

**Meeting of the Audit and Risk Committee
to be held on Tuesday 17 March 2026 at 4.00pm
by Hybrid Attendance at G93, Dam Park, Ayr Campus and via Microsoft Teams**

AGENDA

1. Welcome and Declarations of Interest
2. Apologies
3. Minute of the meeting held on 02 December 2025
 - ARC Action & Decision TrackerPaper 1 (C/P)
Paper 1A (P)
4. Matters arising

Part A – For discussion, decision and approval

5. Internal Audit Reports (2 / 10)
 - a. Financial Regulations and Compliance Paper 2 (P) SA
 - b. Non-SFC Income Paper 3 (P) SA
6. Draft 2026-27 Internal Audit Plan (2 / 5 / 14) Paper 4 (P) ARi
7. Internal Audit Progress Report (6) Paper 5 (P) SA
8. External Audit Update Paper 6 (R) LW
9. Assurance Mapping Update (3 / 4) Verbal (P) ARi

Part B – Regular Reporting/Monitoring

10. Digital Update Report (18 / 19) Paper 7 (R) ARi
11. Rolling Audit Action Plan (7) Paper 8 (R) LW

Part C – Risk Management

12. Strategic Risk and Opportunities Register (15) Paper 9 (R) ARi

Part D – Committee and College Staff Only

13. Annual Review of the Effectiveness of Internal Auditor (5 / 13) Paper 10 (R) ARi
14. Internal Audit Service Contract (5 / 6 / 13) Paper 11 (R) ARi

Part E – For information/AOB

15. AOB

Date of Next Meeting – Tuesday 02 June 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(C/P) Confirmed minutes will be published; (P) Papers will be published on the College website; (R) Papers will not be published for reasons of commercial sensitivity or for reasons of personal data confidentiality

**Minute of the Audit and Risk Committee
Held by Hybrid Attendance at Kilmarnock Campus
Tuesday 02 December 2025**

Present:

Jane Grant	Chair
Michael Ross	Vice Chair
Brian Green	Non-Executive Board Member
Gillian Longmuir	Non-Executive Board Member
Chris Boyce	Elected EIS-FELA Staff Member (Item 2 onwards)

In attendance: (Item 2 onwards)

David Davidson	Vice Principal, People, Performance & Transformation
Hilary Denholm	Board Governance Advisor & Minutes
Brad Johnstone	Director of Digital Infrastructure
Sara Rae	Vice Principal, Skills & Enterprise
Alan Ritchie	Vice Principal, Finance & Infrastructure
Liz Walker	Chief Financial Controller
Siobhan Hamilton	Wbg – Internal Auditor Manager
Andy Reid	Azets – Director, External Auditors (Item 1 only)

1. Meeting with External and Internal Auditors (6) without staff members

In accordance with the Committee's terms of reference, the Committee held a meeting with Internal and External Auditors without management in attendance. The purpose of this meeting was to provide the Auditors with the opportunity to present their views on the College and management.

External and Internal Audit both advised that there were no material issues or concerns raised in this regard, and that good collaborative working and quality information had helped achieve the audit plan completion.

The Chair and the Committee members thanked the Auditors for their contribution and welcomed both the positive feedback put forward and level of assurance provided.

The External Auditor, A Reid left the meeting at this point and staff members and attendees joined the meeting.

2. 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.

3. Apologies

Apologies were received from Marko Prorocic, Elected Professional Services Staff Member.

4. Minutes of the Previous Meeting held on 16 September 2025 (*Paper 1*) C/P

The minutes were approved as a correct record.

Proposed: Michael Ross **Seconded:** Brian Green

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

The Committee noted all previous decisions and actions were completed.

5. Matters Arising

There were no other outstanding matters arising from the minutes.

6. 2024-25 Freedom of Information Annual Report (*Paper 2*) (P)

S Rae highlighted the main points from the report to the Audit and Risk Committee to provide assurance that the College is meeting its statutory obligations under the Freedom of Information (Scotland) Act 2002 and related regulations.

The Committee was asked to note the content of the report and consider whether the Internal Audit Plan requires to be reviewed.

The Committee noted:

- The College achieved a 100% on-time response rate to FOI and Environmental Information Requests (EIR) in 2024-25, improving from 95% in the previous year. This reflects strengthened internal tracking and information gathering processes.
- There was a decrease in total requests (33 in 2024-25 vs. 39 in 2023-24), with a significant drop in EIR requests, suggesting reduced public concern over environmental issues. However, the College continues to monitor areas like RAAC in buildings and environmental management for potential risk recurrence.
- The profile of stakeholder requestors shifted, with more requests coming from private companies (24%) and fewer from unions and the Scottish Parliament. This may indicate changing stakeholder interests or increased external scrutiny, which could introduce new reputational or compliance risks.
- Salary and staff information remain high-interest areas, with requests focusing on principal's salary, staff earning over £50k and staff departures. These topics are sensitive and require careful management to mitigate reputational and compliance risks.
- The report identifies ongoing risks in environmental compliance and the handling of sensitive staff data. The Audit and Risk Committee was advised to keep these areas under scrutiny and consider whether the Internal Audit Plan required review.

Decision: ARC50-D01 - The Committee considered that no adjustments were required to the Internal Audit Plan and approved the report for publication to the Board of Management.

7. 2024-25 Complaints Annual Report Paper 3 (P)

S Rae highlighted the key movements, trends and areas of concern for the Audit and Risk Committee from this report which compared the 2024-25 and 2023-24 Annual Complaints Reports. The analysis covered overall complaint volumes, resolution performance, complaint categories, sub-category trends and notable risks or emerging issues.

The Committee was asked to note the report findings and consider whether any adjustments to the Internal Audit Plan are required in light of the trends and risks identified.

The Committee noted:

- The 2024-25 Complaints Annual Report demonstrates the College's ongoing commitment to transparency, accountability and continuous improvement in complaints handling.
- The College has seen a notable increase in the total number of issues and complaints received compared to the previous year, rising by 14% and 8% respectively. Despite this, performance in early resolution and timeliness has improved, with a higher proportion of complaints resolved at Stage 1 and within the Scottish Public Services Ombudsman (SPSO) target timescales.
- While the proportion of upheld or partially upheld complaints has decreased slightly, the overall increase in complaint volumes highlights the importance of maintaining robust processes and adequate resources to manage future demand.
- The College remains compliant with all legislative requirements for complaints handling, and the publication of this report reinforces its commitment to openness.
- Continued focus on staff training, communication, and operational improvements will be essential to sustaining positive trends and addressing emerging challenges.

Decision: ARC50-D02 - The Committee considered that no adjustments were required to the Internal Audit Plan and approved the report for publication to the Board of Management.

8. Internal Audit Reports

S Archibald highlighted the main points from both Internal Audit Report papers and the Audit and Risk Committee were requested to consider and note the two reports.

- **External Communications – Website Paper 4 (P)**

This audit reviewed the external communications methods adopted by the College to liaise with key stakeholders, and particularly the College website. The audit provided a strong level of assurance over the College's external communications methods.

One low level recommendation raised recommended that the College enhance the Website Management Procedure and Guidance document by introducing clearly defined roles, responsibilities, escalation routes, and compliance requirements, and by establishing a regular review and update process. The enhanced document would then require formal approval.

- **Student Voice Paper 5 (P)**

The Student Voice audit was undertaken to evaluate the effectiveness of current student voice arrangements in place at the College and assess the robustness of the governance structures in supporting its operation and strategic development. The audit provided a strong level of assurance over the College's student voice arrangements, and no recommendations were raised.

Discussion took place around the impact from student feedback, with real examples highlighted where changes and improvements had resulted. A more detailed report on the actions and impacts from student feedback will be presented to the Learning, Teaching & Quality Committee.

The Committee noted both the report's findings.

