financial controls are suitably designed and operating in line with documented procedures. This review will include a review of the processes relating to purchasing, income, cash and banking and fixed assets.</p> <p>Our objectives for this review are to assess whether:</p> <ul style="list-style-type: none"><li>  Efficient and effective procedures and controls are in place for key finance processes.</li><li>  Adequate segregation of duties are in place.</li><li>  There is adequate management oversight of finance processes.</li></ul>	4

# Cyber Incident Response Plan

Audit area	High level indicative summary scope	Total number of days
<p>Cyber Incident Response Plan</p>	<p>We will undertake a review of the arrangements in place for the implementation of the Cyber Incident Response Plan. Our review will consider whether this follows best practice and whether there has been proper communication throughout the process.</p> <p>Our objectives for this review are to assess whether:</p> <ul style="list-style-type: none"> <li>  The College has appropriate arrangements in place surrounding the implementation process of the Cyber Incident Response Plan and these arrangements are documented and followed.</li> <li>  The Cyber Incident Response Plan is aligned with best practice for the College and that it is appropriate for the College needs.</li> <li>  The Incident Response Plan has been approved by Senior Management team and has been properly communicated to the College.</li> <li>  The College has provided an appropriate training programme and staff are prepared for a cyber-attack and prepared for recovering if a cyber-attack occurs.</li> </ul>	<p>5</p>

# Non-SFC Income

Audit area	High level indicative summary scope	Total number of days
Non-SFC Income	<p>The purpose of this assignment is to review the methods and structure in place for the management of non-sfc income and consider whether the College is achieving the best value in this area. Our review will consider commercial income as well as Construction Industry Training Board (CITB) income.</p> <p>Our objectives for this review are to:</p> <ul style="list-style-type: none"> <li>  Establish and evaluate any strategies in place to ensure the College is maximising its commercial business opportunities.</li> <li>  Consider income targets of the College and whether these are met along with costs associated and how these are monitored.</li> <li>  Establish and evaluate the current practices and processes adopted by the College to determine if this is the most efficient and effective use of resources.</li> <li>  Establish the nature of the work done by the College, i.e. areas covered, areas the team are responsible for etc. and whether the staffing structure is appropriate.</li> <li>  Establish the links (communication and others) between the various business areas of the College regarding commercial income and how income can be increased.</li> <li>  Assess whether the day to day processing of commercial income is being managed effectively, including billing, compliance to grant conditions and classification.</li> </ul>	6

# Student Voice



Audit area	High level indicative summary scope	Total number of days
Student Voice	<p>The purpose of this assignment is to evaluate the effectiveness of current student voice arrangements in place at the College and assess the robustness of the governance structures in supporting its operation and strategic development.</p> <p>Our objectives for this review are to:</p> <ul style="list-style-type: none"> <li>  Assess the adequacy and alignment of the College’s Student Voice arrangements.</li> <li>  Evaluate the effectiveness, accessibility, and inclusivity of mechanisms in place for capturing and engaging with student feedback across all areas of the College.</li> <li>  Determine the extent to which student feedback is acted upon in a timely and transparent manner, and to assess the impact of resulting actions on the student experience.</li> <li>  Review the training, support, and resources provided to student representatives and staff involved in Student Voice processes, ensuring they are sufficient to enable effective participation and engagement.</li> <li>  Benchmark current Student Voice practices against sector expectations and good practice, identifying areas for enhancement and opportunities for innovation.</li> </ul>	5

# Funding Reviews and Follow Up Reviews



Audit area	High level indicative summary scope	Total number of days
EMA	Mandatory review of the Education Maintenance Allowance Return.	4
SSF	Mandatory review of the Student Support Funds Return.	4
Credits	Mandatory review of the Credits Return.	7
Follow Up Review	<p>The purpose of this ongoing review is to assess whether the College has appropriately implemented the internal audit recommendations made in 2024/25 and earlier years. Our review will consider all outstanding recommendations to provide the Audit &amp; Risk Committee with independent assurance that we are satisfied that these recommendations have been fully implemented by the College and can therefore be removed from the rolling audit action plan.</p> <p>Our objective for this review is to assess whether:</p> <ul style="list-style-type: none"> <li>➤ The College has appropriately implemented any outstanding internal audit recommendations made in prior years.</li> </ul>	5

