

**Meeting of the Audit and Risk Committee
to be held on Tuesday 02 June 2026 at 4.00pm
by Hybrid Attendance at Kilwinning Campus and via Microsoft Teams
AGENDA**

1. Welcome and Declarations of Interest
2. Apologies
3. Minute of the meeting held on 17 March 2026 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 Fraud Risk Assessment Paper 2 (P) (LW)
6. Internal Audit – Cyber Incident Response Plan Paper 3 (P) (SA)
7. Internal Audit – Strategic Risk Control and Action Review Paper 4 (P) (SA)
8. 2025-26 Internal Audit Plan Update Paper 5 (P) (SA)
9. 2026-27 Internal Audit Plan Paper 6 (P) (ARi)
10. 2025-26 External Audit Annual Plan Paper 7 (P) Azets
11. 2026-27 Budget Pren't (R) (ARi)
12. SAI Aerospace Training Ltd Articles of Association Paper 8 (R) (ARi)
13. Audit and Risk Committee 2025-26 Draft Annual Report Paper 9 (R) (JG)

Part B – Regular Reporting/Monitoring

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

Part C – Risk management and assurance

15. 2025-26 Financial Governance Compliance Report Paper 11 (P) (ARi)
16. Risk Wizard Demo Demo (R) (ARi)
17. Strategic Risk and Opportunities Register Paper 12 (R) (ARi)
18. Review Performance Relating to Risk Management Paper 13 (P) (ARi)

Part E – For information/AOB

19. Any Other Business

Date of Next Meeting – Tuesday 22 September 2026 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(C/P) Confirmed minutes will be published; (P) Papers will be published on the College website; (R) Papers will not be published for reasons of commercial sensitivity or for reasons of personal data confidentiality

**Minutes of the Audit and Risk Committee
Held by Hybrid Attendance at Ayr Campus
Thursday 17 March 2026**

Present:

Jane Grant	Chair
Michael Ross	Vice – Chair (from Item 3 onwards)
Brian Green	Non-Executive Board Member
Gillian Longmuir	Non-Executive Board Member
Chris Boyce	Elected EIS-FELA Staff Member

In attendance:

Sara Rae	Vice Principal, Skills and Enterprise
David Davidson	Vice Principal, People, Performance and Transformation
Hilary Denholm	Board Governance Advisor & Minutes
Brad Johnstone	Director of Digital Infrastructure
Alan Ritchie	Vice Principal, Finance & Infrastructure
Liz Walker	Chief Financial Controller
Siobhan Archibald	Internal Audit Manager, Wbg Internal Auditor (to Item 12)

1. Welcome and Declarations of Interest

The Chair welcomed all present to the meeting.

There were no Declarations of Interest presented.

The meeting was confirmed as quorate.

2. Apologies

Apologies were received following the meeting from Marko Prororic, Elected Professional Services Staff Member.

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

3. Minutes of the Previous Meeting held on 02 December 2025 (Paper 1) C/P

The minutes were approved as a correct record.

Proposed: Brian Green **Seconded:** Gillian Longmuir

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

Michael Ross joined the meeting at this point.

The Committee noted all previous decisions and the actions completed or added to the agenda for updating members.

4. Matters Arising

There were no other outstanding matters arising from the minutes.

5. Internal Audit Reports

a. Financial Regulations and Compliance *Paper 2 (P)*

S Archibald presented the results of the review on the College's Financial Regulations and Compliance arrangements

The Committee noted:

- This was a high-level review of the Financial Regulations in place at the College, to provide assurance that key financial controls were suitably designed and operating in line with documented procedures.
- The review included an assessment of the processes relating to purchasing, income, cash, banking, and fixed assets.
- The audit provided a **strong level of assurance**, with no recommendations.
- The review made one observation. The review noted that the College is preparing a revised draft of the Financial Regulations, which will also include provisions related to the new accounting software, BluQube. These Regulations were scheduled for review in January 2026; however, due to the Board meeting timetable, the review outcome will be submitted to the Board for approval in March 2026. Through discussions with the Chief Financial Controller, it was explained that the target date for implementing this document is April 2026.
- The report identified several areas of good practice.

The Committee noted the report as presented.

b. Non-SFC Income *Paper 3 (P)*

S Archibald presented the results of the review on the College's arrangements in place surrounding Non-SFC Income. The purpose of this assignment was 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. The review considered both commercial income and Construction Industry Training Board (CITB) income.

The Committee noted:

- The audit provided a **strong level of assurance** with no recommendations.
- The review made two observations:
 1. Although the BEI overall target is on track to be met for 2025/26, there are some specific targets that are not on target to be met, these being sponsorship targets and employability frameworks. From discussions with key staff, this is due to the need for the resourcing structure to be reviewed as the commercial income targets and activity increase. The auditors found there are some specific targets that the team does not have the resources to focus on at this time, alongside other aspects of commercial income. The

College Leadership Team recognises resource constraints and supports the team's current focus on areas of greatest opportunity. Plans to address specific areas, such as a Sponsorship Strategy, are currently under development with the aim of being operational for the 2026/27 academic year.

2. The audit identified variability in the effectiveness of communication and engagement between the BEI Team and Curriculum areas across the College. In some Curriculum areas, strong working relationships are in place, with regular communication, and engagement in commercial opportunities. However, in other Curriculum areas, links with the BEI Team are less well-developed, with limited or communication and reduced awareness of commercial income opportunities and processes. The Senior Leadership Team of the College recognise this and are in the process of rolling out a structured approach to cross-college engagement.
- The report identified several areas of good practice

The Committee noted the report as presented.

6. Draft 2026-27 Internal Audit Plan *Paper 4 (P)*

A Ritchie presented the Draft 2026-27 Internal Audit Plan for consideration by the Committee, outlining how the proposed programme of audit activity aligns with the College's strategic risks and provides targeted assurance across key financial, operational, curriculum and governance areas. The Audit and Risk Committee was invited to note and endorse the Draft 2026–27 Internal Audit Plan.

The Committee Noted:

The draft plan included the following assignments:

- Overall Financial Controls (5 days)
- Complaints Handling (5 days)
- Learning & Teaching Strategy (5 days)
- Employer Engagement Strategy (5 days)
- Curriculum Planning (5 days)
- Timetabling & Resource Management (5 days)
- Continuing Professional Development (CPD) (5 days)
- Student Support Funding (4 days)
- Student Credit Activity (7 days)

These audits span several strategic themes: Financial Sustainability, People & Culture, Curriculum Offer, and Governance, ensuring coverage of the highest-risk areas identified in the strategic risk register.

Discussion took place around more flexibility in the plan and a risk-based approach, including agreement that reducing time allocated currently to some lower risk

assignments and redirecting this time for review of controls for the higher risk areas would be beneficial.

Decision: ARC52-D01: The Committee endorsed the Draft 2026–27 Internal Audit Plan.

Action ARC52 – A01: An updated detailed plan to be brought to the next ARC meeting.

6. Internal Audit Progress Report Paper 5 (P)

S Archibald presented an update to members, highlighting the visits scheduled for April and again in August & September 2026. Progress is all on track to allow for completion on time as planned, and there are no issues or concerns.

The Committee noted the report as presented.

9. Assurance Mapping Update Verbal

A Ritchie updated members on the progress of the Assurance Mapping exercise, explaining that the information could be incorporated into the Risk Wizard software alongside the risk register information, so it does not have to sit as a separate document.

Members were asked if this approach was supported, which members agreed to. Discussion took place around the breadth of the assurance map information as it included independent sources in addition. It was agreed that these were controls and could be included and categorised. Timescales were then discussed, with members updated that the risk register information is already entered onto the Risk Wizard, and it was agreed that a draft version would be brought back to the next ARC meeting.

Action ARC52 – A02: An updated draft Risk Wizard to be brought to the next ARC meeting.

13. AOB

There was no other business.

Date of Next Meeting – Tuesday 02 June 2026 4pm @ Kilwinning 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 52 – 02 June 2026

Meeting Date	Agenda Item	Reference	Details	Action Owner	Due Date	Action Decision	Open Complete Approved Declined
02.12.25	Internal Audit Progress Report	ARC50:A01	Committee members to forward suggestions for the use of the additional time available to A Ritchie for further discussion with the Internal Auditor.	A Ritchie	31.1.26	Action	Complete
02.12.25	Assurance Map	ARC50:A02	A Board development session is to be arranged so that Board members have the opportunity to input into the assurance map, in particular the assessment gradings.	A Ritchie H Denholm	31.1.26	Action	Complete
17.03.26	Draft Internal Audit Plan	ARC51:D01	The Committee endorsed the Draft 2026–27 Internal Audit Plan.	NA	NA	Decision	Approved
17.03.26	Draft Internal Audit Plan	ARC51:A01	An updated detailed plan to be brought to the next ARC meeting.	A Ritchie	02.06.26	Action	Complete
17.03.26	Assurance Map	ARC51:A02	An updated draft Risk Wizard to be brought to the next ARC meeting.	A Ritchie	02.06.26	Action	Complete
17.03.26	Strategic Risk & Opportunities Register	ARC51:D02	The Committee reviewed and recommended the Strategic Risk & opportunities Register for approval to the Board of Management.	NA	26.03.26	Decision	Approved
17.03.26	Annual Review of the Effectiveness of Internal Auditor	ARC51:D03	The Committee confirmed it was content with the outcome of the 2026 review of the effectiveness of the Internal Auditor.	NA	NA	Decision	Approved
17.03.26	Internal Audit Service Contract Extension	ARC51:D04	The Committee agreed to extend the current WBG contract for 2026-27, ending 31 July 2027.	NA	NA	Decision	Approved
17.03.26	Internal Audit Service Contract Extension	ARC51:D05	The Committee agreed to the undertaking of a Mini-Competition as the preferred procurement route for securing future internal audit provision.	NA	NA	Decision	Approved

Title of Meeting: Audit and Risk Committee

Date: 2 June 2026

Subject: Internal Audit Report – Cyber Incident Response Plan

Purpose: The paper provides an overview of the internal audit review of the College's Financial Regulations.

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

1 Executive Summary

The purpose of the review was to assess the arrangements in place for implementing the College Cyber Incident Response Plan in line with best practice and to consider the communication process used during the implementation phase.

The assignment formed part of the 2025-26 Internal Audit Annual Plan.

Overall Assurance

The audit provides a **strong level of assurance** with no recommendations.

Good Practices

The report identified several areas of good practice, which are noted on pages 8-9.

2 Associated Risks

The internal audit provides substantive assurance across several high-priority strategic risks, with a primary focus on cyber resilience and supporting areas of organisational effectiveness.

- **Cyber Security / Information Security Risk (Primary Link)**

The audit directly addresses the risk of cyber-attack, data breach, or IT system compromise by providing strong assurance over the design and operation of the Cyber Incident Response Plan, including preparedness, response, and recovery arrangements.

- **Business Continuity and Service Disruption Risk**

Assurance is provided that the College can respond effectively to incidents, minimise disruption, and support timely recovery of services, reducing the likelihood and impact of prolonged operational outages.

- **Governance and Internal Control Risk**

The review confirms effective governance arrangements, including formal approval, Senior Leadership Team oversight, and ongoing engagement in cyber resilience, supporting assurance over strategic oversight of key risks.

- **Workforce Capability and Operational Delivery Risk**

The audit provides assurance that staff are appropriately trained and prepared for cyber incidents, reducing risks associated with skills gaps, delayed response, or ineffective incident management.

- **Major Incident / Crisis Management Risk**

Assurance is provided over the College's structured approach to incident coordination, including defined roles, playbooks, and scenario testing, strengthening the capability to manage major operational incidents.

The audit demonstrates that controls supporting these strategic risks are well-established, actively managed, and aligned with best practice, with a Strong assurance opinion and no recommendations, indicating a mature and effective control environment.

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.

Siobhan Archibald
Internal Audit Manager
wbg

2 June 2026



(Paper3 (1))

Ayrshire College

Internal Audit 2025-26

Cyber Incident Response Plan

May 2026

Overall Conclusion

Strong

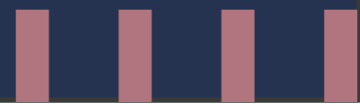
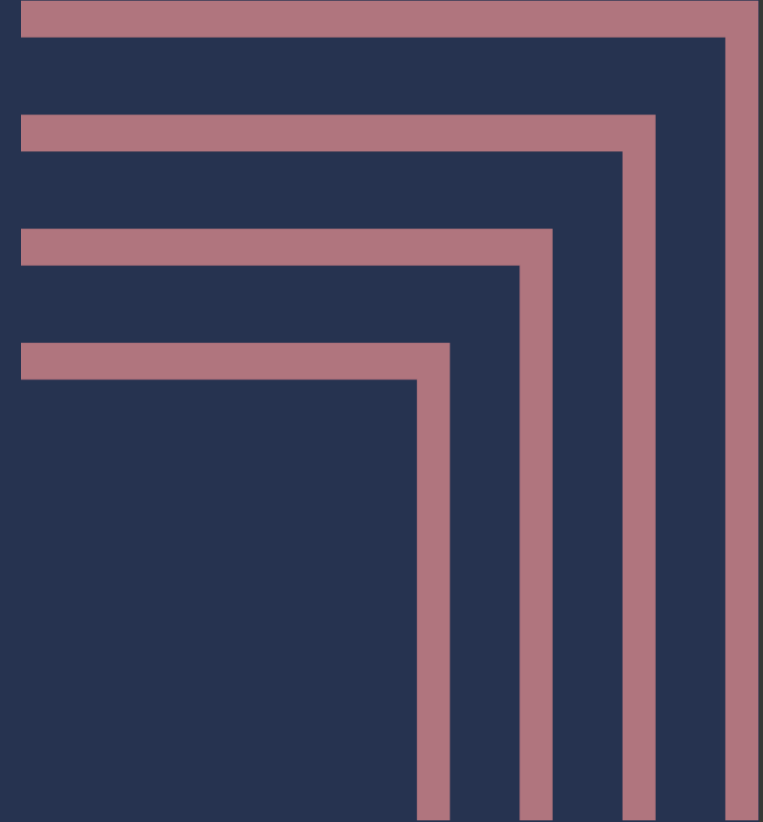


Table of contents

Section	Page
1 EXECUTIVE SUMMARY	2
2 OBSERVATIONS.....	10
3 AUDIT ARRANGEMENTS.....	13
4 KEY PERSONNEL.....	14
Appendix	Page
A GRADING STRUCTURE.....	16
B ASSIGNMENT PLAN.....	18

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

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

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

Overview

Purpose of review

We undertook a review of the arrangements in place for the implementation of the Cyber Incident Response Plan. Our review considered whether this follows best practice and whether there has been proper communication throughout the process.