9. Internal Audit Progress Report Paper 6 (P)

S Archibald detailed the updated audit assignments plan, with phase 1 now completed, and future audit work plans for 2026 explained, 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.

Discussion took place around the use of the additional 4 days available now that they are not required for the EMA review. Committee members were asked for suggestions for their use including advisory, assurance mapping, an identified risk area, or roll over to the following year.

Action - ARC 50: A01 – Committee members to forward suggestions for the use of the additional time available to A Ritchie for further discussion with the Internal Auditor.

15. AOB

The minutes of the Joint ARC/PIFCo meeting held on 18 November will be circulated for approval.

There was no other business.

Date of Next Meeting: Tuesday 17 March 2026, at Ayr 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

DRAFT

Audit & Risk Committee - Action and Decision Log

Meeting No 51 – 7 March 2026

Meeting Date	Agenda Item	Reference	Details	Action Owner	Due Date	Action Decision	Open Complete Approved Declined
02.12.25	2024-25 Freedom of Information Annual Report	ARC50:D01	The Committee considered that no adjustments were required to the Internal Audit Plan and approved the report for publication to the Board of Management.	NA	11.12.25	Decision	Approved
02.12.25	2024-25 Complaints Annual Report	ARC50:D02	The Committee considered that no adjustments were required to the Internal Audit Plan and approved the report for publication to the Board of Management.	NA	11.12.25	Decision	Approved
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	
02.12.25	Cybersecurity Incident Response Plan	ARC50:D03	The Committee considered and approved the proposed approach to the College's Cybersecurity Incident Response Plan.	NA	NA	Decision	Approved
02.12.25	Assurance map	ARC50:D04	The Committee noted, reviewed and approved the proposed next steps for finalisation and implementation of the Assurance Map.	NA	NA	Decision	Approved
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	
02.12.25	Strategic Risk Register	ARC50:D05	The Committee reviewed and recommended the Strategic Risk Register for approval to the Board of Management.	NA	NA	Decision	Approved
02.12.25	Review of effectiveness of the External Auditor	ARC50:D06	The Committee reviewed the report and confirmed they were content with the outcome of the review of effectiveness of the External Auditor as presented.	NA	NA	Decision	Approved

Title of Meeting: Audit and Risk Committee

Date: 17 March 2026

Subject: Internal Audit Report – Financial Regulations and Compliance

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

Overall Assurance

- The audit provides a **strong level of assurance**.
- 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 relating 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 sent for Board 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.

Good Practices

The report identified several areas of good practice, which are noted on pages 10-11.

2 Associated Risks

The report provides assurance on several areas commonly reflected in the College's high-level strategic risks.

1. Financial Management & Financial Sustainability Risk

The audit provides Strong assurance that the College's financial regulations, internal controls, and finance processes are robust, effective, and compliant.

Evidence from the report includes:

- Effective controls across purchasing, bank reconciliations, payroll, credit cards, SFC income, fixed assets, and petty cash.
- No issues found in all sample testing across these financial processes.
- Robust segregation of duties, reducing risk of financial error or fraud.)
- Monthly management accounts and quarterly reporting to the People, Infrastructure, and Finance Committee ensure strong oversight

2. Governance, Internal Control & Compliance Risk

The report confirms that:

- The Financial Regulations are comprehensive and aligned to expected governance standards.
- The College maintains a detailed Financial Procedures Manual that supports consistent, compliant operation across teams
- There were zero recommendations indicating strong compliance and governance maturity

3. Risk of Inadequate Management Oversight

The audit confirms:

- Well-established management reporting, with monthly accounts circulating to SLT and quarterly to the Committee.
- Oversight arrangements were “appropriate” and functioning effectively. This provides assurance on risks related to decision-making, leadership oversight, and timely escalation.

4. Operational Risks within Core Finance Processes

The audit directly reviews and provides assurance on operational controls, reducing risks that could impact service continuity or data integrity:

- Payroll accuracy risk
- Payment and procurement process risk
- Asset management risk
- Income recognition risk (including SFC income)

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

17 March 2026



Ayrshire College

(Paper 2(1))

Internal Audit 2025-26

Financial Regulations and Compliance

January 2026

Overall Conclusion

Strong

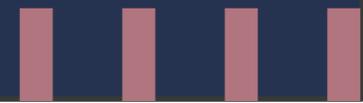


Table of contents

Section	Page
1 EXECUTIVE SUMMARY	2
2 BENCHMARKING.....	12
3 BENCHMARKING.....	13
4 AUDIT ARRANGEMENTS.....	14
5 KEY PERSONNEL.....	15
Appendix	Page
A GRADING STRUCTURE	17
B ASSIGNMENT PLAN.....	19

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

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

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

Overview

Purpose of review

The purpose of this assignment was to perform a high-level review of the Financial Regulations in place at Ayrshire College (the College), to provide assurance that key financial controls were suitably designed and operating in line with documented procedures. This review included a review of the processes relating to purchasing, income, cash and banking and fixed assets.

This review formed part of the 2025/26 Internal Audit Plan.

Scope of review

Our objectives for this review were to assess if:

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

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

Limitation of scope

There was no limitation of scope.

1 Executive summary

Background

Finance Team

The College's Finance team is structured under the leadership of the Vice Principal for Finance and Infrastructure, with two main reporting lines: the Chief Financial Controller and the Procurement Manager. Reporting to the Chief Financial Controller are the Finance Manager and the Senior Accountant. The Finance Manager oversees the Finance Assistants, Admin Assistants, Finance Officers, and Payroll Officers, while the Senior Accountant is supported by an Assistant Accountant.

Financial Regulations

The Scope of the Financial Regulations, along with the Financial Procedures Manual, is intended to cover the key areas of the College's financial processes, approval limits, and other key areas expected in the College's Financial Regulations. The Financial Regulations were last approved by the Board of Management in January 2025, with the next review scheduled for January 2026. After discussions it was identified that the College will present the updated Financial Regulations in March 2026 to the Board for approval. Please see **section 3: Observations** for further information.

The College maintains a comprehensive Financial Procedures Manual in conjunction with its Financial Regulations. This Manual serves as a key reference for the Finance team and for all staff engaged in the processing, recording, or oversight of financial transactions. The document underwent a review in January 2026, as the underlying procedures are expected to remain largely unchanged.

Finance System

The College currently use Open Accounts as their main accounting system which is supported by the purchase system - EBIS. From discussions with the staff members who we met during our walkthrough testing, we found that the systems are being utilised effectively by the College, allowing for key finance activities to be processed in an efficient manner. The system is scheduled to transition to BluQube in the coming months and is currently undergoing testing at the College before rolling it out to all members of staff.

1 Executive summary

Key Financial Functions Tested During Our review

Bank Reconciliations

The College operates seven Royal Bank of Scotland bank accounts, each of which is reconciled monthly. Reconciliations are carried out by the Finance Officers or Finance Assistant who has been most involved in monitoring the purchases for that account during the month, helping guarantee they are completed promptly. Once prepared, the reconciliations are reviewed and approved by the Finance Officer or Finance Manager. Any discrepancies identified during this review are verified against the nominal ledger.

We sample tested the October 2025 – December 2025 reconciliations to confirm these are completed in line with the Financial Regulations. We found no issues during our testing.

Purchases

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

Once the goods or services are received, the originator records this using a goods received note (GRN) within the EBIS system. Upon receiving the invoice, the Finance Team verifies that the goods or services have been marked as received. They then compare the invoiced amount with the original purchase order. If the amount falls within the authorised limits, the invoice will then be sent for payment with the final approval coming from the Chief Financial Controllor or the Vice Principal of Finance and Infrastructure.

We sample tested 10 Purchases between August 2025 – January 2026 to confirm these are completed in line with the Financial Regulations. We found no issues during our testing.