# Assignment Plans & Dates

## Assignment Plans

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

## Key Dates

Visit	Name	No. of audit days	Key college personnel	Provisional start date for visit	Provisional date of issue of draft report	Provisional date for reporting to Audit & Risk Committee
1	External Communications - Website	5	Alistair Rodgers	27 October 2025	14 November 2025	2 December 2025
	Strategic Planning	5	David Davidson			
2	Financial Regulations and Compliance	4	Liz Walker	26 January 2026	13 February 2026	17 March 2026
	Cyber Incident Response Plan	5	Brad Johnstone			
3	Non-SFC Income	6	Alistair Rodgers	20 April 2026	8 May 2026	2 June 2026
	Student Voice	5	Doreen Wales			
	Follow Up	5	Liz Walker			

# Assignment Plans & Dates



## Assignment Plans

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

## Key Dates

Visit	Name	No. of audit days	Key college personnel	Provisional start date for visit	Provisional date of issue of draft report	Provisional date for reporting to Audit & Risk Committee
4	EMA	4	Louise Park	24 August 2026 & 14 September 2026	2 October 2026	December 2026
	SSF	4	Louise Park			
	Credits	7	Richard Simson			

# Appendices

**A – Summary of Internal Audit Input**

**B - Grading Structure**

**C – Key Performance Indicators**

**D – Training Topics**

**E – Audit Universe**

# A – Summary of Internal Audit Input



1 August 2022 to 31 July 2026		Operating Plan (No. Of days)			
System	Audit Area	2022/23	2023/24	2024/25	2025/26
Financial Systems	Overall Financial Controls	6	4	4	
	Budgeting and Monitoring		6		
	Payroll			5	
	Fraud Awareness	5			
	Financial Regulations and Compliance				4
	Non-SFC Income				6
	Non-Financial Systems	IT Security		5	
	IT Systems Administration			5	
	GDPR/FOI			6	
	Estates Management		6		
	Cyber Incident Response Plan				5
	External Communications - Website				5
	Strategic Planning				5
	<b>c/f</b>	<b>11</b>	<b>21</b>	<b>20</b>	<b>25</b>

# A – Summary of Internal Audit Input



1 August 2022 to 31 July 2026		Operating Plan (No. Of days)			
System	Audit Area	2022/23	2023/24	2024/25	2025/26
	<b>b/f</b>	<b>11</b>	<b>21</b>	<b>20</b>	<b>25</b>
Governance	Corporate Governance		5		
	Risk Management	5			
Student	Student Recruitment and Retention			6	
	Safeguarding and Child Protection	5			
	Student Enrolment Procedures	5			
	Student Retention		5		
	Student Voice				5
People	Staff Recruitment and Retention			5	
Mandatory	Credits Audit	6	6	6	7
	SSF Audit	4	4	4	4
	EMA Audit	4	4	4	4
Required	Follow Up Review	4	4	4	5
	Audit Management	6	6	6	5
	<b>Total Days</b>	<b>50</b>	<b>55</b>	<b>55</b>	<b>55</b>

# B – Grading Structure

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

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

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

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

# C – Key Performance Indicators

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

Performance Indicator	Target
Internal audit days completed in line with agreed timetable and days allocation	100%
Draft scopes provided no later than 10 working days before the internal audit start date and final scopes no later than 5 working days before each start date	100%
Draft reports issued within 10 working days of exit meeting	100%
Management provide responses to draft reports within 15 working days of receipt of draft reports	100%
Final reports issued within 5 working days of receipt of management responses	100%
Recommendations accepted by management	100%
Draft annual internal audit report to be provided by 31 December each year	100%
Attendance at Audit & Risk Committee meetings by a senior member of staff	100%
Suitably experienced staff used on all assignments	100%

# D – Training Topics

As a firm we offer a wide range of training topics to our clients and we have listed below some of the topics which we would be able to offer Ayrshire College.