This review forms part of our 2025/26 Annual Audit Plan.

Scope of review

Our objectives for this review were to assess whether:

- | The College had appropriate arrangements in place surrounding the implementation process of the Cyber Incident Response Plan and these arrangements were documented and followed.
- | The Cyber Incident Response Plan was aligned with best practice for the College and that it was appropriate for the College needs.
- | The Incident Response Plan has been approved by Senior Management Team and has been properly communicated to the College.
- | 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.

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

Introduction

Cyber security continues to represent a significant and evolving risk for organisations, particularly within the education sector, where reliance on digital systems, distributed user groups, and open network environments can increase exposure to cyber threats. In this context, having a clearly defined and embedded Cyber Security Incident Response Plan (CSIRP) is critical to ensuring that organisations can respond effectively to incidents, minimise disruption, and support timely recovery of services.

The College has undertaken considerable work to strengthen its cyber resilience arrangements, with a focus on formalising incident response structures, processes, and supporting documentation. This review considers the extent to which the CSIRP has been implemented in line with good practice, and whether supporting arrangements such as training, testing, and governance are operating effectively.

Cyber Security Incident Response Plan and Playbooks

The College has developed a comprehensive CSIRP, supported by a suite of operational documentation and tools designed to guide response activities during a cyber incident. This includes structured logging mechanisms, such as incident communications logs and cyber incident records, which support the capture of key decisions, actions, and communication flows. In addition, system and application registers are maintained to support the prioritisation of service restoration activities.

A key feature of the College's approach is the use of incident response playbooks. These provide scenario-based guidance to support consistent and structured responses to specific types of cyber incidents. The playbooks are designed to be iterative and are subject to ongoing development, reflecting lessons learned and changes in the threat landscape. There is also a clear strategic direction to extend the playbook model beyond core digital services, enabling curriculum departments and business areas to develop tailored guidance aligned to their own systems and operational requirements, while maintaining a consistent overall framework.

1 Executive summary

Incident Response Team

The College has established a defined Incident Response Team (IRT), with roles and responsibilities supported through a dedicated collaboration environment. This facilitates coordinated response activity during an incident, including the creation of incident-specific communication channels and access to key documentation.

The use of role-based contact information supports continuity and resilience, reducing reliance on individual staff members. It is evident that the College is continuing to refine its approach to incident response governance, including developing a clearer understanding of the appropriate composition of the IRT and the distinction between those directly involved in managing the incident and those responsible for maintaining business continuity within operational areas. This approach supports more effective coordination and decision-making during incidents.

Tabletop Exercises

The College has undertaken scenario-based testing of its CSIRP through facilitated tabletop exercises. These exercises are designed to simulate cyber incident conditions and test the effectiveness of response arrangements in a controlled environment. Outputs from these sessions are formally documented and contribute to continuous improvement. Recent exercises have provided valuable insights into the operation of the IRT, including team dynamics, roles, and participation during an incident, with these observations informing the ongoing development of incident response arrangements.

First Responder Training

The College has implemented a programme of role-based training to support staff preparedness for cyber incidents, including the delivery of "First Responder" training facilitated by the College's external support partner, Phoenix Software. This training is designed to ensure that staff understand their roles and responsibilities during the early stages of an incident and can take appropriate and timely action.

In addition to formal training sessions, the College promotes awareness through practical messaging centred on the concept of "surviving a cyber-attack," with an emphasis on clear communication, appropriate behaviours, and information control during incidents. There are plans to continue delivering regular training sessions and to further embed incident response awareness across business and curriculum areas. This includes supporting system owners and departmental staff in understanding their responsibilities and contributing to localised response and recovery planning.

Work Undertaken

Our work for this review included the following:

Objective 1: The College has appropriate arrangements in place surrounding the implementation process of the Cyber Incident Response Plan and these arrangements are documented and followed.

- | We reviewed the documented arrangements supporting the implementation of the Cyber Incident Response Plan (CSIRP), including associated procedures, governance structures, and supporting artefacts (e.g. playbooks and escalation pathways), to confirm they are formally defined and maintained.
- | We held discussions with relevant College stakeholders to confirm that documented implementation arrangements are understood in practice and are being followed consistently across operational areas.

Objective 2: The Cyber Incident Response Plan is aligned with best practice for the College and that it is appropriate for the College needs.

- | We performed a high-level comparison of the CSIRP against recognised good practice guidance to assess whether key elements of cyber incident preparedness, response, and recovery are appropriately reflected within the Plan.
- | We considered the suitability of the CSIRP in the context of the College's operating environment, including the diversity of systems and user groups, to assess whether the approach is proportionate and practical.

Objective 3: The Incident Response Plan has been approved by Senior Management Team and has been properly communicated to the College.

- | We reviewed evidence of formal approval of the CSIRP by the Leadership Team to confirm appropriate governance oversight and sign-off prior to implementation.
- | We assessed the communication approach used to disseminate the CSIRP across the College, including engagement with relevant stakeholders.

1 Executive summary

Objective 4: 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.

- | We reviewed arrangements in place for cyber incident response training and awareness activities, including any structured exercises or awareness sessions designed to improve staff preparedness.
- | We considered the College's approach to capturing and applying lessons learned from cyber incident preparedness activities, including post-exercise reflection and debrief outputs.

1 Executive summary

Conclusion

Overall Conclusion: Strong

Following our review, we can provide a strong level of assurance over the College's Cyber Incident Response Plan and their associated policies, procedures, and controls. This is highlighted as we have raised several good practice points. However, we have raised 3 observations for consideration. **Please see Section 2: Observations, for further information.**

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Cyber Incident Response Plan	0	0	0	0

As can be seen from the above table there were no recommendations raised during the audit.

1 Executive summary

Areas of good practice

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

1.	The College has a documented CSIRP in place, which sets out roles and responsibilities, reporting and escalation routes, and an end-to-end incident response process.
2.	The College has a documented post-incident review and actions framework in place to capture and assess cyber security incidents. The document is comprehensive and well structured, supporting consistent recording of incident details, root cause analysis, response effectiveness, communications, recovery activities, and follow-up actions.
3.	The CSIRP aligns with recognised best practice frameworks. The plan demonstrates evidence of ongoing maintenance and review, with updates reflecting current systems, risks, and organisational arrangements, supporting continued relevance and effectiveness.
4.	The College demonstrates strong governance of incident response, with the Senior Leadership Team actively supporting Digital Services and maintaining oversight through ongoing engagement in plan development, exercising, and version control, while also playing a key role within the IRT.
5.	The College have employed the services of a trusted third-party to facilitate role-based cyber incident response training for relevant staff, ensuring personnel understand their responsibilities during the critical early stages of an incident and are equipped to take timely, structured action across detection, analysis, containment, eradication, and recovery.

1 Executive summary

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

- | | |
|----|---|
| 6. | The College strengthens incident response readiness by commissioning the same third-party to design and facilitate regular, scenario-based tabletop exercises, including injects and lessons learned, with the College's IRT and other key stakeholders. These exercises help to validate roles, decision making and communications in a realistic, low-risk environment. |
|----|---|

The following is a list of observations from our review

- | | |
|----|---|
| 1. | <p>The College has established a strong foundation within its CSIRP through the development of targeted response playbooks addressing key threat scenarios. This represents a mature and proactive approach, supporting consistent, structured responses to incidents and reducing reliance on ad hoc decision-making during time critical situations. The existing playbooks provide a solid basis from which the College can continue to evolve its response capability, particularly as the cyber threat landscape continues to change and new risks emerge.</p> <p>It is also encouraging to note the College’s direction of travel in promoting greater ownership of incident response and recovery across business areas and curriculum departments. Supporting these areas to develop tailored playbook-style guidance for their own systems and processes should further strengthen organisational resilience, ensuring that recovery activities are both locally informed and efficiently executed. Continued expansion of this approach is likely to enhance coordination between central and departmental responses, while embedding incident preparedness more deeply across the College.</p> |
|----|---|

The following is a list of observations from our review

- | | |
|----|--|
| 2. | <p>The College’s progress in strengthening its cyber security posture over the past 18 months reflects not only the efforts of the Digital Services function, but also the consistent engagement and support provided by the College Senior Leadership Team and Board. Evidence of active oversight, prioritisation of cyber-related investment, and a willingness to subject arrangements to independent scrutiny has created an environment in which meaningful improvements can be delivered. This reinforces the principle that effective cyber resilience is achieved through collective ownership, with strategic direction and operational delivery working in tandem.</p> <p>Maintaining this level of leadership focus will be critical as the external threat landscape continues to evolve in scale and complexity. Sustained Board engagement, alongside continued empowerment of Digital Services, should ensure that cyber security remains appropriately prioritised and resourced, enabling the College to build on the strong foundations already established. This collaborative approach positions the College well to respond to emerging challenges while continuing to enhance its overall resilience.</p> |
|----|--|

The following is a list of observations from our review

- | | |
|----|---|
| 3. | <p>The College has demonstrated a proactive and structured approach to testing its CSIRP using facilitated tabletop exercises delivered by external specialists. This has provided valuable independent challenge and scenario realism, supporting the validation of response procedures and strengthening organisational preparedness. The work undertaken to date to further develop and refine the tabletop exercise model reflects a clear commitment to continuous improvement in this area.</p> <p>The College's intention to build internal capability while establishing collaborative arrangements with peer institutions represents a progressive and sustainable approach to resilience testing. Developing a more self-sufficient model, complemented by periodic external facilitation to retain independence and avoid institutional bias, is likely to deliver both operational and cost efficiencies. In addition, partnering with other Colleges and Universities to jointly design and deliver exercises has the potential to broaden perspectives, introduce varied threat scenarios, and further enhance collective resilience across the sector. Continued advancement of this approach is strongly aligned with sector good practice and should provide ongoing value as the model matures.</p> |
|----|---|

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	21 April 2026
Closing meeting	28 April 2026
Draft report issued	6 May 2026
Receipt of management responses	12 May 2026
Final report issued	13 May 2026
Audit & Risk Committee	2 June 2026
Number of audit days	5

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 and Head of Internal Audit	gg@wbg.co.uk
Director	Stephen Pringle	Director of Internal Audit	sp@wbg.co.uk
Manager	Siobhan Archibald	Internal Audit Manager	sma@wbg.co.uk
Auditor	Kevin McDermott	Senior IT Auditor	kmd@wbg.co.uk

Ayrshire College			
Key Contact	Brad Johnstone	Director of Digital Infrastructure	brad.johnstone@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

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.

This review forms part of our 2025/26 Annual Audit Plan.

Scope of review

Our objectives for this review are to assess whether:

- | The College has appropriate arrangements in place surrounding the implementation process of the Cyber Incident Response Plan and these arrangements are documented and followed.
- | The Cyber Incident Response Plan is aligned with best practice for the College and that it is appropriate for the College needs.
- | The Incident Response Plan has been approved by Senior Management Team and has been properly communicated to the College.
- | 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.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- | A review of the current processes in place for cyber incident planning at the College.
- | Assessing the Quality Procedures that are currently in place at the College for cyber incident response planning.
- | A review of the management reporting in respect of cyber incident response planning.
- | A review of the communication provided to stakeholders to ensure they were well informed in terms of the College's cyber incident response arrangements.
- | A review of the Cyber Security Incident Response Plan and associated, testing, documentation, and processes.
- | A review of training in place in respect of cyber incident response planning and execution.
- | We shall compare the arrangement at the College with those at other colleges.
- | A review of the lessons learned process.

Potential key risks

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

- | Cyber incidents may be managed inconsistently, causing delays or escalation failures.
- | The plan may not cover key threats or College-specific systems, increasing vulnerability.
- | Staff may be unaware of the plan, causing delayed or ineffective responses during an incident.
- | Staff may lack awareness or skills, leading to errors or delayed recovery during a cyber incident.

Title of Meeting: Audit and Risk Committee

Date: 2 June 2026

Subject: Internal Audit Report – Strategic Risk Control and Action Review

Purpose: The paper presents the findings of the internal audit review of controls and mitigating actions associated with the College’s highest strategic risk (financial sustainability) and provides assurance to the Audit and Risk Committee regarding the robustness and effectiveness of these arrangements.

Recommendation: The Audit and Risk Committee is invited to:

- a) Note the findings of the internal audit review.
- b) Take assurance that controls and mitigating actions relating to financial sustainability are in place and operating effectively.
- c) Consider whether further internal audit coverage in this area should be included within the 2026–27 Internal Audit Plan.

1 Executive Summary

Following discussion at the previous Committee meeting, it was agreed to review the controls and mitigating actions associated with the highest strategic risk, namely, financial sustainability. The audit assignment is designed to provide assurance to the Committee and Board that the risk register controls and actions are robust and operating as described.

It was agreed with the Internal Audit Team that the report would be a shortened version of the normal audit assignment report due to the time available and also to allow the Committee to consider the output.

The intention is that should the Committee find this work to provide additional assurance regarding the controls and mitigating actions associated with the strategic risk, that time would be allocated from the 2026-27 plan to undertake further reviews.