Credit Cards

The College have five credit card holders, these being:

- | Principal and Chief Executive;

1 Executive summary

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

Any pre-approved purchases will have a purchase order raised before the payment is made. However, due to the ad-hoc nature of credit card usage, credit card accounts are reconciled monthly, and any purchases made without a purchase order are then entered into the system. The Finance Team receives each credit card statement and requests any supporting evidence for payments that has not already been provided. Once all required documentation is obtained, the transactions are recorded and processed in the system.

We sample tested 10 credit card purchases between September 2025 and November 2025. We found no issues during our testing.

Payroll

Payroll is processed at the end of each month, during which the payroll team verifies that the hours worked, pay rates, and starter and leaver information recorded in iTrent are consistent with the documentation held within the HR folder. Once these have been verified then payroll, tax, and pension reports are produced. Any discrepancies are reviewed by the Finance Team, who record explanations in a working document. Once all reports are confirmed, the payroll is reconciled against the previous month, and a Payroll Authorisation Form is prepared to highlight any changes. After all approvals are obtained, the Finance Manager or Senior Accountant submits the payroll to BACS.

We sample tested the month end payroll processes between September 2025 – November 2025. We found no issues during our testing.

Fixed Assets

The Senior Accountant at the College is responsible for maintaining two fixed asset registers, one for land & buildings and the other for all other equipment. The College outlines within the Financial Procedures Manual criteria for assets to be considered for capitalisation. If the asset meets the criteria, a capital expenditure request form will be submitted.

1 Executive summary

Once the purchase is completed this is added to the appropriate register and assigned a unique capital expenditure number.

We sample tested five additions to the Fixed Asset Register between January 2025 and January 2026. We found no issues during our testing.

Scottish Funding Council Income

The main source of income for the College is from the Scottish Funding Council (SFC). The receipt of these payments is monitored directly by the Senior Accountant who monitors and records the income from the SFC to ensure that it matches the amount detailed in the funding agreement.

We sample tested the SFC income between September 2025-November 2025. We found no issues during our testing.

Management Reporting

The College prepare Management Accounts on a monthly basis and distribute these amongst the Senior Leadership Team. These are then summarised in a quarterly report and reported to the People, Infrastructure and Finance Committee by the Vice Principal of Finance and Infrastructure.

The Management Accounts include:

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

Work Undertaken

In line with each objective, we undertook the following work:

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

- | We reviewed the College's Financial Regulations and supporting Financial Procedure Manual to confirm these were robust and cover all areas we would expect to see.
- | We discussed with the College Finance Team the ways the systems are utilised by the College for processing key finance activities and reviewed the use in practice through our walkthrough testing.
- | We conducted walkthrough testing of the College's key financial processes to confirm that the documented controls are being adhered to in practice. We reviewed the following areas:
 - | Bank reconciliations;
 - | Purchases;
 - | Credit Card Purchases;
 - | Petty Cash;
 - | BACS Payments;
 - | Fixed assets; and
 - | Payroll.
- | We undertook transaction testing of the key controls in place for the above financial areas to verify the effectiveness of each control.
 - | Bank Reconciliations (3 months, September 2025 - November 2025).
 - | Month End Payroll Processes (3 months, September 2025 - November 2025).
 - | Receipt of SFC Income (3 months, September – November 2025).
 - | Fixed Assets (5 additions from January 2025 – January 2026).
 - | Purchases (10 purchases from August 2025 – January 2026).
 - | Credit Card Purchases (10 transactions from September 2025 – November 2025).
 - | Petty Cash (5 transactions from September 2025 – November 2025).

1 Executive summary

Objective 2: Adequate segregation of duties are in place.

- | We reviewed and evaluated the segregation of duties in place and looked to confirm that these cover all finance processes. We confirmed whether segregation of duties were followed in practice through our walkthrough and transaction testing.

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

- | We reviewed the management oversight over the finance processes to verify they are appropriate.
- | We reviewed the Management Accounts submitted to the People, Infrastructure and Finance Committee between September 2025 – November 2025 to confirm they deliver accurate, comprehensive, and timely information.

1 Executive summary

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we can provide a strong level of assurance surrounding the Financial Regulations and Compliance arrangements of the College. We have raised several good practice points and one observation for further information. Please refer to **Section 3: Observations** for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Financial Regulations and Compliance	0	0	0	0

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

1 Executive summary

Areas of good practice

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

1.	The College have robust management reporting arrangements in place. Monthly Management Accounts are presented to the Senior Leadership Team, and quarterly to the People, Infrastructure and Finance Committee where a comprehensive summary is provided alongside the Accounts.
2.	Following our review, we can confirm that the College has appropriate segregation of duties in place to carry out key finance processes. Our walkthrough testing confirms that the segregation of duties outlined in the Financial Procedures Manual are being appropriately followed.
3.	We were able to confirm that arrangements were effective for the following areas based off our walk-through testing: <ul style="list-style-type: none">— Purchases;— BACS Payments;— Bank Reconciliations;— Fixed Assets;— Credit Cards;— Payroll; and— Petty Cash.
4.	Through our sample testing, we confirmed that the College's finance systems are effective and appropriate for their intended purpose.

1 Executive summary

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

5.	We completed transaction testing across the following areas and found no issues: <ul style="list-style-type: none">Processing of purchases;Capitalisation of fixed assets;Credit card transactions;Petty Cash transactions;Processing of Payroll; andProcessing of SFC income.
6.	The College maintains a comprehensive Financial Procedures Manual that provides detailed guidance to finance staff on the key operational areas of the Finance Department, including the management of sales, purchase and nominal ledgers, the cash book, fixed assets, month end payroll processes, and credit card purchases. Maintaining such a document helps ensure consistency and supports staff in following established financial procedures.

2 Benchmarking

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

Financial Regulations and Compliance

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

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

3 Observations

The following is a list of observations from our review

- | | |
|----|--|
| 1. | The College has a comprehensive set of Financial Regulations that outline the core principles governing its financial operations and clearly define staff responsibilities. The College is preparing a revised draft of the Financial Regulations, which will also include provisions relating to the new accounting software, BluQube. These Regulations were scheduled for review in January 2026; however, due to the Board meeting timetable, this will be sent for Board 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. |
|----|--|

4 Audit arrangements

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

Audit stage	Date
Fieldwork start	26 January 2026
Closing meeting	2 February 2026
Draft report issued	12 February 2026
Receipt of management responses	20 February 2026
Final report issued	23 February 2026
Audit and Risk Committee	17 March 2026
Number of audit days	4

5 Key personnel

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

Wbg			
Partner	Graham Gillespie	Partner & 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
Assistant Manager	Andrew Thomson	Internal Audit Assistant Manager	at@wbg.co.uk
Auditor	Aaron McGookin	Internal Auditor	am@wbg.co.uk

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



A Grading structure

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

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

A Grading structure

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

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

Purpose of review

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

This forms part of the 2025/26 Internal Audit Plan.

Scope of review

Our objectives for this review are to assess whether:

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

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

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- | To conduct interviews to establish the controls in operation for each of our areas of audit work.
- | Review Financial Regulations in place within the College to confirm that these are complete, appropriately reviewed, and comply with regulatory requirements.
- | Conduct walkthrough testing of key financial areas, these being: purchasing; income; cash and bank; payroll; and fixed assets.
- | Sample testing key controls in place for the financial areas above to verify the effectiveness of each control.
- | Review level of integration of key systems to assess for level of efficiency.
- | Review segregation of duties in place and confirm that these cover all finance processes.
- | Review the level of financial reporting in place and consider whether the reporting arrangements are robust.
- | Review month-end process to confirm that there is a clear process in place which is being adhered to.