Topic	Summary
Risk Management	This can cover risk awareness, assessment of risks, responsibilities for monitoring risks, risk appetite and the scoring of risks. This is usually done as a workshop to ensure buy-in from management and committee members to the risk management process.
Role of the Board	This would cover the roles and responsibilities of Board members, including the Chair. This has been particularly useful when new Board members have been appointed and allows members to obtain some knowledge on what the expectation of a Board member is and what they should be looking out for.
Role of Internal Audit	We would provide a short session on what the internal audit function should be delivering to the College and the added value which we would bring.
Finance for Non-Financials	This is useful for committee members who do not have a finance background and covers areas such as the management accounts, budget reporting and the statutory accounts.
Fraud Awareness	We would cover the importance of a having a strong control environment and areas to be aware of in relation to fraud. We would discuss some real-life examples of where we have identified or been asked to investigate allegations of fraud and the results of these investigations.

# E – Audit Universe



We have set out below the auditable entities, processes, systems and activities, which support the development of the internal audit plan, and the Internal Audit coverage since 2022. Please see page 17 for colour key of assurance ratings.

Area	2022/23	2023/24	2024/25	2025/26
<b>Financial Systems</b>	Overall Financial Controls	Overall Financial Controls	Overall Financial Controls	Financial Regulations & Compliance
	Fraud Awareness	Budgeting and Monitoring	Payroll	Non-SFC Income
<b>Non-Financial Systems</b>		IT Security	IT Systems Administration	Cyber Incident Response Plan
		Estates Management	GDPR/FOI	External Communications – Website
<b>Governance</b>	Risk Management	Corporate Governance		Strategic Planning
<b>Student</b>	Safeguarding and Child Protection	Student Retention	Student Recruitment and Retention	Student Voice
	Student Enrolment Procedures			

# E – Audit Universe



We have set out below the auditable entities, processes, systems and activities, which support the development of the internal audit plan, and the Internal Audit coverage since 2022. Please see page 17 for colour key of assurance ratings.

Area	2022/23	2023/24	2024/25	2025/26
People			Staff Recruitment and Retention	

<b>Title of Meeting:</b>	Audit and Risk Committee
<b>Date:</b>	10 June 2025
<b>Title:</b>	<b>2024-25 External Audit Annual Plan</b>
<b>Purpose:</b>	The purpose of this report is to present the 2025-26 External Audit Annual Plan.
<b>Recommendation:</b>	The Audit and Risk Committee is requested to approve the 2025-26 External Audit Annual Plan.

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## 1 Executive Summary

This planning document at **Appendix 1** outlines the 2024-25 external audit strategy for the College. It is prepared by Azets Audit Services and aligns with the Code of Audit Practice issued by Audit Scotland.

### 1) Audit Scope

The audit covers:

- Financial Statements: Providing an opinion on their truth and fairness, regularity and statutory disclosures.
- Wider Scope Audit: Focused on financial management, sustainability, governance, and use of resources.
- Independent Auditor's Report and Annual Audit Report.