The assignment formed part of the revised 2025-26 Internal Audit Annual Plan.

Overall Assurance

The audit confirmed that the controls and actions addressing the financial sustainability risk are in place and that the risk is treated in line with sector practice.

Recommendations

The risk register is a snapshot in time, and several of the issues noted regarding the treatment of controls and actions have already been implemented. The College does not intend to treat the outcomes as an action to be transferred to the rolling audit action plan.

2 Associated Risks

The internal audit assignment provides assurance that the College is effectively managing its strategic risk relating to financial sustainability. The review confirmed that all key mitigating controls and actions are in place and operating as described, supported by evidence and validated through discussions with senior finance staff.

The College's approach aligns with sector practice and demonstrates that mitigation activity is embedded in core financial management processes. While minor improvements are required to enhance the accuracy and presentation of the risk register, no gaps were identified in the underlying control framework, providing the Committee with confidence that this strategic risk is being actively and effectively managed.

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.

Siobhan Archibald
Internal Audit Manager
wbg

2 June 2026



Internal Audit – Ayrshire College Risk Register review

We performed a review of the College’s Risk Register, assessing whether the listed mitigating controls and actions were robust. We also sought evidence to verify that these controls and actions were in place as described on the risk register.

Risk Reviewed

Risk 1 – Financial Sustainability – *“There is a risk of the College becoming financially unsustainable because of the uncertainty surrounding SFC core grant, accounting for SFC estate maintenance funding, other external funding sources, the level of inflation and an inability to generate alternative income resulting in the College being unable to achieve its Strategic Ambition 2024-2027 and constraints being placed on its operating model.”*

Conclusion

Our review confirmed that the controls and actions detailed on the risk register to mitigate the risk of Financial Sustainability are in place as described. We held discussions with the Vice Principal of Finance and Infrastructure, the Chief Financial Controller and the Senior Accountant to understand these controls and actions, and reviewed evidence to verify that these controls and actions were in place.

We also compared the treatment of the risk of financial sustainability against the risk registers of our wider client base, where Ayrshire College’s treatment was in line with sector practice.

Considerations

Although there were no gaps identified in the treatment of the risk, we have noted some points for consideration focused on administrative recording of the register.

- The overall risk entry on the register notes that the inherent risk score is 20, with the residual risk score set at 25. This would imply that the mitigating actions and controls were increasing this particular risk. The College should review these scores to ensure that residual scores are lower than the inherent scores, demonstrating that the controls and actions are mitigating the risk.
- **Action 1** – this action focused on CDEL/RDEL funding, has a ‘deliverable date’ of 1 January 2026. The College should consider updating this date.
- **Action 2** – this action focused on the annual approval and regular monitoring of the budget. The College should consider changing this to a ‘control’, as these annual processes are in place and of a repeating nature.
- **Action 3** – this action focused on the development of Financial Sustainability Action Plan. The College should consider moving this to a ‘control’, as the action plan is now place.
- **Action 6** – this action focused on the implementation of a new finance system. The College should consider moving this to a ‘control’, as the system is now place.
- **Action 4** – this action reads as a ‘two part’ action, looking at both the SFC Financial Forecast Return, and using enhanced data available from the new finance system to pursue support and improved funding. The College should consider splitting this action into these two elements, where the SFC Financial Forecast Return element should be captured within Control 4; and the element focused on pursuit of funding via improved data visibility, continued as an action.



Ayrshire College

Progress Report

2025-26

May 2026

3. Audit Findings

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.

Visit	Audit Areas	No. of Audit Days	Provision Start Date of Visit	Provisional Date of Issue of Draft Report	Status	Provisional date for Reporting to Audit & Risk Committee
Visit 1	External Communications – Website	5	27 October 2025	7 November 2025	Completed	2 December 2025
	Student Voice	5				
Visit 2	Financial Regulations and Compliance	4	26 January 2026	13 February 2026	Completed	17 March 2026
	Non-SFC Income	6				
Visit 3	Cyber Incident Response Plan	5	20 April 2026	8 May 2026	Completed	2 June 2026
	Strategic Planning	5			Postponed*	
Visit 4	SSF	7	24 August 2026 & 14 September 2026	2 October 2026	-	December 2026
	Credits	4				

We will also undertake a rolling follow up review and also undertake some assurance mapping consultancy work throughout the year.

*The strategic Planning Review has been postponed to 2026/27.



Head Office

168 Bath Street,
Glasgow, G2 4TP

Lanarkshire

Suite 323, Edinburgh
House, East Kilbride,
G74 1LJ

Ayrshire

104 Main Street
Prestwick, KA9 1PA

Edinburgh

1/1 Bearford House, 39
Hannover Street, Edinburgh,
EH2 2PJ

Manchester

3 Hardman Square,
Spinningfields, M3 3EB

Title of Meeting: Audit and Risk Committee

Date: 2 June 2026

Title: 2025-26 Internal Audit Plan

Purpose: The purpose of this report is to present to the Committee the updated 2026-27 Internal Audit Plan, following discussion with the College Senior Leadership Team, Internal Audit Team and a review of other assurance sources.

Recommendation: The Audit and Risk Committee is requested to approve the 2026-27 Internal Audit Plan.

1 Executive Summary

The final 2026-27 Internal Audit Plan reflects the evolution from the March 2026 strategically framed, risk-aligned draft to a more operationally focused and deliverable-based programme of work. Overall, the direction of travel demonstrates a strengthening of practical assurance activity and governance coverage, alongside greater clarity on execution, timing and accountability.

Key movements are summarised as follows:

- The 2026-27 plan has expanded in scope to include additional audit engagements focused on implementation assurance, governance maturity and follow-up of prior recommendations, notably the introduction of reviews covering the new finance system, strategic planning (deferred from 2052-26), the strategic risk register, and follow-up activity.
- Conversely, there has been rationalisation of some previously proposed areas, with complaints handling and overall financial controls no longer presented as standalone audits, due to a shift towards a more embedded assurance approach.
- Several audit areas have been restructured and consolidated, most notably the integration of curriculum planning, timetabling and resource management into a single, larger review, reflecting a more holistic assessment of curriculum delivery and operational efficiency.
- There are minor recalibrations in audit effort, with slight reductions in days for Learning and Teaching Strategy and Employer Engagement, while core areas such as CPD and

statutory funding audits remain unchanged, maintaining a focus on key regulatory and workforce priorities.

- The final plan introduces a stronger emphasis on governance and assurance over control effectiveness, particularly through dedicated work on the strategic risk register and systematic follow-up of audit recommendations.
- The 2026-27 IAP has moved to a fully articulated operational plan, including defined scopes, audit objectives, delivery timelines and responsible officers, providing the Committee with significantly greater visibility of how assurance will be delivered in practice.

2 Associated Risks

The proposed 2026–27 Internal Audit Plan adopts a risk-based approach aligned to the College’s Strategic Risk Register, ensuring that audit activity is focused on areas of highest strategic exposure.

The Plan provides targeted assurance on key risks, particularly financial sustainability, through implementation of the new finance system and ongoing review of risk register controls and mitigating actions. In addition, the inclusion of strategic planning, governance reviews and systematic follow-up of audit recommendations strengthens overall assurance regarding the effectiveness of risk management and control arrangements across the College.

3 Equality and Diversity Impact Assessment (EqIA)

There are no issues or recommendations in this paper that require an EqIA.

4 Publication

This report will be published on the College website.

Alan Ritchie
Vice Principal, Finance and Infrastructure
2 June 2026

1. Changes to the Audit Programme

a) What is Being Audited

- 1.1. Noted below are the proposed changes to the draft 2026-27 Internal Audit Plan (IAP) proposed to the March 2026 Committee meeting, along with the rationale for the changes made:
- 1.2. The revised IAP includes additional audit areas not presented in the March draft:
- **Implementation of New Finance System (6 days)**
This has been introduced due to the complexity of the implementation process and its potential impact on the number 1 risk within the College Strategic Risk Register.
 - **Strategic Planning (5 days)**
This work was due to be carried out as part of the 2025-26 IAP. However, due to timing and other priorities, it was deferred until the early part of the proposed 2026-27 IAP. This deferral and the reason for it was discussed and agreed upon by the Chair and Vice-Chair of the Committee.
 - **Strategic Risk Register: Control and Mitigating Actions Review (5 days)**
Following the discussion at the March Committee meeting and the trial audit assignment, which was reported at the June committee meeting, five days have been allocated to continue this work. The intention is to review the next couple of strategic risks and provide assurance on the controls and actions being undertaken to mitigate them.
 - **Follow-up Review of prior recommendations (4 days)**
An element of follow-up time has been included in the plan to allow for review of any recommendations made as part of the IAPs. Should there be a limited number of recommendations, this time will likely be allocated to other work, most likely the Strategic Risk Register review noted above.
- 1.3. Based on discussions with both the College Senior Leadership Team, the Audit and Risk Committee and the Internal Auditors, the updated IAP represents a clear shift toward:
- Implementation assurance (finance system)
 - Governance maturity (risk register review)
 - Accountability for prior audit actions (follow-up work)

b) Audits Removed from the Draft Plan

1.4 The March draft IAP included areas that do not appear in the 2026-27 IAP, most notably:

- **Overall Financial Controls (5 days)**

This has been removed to allow for the proposed assignment relating to the Implementation of the New Finance System.

- **Complaints Handling (5 days)**

Based on the College Strategic Risk Register and other assurance work, it is not felt that this area, if reviewed, would provide an increased level of control assurance; it has been removed.

c) Areas Retained but Re-Scoped or Merged

1.5 Several audit areas appear in both plans, but with changes in structure or scope:

Curriculum/timetabling

- Draft plan:
 - Curriculum Planning (5 days)
 - Timetabling & Resource Management (5 days)
- Proposed 2026-27 IAP:
 - Combined into “Curriculum Delivery Plan and Timetabling and Resource Management” (10 days)

Following consultation with the Internal Audit Team, it was felt that consolidating into a single, larger integrated review would be more effective.

Learning and Teaching Strategy

- Draft: 5 days
- Proposed 2026-27 IAP: 4 days

Following consultation with the Internal Audit Team, a minor reduction in the number of audit days was agreed.

Employer Engagement Strategy

- Draft: 5 days
- Proposed 2026-27 IAP: 4 days

Following consultation with the Internal Audit Team, a minor reduction in the number of audit days was agreed.

Continuing Professional Development (CPD)

- Draft: 5 days
- Proposed 2026-27 IAP: 5 days

No material changes in audit scope or days.

Funding audits (SSF & Credits)

- Present in both plans:
 - Student Support Funds (4 days)
 - Student Activity (Credits) (7 days)
 -

No change as these remain mandated audits.

2. Summary

- 2.1. The introduction of a broader governance coverage in the proposed 2026-27 IAP (strategic planning, risk register assurance and follow-up reviews), strengthens the governance and oversight assurance, which were only described conceptually in the draft but not assigned discrete audit engagements.
- 2.2. Overall, the number of days has increased from the core 55 days to 60 days to accommodate the Strategic Planning Review deferred from 2025-26 into 2026-27
- 2.3. The proposed 2026-27 IAP also includes:
 - Full assignment scopes.
 - Audit objectives for each review.
 - Timetabled delivery schedule.
 - Named responsible officers.



wbg
Ayrshire College

Internal Audit Plan 2026/27

May 2026

Table of Contents

Section	Page number
Introduction	3
Operational Plan 2026/27	4
Appendices:	
A. Summary of Internal Audit Input	16
B. Grading Structure	19
C. Key Performance Indicators	20
D. Training Topics	21
E. Audit Universe	22

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 two 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.

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 (GIAS), and the Application Note regarding the adoption of GIAS in the UK Public Sector. The Application Note replaces the Public Sector Internal Audit Standards from 1 April 2025.

Terms of Reference - Internal Audit

The provision of the IAS by Wbg is covered by the letter of engagement dated 2 May 2025.

Preparation of Internal Audit Plan 2026/27

This Plan was developed following discussions with the College's vice Principal – Finance and Infrastructure and Chief Financial Controller.

Formal Approval

This Audit Plan covers the period 2026/27 and will be presented to the Audit & Risk Committee for approval on 1 June 2026.

