Dundee and Angus College

2020/21 Annual Audit Report

Prepared for Dundee and Angus College and the Auditor General for Scotland

December 2021

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Financial management

4 The college demonstrates sound financial management and has a well-established budget monitoring and reporting process in place.

5 Additional in year funding received by the college to support it through the pandemic resulted in a significantly improved 2020/21 budget outturn position.

6 The college reported an operating deficit of £2.172 million and an underlying operating surplus of £2.168 million for the year to 31 July 2021.

Financial sustainability

7 Work is ongoing to revise the college's medium-term financial strategy.

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9 The college has budgeted for a cash-backed surplus of £0.215 million for 2021/22.

10 The college is playing an active role in the Tayside region's economic and social recovery from the pandemic.

11 The college is progressing its revised Estates Strategy, with lessons learned from delivering education during the pandemic being factored into this.

Governance and transparency

12 Effective governance and decision-making arrangements were in place during 2020/21.

13 The college conducts its business in an open and transparent manner.

Value for money

14 The college has proper arrangements in place to promote and secure value for money.

15 The college's five-year strategic plan was reviewed in 2020/21 to ensure it remained relevant in respect of the post pandemic needs for economic and social recovery. Whilst progress on various projects and initiatives towards achievement of the strategy are presented to the Board and Committees, there is no specific and separate annual reporting to the Board on performance against targets for all the metrics in the Strategy.

16 The college continues to report strong performance against the National Measurement Framework, including satisfaction results above the national average, although the pandemic has impacted on some of these indicators.

17 The college has played a key role in supporting students and staff through the pandemic.

Introduction

1. This report summarises the findings from our 2020/21 audit of Dundee and Angus College (the college) and its group.

2. The scope of our audit was set out in our annual audit plan presented to the May 2021 meeting of the Audit and Risk Committee. This report comprises the findings from:

- the audit of the annual report and financial statements
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016.

Responsibilities and reporting

3. Dundee and Angus College is responsible for preparing its annual report and financial statements in accordance with the accounts direction issued by the Scottish Funding Council (SFC) and for establishing effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

4. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice 2016 and supplementary guidance and International Standards on Auditing in the UK. We undertake our audit in accordance with International Standards on Auditing, and the auditing profession's ethical guidance.

5. At the conclusion of our audit, we provide an independent auditor's report for inclusion in the annual report and financial statements. We also review and provide conclusions on the effectiveness of the college's performance management arrangements, suitability and effectiveness of corporate governance arrangements, financial position, and arrangements for securing financial sustainability and value for money.

6. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

7. Our annual audit report contains an agreed action plan at appendix 1 setting out specific recommendations, responsible officers, and dates for implementation. It also includes any outstanding actions from last year and progress against these. Members of the Audit and Risk Committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.

Adding value through the audit

8. In addition to our primary responsibility of reporting on the annual report and financial statements we seek to add value to the college by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we aim to help the organisation promote improved standards of governance, better management and decision making, and more effective use of resources.

Auditor Independence

9. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £24,990, as set out in our annual audit plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. This report is addressed to both the Board of Management and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

12. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual report and financial statements

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual report and financial statements are unmodified.

Expenditure and income in the financial statements were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers.

The audited part of the performance report, annual governance statement and the remuneration and staff report were all consistent with the financial statements and properly prepared in accordance with applicable legislation and directions made by the Scottish Funding Council.

Despite the ongoing impact of Covid-19, the audited annual report and financial statements were signed off by the 31 December 2021 deadline.

Our audit opinions on the annual report and financial statements are unmodified

13. The annual report and financial statements for the year ended 31 July 2021 are to be approved by the Board of Management on 14 December 2021. As reported in our independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework,
- expenditure and income were incurred or applied in accordance with legislation and guidance issued by Scottish Ministers, and
- the audited part of the performance report, annual governance statement and the remuneration and staff report were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by the Scottish Funding Council.

14. We are satisfied that there are no matters upon which we are required by the Auditor General to report by exception.

Despite the ongoing impact of Covid-19, the audited annual report and financial statements were signed off by the 31 December 2021 deadline

15. We received the unaudited annual report and financial statements on 13 October 2021. This was slightly later than the agreed timetable, with competing work pressures and the pandemic responsible for this delay. The annual report and financial statements submitted for audit were of a satisfactory standard as were the supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

16. This has allowed us to sign off the annual report and financial statements by the 31 December 2021 deadline.

Our audit testing reflected the calculated materiality levels

17. Materiality can be defined as the maximum amount by which auditors believe the annual report and financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the annual report and financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).