### 2) Significant Audit Risks

#### Financial Statement Level

- Management Override of Controls: Always treated as a significant risk due to potential for fraud. Risk level: Very High (2023-24: Very High)

#### Assertion Level

- Fraud in Revenue Recognition: Especially in non-SFC income streams. Risk level: Very High (2023-24: High)
- Fraud in Non-Pay Expenditure: Focus on completeness and accruals. Risk level: Very High (2023-24: High)

- Valuation of Land and Buildings: £121.3M asset base; subject to market assumptions. Risk level: High (2023-24: High)
- Pension Liability Valuation: Highly sensitive to actuarial assumptions. Risk level: High (2023-24: High)
- PFI Asset Purchase: Kilwinning Campus PFI ends June 2025; £2.25M provision noted, subject to negotiation. Risk level: High (2023-24: High)

### **3) Materiality Thresholds**

- Overall Materiality: £1.06M (2% of gross expenditure) compared to 2023-24 £1.075M
- Performance Materiality: £790K (75% of overall) compared to 2023-24 £806K
- Trivial Threshold: £53K (5% of overall) compared to 2023-24 £53.7K
- Lower thresholds apply to senior remuneration and related party disclosures.

### **4) Group Audit**

SAI Aerospace Training Ltd: New subsidiary, not expected to be operational in 2024-25. Audit scope to be confirmed during fieldwork.

### **5) Wider Scope Audit Areas**

1. Financial Sustainability (Significant Risk Identified)
  - Projected deficit of £4.625M (2024–2027).
  - Risks include flat cash funding, potential 5.6% SFC funding cut and rising staff costs.
  - Audit will assess the College's long-term financial planning and sustainability measures.
2. Financial Management
  - Focus on achieving 2024/25 targets and savings.
  - Compliance with new SFC revenue/capital allocation guidance.
3. Vision, Leadership & Governance
  - Governance of new trading subsidiary.
  - Oversight of PFI asset transition.
  - Training for new Board and Committee members.
4. Use of Resources to Improve Outcomes
  - Link between spending and outcomes.
  - Quality of reporting in annual accounts.

## 6) Audit Timeline

Activity	Date
Planning & Risk Assessment	April 2025
Audit Plan to Audit Committee	10 June 2025
Interim Audit	30 June 2025
Fieldwork Begins	6 October 2025
Audit Committee Review	18 November 2025
Board Approval	11 December 2025
Submission to SFC	By 31 December 2025

## 7) Audit Fee

- **Expected Fee:** £56,400
- **Proposed Fee:** £58,910 (includes £3,840 uplift for PFI and group audit complexities)

## 8) Independence & Non-Audit Services

- Auditors confirm compliance with ethical standards.
- Non-audit service: VAT advisory (£9,150) with safeguards in place to maintain independence.

## 2 Associated Risks

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

## 3 Equality and Diversity Impact Assessment

There are no issues or recommendations contained within this paper that require an EqIA to be undertaken.

## 4 Publication

This report will be published on the College website.

**Andy Reid**  
Director, Azets

**Adrian Kolodziej**  
Senior Manager, Azets

**10 June 2025**

# Ayrshire College

## External Audit Annual Plan Year ended 31 July 2025

June 2025



# Table of Contents

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Introduction	3
Audit scope and general approach	5
Financial statements - significant audit risks	14
The wider scope of public audit	22
Audit team and timetable	27
Audit Fee	29
Independence, objectivity and other services provided	31
Appendices	32

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# Introduction

## Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Ayrshire College (“the College”) for the year ended 31 July 2025 for those charged with governance.

The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement;
- an audit opinion on regularity and other statutory information published with the financial statements in the annual report and accounts, including the Performance Report, Governance Statement, and the Remuneration and Staff Report;
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes; and
- provision of an Independent Auditor’s Report expressing our opinions on the different elements of the annual report and accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

## Responsibilities of the auditor and the College

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

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

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

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

## Adding Value through the Audit

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

## Feedback

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

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

## Openness and transparency

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

# Audit scope and general approach

## Risk-based audit approach

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

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

- perform risk assessment procedures including updating our understanding of the College, including its environment, the financial reporting framework and its system of internal control;
- review the design and implementation of key internal controls;
- identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;
- design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

## Communication with those charged with governance

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

## Partnership working

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

### **Audit Scotland**

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

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

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

## Delivering the audit

### **Hybrid audit approach**

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

All of our people have the equipment, technology and systems to allow them to work remotely or on-site, including secure access to all necessary data and information. All of our staff are fully contactable by email, phone call and video-conferencing. Meetings can be held over Microsoft Teams or by telephone.