Potential key risks

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

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

Title of Meeting:	Audit and Risk Committee
Date:	17 March 2026
Subject:	Internal Audit Report – Non SFC Income
Purpose:	The paper provides an overview of the internal audit review of the College's Non-SFC Income.
Recommendation:	The Audit and Risk Committee is requested to consider and note the report.

1 Executive Summary

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

Overall Assurance

- The audit provides a **strong level of assurance**.
- The review made two observations.
 - 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.
 - 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.

Good Practices

The report identified several areas of good practice, which are noted on pages 9-10.

2 Associated Risks

The report provides assurance on several areas commonly reflected in the College's high-level strategic risks.

1. Failure to Achieve Non-SFC Income Targets / Financial Sustainability

- The audit provides an Overall Conclusion of Strong, confirming that the College has effective structures, processes and oversight arrangements in place for managing non-SFC income.
- Income performance for 2025/26 is strong, with all commercial income categories exceeding targets as of December 2025.
- Monthly and quarterly reporting mechanisms—via Finance, SLT, and the Learning, Teaching and Quality Committee—ensure ongoing financial oversight.
- No recommendations were raised, demonstrating robust controls and no significant weaknesses in income management.

The College is effectively managing commercial income streams, reducing the risk of income shortfall and supporting overall financial sustainability.

2. Ineffective Commercial Strategy or Business Development

- The **Employer Engagement Strategy (2024–2027)** is confirmed as active, well-defined, and aligned to the College's Strategic Ambition.
- PowerBi dashboards and structured reporting provide transparent, data-driven performance monitoring.
- Quarterly updates ensure governance-level scrutiny of progress against employer engagement, apprenticeships, and commercial activity.
- The Business Engagement & Innovation (BEI) Team is operating within a clearly articulated organisational structure, with defined roles and responsibilities.

Strategic commercial activity is being managed systematically, reducing the risk of ineffective business development or failure to maximise market opportunities.

3. Operational Failure in Commercial Income Processes (Billing, Compliance, Controls)

- Sample testing of six commercial income streams (Aug–Dec 2025) found effective financial controls over billing, invoicing and compliance with grant conditions.
- The College's Financial Regulations were tested and confirmed to provide strong control over commercial income processing.
- Quarterly Employer Engagement & Innovation Reports demonstrated that commercial income is appropriately tracked, evaluated, and reported.

Internal controls are strong, and operational processes are reliable, reducing the risk of errors, misbilling, non-compliance, or income leakage.

4. Insufficient Organisational Capacity or Resource Alignment

- The BEI staffing structure (covering employer engagement, work-based assessment and apprenticeships) was reviewed and found to have clear responsibilities and defined roles.
- While the report identifies two observations related to resource constraints in specific income areas (e.g., sponsorship and employability frameworks), it confirms SLT awareness and ongoing action to address these.

The College has robust staffing structures and is actively addressing areas requiring additional resources, reducing the risk that inadequate capacity will affect commercial income performance.

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

17 March 2026



Ayrshire College

(Paper 3(1))

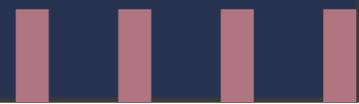
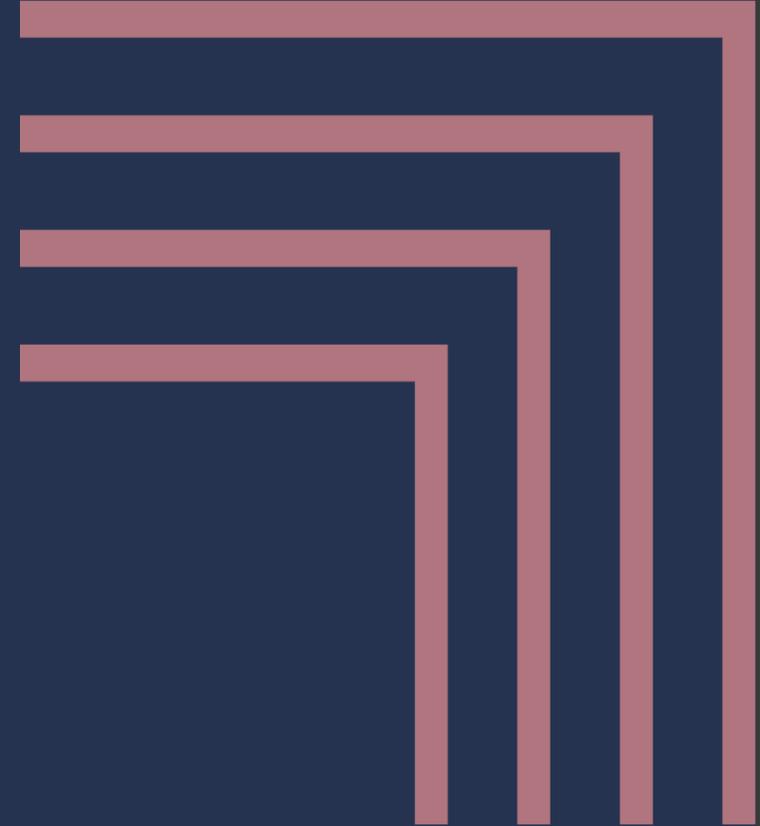
Internal Audit 2025-26

Non-SFC Income

February 2026

Overall Conclusion

Strong



Section	Page
1 EXECUTIVE SUMMARY	2
2 BENCHMARKING.....	11
3 OBSERVATIONS.....	12
4 AUDIT ARRANGEMENTS.....	13
5 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

The purpose of this assignment was to review the methods and structure in place for the management of non-SFC income and consider whether Ayrshire College (the College) is achieving the best value in this area. Our review considered commercial income as well as Construction Industry Training Board (CITB) income.

This review formed part of the 2025/26 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were to:

- | Establish and evaluate any strategies in place to ensure the College is maximising its commercial business opportunities.
- | Consider income targets of the College and whether these are met along with costs associated and how these are monitored.
- | Establish and evaluate the current practices and processes adopted by the College to determine if this is the most efficient and effective use of resources.
- | Establish the nature of the work done by the College, i.e. areas covered, areas the team are responsible for etc. and whether the staffing structure is appropriate.
- | Establish the links (communication and others) between the various business areas of the College regarding commercial income and how income can be increased.
- | Assess whether the day-to-day processing of commercial income is being managed effectively, including billing, compliance to grant conditions and classification.

1 Executive summary

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.

Background

Employer Engagement Strategy

The College developed the Employer Engagement Strategy as one of four underpinning enabling strategies which will support the delivery of the overall College ambition. This Strategy was approved by the Board in December 2024 and covers the period 2024-2027.

The Strategy outlines the College commercial income targets, including:

- New Business/Sector Connections;
- Number of Modern Apprentices Candidates;
- Income Targets (education contracts, managing agent tuition fees and commercial income);
- Hosting Strategic networking events for priority sectors;
- Innovation and Knowledge Exchange Partnerships; and
- Employer Satisfaction Rates.

Progress against targets are monitored through the College PowerBi Dashboard and presented quarterly to the Senior Leadership Team and Board.

Business Engagement Innovation (BEI) Team

The BEI Team is led by the Director of Enterprise Development (DED), who is responsible for the development and delivery of the strategic objectives for Enterprise Development. The following team supports the DED:

- Head of Employer Engagement and Innovation;
- Business Engagement and Innovation Team Leader;
- Apprenticeship Team Leader;
- Care – Work Based Assessment Team Leader; and
- STEM – Work Based Assessment Team Leader.

Each Team Leader is supported by various Officers and Administrators.

1 Executive summary

Commercial Income

The key areas where the College generates commercial income are as follows:

- Apprenticeships;
- Education Contracts;
- Facility Hire;
- Training Contracts across Curriculum Areas; and
- Partnerships.