Operational Plan

2026/27

Implementation of New Finance System

Audit area	High level indicative summary scope	Total number of days
Implementation of New Finance System	<p>The purpose of the assignment will be to review the implementation of the new finance system to assess whether the system is working as anticipated, and that Ayrshire College is fully utilising the benefits and efficiencies that the new system offers.</p> <p>We will also review the implementation process to assess whether deadlines and costs were met, and that staff have received sufficient training on the system.</p> <p>Our objectives for this review will be as follows:</p> <ul style="list-style-type: none"> The new Finance System is fit for purpose and operating in line with good practice. Data has been accurately transferred from the previous Finance System. Sufficient training has been given to those staff who will be using the new Finance System. Appropriate controls have been put in place over the new Finance System, and these are being adhered to by staff. 	6

Learning and Teaching Strategy

Audit area	High level indicative summary scope	Total number of days
Learning and Teaching Strategy	<p>The purpose of this review is to assess whether the College has a robust Learning and Teaching Strategy that provides a clear framework for what students are expected to achieve and that aligns effectively with the College’s curriculum and strategic goals. We will confirm whether the Strategy sets out effective learning and teaching approaches, including learner engagement, inclusive practice, and the use of digital infrastructure. We will also confirm how teaching quality is recorded, monitored, and enhanced.</p> <p>Our objectives for this review will be as follows:</p> <ul style="list-style-type: none"> The College has a robust Learning and Teaching Strategy that sets out current and future delivery in line with the College’s Strategic Priorities. The College’s Learning and Teaching Strategy clearly articulates its approach to teaching and learning and appropriately describes the systems and processes in place. The College’s Learning and Teaching Strategy includes an appropriate assessment of learner and stakeholder needs, reflecting local and regional requirements. The College’s Learning and Teaching Strategy sets out teaching methodologies that support a positive student experience and demonstrates appropriate consideration of EDI requirements. The College has appropriate mechanisms in place to monitor teaching quality and to ensure alignment between teaching practice and the College’s Strategy. 	4

Employer Engagement Strategy



Audit area	High level indicative summary scope	Total number of days
Employer Engagement Strategy	<p>The purpose of this review is to assess whether the College has a robust Employer Engagement Strategy that clearly sets out how it builds and sustains effective relationships with employers. We will evaluate how the College works with employers to support skills development, student employability, and local and regional priorities. We will also review how the Employer Engagement Strategy is implemented and embedded within curriculum delivery.</p> <p>Our objectives for this review will be as follows:</p> <ul style="list-style-type: none"> The College has a robust Employer Engagement Strategy that clearly articulates its approach to employer engagement and relationship-building. The Employer Engagement Strategy appropriately informs and influences curriculum planning and development. The Employer Engagement Strategy enables engagement activity to be captured and analysed, supporting the ongoing growth and development of employer relationships. The Employer Engagement Strategy is appropriately monitored and reviewed to identify areas for improvement.	4

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"> The College has robust planning processes in place to develop the Strategic Plan. The College regularly reviews and monitors the Strategic Plan and takes necessary action when objectives are not being met. The Board were fully involved in the development of the Strategic Plan and receive regular updates on the progress of the Plan. There is alignment between performance measures, operational plans and the Strategic Plan.	5

Curriculum Delivery Plan and Timetabling and Resource Management



Audit area	High level indicative summary scope	Total number of days
<p>Curriculum Delivery Plan and Timetabling and Resource Management</p>	<p>We will undertake a review of the suitability of the curriculum planning arrangements in place within the College. We will review the process from determining which courses to be run, the delivery methods, through to the approval of the plan. We will also review the processes surrounding timetabling, the methods adopted to assess the quality of the curriculum offered and the processes surrounding resource management.</p> <p>Our objectives for this review will be as follows:</p> <ul style="list-style-type: none"> The College has a robust Curriculum Delivery Plan that is effectively developed based off the College’s strategic planning documentation. The College’s Curriculum Delivery Plan is aligned with financial plans and the regional plans. The College’s Curriculum Delivery Plan involves sufficient input from academic faculties and sufficient detail on how targets will be delivered. There are sufficient controls in place surrounding the timetabling of the curriculum. There are sufficient resources to deliver planned levels of curriculum. The College have robust mechanisms to monitor whether the current arrangements in relation to timetabling and resource management are effective. The quality of the curriculum offered is being appropriately assessed. 	<p>10</p>

Continuing Professional Development



Audit area	High level indicative summary scope	Total number of days
Continuing Professional Development	<p>The purpose of the review will be to assess the suitability of the arrangements in place to manage, monitor and measure the impact of CPD (continuing professional development) within the College. We will assess whether the College has effective mechanisms in place to manage the completion of CPD requirements in a timely manner and the appropriateness of support and resources provided by the College.</p> <p>Our objectives for this review will be as follows:</p> <ul style="list-style-type: none"> The College have robust processes in place to ensure that CPD training requirements are managed in an efficient manner. Responsibilities for CPD are clearly defined throughout the College. The College have robust processes for identifying training needs that results in training completed by staff being in line with their job role or the overall direction of the College. The College offer staff members appropriate CPD courses. The College actively monitors its CPD requirements in a clear and defined manner. The College has clearly identified objectives for its CPD delivery where these align with the strategic objectives of the p. The College's CPD results in improved levels of performance where the training programmes have actively contributed toward the Group achieving their strategic objectives. 	5

Strategic Risk Register: Control and Mitigating Actions Review



Audit area	High level indicative summary scope	Total number of days
Strategic Risk Register: Control and Mitigating Actions Review	<p>We will complete an advisory piece of work for the College surrounding their Strategic Risk Register. Specifically, we will review a sample of high value risks to confirm that the mitigating controls and actions are clearly defined. We will also verify the existence of said actions for the risk sampled.</p> <p>Our objectives for this review will be as follows:</p> <ul style="list-style-type: none"> The mitigating controls and actions for the sampled risks are clearly defined on the College’s risk register. The mitigating controls and actions are based on in practice arrangements. 	5

Funding Reviews and Follow Up Review



Audit area	High level indicative summary scope	Total number of days
SSF	Our audit will follow the requirements of the SFC & SAAS guidance issued.	2
Credits	Our audit will follow the requirements of the SFC guidance issued.	5
Follow Up Review	<p>The effectiveness of the internal control system may be comprised if management fails to implement agreed audit recommendations. Our follow up work will provide the Audit & Risk Committee with assurance that prior year recommendations are implemented within the expected timescales.</p> <p>Our objective for this review is as follows:</p> <ul style="list-style-type: none"> The College has appropriately implemented any outstanding internal audit recommendations made in prior years. 	4

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	Strategic Planning	5	Vice Principal of People Performance and Transformation	19 October 2026	6 November 2026	1 December 2026
	Continuing Professional Development	5				
2	Learning and Teaching Strategy	4	Vice Principal of Skills and Enterprise	25 January 2027	12 February 2027	16 March 2027
	Implementation of New Finance System	6				
	Strategic Risk Register: Control and Mitigating Actions Review	5	Vice Principal of Finance and Infrastructure			
3	Curriculum Delivery Plan and Timetabling and Resource Management	10	Vice Principal of Finance and Infrastructure Vice Principal of Skills and Enterprise Head of Business Intelligence and Information Systems	19 April 2027	7 May 2027	1 June 2027
	Employer Engagement Strategy	4	Vice Principal of Skills and Enterprise			

Assignment Plans & Dates

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	Credits	7	Head of Business Intelligence and Information Systems	23 August 2027 & 13 September 2027	1 October 2027	December 2027
	SSF	4	Head of Student Funding			

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 2027		Operating Plan (No. Of days)				
System	Audit Area	2022/23	2023/24	2024/25	2025/26	2026/27
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	
	Implementation of New Finance System					6
	Compliance	GDPR/FOI			6	
Strategy	Strategic Planning					5
	Learning & Teaching Strategy					4
	Employer Engagement Strategy					4
Estates	Estates Management		6			
Governance	Corporate Governance		5			
	Risk Management	5				
	Strategic Risk Register: Control and Mitigating Actions Review				5	5
	Total Days c/f	16	21	15	15	24

A – Summary of Internal Audit Input

1 August 2022 to 31 July 2027		Operating Plan (No. Of days)				
System	Audit Area	2022/23	2023/24	2024/25	2025/26	2026/27
	Total Days c/f	16	21	15	15	24
Student	Student Recruitment and Retention			6		
	Safeguarding and Child Protection	5				
	Student Enrolment Procedures	5				
	Student Retention		5			
	Student Voice				5	
	Curriculum Delivery Plan and Timetabling and Resource Management					10
IT	IT Security		5			
	IT Systems Administration			5		
	Cyber Incident Response Plan				5	
	External Communications - Website				5	
People	Staff Recruitment and Retention			5		
	Continuing Professional Development					5
	Total Days c/f	<u>26</u>	<u>31</u>	<u>31</u>	<u>30</u>	<u>39</u>

A – Summary of Internal Audit Input

1 August 2022 to 31 July 2027		Operating Plan (No. Of days)				
System	Audit Area	2022/23	2023/24	2024/25	2025/26	2026/27
	Total Days b/f	<u>26</u>	<u>31</u>	<u>31</u>	<u>30</u>	<u>39</u>
Mandatory	Credits Audit	6	6	6	7	7
	SSF Audit	4	4	4	4	4
	EMA Audit	4	4	4	-	-
Required	Follow Up Review	4	4	4	4	4
	Audit Management	6	6	6	5	6
	Total Days	<u>50</u>	<u>55</u>	<u>55</u>	<u>50</u>	<u>60</u>

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 August 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 the 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.
Cyber Awareness	We would provide a cyber awareness session designed to help staff recognise and respond to common cyber threats. The training would be tailored to the education sector and assist in promoting a strong culture of cyber resilience across all levels of the College.

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 19 for the colour key of assurance ratings.

Area	2022/23	2023/24	2024/25	2025/26	2026/27
Finance	Overall Financial Controls	Overall Financial Controls	Overall Financial Controls	Financial Regulations & Compliance	Implementation of New Finance System
	Fraud Awareness	Budgeting and Monitoring	Payroll	Non-SFC Income	
Compliance			GDPR/FOI		
Strategy					Strategic Planning
					Learning & Teaching Strategy
					Employer Engagement Strategy
Estates		Estates Management			
Governance	Risk Management	Corporate Governance			
Student	Safeguarding and Child Protection	Student Retention	Student Recruitment and Retention	Student Voice	Curriculum Delivery Plan and Timetabling and Resource Management
	Student Enrolment Procedures				
IT		IT Security	IT Systems Administration	Cyber Incident Response Plan	
				External Communications – Website	
People			Staff Recruitment & Retention		Continuing Professional Development

Title of Meeting:	Audit and Risk Committee
Date:	2 June 2026
Title:	2025-26 External Audit Annual Plan
Purpose:	The paper presents the draft External Audit Annual Plan for 2025-26, prepared by Azets in accordance with the Audit Scotland Code of Audit Practice, for approval by the Audit and Risk Committee.
Recommendation:	The Audit and Risk Committee is requested to approve the 2025-26 External Audit Annual Plan.

1 Executive Summary

The draft 2025-26 External Audit Annual Plan is presented for approval and is broadly consistent with the previous year but reflects a clear shift in audit focus. The most significant change is the introduction of a new financial statement risk arising from the implementation of the BluQube finance system, which will require additional audit procedures and greater emphasis on data integrity and internal controls. This is offset by the removal of the prior-year PFI-related risk following the completion of the Kilwinning campus transfer and by a simplification of the group audit approach, as the subsidiary is not currently material.

The plan also strengthens its focus on IT controls and continues to highlight ongoing financial sustainability challenges, while materiality thresholds and overall audit fees remain broadly stable, with a modest increase reflecting system-related audit work. The audit timetable and delivery approach are largely unchanged.

2 Associated Risks

The 2025-26 External Audit Plan provides assurance across the College's core strategic risks, with a continued focus on financial sustainability, governance, and financial management.

In particular, the audit will assess the robustness of financial planning and the College's ability to manage ongoing structural deficits and funding pressures, alongside reviewing the strength of internal controls, financial reporting arrangements, and compliance with public finance requirements. It also retains a strong focus on fraud risk and the effectiveness of governance and oversight arrangements, including Board effectiveness and scrutiny of strategic delivery.

A key shift in the 2025-26 plan is the introduction of a significant new risk related to the implementation of the BluQube finance system, which places greater emphasis on data integrity, system controls, and IT governance. This is supported by a strengthened IT audit approach covering system security, infrastructure, and change management.

At the same time, previously significant risks, such as the PFI transaction and group audit complexity, have reduced or been removed, reflecting a transition away from one-off transactional risks towards a greater focus on systems, controls, and longer-term financial resilience.

3 Equality and Diversity Impact Assessment

There are no issues or recommendations in this paper that require an EqIA.

4 Publication

This report will be published on the College website.

Andy Reid
Director, Azets

2 June 2026

1. Background

- 1.1. The Draft 2025-26 External Audit Annual Plan is attached at **Appendix 1**. It has been prepared by Azets Audit Services and aligns with the Code of Audit Practice issued by Audit Scotland.
- 1.2. The 2025-26 audit plan is broadly consistent with prior years but introduces a significant new risk around the new finance system (BluQube) implementation, removes the PFI-related risk, simplifies group audit scope, and places greater emphasis on IT controls and financial sustainability.
- 1.3. Noted below are several areas which have either been addressed and therefore removed from the plan or added to the plan due to their significance. The External Audit Team will cover these as part of their presentation of the plan

New Significant Financial System Risk

- 1.4. The implementation of the new accounting system (BluQube) is the most material change and introduces additional audit procedures, increases audit fees, and reflects a major internal transformation risk.
- 1.5. It has been introduced as a significant financial statement-level risk in 2025-26 and is linked to:
 - Data migration completeness and accuracy.
 - Integrity of opening balances.
 - Changes to the control environment.

Removal of PFI Prior-Year Significant Risk

- 1.6. With the conclusion of the transfer of the Kilwinning campus in June 2025 back into College control, the PFI asset purchase risk has been removed. The 2024-25 plan included a significant risk related to the Kilwinning PFI contract expiry and buyout, as well as complex accounting and valuation judgments.

Group Audit Approach

- 1.7. Given the limited number of accounting transactions relating to the College's wholly owned subsidiary (SAI Ltd), the plan confirms that no group audit is required in 2025-26. The plan states that SAI Ltd transaction levels are not material and not consolidated, and that no group audit is required. The subsidiary is expected to become operational and require future assessment.
- 1.8. This assessment reduces the audit complexity and scope risk around consolidation.

1.9. **Expansion of IT audit focus**

1.10. A formal IT audit strategy section has been added to the 2025-26 plan, with the core emphasis being on IT general controls (ITGCs), system security, infrastructure, and change management and a focus on old and new finance systems.

1.11. This is to reflect the increased reliance on systems and data controls, driven by the implementation of the new finance system (BluQube).

Wider Scope – Change In Thematic Emphasis

1.12. The financial sustainability narrative has been updated and intensified, with the emphasis being on the forward outlook with an adjusted deficit of £4.3m (2025–28), the continuation of a structural deficit and funding reform impacts.

1.13. This is not a structural change in audit scope, but a material update in the financial risk context, with clearer modelling of future medium-term pressures.

Materiality changes (quantitative update)

- Planning materiality increased:
 - £1.060m → £1.1m
- Performance materiality:
 - £0.79m → £0.825m
- Trivial threshold:
 - £53k → £55k

1.14. These changes represent only incremental changes driven by an updated expenditure base, not a methodological change.