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

### **Secure sharing of information**

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

### **Regular contact**

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

### **Signing annual accounts**

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

Electronic signatures simplify the process of signing the accounts. Accounts can be signed using any device from any location and there is no longer a need for duplicate copies to be signed.

## **Materiality**

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

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

**Planning Materiality:** We have set our materiality at 2% of the College's gross expenditure based on the audited annual accounts for 2023/24, resulting in £1.060 million for the College.

**Performance Materiality:** Using our professional judgement, we have assessed performance materiality at 75% of planning materiality, resulting in £0.790 million for the College.

**Specific materiality:** In performing our audit, we apply a lower level of materiality of to the audit of the Remuneration Report and Related Party transactions. In performing our audit of the Remuneration Report, we will consider any errors which cause result in a movement between the relevant bandings on the disclosure table to be material. For Related Party transactions, in line with the standards we will consider the significance of the transaction with regard to both the College and the counter party, the smaller of which will drive materiality considerations on a transaction-by-transaction basis.



**Reporting threshold:** We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £0.053 million for the College.

## Accounting systems and internal controls

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

## Going Concern

### **Management responsibility**

Management is required to make and document an assessment of whether the College is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management is also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

### **Auditor responsibility**

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the College's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the Government's Financial Reporting Manual 2024/25 and Practice Note 10 (PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

## Group audit scope and risk assessment

As Group auditor, under ISA (UK) 600 (Revised September 2022) we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The auditing standard for group engagements has been revised, as a result of the key changes that are reflected in the audit plan are:

- Revisions to the definitions of a group and component extend the scope of the ISA to encompass a wider range of group scenarios. This means that a single

legal entity could fall under the scope of the group's ISA based on its internal structure, while multiple legal entities may sometimes be defined as a single component.

- There is increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised.
- There is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard.
- The analytical/desktop review designation has been removed from the scope of procedures performed over a component in response to risk.

## Group audit scope

Based on the initial assessment the Group consists of the following entities:

Component	Nature and extent of further audit procedures	Level of response required
Ayrshire College	Full Scope	Full scope statutory audit, as set out in this audit plan.
SAI Aerospace Training Ltd	To be confirmed	To be confirmed

The College has set up a new subsidiary, SAI Aerospace Training Ltd. This is not expected to be operational during 2024/25. As part of our planning work, we have been unable to assess the extent of audit procedures and we will assess this as part of our fieldwork procedures, when the subsidiary is operational.

### Definitions:

**Full Scope:** Design and perform further audit procedures on the entire financial information of the component, beyond procedures completed to review the consolidation.

**Specific Scope:** Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures, beyond procedures completed to review the consolidation.

**None:** No further audit procedures required, beyond procedures completed to review the consolidation.

## Risks at the component-level

The risks identified at the College are set out in this external audit plan. There are no other significant risks identified in any of the other components above in respect of the Group audit.

Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposes. Management should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a company-by-company basis.

## Prevention and detection of fraud or error

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

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

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

## National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland and overseen by the Public Sector Fraud Authority for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

Participating bodies will have submitted datasets for matching in October 2024 and November 2024 and will have received matches for investigation in December 2024 and January 2025.

We will monitor the College's participation and progress and, where appropriate, include references to NFI in our 2024/25 Annual Audit Report.

## Anti-money laundering

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

## Wider audit scope work

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 2](#) provides detail of the wider scope areas of public sector audit work, our initial risk assessment and scope of work planned.

## National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General and Accounts Commission, they will request auditors to consider and report on those risks as they apply at a local level. For 2024/25 no such risks have been specified. Nevertheless, the arrangements for responding to climate change continues to be an area of particular focus.