Finance Updates

On a monthly basis, the Head of Employer Engagement and Innovation meets with Finance to discuss financial performance against targets and identify any areas of focus going forward.

Quarterly Reporting

On a quarterly basis, the DED and Head of Employer Engagement and Innovation present a progress update to the Learning, Teaching and Quality Committee. This includes a financial update against budget, income summary to date, and a general update on activity (employer engagement, apprenticeship provision, and various other commercial income).

Progress against Targets

As of December 2025, the finance update against target is as follows:

	Full Year Budget (£)	Year to Date Budget (£)	Year to Date Actual (£)	Variance (£)
Tuition Fees	484,000	54,000	56,375	2,375
Education Contracts	1,992,600	743,600	745,003	1,403
Other	780,000	249,000	309,403	60,403
Total Income	3,256,600	1,046,600	1,110,781	64,181

As can be seen from the table above, the BEI Team have exceeded the overall income target as well as each individual aspect.

1 Executive summary

Work Undertaken

Our work undertaken for this review included the following:

Objective 1. Establish and evaluate any strategies in place to ensure the College is maximising its commercial business opportunities.

- | We reviewed the Employer Engagement Strategy to confirm that the College has a defined approach to maximising its commercial business opportunities.
- | We discussed with staff to confirm whether the College has a sufficient staff to support the delivery of its commercial courses and other non-funding income streams.
- | We reviewed the PowerBi Dashboard to assess whether appropriate mechanisms were in place to assess progress against these strategies.

Objective 2. Consider income targets of the College and whether these are met along with costs associated and how these are monitored.

- | We reviewed the BEI Targets and Progress spreadsheet to confirm that income targets are monitored against assessed.
- | We reviewed a sample of monthly finance reports (July 2025, November 2025, and December 2025) to confirm that income targets are monitored monthly against budget.

Objective 3. Establish and evaluate the current practices and processes adopted by the College to determine if this is the most efficient and effective use of resources.

- | We reviewed a sample of quarterly Employer Engagement and Innovation Reports (March 2025, May 2025, September 2025, and November 2025) to confirm that commercial income is being appropriately evaluated and reported.
- | We reviewed the Opportunities Tracker to assess whether appropriate mechanisms exists to monitor potential opportunities across the College.

1 Executive summary

Objective 4. Establish the nature of the work done by the College, i.e. areas covered, areas the team are responsible for etc. and whether the staffing structure is appropriate.

- | We reviewed the staffing structure in place to assess whether sufficient resource is in place to meet commercial income targets.
- | We reviewed the roles and responsibilities and job descriptions of the BEI Team to assess whether these were clearly outlined.

Objective 5. Establish the links (communication and others) between the various business areas of the College regarding commercial income and how income can be increased.

- | We discussed the College wide links in place with key staff to assess how these links operate, are established, and plans to increase links to specific curriculum areas.

Objective 6. Assess whether the day-to-day processing of commercial income is being managed effectively, including billing, compliance to grant conditions and classification.

- | We sample tested six areas of commercial income (August 2025 to December 2025) to assess whether appropriate financial controls are in place and that these are being adhered to by staff.

1 Executive summary

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we can provide a strong level of assurance surrounding the methods and structure in place for the management of non-SFC income and achievement of best value in this area. This is highlighted as we have identified several areas of good practice and two observations for consideration. Please refer to **Section 3: Observations** for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Non-SFC Income	0	0	0	0

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

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's new Strategic Ambition, Empowering People for a Changing World (2024-27) was launched in August 2024. The Employer Engagement Strategy (2024-2027) is one of the four underpinning enabling strategies which will deliver on the overall ambition.
2.	The College has a robust monitoring system in place to track income targets and strong financial reporting processes across its various programmes.
3.	We confirmed that the College's Quarterly reports for March 2025, May 2025, September 2025, and November 2025, contains suitable reporting in place surrounding commercial income, demonstrating that commercial income is consistently identified, recorded, and monitored across reporting periods.
4.	The College has clearly defined the roles and responsibilities of key personnel involved in the management of commercial income.
5.	Our testing of commercial income found that the day-to-day processing of commercial income is being managed effectively, including billing and processing of invoices.
6.	The College maintains a robust set of Financial Regulations. This document outlines the key financial controls in place for the processing of commercial income, which we tested during our review. We found no issues.

1 Executive summary

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

- | | |
|----|---|
| 7. | A PowerBi Dashboard is used to monitor achievement of targets and the Learning, with the Director of Enterprise Engagement presenting a quarterly update to the Teaching and Quality Committee. |
|----|---|

2 Benchmarking

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

Non-SFC Income

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

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

3 Observations

The following is a list of observations from our review

1.	<p>From our review, 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 increases. We found there are some specific targets, as above, that the team does not have the resource to focus on at this time alongside other aspects of commercial income. The College Leadership Team recognises resource constraints and support 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.</p>
2.	<p>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.</p>

4 Audit arrangements

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

Audit stage	Date
Fieldwork start	26 January 2026
Closing meeting	4 February 2026
Draft report issued	12 February 2026
Receipt of management responses	20 February 2026
Final report issued	24 February 2026
Audit & Risk Committee	17 March 2026
Number of audit days	6

5 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 & 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
Assistant Manager	Andrew Thomson	Internal Audit Assistant Manager	at@wbg.co.uk
Auditor	Aaron McGookin	Internal Auditor	am@wbg.co.uk

Ayrshire College			
Key Contacts:	Alistair Rodgers	Director of Enterprise & Development	alistair.rodgers@ayrshire.ac.uk
	Stuart Millar	Head of Employer Engagement and Innovation	stuart.millar@ayrshire.ac.uk
	Karen Kennedy	Business Engagement and Innovation Team Leader	karen.kennedy@ayrshire.ac.uk
	Stuart Cree	Apprenticeships/CITB Team Leader	stuart.cree@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.			

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

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

A Grading structure

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

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

Purpose of review

The purpose of this assignment is to review the methods and structure in place for the management of non-sfc income and consider whether Ayrshire College (the College) is achieving the best value in this area. Our review will consider commercial income as well as Construction Industry Training Board (CITB) income.

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

Scope of review

Our objectives for this review are to:

- | Establish and evaluate any strategies in place to ensure the College is maximising its commercial business opportunities.
- | Consider income targets of the College and whether these are met along with costs associated and how these are monitored.
- | Establish and evaluate the current practices and processes adopted by the College to determine if this is the most efficient and effective use of resources.
- | Establish the nature of the work done by the College, i.e. areas covered, areas the team are responsible for etc. and whether the staffing structure is appropriate.
- | Establish the links (communication and others) between the various business areas of the College regarding commercial income and how income can be increased.
- | Assess whether the day-to-day processing of commercial income is being managed effectively, including billing, compliance to grant conditions and classification.

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

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- | Discuss with relevant staff to ascertain the structure in place to ensure that commercial income from commercial courses are maximised.
- | Review the relevant documentation to ascertain the structure for maximising the income from commercial sources.
- | Review the controls in place for the management of bills and receivables.
- | Review the monitoring and reporting arrangements in place.
- | Review reports in relation to the commercial income.
- | Review the College's value for money process in relation to commercial income and ascertain if this is fit for purpose.

Potential key risks

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

- | The College does not have strategies in place to maximise its commercial business opportunities.
- | The College does not appropriately consider or monitor income targets.
- | The current practices and processes adopted by the College are not the most efficient and effective use of resources.

B Assignment plan

- | The staffing structure in place at the College is not appropriate for monitoring and processing commercial activities and income.
- | The communication and working links between the various commercial business areas of the College are not sufficient.
- | The day-to-day processing of commercial income is not being managed effectively, including billing, compliance to grant conditions and classification.