Audit Fee – Change in Drivers' primary accounting system implementation

1.15. The audit fee has remained consistent at a core level, but there is a clear shift in audit effort from transactions to systems and controls, with the additional £3,500 linked to system implementation audit work.

Operational/timing changes

1.16. The audit timetable is broadly consistent year-on-year, with only minor date shifts and no material procedural change to the audit delivery model.

1.17. The Audit Team will remain under Andy Reid as Engagement Lead, with Adrian Kolodziej replaced by Caitlin Mackenzie, who will take over management of the audit and quality assurance elements of the work.

A decorative graphic on the left side of the page consists of a large blue triangle pointing right, and a cluster of smaller triangles in shades of grey, green, and blue, arranged in a pattern that resembles a stylized 'A' or a cluster of arrows pointing right.

Ayrshire College

DRAFT External Audit Annual Plan

Year ended 31 July 2026

June 2026

Table of Contents

Introduction	3
Audit scope and general approach	5
Group audit scope and risk assessment	12
IT Audit strategy	14
Financial statements - significant and other risks of material misstatement	15
Wider scope of public audit	22
Audit team, logistics and requirements	26
Independence, objectivity and other services provided	29
Audit Fees	31
Appendices	32

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 2026 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 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 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 Audit 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 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 also be required to provide information to Audit Scotland to support the national performance audits and 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 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 'Inflo' 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.

Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

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.

Our determination of materiality:

- Informs the scope of our audit and audit procedures
- Informs the sample sizes required for substantive testing
- Informs our consideration in evaluation the effect of actual and projected misstatements in the financial statements

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. 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, adjusted for exceptional expenditure, based on the audited financial statements for 2024/25, resulting in £1.1 million for the College.

Performance Materiality: Using our professional judgement, we have assessed performance materiality at 75% of planning materiality, resulting in £0.825 million for the College.

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 £0.055 million for the College.

Specific Materiality: We also consider materiality qualitatively. This includes areas where users are more sensitive to any error. As such we consider the Remuneration and Staff Report and Related Parties disclosures as material by nature.

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

For Related Party transactions, 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.

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 are 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 2025/26 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.

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. It uses technology to compare information held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

Participating bodies submitted datasets for matching in October 2024 and November 2024 and 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 2025/26 Annual Audit Report.

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 for 2025/26 is outlined in the "Wider scope of public audit" section of this plan.

National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General, they will request auditors to consider and report on those risks as they apply at a local level. For 2025/26 no such risks have been specified.

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.

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.



Group audit scope and risk assessment

As Group auditor under ISA (UK) 600, 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.

Group audit scope

The Group consists of the following entities:

Component	Risk of material misstatement to the Group?	Scope	Planned audit approach	Risks identified	To be carried out by
Ayrshire College	Yes	Full Scope	Full scope statutory audit, as set out in this audit plan.	As set out in section: “Financial Statements-significant and other risks of material misstatement” .	Azets
SAI Aerospace Training Ltd	No	None	No procedures planned.	None	Not applicable

The College has set up a new subsidiary, SAI Aerospace Training Ltd. The transactions in this subsidiary for 2025/26 are not expected to be material. As such, the subsidiary is not expected to be consolidated in the College’s accounts for 2025/26 and single entity accounts are expected to be prepared. We will therefore not be performing a group audit.

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 Where risk of material misstatement to the Group is not material. 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 component-by-component basis.

IT Audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those walkthrough key controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

We will look at the general IT controls, in addition to the controls around the previous and new finance systems.

Financial statements - significant and other risks of material misstatement

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range 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 auditing standards.

The table below summarises each significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

Significant risk	Financial Statement/Assertion Level Risk	Fraud Risk	Approach to controls	Inherent risk of material misstatement
Management override of controls	Financial Statement Level	Yes	Assess design and implementation	Very high
Implementation of new accounting system	Financial Statement Level	No	Assess design and implementation	High
Fraud in revenue recognition	Assertion Level	Yes	Assess design and implementation	High
Fraud in non-pay expenditure recognition	Assertion Level	Yes	Assess design and implementation	High
Valuation of land and buildings	Assertion Level	No	Assess design and implementation	High
Pension net asset/liability	Assertion Level	No	Assess design and implementation	High

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	Planned audit procedures
<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.</p> <p>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 transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design and implementation effectiveness of management controls over journals; • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals; • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the College's journals policy; • Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and • Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Implementation of new accounting system	Planned audit procedures
<p>From 7 April 2026, the College began using a new general ledger system, BluQube. When implementing a significant new accounting system, it is important to ensure that sufficient controls have been designed and operate to ensure the integrity of the data. There is also a risk over the completeness and accuracy of the data transfer made from the previous ledger system into the new one.</p> <p>We have therefore identified this area as a significant risk with potential impact on all financial statement areas.</p> <p>Risk of material misstatement: High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> ● Obtaining an understanding of the how the project for implementation of the new system was managed; ● Obtaining assurance on completeness and accuracy of the migration of financial data from the previous system to the new system, including transfer of trial balance and transaction data at 7 April 2026; ● Assessing the impact of the new system implementation on the College’s General Information Technology Controls and control environment as they relate to the preparation of the financial statements; and ● Obtaining an understanding of any changes to the College’s material business processes as a result of the system implementation, which will include documentation of processes and controls in place and walkthrough testing to confirm their design and implementation.

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). The presumption is that the College could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position. Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. In respect of the College's income for Scottish Funding Council (SFC) grant funding, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. The risk of fraud in relation to revenue recognition is however present in all other revenue streams.</p> <p>Inherent risk of material misstatement: Revenue (occurrence): Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the College's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Evaluating the design and implementation effectiveness of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year; and • Substantively testing material income streams using analytical procedures and sample testing of transactions recognised for the year.

Fraud in non-pay expenditure recognition	Audit approach
<p>We have also considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the College. Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of non-pay 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>Inherent risk of material misstatement:</p> <p>Non-pay expenditure (completeness): Very High</p> <p>Accruals (existence and completeness): Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the College's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements; • Evaluating the design and implementation effectiveness of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; • Obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year; • Substantively testing material expenditure streams using analytical procedures and sample testing of transactions recognised for the year; • Reviewing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates. • Verifying that expenditure and accruals included within the financial statements are complete by substantively testing post year-end invoices received and cash payments made.

Valuation of land and buildings (key accounting estimate)	Planned audit procedures
<p>The College held land and buildings with a net book value of £119.5 million at 31 July 2025, with full external valuations last undertaken as at 31 July 2023 and external desktop valuations undertaken as at 31 July 2024 and 31 July 2025. 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. 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. 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 falls outside our expectations.</p> <p>Inherent risk of material misstatement: Land and Buildings (valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> ● Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; ● Evaluating the competence, capabilities and objectivity of the valuation expert; ● Evaluating the design and implementation effectiveness of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems; ● Considering the basis on which the valuations are carried out and challenging the key assumptions applied; ● Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data; ● For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding; and ● Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct.

Pension net asset/liability – (key accounting estimate)	Planned audit procedures
<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 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 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>Inherent risk of material misstatement: Pension net asset or liability (Valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • 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; • Evaluating the competence, capabilities and objectivity of the actuary; • Reviewing the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate; • Evaluating whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements; and • Ensuring pension valuation movements for the year and related disclosures have been presented correctly.

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.

Wider scope of public audit

Introduction

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

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

Our audit approach to the wider scope audit areas

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

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

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

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

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

Wider scope significant risks

Financial sustainability

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

Ayrshire College presented the Financial Forecast Return to the Board of Management in June 2025. The College estimated an adjusted operating deficit totalling £4.3 million for the period between 2025-28. It includes an expectation of no other sources of income and a revision to current SFC funding model, which has changed the parameters on and the values associated with credits and the College estimate will have an impact of a reduction of income of around £0.7 million a year from 2026/27 to 2028/29.

The greatest risks to the College's sustainability are those around levels of funding from SFC. The SFC published final colleges funding allocations in July 2025. The 2025/26 SFC main grant allocation for the College is £37.9 million and this supports delivery of 111,480 of student credits, which is the same as the prior year. This represents an increase of £0.4 million of funding, which equates to 1.04%. This increased funding was not provided to meet general inflationary costs but to support increasing teaching pay and pension cost.

The College recognises that it has a structural deficit with significant efficiencies requiring to be realised in 2025/26 and in every subsequent year thereafter.

Staff costs continues to be a significant pressure area for the College and a key aspect of the College's ambitious transition plan. With the uncertainty around the public sector pay settlements, any increase in staff costs will have a material impact on the finances of the College.

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

Our audit response:

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

Financial management

We have not identified a significant risk in relation to the College's arrangements for financial management from our initial planning and risk assessment work.

Our audit response:

As part of our work on Financial Management in 2025/26 we will review, conclude and report on:

- Whether the College achieves its 2025/26 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

We have not identified a significant risk in relation to the College's arrangements for vision, leadership and governance from our initial planning and risk assessment work.

Our audit response:

As part of our work on Vision, Leadership and Governance in 2025/26 we will review, conclude and report on:

- Whether the 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 the new Board and Committee members have been provided with appropriate training to perform their functions effectively.
-

Use of resources to improve outcomes

We have not identified a significant risk in relation to the College's arrangements for use of resources to improve outcomes from our initial planning and risk assessment work.

Our audit response:

As part of our work on use of resources to improve outcomes in 2025/26 we will review, conclude and report on:

- 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.
-

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist.

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.

Consideration of the arrangements the College has in place to secure Best Value will be carried out alongside our wider scope audit work and a conclusion on the arrangements the College has in place will be reported in our Annual Audit Report.

Audit Scotland has requested that, at least once during the term of our audit appointment, we carry out audit work on the College's arrangements relating to the Best Value theme of fairness and equality. We will consider this in the context of our wider scope audit work in 2025/26 and include commentary in our Annual Audit Report.

Audit team, logistics and requirements

Your core audit team

Engagement Lead

Andy Reid

Andy.Reid@azets.co.uk

Andy is the key contact for senior management and has overall responsibility for the audit quality and the audit opinion.

Engagement Manager

Caitlin Mackenzie

Caitlin.Mackenzie@azets.co.uk

Caitlin is responsible for the overall management of the audit and quality assurance of audit work. She is the key contract for the finance team management.

Engagement In-Charge Auditor

Tom Oliver

Tom.Oliver@azets.co.uk

Tom leads on the off-site audit visits. He is the key day-to-day contact for the finance team.

Audit Timetable

The following timetable indicates the key milestones of the audit.

Event	Date
Planning and risk assessment	April 2026
Reporting of plan to Audit and Risk Committee	2 June 2026
Interim audit	6 July 2026
Receipt of draft accounts and commencement audit fieldwork	5 October 2026
Audit and Risk Committee to consider accounts and audit report	17 November 2026
Board meeting to approve accounts for signing	10 December 2026
Target date for submission of signed accounts to Scottish Funding Council	31 December 2026

Our expectations and 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 to be produced to a good quality by the deadlines agreed with us. These should be complete including all notes, the Annual Report 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; and
- 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.

Independence, objectivity and other services provided

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In particular:

- Non-audit 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. Azets provide advisory services to the College on VAT matters and corporation tax return matters as set out below. We obtained clearance from our Engagement Lead, Ethics Team and Audit Scotland prior to commencing the engagement.
- Contingent fees: No contingent fee arrangements are in place for any services provided
- Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the College's, senior management or staff.
- Relationships: We have no other relationships with the College, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Non-audit service fees

Non-audit service	2025/26 Fee £	Threats identified	Safeguards
VAT advisory services	4,100	Self-review Management decisions	VAT advisory services are provided by a separate team from the audit team. No management decisions are taken as part of our VAT advisory work. The VAT fee is not set on a contingency basis and is insignificant in relation to the audit fee.

Non-audit service	2025/26 Fee £	Threats identified	Safeguards
Corporation tax return	1,450	Self-review Management decisions	Corporation tax return services are provided by a separate team from the audit team. No management decisions are taken as part of our corporation tax return work. The corporation tax return fee is not set on a contingency basis and is insignificant in relation to the audit fee.

Audit Fees

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

The expected fee is reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2025/26 audits) have been developed in the context of a challenging economic financial environment and the challenges facing public services.

The 2025/26 expected audit fee is based on applying a 4.3% increase to the 2024/25 expected audit fee. This increase is applied on a sector basis and reflects the conditions of the public sector market.

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

For 2025/26, we propose setting the audit fee above the expected fee level. We propose setting the 2025/26 audit fee above the expected fee to reflect the following areas of work:

	Fee
Additional audit procedures – implementation of new accounting system	3,500

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.