### Climate change

In 2022/23 we were required to gather information on the College's response to climate change. Audit Scotland have reviewed the auditor returns assessing climate change and will share the findings from the review with auditors to provide helpful background information for 2024/25 annual audit work.

In addition, Audit Scotland will:

- publish a Good Practice Note on disclosures related to climate change following a review of public bodies' 2022/23 and 2023/24 annual accounts.
- provide guidance to auditors on auditing climate change disclosures within the 2024/25 annual accounts of public bodies.

## Best Value

Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

Through our wider scope audit work, we will consider the arrangements put in place by the Accountable Officer to meet these Best Value obligations.

## Reporting our findings

At the conclusion of the audit, we will issue:

- an independent auditor's report setting out our formal audit opinions within the annual report and accounts, and;



- an annual audit report describing our audit findings, conclusions on key audit risks, judgements on the pace and depth of improvement on the wider scope areas, and any recommendations.

# Financial statements - significant audit risks

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

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

## Significant risks at the financial statement level

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

Management override of controls	Audit approach
<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgements and one-off</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals.</li> <li>• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals.</li> <li>• Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the College's journals policy.</li> </ul>

Management override of controls	Audit approach
<p>transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p>	<ul style="list-style-type: none"> <li>• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud.</li> <li>• Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

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

Fraud in revenue recognition	Audit approach
<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</p> <p>The presumption is that the College could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.</p> <p>In respect of the College's income for Scottish Funding Council (SFC) grant funding, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. The risk of fraud in relation to revenue recognition is however present in all other revenue streams.</p> <p><b>Inherent risk of material misstatement:</b></p> <p><b>Revenue (occurrence): Very High</b></p>	<p>We will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the College's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements.</li> <li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems.</li> <li>• Obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.</li> <li>• Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.</li> </ul>

Fraud in non-pay expenditure	Audit approach
<p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end leading to a material misstatement in the reported financial position.</p> <p>In respect of the College's expenditure for payroll, however, we do not consider the expenditure recognition risk to be significant due to a lack of incentive and opportunity to manipulate expenditure of this nature. The risk of fraud in relation to expenditure recognition is however present in all other expenditure streams.</p> <p><b>Inherent risk of material misstatement:</b></p> <p><b>Expenditure (completeness): Very High</b></p> <p><b>Accruals (existence and completeness): Very High</b></p>	<p>We will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the College's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements.</li> <li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems.</li> <li>• Obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.</li> <li>• Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year.</li> <li>• Reviewing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.</li> </ul>

Valuation of land and buildings (key accounting estimate)	Audit approach
<p>The College held land and buildings with a net book value of £121.3 million at 31 July 2024, with full external valuations last undertaken as at 31 July 2023 and an external desktop valuation undertaken as at 31 July 2024.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of land and buildings as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements fall outside of our expectations.</p> <p><b>Inherent risk of material misstatement:</b> <b>Land &amp; Buildings (valuation): High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work.</li> <li>• Evaluating the competence, capabilities and objectivity of the valuation expert.</li> <li>• Considering the basis on which the valuation is carried out and challenging the key assumptions applied.</li> <li>• Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data.</li> <li>• For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding.</li> <li>• Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct.</li> </ul>

Pension net asset / liability (key accounting estimate)	Audit approach
<p>An actuarial estimate of the pension fund asset/liability is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating management's process for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work.</li> <li>• Evaluating the competence, capabilities and objectivity of the actuary.</li> <li>• Reviewing the reasonableness of key actuarial assumptions applied by reference to comparative and market data.</li> <li>• Reviewing the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate.</li> <li>• Evaluating whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements.</li> <li>• Ensuring pension valuation movements for the year and related disclosures have been correctly disclosed.</li> </ul>

Pension net asset / liability (key accounting estimate)	Audit approach
<p><b>Inherent risk of material misstatement:</b></p> <p><b>Pension net asset or liability (valuation): High</b></p>	