18. Our initial assessment of materiality for the annual report and financial statements is undertaken during the planning phase of the audit. On receipt of the unaudited annual report and financial statements, and following completion of audit testing, we reviewed our original materiality calculations and concluded that they remained appropriate. Our materiality levels are set out at exhibit 1.

Exhibit 1
Materiality levels

Materiality level	Amount
Overall materiality- This is the figure we use in assessing the overall impact of potential adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 July 2021.	£0.730 million
Performance materiality- This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we calculated performance materiality at 65% of planning materiality.	£0.475 million
Reporting threshold- We are required to report to those charged with governance on all unadjusted misstatements more than the ‘reporting threshold' amount. This has been set at 5% of planning materiality.	£0.035 million

Source: Audit Scotland

Our audit identified and addressed the significant risks of material misstatement

19. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit, we identified a number of key audit risks which could impact on the annual report and financial statements. We set out in our annual audit plan the audit work we proposed to undertake to secure appropriate levels of assurance. Appendix 2 sets out the significant audit risks identified and how we addressed each risk in arriving at our opinion on the annual report and financial statements.

There were no misstatements identified from our audit of the financial statements

20. There were no misstatements identified from our audit of the financial statements. In accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management.

We have a significant finding to report on the annual report and financial statements

21. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to “those charged with governance”. The qualitative aspects of the college’s accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate to the college.

22. The significant finding is summarised at exhibit 2. Where a finding has resulted in a recommendation to management, a cross reference to the action plan in appendix 1 has been included.

Exhibit 2
Significant finding from the audit of financial statements

Issue	Resolution
1. Fixed asset register – fully depreciated assets In 2019/20 we identified that there were a significant number of assets with a nil carrying value. Although some of these were disposed of during 2020/21, our review this year identified that there were 182 assets with a nil carrying value at 31 July 2021. These had a total initial cost of £5.492 million. Assets no longer in use should be removed from the asset register to ensure the cost and accumulated depreciation balances for Property, Plant and Equipment in the financial statements accurately reflect the operational assets of the organisation.	Management have indicated that a comprehensive review of the fixed asset register is being undertaken in 2021/22. This should include a review to identify fully depreciated assets. Appropriate adjustments should be made determined by whether these assets are continuing. Recommendation 1 (**appendix 1**, action plan)

Source: Audit Scotland

Other areas of audit interest from the annual report and financial statements

Journal entries should not be prepared and authorised by the same individual

23. A key aspect of our audit work in response to the management override of control risk that we identified in our annual audit plan (see also appendix 2) is the testing of journal entries.

24. The college's financial ledger is the system for recording all transactions and preparing the financial statements. Journal entries are posted to manually update the college's financial ledger. To minimise the risk of error and fraud we would expect each journal entry to be prepared and authorised by different members of staff.

25. As part of our financial statements testing, it was identified that only at the most senior level within the Finance team, there is no requirement for a second staff member to review or authorise journals. We concluded that all the journals we tested were reasonable. However, despite it only being at the most senior level, the ability of staff to approve their own journals increases the risk that invalid, erroneous or fraudulent journals are posted to the financial ledger.

26. It is recommended that management review this approach. All staff, regardless of grade, should have their journals subject to review and authorisation by a second member of staff.

Recommendation 2 (**appendix 1**, action plan)

The college's funded pension liability decreased to £14.552 million as at 31 July 2021

27. This section is included for information as we consider that the large year-on year movements in the funded and unfunded pension liabilities figures require explanation and comment. We are satisfied that the college's disclosure of its pension liabilities complies with required accounting practices.

28. Dundee and Angus College participates in two pension schemes for its staff: The Local Government Pension Scheme (LGPS) and the Scottish Teachers' Superannuation Scheme (STSS). Notes 16 and 17 to the financial statements provide the disclosures for these schemes in accordance with applicable guidance.

29. As required by Financial Reporting Standard 102 (FRS102) the college has recognised pension liabilities in the Statement of Financial Position in respect of its membership of Tayside Pension Fund which is a defined benefit LGPS.

30. The valuation of Tayside Pension Fund's assets and liabilities is assessed by professional actuaries (Barnett Waddingham) each year and is dependent on a range of external variables, including projected rates of return on assets, interest rates and mortality estimates.

31. We have reviewed the actuarial assumptions used for the valuation and are satisfied that they appear reasonable and in line with assumptions used by other public sector actuaries over the same period.

32. The funded pension liability in the Statement of Financial Position represents the difference between the college's liabilities (i.e., expected future payments to pensioners) and its share of the underlying value of the pension fund assets available to meet these costs. The unfunded pension liability in the Statement of Financial Position represents the additional future pension liability arising from staff who have taken early retirement.