Fee element	2025/26	2024/25
Auditor remuneration (expected fee level)	58,550	56,400
Auditor remuneration (above expected fee level for risk areas noted above)	3,500	3,840
Pooled costs	(7,090)	(7,120)
Sectoral cap adjustment	5,980	5,790
Total fee	60,940	58,910

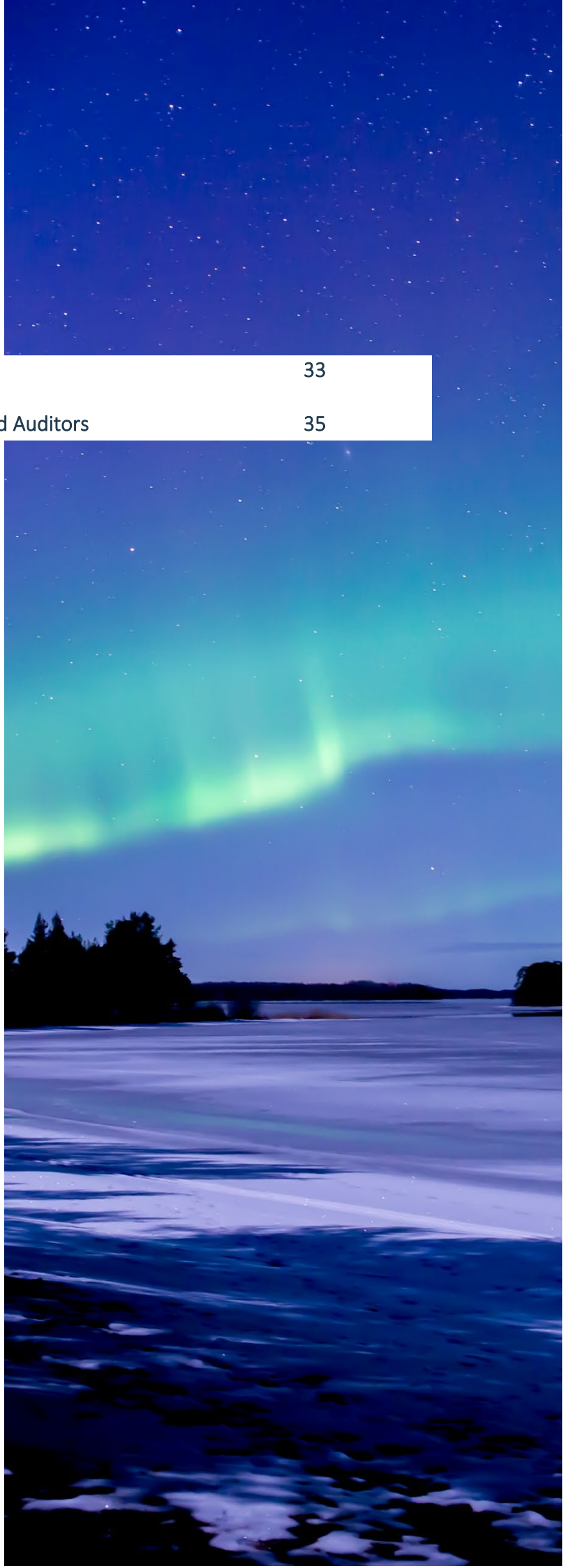
Appendices

Appendix 1: Materiality

33

Appendix 2: Responsibilities of the College and Auditors

35



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 professional judgements about the size of misstatements which we consider to be material, based on our knowledge of the College, considering factors such as financial stability, expectations of readers and stakeholders, sector developments and financial reporting requirements. In determining materiality we consider the level of misstatement that could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2026 was calculated as follows.

	College £
Overall materiality for the financial statements	1,100,000
Performance materiality (75% of materiality)	825,000
Trivial threshold	55,000
Materiality	Our initial assessment is based on approximately 2% of the College's gross revenue expenditure, adjusted for exceptional expenditure, as disclosed in the 2024/25 audited annual accounts. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance of the College. The financial statements are considered to be materially misstated where total errors exceed this value.
Performance materiality	75% of materiality Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the

	<p>nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</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 exceed overall materiality.</p>
<p>Trivial threshold</p>	<p>5% of overall materiality</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 determined that no specific materiality levels need to be set for this audit.

We also consider materiality qualitatively. This includes areas where users are more sensitive to any error. As such we consider the Remuneration and Staff Report and Related Parties disclosures as material by nature.

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

For Related Party transactions, 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.

Appendix 2: Responsibilities of the College and Auditors

College responsibilities

The Code of Audit Practice (2021) sets out the following responsibilities:

Area	College responsibilities
Corporate governance	<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>
Financial statements and related reports	<p>The College has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements. <p>Management commentaries should be fair, balanced and understandable. 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 and compliance controls. These systems should support the achievement of</p>

Area	College responsibilities
	its objectives and safeguard and secure value for money from the public funds at its disposal. The College is also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct for prevention and detection of fraud and error	The College is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.
Financial position	<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"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best value	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.

Auditor responsibilities

Code of Audit Practice

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

The Code outlines the responsibilities of external auditors and it is a condition of our appointment that we follow it.

Our responsibilities

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

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

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

Wider scope audit work

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

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

Financial management

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



Auditor considerations

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

Financial sustainability

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



Auditor considerations

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

Vision, leadership and governance

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



Auditor considerations

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

Use of resources to improve outcomes



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

Auditor considerations

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

Audit quality

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

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

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2024/25 | Audit Scotland](#)



© Azets 2026. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

Moving forward with confidence



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

Date: **2 June 2026**

Subject: **2025-26 Financial Governance Compliance Report**

Purpose: The paper is intended to support the Committee in strengthening its oversight of governance, risk management and internal control arrangements in line with Scottish Public Finance Manual expectations.

Recommendation: The Committee is requested to:

- Note the characteristics of good practice outlined in this paper
- Consider whether current arrangements provide:
 - Sufficient coverage of SPFM requirements
 - Clear, integrated assurance
- Agree that SPFM compliance is reviewed

1. Executive Summary

1.1 The 2025-26 Financial Governance Compliance Report and supporting assurance papers demonstrate that the College has a well-established and effective framework for governance, risk management and internal control, aligned to the expectations of the Scottish Public Finance Manual and the Scottish Funding Council.

1.2 The Audit and Risk Committee is operating within a structured governance framework, supported by annual self-assessment, internal and external audit assurance, and comprehensive reporting. The College has completed its internal control review and Certificate of Assurance, concluding that controls are operating effectively with no significant issues requiring escalation, providing a strong evidence base to support the Accountable Officer's governance statement.

1.3 The supporting Financial Memorandum compliance analysis further evidence that the College is meeting all key SFC requirements, including financial stewardship, value for money, sustainability planning, and robust audit and risk arrangements. Assurance is drawn from multiple sources, committee oversight, audit opinions, risk management processes and performance reporting, indicating a high level of overall assurance across governance and financial management arrangements, albeit with recognised external financial pressures that present an ongoing strategic risk.

- 1.4 Together, the paper confirms that the College has a mature and evolving assurance framework, with further development underway (e.g. integrated assurance mapping) to enhance transparency, strengthen Board oversight and align fully with emerging best practice.

2. Associated Risks

- 2.1 The paper collectively addresses the College's core governance, compliance and assurance risks, demonstrating that robust structures are in place to manage the risk of non-compliance with the Scottish Public Finance Manual (SPFM) and Scottish Funding Council (SFC) Financial Memorandum.
- 2.2 This risk is mitigated through a comprehensive framework of Audit and Risk Committee oversight, internal and external audit assurance, and formal Certificates of Assurance, all of which confirm that internal controls are operating effectively with no significant issues requiring disclosure. The papers also address the risk of weak internal control or ineffective governance, evidencing structured self-assessment, clearly defined committee responsibilities, and strong audit arrangements, supported by regular reporting and a clear audit trail.
- 2.3 In addition, the papers highlight and respond to strategic financial sustainability risk, particularly arising from changes to the SFC funding model, cost pressures and pay settlements. This risk is managed through active financial planning, Board oversight, engagement with the SFC, and ongoing monitoring through management accounts and committee scrutiny. The College also mitigates risks related to inadequate risk management, performance monitoring, and value for money through embedded risk management processes, regular performance reporting, and a clear focus on economy, efficiency, and effectiveness. Importantly, the development of an integrated assurance framework (assurance mapping) is identified as a further enhancement, strengthening the College's ability to identify assurance gaps, reduce duplication and provide the Board with a holistic, RAG-rated view of risk and control effectiveness.

3. Equality and Diversity Impact Assessment

- 3.1 The content of this paper does not require an EDIA to be undertaken.

4. Publication

- 4.1 This paper will be published on the College website.

Alan Ritchie
Vice Principal, Finance and Infrastructure
2 June 2026

1. Background

- 1.1 The Scottish Public Finance Manual (SPFM) establishes the framework for proper stewardship of public funds, requiring bodies to demonstrate:
- Robust governance arrangements.
 - Effective risk management.
 - Strong internal control systems.
 - Clear accountability to Scottish Ministers and the public via the Scottish Funding Council.
- 1.2 The Audit and Risk Committee play a central role in this framework, providing independent assurance to the Board on these matters.
- 1.3 However, SPFM is principles-based rather than checklist-driven, meaning the College must translate its requirements into practical, evidence-based assurance processes.

2. What a Good Assurance Framework Looks Like

- 2.1 Good practice in SPFM compliance is characterised by an integrated, evidence-based assurance framework, rather than reliance on a single checklist. The College has historically relied on a checklist, but because the SPFM is an ever-evolving document, maintaining it is a substantial undertaking.
- 2.2 The College has therefore reviewed what assurance documents exist and compared these to what is considered best practice.
- 2.3 The following sections outline the assurance documents available and the assurance level provided.

a) Governance: Strong Audit and Risk Committee Self-Assessment

- 2.4 A key feature of the College high performance objective in this area is the annual use of the Audit Committee Handbook self-assessment checklist.
- 2.5 Good practice includes:
- Formal annual self-assessment using a structured checklist (
 - See agenda item 13 – Audit and Risk committee 2025-26 Annual Report, which makes specific reference to the self-assessment checklist.
 - Explicit alignment to the Scottish Government Audit Committee Handbook
 - Reviewed annually as part of the Committee effectiveness review.

- Clear documentation of:
 - Committee effectiveness
 - Independence and skills mix
 - Terms of reference and remit
 - Identification and tracking of improvement actions
 - Based on the above work undertaken, there is a clear evidentiary trail regarding the above four aspects.

2.6 This approach is widely used across the FE sector as a primary method of demonstrating governance compliance with SPFM.

b) Internal Control: Structured Assurance Framework

2.7 The College complements its governance self-assessment with formal internal control assurance processes, typically based on the SPFM internal control checklist.

2.8 College good practice includes:

- Completion of structured assurance returns by senior managers
- Coverage of all key control areas, including:
 - Risk management
 - Financial management
 - Procurement and fraud
 - Information governance and HR

2.9 The resulting review provides clear documentation of:

- Level of assurance
- Supporting evidence
- Control weaknesses and actions

2.10 The College has a duty placed upon Principals/Chief Executives to provide an annual certificate of assurance to the Chief Executive/Accountable Officer (AO) of the Scottish Funding Council (SFC).

2.11 This assurance allows the SFC AO, in turn, to provide a certificate to the Principal Accountable Officer (Permanent Secretary) of the Scottish Government, providing the necessary assurance to support them in the signing of the governance statement, which forms part of the Scottish Government consolidated accounts for the period 1 April 2025 to 31 March 2026.

2.12 In establishing this procedure, the SFC have taken every effort to build upon the assurance work which the College already undertake including the work being conducted by internal and external audit.

- 2.13 Reliance is placed on a variety of sources, such as:
- Minutes from board committees dealing with audit, risk, finance, planning and HR.
 - The 2024-25 audit opinion and any audit work conducted in the period from August 2025 to March 2026.
 - The College's own views of the operational effectiveness of the controls, processes, and procedures in place.
- 2.14 The College has reviewed the Certificate of Assurance checklist (**Appendix 1**) and is content to categorise each condition as high assurance.
- 2.15 This review has allowed the Principal to return the 2025-26 Certificate of Assurance (**Appendix 2**).

c) Integrated Assurance Mapping

- 2.16 The College is looking to go further by developing a single, consolidated assurance framework that links:
- Risks → Controls → Assurance sources → Gaps
- 2.17 College good practice includes:
- A mapped view of the three lines of defence:
 - Management controls
 - Oversight functions (risk, finance, compliance)
 - Internal and external audit
 - RAG-rated assurance against key risk and control areas
 - Clear identification of:
 - Duplication of assurance
 - Gaps or areas of limited assurance
- 2.18 This provides the Committee with a holistic view of control effectiveness, rather than fragmented reporting.
- 2.19 *As noted at agenda item 18 – Review Performance Relating to Risk Management, the College is in the process of completing an overarching Assurance Map, which will address the above good practice areas.*

d) Evidence-Based Reporting to Committee

- 2.20 The College contends that it operates in a strong governance environment, where SPFM compliance is not theoretical but is demonstrated through evidence.

- 2.21 College good practice reporting includes:
- Regular assurance reports to the Committee showing:
 - Compliance status
 - Key control issues
 - Progress against agreed actions

 - Explicit linkage between:
 - Internal audit findings
 - Risk register
 - Governance statement disclosures

 - Clear audit trails supporting all assurance statements

2.22 The work undertaken by the internal and external auditors, combined with the Committee reporting, provides a high level of assurance reporting to the Committee.

e) Continuous Improvement Culture

2.23 The College treats SPFM compliance as a continuous improvement process, not an annual exercise.

- 2.24 College good practice includes:
- Annual refresh of checklists and frameworks
 - Benchmarking against:
 - Sector peers
 - Audit Scotland expectations
 - Use of internal audit to:
 - Validate assurance
 - Test control effectiveness
 - Ongoing training for Committee members on governance and risk

3. Why This Matters

3.1 The above works provide assurance that is then capable of:

1) Supporting the Accountable Officer

3.2 SPFM places personal responsibility on the Accountable Officer to ensure:

- Proper use of public funds
- Adequate systems of internal control

3.3 A robust compliance framework provides the evidence base necessary to support the Financial Statements Governance Statement and Certificates of Assurance.

2) Strengthens Board Assurance

- 3.4 A structured approach enables the Committee and Board to:
- Move beyond anecdotal assurance
 - Rely on systematic, documented evidence
 - Identify areas of:
 - Strong assurance
 - Limited or emerging risk
- 3.5 All the above improve the quality and credibility of Board decision-making.