Purchase of PFI Asset	Audit approach
<p>The College's PFI contract for the Kilwinning Campus is due to expire on 13 June 2025. This is one of the first PFI assets transferring back to the public sector in Scotland and consideration of the legal and accounting requirements are likely to be complex.</p> <p>The Board intends to purchase the facility at the end of the PFI contract from its provider - KE Projects. The initial associated cost has been included within the College's 2023/24 financial statements as a provision of £2.250 million. However, this amount is subject to further review of the PFI contract and negotiations between the parties.</p> <p><b>Inherent risk of material misstatement:</b></p> <p><b>Expenditure (completeness): High</b></p>	<p>We will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Reviewing the controls in place to ensure that the transaction is accounted for in line with the relevant documentation and agreements made by the College and PFI provider.</li> <li>• Examining the accounting, classification and disclosure of the transaction in the financial statements.</li> </ul>

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure." All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

# The wider scope of public audit

## Introduction

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

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

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

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

## Definitions

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





## Wider scope significant risks

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## Financial sustainability

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

Ayrshire College presented the Financial Forecast Return to the Board of Management in June 2024. The College estimates a deficit totalling £4.625 million for the period between 2024-27. This position is based on pay uplifts in line with the College Employers Scotland full and final offer and the Scottish Government's Public Sector Pay Policy. It also includes an expectation of no other sources of income and no change to the Scottish Government or SFC funding model.

The greatest risks to the College's sustainability are those around levels of funding from SFC, particularly with the removal of the one-off elements funded and the projected "flat cash" position for 2024/25 and beyond. In April 2025 the SFC revised the parameters of its funding model which indicates that the College could lose £2.1m (5.6%) of core teaching funding from 2026/27 onwards. Discussions with the SFC remain ongoing to establish the timing and quantum of the proposed reduction. These discussions are also focussing on the mitigations required to assist the College to facilitate a reduction in its income level.

The College recognises that it has a structural deficit with significant efficiencies requiring to be realised in 2024/25 and in every subsequent year thereafter.

Staff costs continue to be a significant pressure area for the College and a key aspect of the College's ambitious transition plan. With the uncertainty around the public sector pay settlements, any increase in staff costs will have a material impact on the finances of the College. While the College will also have savings from the reduced pension contributions over the period until March 2026, after that period these will increase to 17.5%, so the nature of these savings will be short term.

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

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### Our audit response:

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

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In formulating our audit plan, we identified areas of further focus for our work in other wider scope areas :

## Financial Management

- Whether the College achieves its 2024/25 financial and performance targets.
- Whether the College has appropriate savings plans in place to meet financial and performance targets.
- Whether the SFC guidance on how to allocate the funding between revenue and capital has been followed.

## Vision, leadership and governance

- Whether the planned establishment of a trading subsidiary is supported by appropriate governance, scrutiny and risk management frameworks.
- Whether the College has made appropriate progress against their Strategic Ambition 2024-27
- Whether appropriate governance arrangements are in place in preparation for the PFI asset return under the College's control and operation.
- Whether the new Board and Committee members have been provided with appropriate training to perform their functions effectively.

## Use of resources to improve outcomes

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

## Duty of Best Value

Ministerial Guidance to Accountable Officers for public bodies and the Scottish Public Finance Manual (SPFM) explain that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will be carrying out a high-level review to confirm that such arrangements are in place within the College.

# Audit team and timetable

## Audit Team

Our audit team will be as follows:

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

## Timetable

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

Audit work/ output	Date
Planning and risk assessment	April 2025
Reporting of plan to Audit Committee	10 June 2025
Interim audit	30 June 2025
Receipt of draft accounts and commencement audit fieldwork	6 October 2025
Joint Audit and Risk / Business, Resources and Infrastructure Committee to consider accounts and audit report	18 November 2025
Board meeting to approve accounts for signing	11 December 2025
Target date for submission of signed accounts to Scottish Funding Council	31 December 2025

## Our Requirements

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

- draft financial statements of a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Annual Performance Report, Accountability Report and the Governance Statement;
- the provision of good quality working papers at the same time as the draft financial statements. These will be discussed in advance to ensure clarity over our expectations;
- the provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- ensuring staff are available and on site (as agreed) during the period of the audit;
- prompt and sufficient responses to audit queries to minimise delays.