Period 6

31 January 2026

	Full Year Annual Budget	Full Year Annual Forecast	Variance	Year to Date Budget	Year to Date Actual	Variance A v B
Income						
SFC Recurrent Grants	37,229,174	37,229,174	0	18,614,586	18,614,587	1
SFC Other Grants	2,173,286	2,462,312	289,026	1,086,639	1,054,456	-32,183
SFC New Build Funding	4,964,334	4,964,334	0	2,517,166	2,505,958	-11,208
Tuition Fees	2,344,988	2,272,965	-72,023	1,912,477	1,821,282	-91,195
Education Contracts	2,054,816	1,975,466	-79,350	887,658	867,816	-19,842
Commercial Income	780,000	881,500	101,500	330,500	382,307	51,807
Other Operating Income	1,594,300	1,488,199	-106,101	864,757	846,890	-17,867
Interest Income	0	0	0	0	0	0
TOTAL INCOME	51,140,898	51,273,950	133,052	26,213,783	26,093,295	-120,488
Expenditure						
Salary Costs	37,506,389	37,202,389	304,000	18,310,072	18,198,297	111,775
Other Operating Expenses	5,464,979	5,293,982	170,997	3,269,541	3,181,970	87,571
Property Costs	3,076,991	3,207,017	-130,026	1,672,382	1,542,597	129,785
New Build Unitary Charge - SFC	3,308,654	3,308,654	0	1,654,326	1,654,326	0
New Build Unitary Charge - Coll	742,192	742,192	0	355,128	355,130	-2
PFI Costs	0	0	0	0	0	0
Interest payable	18,564	18,564	0	9,282	9,282	0
TOTAL EXPENDITURE	50,117,769	49,772,798	344,971	25,270,731	24,941,602	329,129
OPERATING SURPLUS/(DEFICIT)	1,023,129	1,501,152	478,023	943,052	1,151,693	208,641
Exceptional Costs	0	400,000	-400,000	0	0	0
Strategic - Innovation	0	0	0	0	10,065	-10,065
Strategic - Aero	620,000	620,000	0	309,998	309,743	255
Strategic - Digital	0	0	0	0	32,197	-32,197
Strategic - Workforce	259,335	259,335	0	129,666	12,816	116,850
OPERATING SURPLUS/(DEFICIT) AFTER EXCEPT	143,794	221,817	78,023	503,388	786,873	283,485
Capital Grants released	891,975	891,975	0	445,983	321,336	-124,647
Depreciation charged	-4,061,669	-4,061,669	0	-2,030,829	-2,107,106	-76,277
NET DEPRECIATION	-3,169,694	-3,169,694	0	-1,584,846	-1,785,770	-200,924
ADJUSTED OPERATING SURPLUS/(DEFICIT)	-3,025,900	-2,947,877	78,023	-1,081,458	-998,896	82,562
NON CASH ADJUSTMENTS						
Pension Adjustments	0	0	0	0	0	0
Property Impairments	0	0	0	0	0	0
FINANCIAL SURPLUS/(DEFICIT)	-3,025,900	-2,947,877	78,023	-1,081,458	-998,896	82,562

	Period 06/2026				
	ACTUAL	PRIOR MONTH	MOVEMENT ON MONTH	PRIOR YEAR END	MOVEMENT FROM PRIOR YEAR
FIXED ASSETS					
Land	6,740,000	6,740,000	0	6,740,000	0
Freehold Buildings - Ayr	32,767,548	32,898,905	-131,357	33,553,893	-786,345
Leasehold Buildings	54,067	54,568	-501	57,071	-3,004
Kilwinning	20,975,230	21,036,711	-61,481	21,344,110	-368,880
Kilmarnock	57,208,413	57,322,182	-113,769	57,891,001	-682,588
Computer Equipment	833,303	863,248	-29,945	1,006,864	-173,561
Other Equipment	637,086	644,403	-7,317	715,850	-78,764
	119,215,648	119,560,018	-344,371	121,308,789	-2,093,142
CURRENT ASSETS					
Stocks	43,060	36,798	6,262	33,609	9,451
Trade Debtors	273,881	350,365	-76,484	151,438	122,444
Other Debtors	76,881	8,525	68,356	23,342	53,539
Prepayments and Accrued Income	139,536	70,741	68,795	437,210	-297,674
Bank & Cash	6,645,330	4,710,402	1,934,928	4,119,703	2,525,627
	7,178,688	5,176,831	2,001,857	4,765,301	2,413,388
CURRENT LIABILITIES					
Bank Loans and Overdrafts	0	0	0	0	0
Trade Creditors	-304,042	-84,090	-219,952	-401,678	97,636
Other Creditors	-945,337	-1,176,607	231,269	-884,174	-61,163
SAAS	-2,570	0	-2,570	0	-2,570
SFC Monies	-3,125,428	-2,463,606	-661,822	-725,048	-2,400,380
PAYE/NIC	-773,923	-833,120	59,197	-705,145	-68,778
VAT	-10,420	-235	-10,185	-27,002	16,582
SSF (SFC and SAAS)	-416,543	-549,744	133,201	-19,087	-397,455
Accruals	-589,168	-555,126	-34,042	-881,667	292,499
	-6,167,431	-5,662,528	-504,903	-3,643,802	-2,523,629
TOTAL ASSETS	120,226,905	119,074,322	1,152,583	122,430,288	-2,203,383
Early Retiree Provisions	-956,794	-964,727	7,933	-1,008,068	51,274
Other Provisions	-5,992,865	-5,992,865	0	-5,992,865	0
HP Creditor	-353,068	-353,068	0	-403,858	50,789
NPD Capital Creditor	-35,201,208	-35,333,717	132,509	-35,996,260	795,052
Deferred Capital Grants	-9,516,122	-9,562,268	46,147	-9,823,494	307,372
	-52,020,058	-52,206,646	186,588	-53,224,545	1,204,487
NET ASSETS EX PENS LIABILITY	68,206,847	66,867,676	1,339,172	69,205,743	-998,896
Pension Liability	-316,000	-316,000	0	-316,000	0
NET ASSETS	67,890,847	66,551,676	1,339,172	68,889,743	-998,896
RESERVES					
Reserves brought forward	14,052,779	14,052,779	0	14,052,779	0
Year to date Trading	-998,896	-2,338,068	1,339,172	0	-998,896
	13,053,883	11,714,712	1,339,172	14,052,779	-998,896
Pension Reserve	0	0	0	0	0
Total I&E Reserves	13,053,883	11,714,712	1,339,172	14,052,779	-998,896
Restricted Reserves	465,482	465,482	0	465,482	0
Revaluation Reserve	54,371,482	54,371,482	0	54,371,482	0
TOTAL RESERVES	67,890,847	66,551,676	1,339,172	68,889,743	-998,896

Title of Meeting: Audit and Risk Committee

Date: 17 March 2026

Title: **Draft 2026-27 Internal Audit Plan**

Purpose: The purpose of the paper is to present 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.

Recommendation: The Audit and Risk Committee is invited to note and endorse the Draft 2026–27 Internal Audit Plan, recognising that the proposed programme of audit activity is demonstrably aligned with the College's highest-rated strategic risks and represents an appropriate, risk-focused deployment of internal audit resources.

1. Executive Summary

1.1. The Draft 2026–27 Internal Audit Plan has been developed through the College Audit Needs Assessment (CANA), ensuring that internal audit activity is firmly aligned with the organisation's strategic risks, operational priorities, and governance requirements. The CANA provides a structured evaluation of the areas requiring independent assurance. It maps each strategic risk to the relevant control environment, ensuring that audit resources are targeted toward the most material areas of exposure. This approach strengthens governance, supports informed decision-making, and ensures that audit work remains proportionate and strategically focused.