3) Enhances Audit Effectiveness

- 3.6 External and internal audits rely on clear assurance frameworks to:
- Assess control effectiveness
 - Avoid duplication
 - Focus on high-risk areas
- 3.7 A well-developed SPFM framework, therefore:
- Reduces audit burden
 - Improves audit outcomes

4) Ensures Compliance with SFC and Public Sector Expectations

- 3.8 For colleges, SPFM compliance is not optional; it is embedded within the Financial Memorandum and funding conditions. **Appendix 3** provides an overview of the FM conditions and how the College is complying with them.
- 3.9 This work demonstrates a structured compliance, thereby reducing the risk of:
- Governance weaknesses
 - Regulatory challenge
 - Reputational damage

5) Drives Better Risk Management and Value for Money

- 3.10 Ultimately, the SPFM is about economy, efficiency and effectiveness in the use of public resources
- 3.11 A strong compliance framework:
- Embeds risk management in decision-making
 - Strengthens financial discipline
 - Supports delivery of Best Value obligations

4. Summary

- 4.1 The College believes it provides a good assurance framework through:
- Annual Audit Committee self-assessment aligned to SG Handbook
 - Structured internal control assurance using SPFM checklist
 - Integrated assurance mapping (risk → control → assurance)
 - Evidence-based, RAG-rated reporting
 - Continuous improvement and audit alignment

Certificate of Assurance to the Accountable Officer of The Scottish Funding Council

Schedule of Required Assurances

(Paper 11 (1))

Required Assurances	Status
1. Ensure that effective governance structures are in place, including an audit and risk committee, with clear terms of references, which meets with sufficiently frequently and provides appropriate scrutiny and challenge to officers.	
2. Ensure you have a structured view of where assurance is derived from, including management, internal audit, external audit and independent reviews, and that gaps in assurance or over-reliance on single sources are identified.	
3. Ensure that recommendations from sources of assurance are responded to and that implementation is tracked.	
4. Ensure that appropriate organisational culture and behaviours are embedded, with effective leadership, clear accountability, ethical conduct and constructive challenge supporting the control environment and ensure that there are clear routes to senior leadership, and that significant control weaknesses are treated transparently and with a commitment to improvement.	
5. Ensure that appropriate financial systems are in place and applied and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability, especially at times of major change.	
6. Ensure that proper financial procedures are followed and that accounting records are maintained in the form prescribed for published accounts:	
- ensure that the public funds for which you are responsible are properly managed and safeguarded;	
- ensure that assets for which you are responsible such as land, buildings or other property, including stores and equipment, are controlled and safeguarded;	
- ensure that the financial implications of any new policies have been considered;	

Required Assurances	Status
<ul style="list-style-type: none"> - ensure that delegation of responsibility is accompanied by clear lines of control and accountability together with reporting arrangements. 	
<p>7. Ensure that procurement activity is conducted in accordance with the applicable public sector procurement requirements, including effective post-award contract management, monitoring of performance, value for money and sustainability outcomes; appropriate controls over the use of consultants, including spend controls, correct coding and approvals; and the integration of sustainability, green recovery and net zero considerations within procurement activity.</p>	
<p>8. Ensure that effective management systems appropriate for the achievement of the body's objectives, including financial monitoring and control systems, have been put in place.</p>	
<p>9. Ensure all risks relating to the delivery of business objectives, regularity, propriety or value for money are identified. In doing so, ensure that their significance of those risks is assessed, that systems proportionate to the risks are in place in all relevant areas to manage them effectively and that the skills and training of staff directly responsible for managing key risks are appropriate and sufficient.</p>	
<p>10. Ensure explicit consideration of organisational risk appetite and tolerance, aligned with decision-making; that risk management is embedded in routine decision-making, with staff confident to raise risks and concerns; and that learning from issues, near-misses and failures is used to improve controls.</p>	
<p>11. Ensure that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual.</p>	
<p>12. Ensure that managers at all levels have a clear view of their objectives, and the means to assess and measure outputs, outcomes and performance in relation to those objectives.</p>	
<p>13. Ensure that structured plans are in place for change and improvement, with arrangements to monitor the delivery of change alongside business-as-usual activity.</p>	
<p>14. Ensure that business continuity and organisational resilience are embedded, with business continuity plans aligned to critical objectives and regularly tested and exercised to ensure effectiveness.</p>	
<p>15. Ensure that all managers are assigned well defined responsibilities for making the best use of resources.</p>	
<p>16. Ensure that appropriate governance arrangements are in place for major projects or investments, including proportionate business cases, compliance with assurance gateways, and arrangements for benefits realisation and post-implementation review, and that delivery capacity and access to specialist expertise are assessed and secured as required.</p>	

Required Assurances	Status
17. Ensure that all managers have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.	
18. Ensure that the body achieves high standards of regularity and propriety in the consumption of resources. Regularity involves compliance with relevant legislation, relevant guidance issued by the Scottish Ministers – in particular the Scottish Public Finance Manual where it applies to your organisation – and the Financial Memorandum document defining the key roles and responsibilities which underpin the relationship between your organisation and the Scottish Funding Council.	
Propriety involves respecting the Parliament’s intentions and conventions and adhering to values and behaviours appropriate to the public sector.	
19. Ensure that you have a well communicated fraud policy, an up-to-date fraud response plan and effective avenues for reporting suspicions of fraud.	
20. Ensure that there are processes in place around compliance with an IT security policy and for dealing with potential breaches.	
21. Ensure that appropriate consideration has been given to business continuity planning and disaster recovery for key activities.	
22. Ensure that an up-to-date publication scheme is in place and is sufficiently open and proactive in publishing information of interest to stakeholders; and that clear processes exist for reporting, recording and responding to information security incidents.	
23. Ensure that a people/HR strategy is in place that employee engagement is measured and acted upon; that leadership capability and management skills are developed; that performance management processes are applied consistently; and that hybrid working is managed safely and effectively with health, safety and wellbeing fully integrated.	
24. Ensure that effective health and safety governance arrangements are in place, including completion of mandatory training; up-to-date risk assessments for workplaces and activities; and appropriate arrangements for fire safety and the provision of equipment to support safe home and hybrid working.	
25. Ensure that equality and human rights considerations are embedded, including compliance with the Equality Act 2010, early assessment of impacts on people with protected characteristics, awareness and capability to meet statutory UNCRC duties, and arrangements to monitor and evidence that equality processes deliver improved outcomes and not solely compliance.	
26. Ensure that Fair Work principles are embedded, including payment of at least the real Living Wage, effective workers’ voice, inclusive and fair employment practices, workforce development and wellbeing; and that Fair Work considerations are applied proportionately and monitored to demonstrate improved outcomes, not solely compliance.	



Certificate of Assurance to the Accountable Officer of The Scottish Funding Council

April 2025 – March 2026

College Name: Ayrshire College

I am aware that as Accountable Officer you are required to provide assurance to the Principal Accountable Officer of the Scottish Government to support the signing of a governance statement provided as part of the Scottish Government consolidated accounts for 2025-26.

To assist you in that process, I can confirm that I have undertaken a review [evidenced by the attached internal control checklist] of the internal control arrangements in the college and obtained required assurances.

Having done that:

I can confirm controls have been, and are, working well. There are in my opinion, no significant matters arising in the college which would require to be raised specifically in the assurance you are required to give the Accountable Officer

OR

~~I would draw your attention to the following matter(s) which may wish to consider when preparing the assurance you are required to give to the Accountable Officer.~~

PLEASE COMPLETE

Apart from the above, I can confirm that controls in the college have been, and are, working well. There are, in my opinion, no other significant matters arising which would require to be raised specifically in the Accountable Officer.

Principal Name: Angela Cox

Signed:

Date:

10 March 2026

SFC Financial Memorandum

Financial Memorandum Requirement	Financial Memorandum Condition	Assurance Level	College Evidence
	Public funds are used in accordance with relevant legislation, the requirements of the FM and only for the purpose(s) for which they were given. Strategic, capital or other grant funding must only be used for the purpose for which it is provided by the SFC.		1) SFC funding and College compliance with the terms and conditions of this are reviewed by external audit and internal auditors. SFC also requires information to be submitted periodically during the year to demonstrate the College is complying with terms and conditions of grant funding e.g. monthly cash flow, financial forecast returns and high priority maintenance funding. Any funding not used in accordance with grant conditions would be reported to the College Board of Management. 2) Subject to review by the external auditors as part of their year end work there are no reported occurrences of non-compliance during 2024-25. 3) College fully anticipates the external auditors will report no instances of non-compliance during 2025-26.
	Subject to any legal requirement to observe confidentiality, the institution will be open and transparent with the SFC and other stakeholders, and will give, or be prepared to give, a public justification of its decisions in relation to the use of public funds.		The College and its Board of Management ensure that decisions in relation to public funds are documented in a transparent manner with meeting agendas, minutes and papers available through the College website.
	The institution strives to achieve value-for-money and is economical, efficient and effective in its use of public funding.		The definition of value for money is based on an approach of economy (spending less), efficiency (spending well) and effectiveness (spending wisely). Taken together these examine whether the College have made optimal use of resources to achieve its intended outcomes, both in quality and quantity. The College is committed to the pursuit of efficiency, economy and effectiveness within its overall strategic plan. The College will seek, wherever possible, to adopt best practice and to incorporate value for money principles in all its activities. The Board, senior management team and managers consider value for money in all of their decision-making processes and are accountable to fulfil this responsibility.
	There is effective planning and delivery of the institution's activities in accordance with its mission and its Regional Outcome Agreement as agreed with SFC.		<p>The Scottish Funding Council has introduced a revised approach to assurance and accountability from 2024-25. The SFC introduced new arrangements for quality assurance and enhancement of provision delivered at funded institutions through SFC Guidance on Quality for Colleges and Universities AY 2024-25 to AY2030-31. In 2024-25, as part of the new arrangements, the Self Evaluation and Action Plan (SEAP) will replace the annual report and statement of assurance on Institution-Led Review for universities. It will also replace the Evaluative Report and Enhancement Plan (EREP) which formed part of the quality arrangements in colleges informed by the 'How Good is our College' framework, but was paused during COVID. For both colleges and universities, the SEAP will replace the learning and quality aspects of the outcome agreement process. The Ayrshire College SEAP is approved at the October 2024 Board of Management meeting.</p> <p>The College is therefore content to state that it is complying with the current arrangements.</p>
<p>SFC's governance requirements of the institution - SFC requires the governing body to comply with the principles of good governance set out in the Code of Good Governance for Scotland's Colleges. The SFC also require the governing body to ensure that:</p>	The institution plans and manages its activities to remain sustainable and financially viable. An institution is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands.		1) The Board of Management at its June 2025 meeting approved the 2025-26 Budget for forecast. The approved 2025-26 operational surplus was £1.748m subject to the achievement of further efficiencies and pay award being settled in line with the budget assumption. The Board, through the People, Infrastructure and Finance Committee (PIFCo) have been kept apprised of the College budget progress. 2) The College has met with the SFC to make them aware of the financial challenges faced and to request what support is available to allow the College to transition to the revised level of core funding. This matter is still ongoing and therefore represents a risk to the College.
	The institution has a sound system of internal management and control, including an Audit Committee, an effective internal audit service, and adequate procedures to prevent fraud or bribery.		Assurance in this area is provided by: 1) Annual report of internal and external auditors - these have indicated no concerns in any of the stated internal management and control areas. 2) Audit and Risk Committee reviewed the effectiveness of the internal audit service as part of the Committee 2025-26 cycle of activities. The Committee concluded that the service was effectively delivered. 3) Audit and Risk Committee reviewed the effectiveness of the external auditors for the 2024-25 financial year. The Committee concluded that the service was effectively delivered. 4) Specific procedures approved by the Audit and Risk Committee are in place to assist in preventing fraud and bribery including training for staff in high risk areas such as finance. These are kept under review and updated as required on an ongoing basis.
	The institution has an effective policy of risk management and risk management arrangements.		The College has an approved Risk Management Policy and Procedure and risk management is a standing item at Senior Leadership Team, Board of Management and Board of Management committee meetings. Risk management is integral element of the College governance framework. The approved Risk Management Policy included a consolidation of the College Strategic Risk Register, a revised format for individual risks and the introduction of a summary risk register.
	The institution has regular, timely, accurate and adequate information to monitor performance and account for the use of public funds. Such information will be made available to the SFC on request, as necessary, for the exercise of its functions and to gain assurance		Regular reports are provided to Board Committees and to the Board of Management in a timely manner in relation to performance and use of public funds. The College Management Accounts pack, which includes a commentary and areas of risk, are a standing item for consideration and approval at each PIFCo meeting. The Management Accounts are also reported to the Board of Management following each review by PIFCo. Information is also made available to SFC on an on-going basis and as required.