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

# Audit Fee

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

The expected fee is reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2024/25 audits) have been developed in the context of a challenging economic financial environment and the challenges facing public services.

The 2024/25 expected audit fee is based on applying a 1.9% increase to the 2023/24 expected audit fee. This increase is applied on a sector basis and reflects the conditions of the public sector market.

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

The expected fee set by Audit Scotland for the 2024/25 audit of the College is £56,400. We propose setting the 2024/25 audit fee above the expected fee to reflect the additional work required for complexities linked to the PFI transactions audit and initial group assessment.

Fee element	2024/25	2023/24
Auditor remuneration	56,400	54,130
Audit remuneration (above expected fee level for risk areas noted above)	3,840	-
Pooled costs	(7,120)	(5,770)
Sectoral cap adjustment	5,790	5,670
<b>Total fee</b>	<b>58,910</b>	<b>54,030</b>



It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

# Independence, objectivity and other services provided

## Auditor Independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

## Other services

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

Non-audit service	Fee	Type of threat	Safeguard
VAT advisory services	£9,150	Self-review Management decisions	VAT advisory services are provided by a separate team.

# Appendices



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Appendix 1: Materiality	33
Appendix 2: Responsibilities of the Auditor and the College	35

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## Appendix 1: Materiality

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

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

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

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

Our assessment, at the planning stage, of materiality for the year ended 31 July 2025 was calculated as follows.

	£
<b>Overall materiality for the financial statements</b>	1,060,000
<b>Performance materiality (75% of materiality)</b>	790,000
<b>Trivial threshold (5% of materiality)</b>	53,000
<b>Materiality</b>	<p>Our initial assessment is based on approximately 2% of the College's gross expenditure as disclosed in the 2023/24 audited annual accounts. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing financial performance of the College.</p> <p>The financial statements are considered to be materially misstated where total errors exceed this value.</p>
<b>Performance materiality</b>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions,</p>

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

In addition to the above, we consider any areas for specific lower materiality.

We have applied a lower materiality threshold for disclosures within the Remuneration Report to Senior Management and Board Member Remuneration Tables. Due to the public interest in senior remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area.

We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors would alter the bandings reported for any individual.

## Appendix 2: Responsibilities of the Auditor and the College

### The Auditor General and Audit Scotland

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

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

### Auditor responsibilities

#### Code of Audit Practice

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

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

#### Our responsibilities

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

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

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

#### Wider scope audit work

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

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

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## Financial management



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

### **Auditor considerations**

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

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## Financial sustainability



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

### **Auditor considerations**

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

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## Vision, leadership and governance

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



### **Auditor considerations**

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

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## Use of resources to improve outcomes

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



### **Auditor considerations**

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

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## Audit quality

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

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

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland](#)

## College responsibilities

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

Area	College responsibilities
<b>Corporate governance</b>	<p>The College is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
<b>Financial statements and related reports</b>	<p>The College has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures;</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and</li> <li>• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.</li> </ul> <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The College is responsible for developing and implementing effective systems of internal control as well as financial, operational</p>

Area	College responsibilities
	<p>and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The College is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p><b>Standards of conduct for prevention and detection of fraud and error</b></p>	<p>The College is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
<p><b>Financial position</b></p>	<p>The College is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• Plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Best value</b></p>	<p>The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure Best Value. Accountable Officers are required to ensure accountability and transparency through effective performance reporting for both internal and external stakeholders.</p>



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