1.2. During 2025–26, internal audit assignments were concentrated on core areas such as financial sustainability, data security, curriculum offer, and people and culture, reflecting the College's highest-rated risks. These reviews addressed key controls across funding, cyber resilience, curriculum relevance, and staff and student engagement, demonstrating a strong and risk-based alignment between audit coverage and the College's strategic risk profile. Where top-rated risks, such as Job Evaluation and Climate Change, were not directly audited, the College maintained robust alternative assurance mechanisms through structured reporting, governance oversight, and environmental performance monitoring.

1.3. The proposed 2026–27 Internal Audit Plan continues this risk-aligned approach, allocating audit days across financial controls, curriculum planning, employer engagement, CPD, complaints handling, timetabling, and statutory funding areas, including Credits and Student Support Funding. This balanced programme ensures comprehensive assurance across finance, curriculum, people, and governance, with a particular emphasis on the College’s highest residual risks—Financial Sustainability, Curriculum Offer, People & Culture, and Governance. The Committee is invited to note that the plan aligns strongly with strategic priorities and represents an appropriate, risk-focused use of internal audit resources.

2. Associated Risks

2.1.1 There are no additional risks requiring the Committee’s attention arising from this report, as all relevant risks are already captured within the College’s Strategic Risk Register and adequately managed through existing assurance mechanisms.

3. Equality and Diversity Impact Assessment (EqIA)

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

4. Publication

4.1. This report will be published on the College website.

Alan Ritchie
Vice Principal, Finance and Infrastructure
17 March 2026

5. Background

- 5.1. The College undertakes a College Audit Needs Assessment (CANA) to ensure that its internal audit programme is firmly aligned to the organisation's strategic risks, operational priorities, and governance requirements.
- 5.2. The CANA at **Appendix 1** provides a structured, risk-based evaluation of the areas where the Audit and Risk Committee require independent assurance, enabling internal audit resources to be directed to the most critical control systems across both financial and non-financial operations.
- 5.3. The assessment maps each strategic risk to relevant control areas and identifies where internal audit activity is necessary to confirm that these controls are effective. It also sets out the audit work already undertaken in recent years alongside proposed future audit coverage, ensuring continuity, proportionality, and appropriate oversight. This process underpins the annual Internal Audit Plan by offering clear justification for the selection, prioritisation, and timing of audit assignments.
- 5.4. By carrying out the Audit Needs Assessment, the College strengthens its governance framework, supports informed decision-making by the Committee, and demonstrates a proactive approach to managing financial sustainability, people-related risks, curriculum provision, infrastructure investment, and compliance obligations.
- 5.5. Ultimately, the CANA ensures that internal audit activity remains targeted, relevant, and capable of providing the level of assurance required to safeguard the achievement of the College's strategic objectives.

2025-26 Assignments

- 5.6. The CANA shows the work that has been undertaken during 2025-26, and below this, the work has been summarised and grouped by strategic risk

Financial Sustainability (Risk 1 — Residual Risk 25)

- 5.7. This is the highest-rated strategic risk, and several 2025-26 audits were targeted at strengthening assurance in this area:
 - Review of Financial Regulations – 4 days
 - Non-SFC Funding Sources – 6 days
 - Strategic / Operational Planning – 6 days
 - Credits Audit – 7 days
 - SSF Audit – 4 days

5.8. These audits directly address the College's financial sustainability, focusing on:

- Strengthening control frameworks (e.g., updated regulations)
- Supporting financial resilience by identifying non-SFC income
- Ensuring planning, curriculum activity, and employer engagement align with viable funding and delivery models
- Validating key funding streams (Credits, SSF)

People & Culture (Risk 8 — Residual Risk 9)

5.9. Assignments undertaken in 2025-26 included:

- External Communications – Website – 5 days
- Student Voice (People & Culture element) – 5 days

5.10. These audits directly address the College's people and culture, focusing on:

- Ensuring strong communication channels and organisational culture
- Supporting staff engagement and strategic workforce planning
- Enabling student feedback mechanisms that contribute to culture, well-being, and behaviours

Curriculum Offer (Risk 5 — Residual Risk 12)

5.11. Assignments undertaken in 2025-26 included:

- Student Voice – 5 days
- Strategic / Operational Planning – 6 days

5.12. These directly support:

- Ensuring curriculum demand matches enrolment and student experience.
- Mitigating risks relating to recruitment shortfalls or misalignment of offer to demand.

Data Security (Risk 3 — Residual Risk 16)

5.13. Assignments undertaken in 2025-26 included:

- IT Security – 5 days
- Cyber Incident Response Plan – 6 days

5.14. The audits strengthen assurance over:

- Cyber and IT environment resilience
- Compliance with data security requirements
- Safeguarding sensitive information

Governance / Compliance (Risk: Various — Material People & Culture, Financial Sustainability Linkages)

5.15. Assignments undertaken in 2025-26 included:

- Review of Financial Regulations – 4 days
- Strategic / Operational Planning – 6 days
- Cyber Incident Response Plan – 6 days
- Assurance Mapping – 3 days

5.16. These assignments embed strong governance and compliance structures, supporting:

- Transparent decision making
- Regulatory compliance
- Resilient risk management systems

Overall Observation

5.17. The 2025-26 Internal Audit Plan shows a strong alignment with the College's highest scoring risks, especially:

- Financial Sustainability (Risk 1) – Wide coverage across funding, planning, and income diversification
- Data Security (Risk 3) – IT and cyber resilience
- Curriculum Offer (Risk 5) – Recruitment and student engagement
- People & Culture (Risk 8) – Communications, strategy, and staff/student voice

5.18. This alignment indicates a risk-based approach where audit resources were directed to the most material threats facing the College.

5.19. Two risks in the top 5 are not directly subject to internal audit assurance. However, assurance is gained in other ways as noted below.

5.20. **Job Evaluation (Risk 2)** is the second-highest risk faced by the College due to the potential impact of the national job evaluation project's outcome. The Strategic Risk Register outlines the controls and mitigations in place to mitigate this risk. The Board receives assurance through a combination of structured governance reporting, national influence, workforce engagement, control/benchmarking and quantified financial modelling tied into budgeting.

5.21. **Climate Change (Risk 4)** The College actively monitors its climate-change strategic risk through a structured set of controls, governance arrangements, and data-driven reporting processes. The Strategic Risk Register identifies the climate-change risk, assigns clear ownership to the Principal, and sets out current residual scoring alongside defined mitigating actions. These actions

include implementing an approved Sustainability Framework, ongoing review of the supporting governance model, and establishing dedicated roles, such as the Estates & Sustainability Manager and Head of Facilities, to ensure sufficient internal capacity. The College also undertakes regular monitoring of its environmental impact through annual energy-use reporting and statutory Public Bodies Climate Change Duties returns, ensuring that performance is tracked systematically and transparently.

- 5.22. Assurance to the Audit & Risk Committee is further strengthened through routine reporting cycles and integration of this risk within wider strategic oversight structures. Updates on sustainability initiatives and climate-related performance are provided to PIFCo as part of the regular Estates Update, with the Strategic Risk Register itself presented to both the Audit & Risk Committee and the Board for review and approval. The risk is also embedded within senior-level communications and strategic briefings, demonstrating ongoing scrutiny and alignment with long-term estate and infrastructure planning.
- 5.23. These actions and controls are designed to provide the Board with the necessary assurance regarding these two risks.

2026-27 Draft Plan

- 5.24. Outlined below are the assignments that are planned to be undertaken during 2026-27 and how they provide targeted assurance against the College's Strategic Risk Register. The alignment demonstrates that the planned programme directly supports the mitigation of the College's highest-rated residual risks as set out in the Audit Needs Assessment.
- 5.25. The 2026–27 Internal Audit Plan includes 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)
- 5.26. 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.
- 5.27. The selection of assignments reflects the underlying principle of directing audit resources to mitigate the College's highest residual strategic risks, specifically Financial Sustainability (residual risk 25), Data Security (16), Curriculum Offer

(12), People & Culture (9), and overall Data/Governance risks. Each planned review is directly linked to the control environment that mitigates these risks.