Financial Memorandum Requirement	Financial Memorandum Condition	Assurance Level	College Evidence
	The institution is engaged actively in continuously enhancing the quality of its activities and involves students and other stakeholders in these processes		<p>1) The College has a dedicated Education Scotland Inspector who works closely with the College Senior Leadership Team in providing an external overview of quality systems and processes.</p> <p>2) The College Education Scotland Inspector has been proactive in meeting with College teams and co-delivering enhancement workshops for teaching staff.</p> <p>3) The College has a proactive Student Association (SA) with dedicated College staff liaising and assisting the Student Association. The SA are actively involved in national NUS work with a new SA constitution in place.</p>
Public sector pay policy	The institution must have regard to public sector pay policy set by the Scottish Ministers.		The College has regard to Public Sector Pay Strategy through representation on the College's Scotland Employers' Association and associated National Pay Bargaining mechanism. The College Board of Management also takes this into account in considering levels of pay for those members of staff who are out with the scope of national bargaining. Public sector pay strategy is built into any financial modelling undertaken by the College.
Tuition Fees	Where applicable, the institution must charge student tuition fees at the levels set by the Scottish Ministers under either the Student Fees (Specification) (Scotland) Order 2006 or the Student Fees (Specification) (Scotland) Order 2011, whichever is applicable.		The College adheres to these regulations.
Student Activity	Where appropriate, the institution must provide data returns requested by the SFC by the deadlines and to the standards specified.		<p>1) The College continues to comply with requests for data from the SFC within the deadlines required.</p> <p>2) Unqualified audit opinions were received regarding the College 2024-25 SFC student activity audit and financial statements and these returns were provided to the SFC in accordance with required deadlines.</p>
Student support guidance	Where appropriate, the institution must follow SFC's Student Support Guidance.		The College complies with all SFC and Student Award Agency for Scotland (SAAS) student support guidance.
European Social Funds	Where the institution is in receipt of European Social Fund funding, it must follow SFC ESF guidance.		This is now an historic issue as European funding is no longer available to the College. The College continues to comply with all SFC ESF document retention guidance.
Audit and accounting	The governing body must appoint an Audit Committee and ensure the establishment and maintenance of effective arrangements for the provision of internal and external audit. For incorporated colleges and Regional Boards, Audit Scotland will appoint external auditors.		<p>1) The College has an Audit and Risk Committee in place. The ARC remit was reviewed in September 2025 and the effectiveness of the Committee is reviewed annually. The review of Committee effectiveness was undertaken in December 2025 as part of the compilation of the Annual Committee Report to the Board of Management. The Committee concluded that "Based on the engagement with both Internal and External Auditors at each Audit and Risk Committee meeting, the Members of the Audit and Risk Committee believe their responsibilities to the Board of Management have been satisfactorily discharged for 2024-25 in relation to the matters contained within this report."</p> <p>2) The Board of Management appointed Wbg as internal auditors for an initial 3 year period to 2024-25 and have subsequently extended the contract for a further two years to 2026-27. The effectiveness of the internal audit function is reviewed annually and was reviewed in full during 2025-26 in advance of consideration of the last year of the contract extension. The ARC approved the extension of the internal audit contract for a further year.</p> <p>3) The Audit and Risk Committee annually review and update the Internal Audit Plan which extends to the end of the potential internal audit contract.</p> <p>4) Audit Scotland has appointed Azets Audit Services as the College external auditor for 5 years commencing with the audit of 2022-23. The Audit and Risk Committee annual review the effectiveness of the external audit function and respond to an annual Audit Scotland survey.</p>
	The Audit Committee must produce an annual report to the governing body of the institution.		An Annual Report is produced by the Audit and Risk Committee and presented to the Board of Management each year. The Committee presented its last Annual Report to the December 2025 Board of Management.
Accounts direction	The institution must follow the SFC's current Accounts Direction in the preparation of its annual financial statements.		<p>The College adheres to the annual SFC Accounts Direction and this compliance is subject to review by the external auditors.</p> <p>The SFC Accounts Direction is provided to the PIFCo and ARC committees for review.</p>
	The institution must have in place an effective internal audit service. The operation and conduct of the internal audit service must conform to the professional standards of the Chartered Institute of Internal Auditors. For incorporated colleges and Regional Boards, the operation and conduct of internal audit must comply with Public Sector Internal Audit Standards and, where relevant, the Scottish Public Finance Manual.		The College has in place a system which enables the Audit and Risk Committee to annually review the effectiveness of the internal audit service. The 2024-25 review by the Audit and Risk Committee confirmed that the internal auditors were operating effectively. The next review of internal audit effectiveness is due to be undertaken as part of the 2025-26 Audit and Risk Committee work plan.
	The institution must inform SFC when an internal auditor is appointed and must inform SFC immediately if the internal auditor is removed or departs before the end of their term of office.		The SFC was informed in June 2022 of the appointment of WBG (formerly Wylie & Bisset) as the College internal auditors from 1 August 2022, for the 3 years to 31 July 2025, with the option to extend the contract for a further 2 years.

Financial Memorandum Requirement	Financial Memorandum Condition	Assurance Level	College Evidence
<p>Internal Audit</p>	<p>The internal audit service must provide the governing body and senior management of the institution with an objective assessment of adequacy and effectiveness of risk management, internal control, governance, and value-for-money.</p>		<p>The internal audit plan is designed to provide the coverage required in order that the auditors can comment upon the adequacy and effectiveness of risk management, internal control, governance, and value for money. An Annual Internal Audit Report is received by the Audit and Risk Committee each year.</p>
	<p>The internal audit service must extend its' review over all the financial and other management control systems, identified by the audit needs assessment process. It must cover all activities in which the institution has a financial interest, including those not funded by SFC.</p>		<p>The College Internal Audit Plan is reviewed annually, considering any movements in the audit needs assessment, based on reports received during the year and the College Strategic Risk Register. An annual Internal Audit Plan is presented to the Audit and Risk Committee for review and approval. The Internal Audit Plan provides coverage of all financial control systems and activities in which the College has a financial interest, including those not funded by the SFC.</p>
	<p>The head of internal audit must produce an annual report for the governing body on its activities during the year. The report must include an opinion on the adequacy and effectiveness of the institution's risk management, internal control, and governance.</p>		<p>The Annual Internal Audit Report is produced each year with the next one due to be received by the September 2026 Audit and Risk Committee meeting as part of the scheduled Committee business. The Committee receives an update report at each meeting as to the status of the internal audit work.</p>
	<p>The report must be presented to the institution's Audit Committee and a copy sent to SFC.</p>		<p>A copy of the Annual Internal Audit Report is provided to College Audit and Risk Committee and to the SFC as part of the financial year end reporting process.</p>
<p>Value for Money</p>	<p>The institution must have a strategy for reviewing systematically management's arrangements for securing value for money.</p>		<p>The College Procurement Framework also covers Value for Money and best practice regarding purchasing of goods and services and an annual report on outcomes is presented to PIFCo.</p>
	<p>As part of its internal audit arrangements, the institution must obtain a comprehensive appraisal of management's arrangements for achieving value for money.</p>		<p>The definition of value for money is based on an approach of economy (spending less), efficiency (spending well) and effectiveness (spending wisely). Taken together these examine whether we have made optimal use of resources to achieve our intended outcomes, both in quality and quantity. The College is committed to the pursuit of efficiency, economy and effectiveness within its overall strategic plan. The College will seek, wherever possible, to adopt best practice and to incorporate value for money principles in all its activities. The Board, SLT and managers consider value for money in all of their decision-making processes and are accountable to fulfil this responsibility.</p>
<p>External Audit</p>	<p>The external auditor must be entitled to receive all notices of and other communications relating to any meeting of the governing body which any member of the governing body is entitled to receive. They must also be entitled to attend any such meeting and to be heard at any meeting which they attend, on any part of the business which concerns them as auditors.</p>		<p>Arrangements are in place to ensure that external auditors receive such forms of communication and can attend any meetings as required.</p>
	<p>The external auditor must also be entitled to attend the meeting of the governing body or other appropriate committee at which the institution's annual report and financial statements are presented.</p>		<p>The external auditors attend and present their Audit Report on the Financial Statement to the joint ARC / PIFCo committee meeting at which the annual financial statements are approved.</p>
	<p>The external auditor is expected to attend, as a minimum, any meetings of the Audit Committee where relevant matters are being considered, such as planned audit coverage, the audit report on the financial statements and the audit management letter. It is the responsibility of the secretary to the audit committee to notify the external auditor of such meetings.</p>		<p>The external auditors receive all agendas and minutes of ARC / PIFCo committees and attend the Audit and Risk Committee as required. The external auditors attend the annual joint ARC / PIFCo committee meeting which approves the financial statements.</p>

Title of Meeting: Audit and Risk Committee**Date:** 2 June 2026**Title:** **Review Performance Relating to Risk Management****Purpose:** The purpose of this paper is to provide the Committee with a summary of the progress made over the last 12 months in strengthening the College's risk management framework, governance arrangements, and assurance processes. It also highlights key areas of improvement and identifies remaining actions to further mature the College's approach.**Recommendation:** The Audit and Risk Committee is asked to:

- Note the progress made in strengthening the College's risk management arrangements.
- Provide feedback on the areas of ongoing development.
- Endorse the proposed next steps to further enhance risk management maturity.

1. **Executive Summary**

Over the past 12 months, the College has made clear and measurable progress in strengthening its risk management arrangements, with a particular focus on aligning risk, audit, and assurance. Internal audit activity is now explicitly linked to the College's highest-rated strategic risks, with targeted assurance across key themes, including financial sustainability, cyber resilience, curriculum alignment, and people and culture.

At the same time, work has progressed toward establishing a more structured Assurance Map, improving visibility into how risks, controls, and sources of assurance interrelate. These developments have enhanced the Committee's ability to oversee risk coverage and have reinforced a more integrated, risk-informed approach to governance.

The College has also continued to embed a mature risk management framework, supported by effective internal controls and a structured approach to risk identification, scoring, and review. External and internal audit work confirms the strength of the control environment, while a risk-based approach to audit planning ensures focus on the most significant strategic risks. Although further work is required, particularly in finalising the Assurance Map, optimising internal audit resources, and developing risk deep dives, the overall direction of travel is positive.

Collectively, these improvements demonstrate a shift towards a more transparent, robust, and mature risk management framework that supports effective decision-making and aligns with sector best practice.

2. Associated Risks

The paper provides assurance regarding the College's strategic risks by demonstrating a clear and strengthened alignment among risk identification, audit activity, and assurance mechanisms. Internal audit planning is now explicitly based on the College's highest-rated strategic risks, with targeted audit coverage across key areas, including financial sustainability, cyber resilience, curriculum alignment, and people and culture. This ensures that the most significant risks facing the College are subject to independent scrutiny, while the development of an Assurance Map brings together multiple sources of assurance, providing the Committee with greater transparency into how risks are managed and controlled.

Further assurance is provided through evidence of an effective internal control environment and a structured, consistently applied risk management process, including risk identification, scoring, and regular review at Committee level.

External audit findings confirm the adequacy of controls, while the risk-based approach to both internal and external audit reinforces the focus on high-impact strategic risks. Although some elements, such as the full implementation of the Assurance Map and enhanced risk deep dives, remain in progress, the paper demonstrates that risk management is increasingly embedded within governance and decision-making.

Collectively, this provides the Committee with confidence that strategic risks are appropriately identified, monitored, and supported by robust assurance arrangements.

3. Equality and Diversity Impact Assessment

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

4. Publication

This paper it will be published on the College website.

Alan Ritchie
Vice Principal Finance and Infrastructure
2 June 2026

1. Background and Rationale

- 1.1. Risk management is a core component of the College's corporate governance framework, supported by the [Risk Management Policy and Procedure \(V2\)](#), which sets out clear responsibilities for the Board, the Audit and Risk Committee, and management in identifying, assessing, and mitigating risk.
- 1.2. Over the past year, the College has continued to enhance its risk management arrangements in response to internal audit findings, external audit expectations, and evolving strategic risks.

Summary of Progress

- 1.3. The College believes it has made significant progress across several key areas:

1.4. Strengthened Alignment Between Risk and Audit

- Internal audit planning is now explicitly aligned to the College's highest-rated strategic risks, informed by the College Audit Needs Assessment (CANAs).
- Audit coverage throughout the year has focused on key risk themes including:
 - Financial sustainability.
 - Cyber resilience.
 - Curriculum alignment.
 - People and culture.
- The 2026-27 Internal Audit Plan continues this approach, ensuring targeted assurance across priority risk areas.

Impact: This has strengthened the link between risk identification and independent assurance, providing the Committee with clearer insight into risk coverage.

1.5. Development of a More Structured Assurance Framework

- Work has progressed to develop a formal Assurance Map, intended to consolidate all sources of assurance (internal audit, external audit, management reporting, and performance frameworks).
- Committee-level actions have been agreed to support Board engagement in assessing assurance levels and risk gradings.

Impact: This provides a clearer line of sight between risks, controls, and sources of assurance, supporting improved governance oversight.

1.6. Continued Maturity of the Risk Management Framework

- The College has maintained a structured approach to:
 - Risk identification.
 - Scoring (impact and likelihood).
 - Regular review and monitoring at Committee level.
- Strategic risks are now routinely considered alongside performance and audit reporting, ensuring integrated decision-making.

Impact: Risk management is increasingly embedded within business planning and governance processes.

1.7. Strengthening of Internal Control Environment

- External audit has confirmed that the College has an effective control environment and sufficient processes to support financial reporting.
- Internal audit work continues to focus on evaluating the adequacy and effectiveness of internal controls across key systems and processes.

Impact: Provides assurance that key financial and governance risks are supported by appropriate controls.

1.8. Risk-Based Approach to External Audit and Wider Scope Review

- The external audit approach is explicitly risk-based, focusing on:
 - Financial management.
 - Financial sustainability.
 - Governance and leadership.
 - Use of resources.

Impact: Reinforces the College's focus on high-impact strategic risks and ensures alignment with national audit expectations.

1.9. Expanded Internal Audit Coverage

- Planned internal audit activity includes a broad range of operational and strategic areas, including:
 - Financial controls
 - Curriculum planning and delivery
 - Resource management and timetabling

1.10. **Impact:** Ensures a comprehensive audit universe aligned to risk exposure and organisational priorities.

2. Areas of Ongoing Development

2.1. Whilst it is acknowledged that good progress has been made, several areas are still being developed:

2.2. Assurance Map Completion

Board engagement sessions are required to finalise assessment gradings and embed the approach across governance structures.

2.3. Optimisation of Internal Audit Resource

Further work is underway to determine how additional audit days can most effectively support risk coverage.

2.4. Risk Deep Dives

Continued development of committee-level deep dives into key strategic risks to strengthen oversight.

3. Overall Assessment

3.1. Over the past 12 months, the College has made clear and measurable progress in enhancing its risk management arrangements. In particular:

- Risk and audit are now demonstrably aligned.
- Assurance arrangements are becoming more structured and transparent.
- Internal controls are operating effectively.
- Risk management is increasingly embedded into governance and decision-making.

3.2. Collectively, these improvements represent a positive shift towards a more mature, risk-informed governance framework, consistent with good practice across the sector.

4. Next Steps

4.1. The following priorities are proposed for the next period:

- Finalise and implement the Assurance Map.
- Strengthen Board engagement in risk assessment and assurance.
- Continue risk-based internal audit planning.
- Expand and embed risk deep dives across Committees.
- Maintain focus on emerging risks (e.g. financial sustainability, climate change, digital resilience).