Financial Sustainability (Residual Risk 25)

Relevant Audits:

- Overall Financial Controls
- Student Support Funding (SSF)
- Student Credits Activity
- Employer Engagement Strategy

5.28. This is the College's highest-rated risk area, and the planned audits provide direct assurance over critical financial processes, including:

- Robustness of core financial controls, including financial integrity, income management, and expenditure oversight.
- Accuracy and compliance of funding returns (SSF and Credits), which have a material impact on College income and SFC audit scrutiny.
- Diversification and strengthening of income streams through employer engagement, a key component of financial sustainability.

5.29. The inclusion of both SSF and Credits audits is particularly significant, as inaccuracies in either area present exposure to funding clawback or reputational risk. The planned coverage, therefore, directly supports the control environment around the College's core financial dependency areas.

Curriculum Offer & Educational Performance (Residual Risk 12)

Relevant Audits:

- Curriculum Planning
- Timetabling & Resource Management
- Learning & Teaching Strategy
- Employer Engagement Strategy (dual alignment)

5.30. These assignments address risks relating to:

- The relevance, efficiency, and sustainability of the curriculum portfolio.
- Effective resource allocation, ensuring staff, rooms, and equipment are deployed appropriately.
- Pedagogical quality and strategic direction, ensuring alignment with regional skills needs and national policy.
- Linkages with industry and employers, supporting employability outcomes and future curriculum shaping

- 5.31. Strategic risks relating to the curriculum and student outcomes are strongly mitigated by ensuring that the curriculum is demand-led, efficiently delivered, and strategically aligned.

People & Culture (Residual Risk 9)

Relevant Audit:

- Continuing Professional Development (CPD)
- 5.32. Workforce capacity and capability risks are central to College operations. The CPD review supports mitigation of:
- Skills gaps resulting from sectoral and technological change.
 - Compliance requirements, including mandatory training.
 - Leadership development and succession readiness.
- 5.33. Effective CPD frameworks underpin staff quality, retention, and the successful delivery of the curriculum and support services.

Overall Assessment of Alignment

- 5.34. The 2026–27 audit selection demonstrates strong alignment with the College’s strategic risk profile in the following ways:

Coverage of the highest-rated risks

- 5.35. Most audit days are allocated to areas linked to the College’s most significant residual risks (Financial Sustainability and Curriculum Offer). This ensures the greatest possible impact on the available resources.

Balanced coverage across strategic themes

- 5.36. The plan provides assurance across:
- Finance
 - Curriculum
 - People
 - Quality and governance
- 5.37. This balance reflects the interconnected nature of the College’s risk environment.

Direct mapping to control weaknesses and risk drivers

- 5.38. Each chosen topic corresponds to a key control area identified in the Audit Needs Assessment, providing targeted assurance where risk exposure is greatest.

Support for operational and strategic decision-making

- 5.39. The audits selected will generate actionable improvement recommendations to strengthen financial resilience, academic performance, compliance, and workforce capacity.

Recommendation

- 5.40. The Audit and Risk Committee is invited to note and endorse that the planned internal audit assignments for 2026–27 are demonstrably aligned with the College’s strategic risks and represent an appropriate and risk-focused use of internal audit resources.

Alan Ritchie
Vice Principal, Finance and Infrastructure
17 March 2026

College Audit Needs Assessment

Internal Control Area	Primary Strategic Risk	Residual Risk	Audit Area	Internal Audit Plan							
				2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Actual	2025-26 Actual	2026-27 Planned	2027-28 Planned	
Financial Systems	1) Financial Sustainability	25	Overall Financial Controls / Health Check		6	4	4		5		
	1) Financial Sustainability	25	Review of Financial Regulations					4			
	1) Financial Sustainability	25	Budget and Monitoring			6				5	
	1) Financial Sustainability	25	Non-SFC Funding Sources					6			
	2) Job Evaluation	20	Payroll Review				5				
				Procurement and Tendering ⁱ	5						
				Treasury & Cash Management ⁱⁱ							
Non-Financial System	8) People and Culture	9	Fraud Awareness		5					5	
	N/a		Covid-19 Health and Safety	5							
	8) People and Culture	9	Project Management							5	
	8) People and Culture	9	Complaints Handling	5					5		
	5) Curriculum Offer	12	Marketing	5							
	8) People and Culture	9	External Comms – Website					5			
	8) People and Culture	9	Internal Comms - Intranet							5	
	N/a		Assurance Mapping								
Strategy and Planning	1) Financial Sustainability	25	Strategic / Operational Planning ⁱⁱⁱ					6			
	5) Curriculum Offer	12	Learning and Teaching Strategy						5		
	8) People and Culture	9	People Strategy							5	

Internal Control Area	Primary Strategic Risk	Residual Risk	Audit Area	Internal Audit Plan							
				2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Actual	2025-26 Actual	2026-27 Planned	2027-28 Planned	
	9) Investing in College Infrastructure	9	Infrastructure Strategy / Estate Management			6					5
	1) Financial Sustainability	25	Employer Engagement Strategy							5	
Student	5) Curriculum Offer	12	Curriculum Planning							5	
	5) Curriculum Offer	12	Timetabling and Resource Management							5	
	5) Curriculum Offer	12	Student Voice	5				5			
	5) Curriculum Offer	12	Student Retention			5					
	5) Curriculum Offer	12	Student Recruitment				6				
	5) Curriculum Offer	12	Student Enrolment Procedures		5						
	8) People and Culture	9	Safeguarding and Child Protection		5						
	5) Curriculum Offer	12	Student Support	5							
People	8) People and Culture	9	Continuing Professional Development							5	
	8) People and Culture	9	Succession Planning								
	8) People and Culture	9	Staff Recruitment				5				
	8) People and Culture	9	Sickness and Absence Reporting								
IT Systems	3) Data Security	16	IT Systems Administration				5				
	3) Data Security	16	Cyber Incident Response Plan ^{iv}					6			
	3) Data Security	16	IT Security			5					
Governance	8) People and Culture (4)	9	Corporate Governance			5					
	1) Financial Sustainability	25	Risk Management		5						5
	1) Financial Sustainability	25	Business Continuity and Disaster Recovery								
	8) People and Culture	9	GDPR Compliance				3				

Internal Control Area	Primary Strategic Risk	Residual Risk	Audit Area	Internal Audit Plan						
				2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Actual	2025-26 Actual	2026-27 Planned	2027-28 Planned
	8) People and Culture	9	Freedom of Information				3			
	1) Financial Sustainability	25	Assurance Mapping					3		
	8) People and Culture	9	Whistleblowing							
Funding	1) Financial Sustainability	25	SSF	3	4	4	4	4	4	4
	1) Financial Sustainability	25	EMA ^v		4	4	4			
	1) Financial Sustainability	25	Credits	5	6	6	6	7	7	7
Required	N/a		Follow Up	5	4	4	4	2	4	4
	N/a		To be assigned					2		
	N/a		Audit Management	7	6	6	6	5	5	5
			Total Days	50	50	55	55	55	55	55

ⁱ Excluded from the plan as procurement is reviewed by APUC and reported to Committee
ⁱⁱ Excluded from the plan as the College has limited influence over its cashflow and treasury management
ⁱⁱⁱ Increased from 5 to 6 days to provide additional assurance – WBG to update assignment plan and audit plan
^{iv} Increased from 5 to 6 days to provide additional assurance – WBG to update assignment plan and audit plan
^v No longer required from April 2026 onwards as per SFC notification



Ayrshire College

Progress Report

2025-26

March 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	-	2 June 2026
	Strategic Planning	5				
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.



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