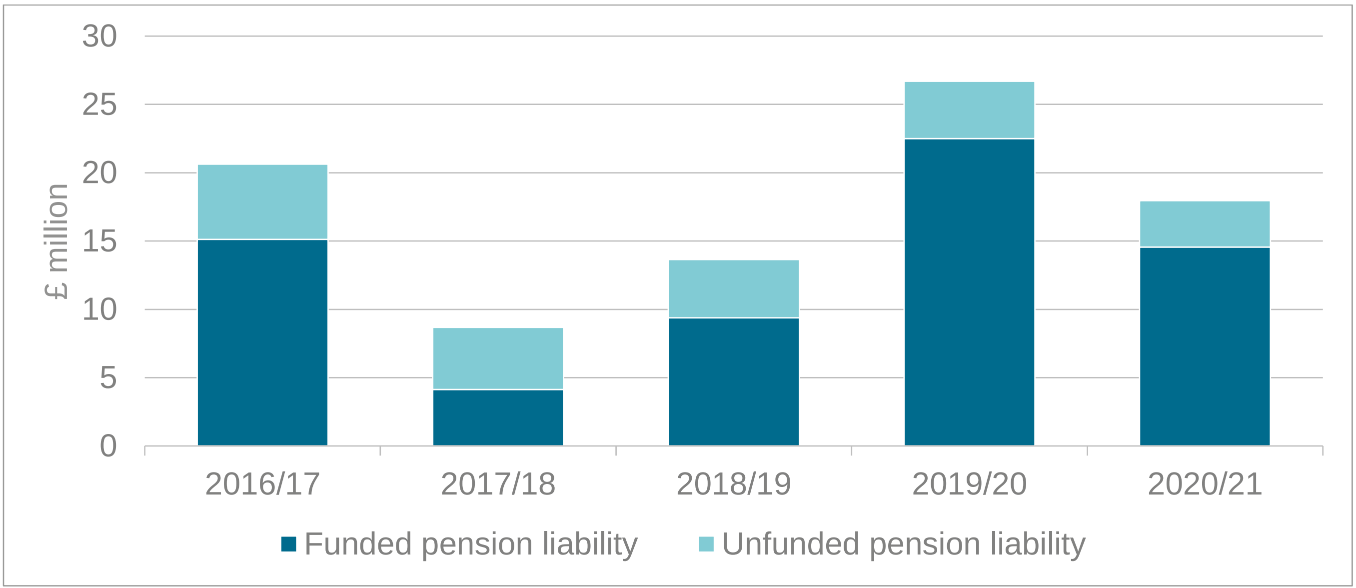
33. As at 31 July 2021, the college's funded pension liability stood at £14.552 million, and the unfunded liability stood at £3.402 million. These balances compare to a funded pension liability of £22.509 million and an unfunded pension liability of £4.195 million at 31 July 2020. This is also reflected in the Consolidated Statement of Financial Position.

34. FRS102 requires liabilities to be valued using a discount rate assumption set with reference to yields on "high quality" corporate bonds. For this purpose, a high-quality corporate bond is taken to mean a bond that has been rated at the level of AA or equivalent. There was market instability towards the end of 2019/20 due to fears over the second wave of Covid-19 infections and the political uncertainty caused by the upcoming elections in the United States. This resulted in a significant increase in the funded pension liability in that year. For 2020/21 scheme asset performance in the market has been strong, with equities performing well amid the roll-out of Covid-19 vaccinations and an improving global economic outlook. This has resulted in a reduction in the funded pension liability for 2020/21.

35. Exhibit 3 sets out the movement in the college's funded and unfunded pension liabilities over the last five years. Historically there has been considerable volatility year-on-year in the valuation of pension fund assets and liabilities across the public sector. Slight changes in actuarial assumptions can have a significant impact on the calculation of the closing position and this is reflected in the movements in the college's funded pension liability over the last five years.

Exhibit 3

Movement in funded and unfunded pension liability 2016/17 to 2020/21



Source: Dundee and Angus College annual report and financial statements 2016/17 – 2020/21

The college's 2020/21 performance report provides a reasonable picture of its performance and operational activity for the year but there remains scope to improve the performance analysis section

36. HM Treasury Financial Reporting Manual (FReM) requires a performance report to be included in a body's annual report and financial statements. The purpose of a performance report is to provide information on the college, its main objectives and strategies, and the principal risks that it faces. The FReM specifies that it should provide "a fair, balanced and understandable" analysis of a body's performance to meet the needs of Parliamentarians and other stakeholders.

37. We concluded that the college's 2020/21 performance report is consistent with our knowledge and experience of the organisation. The impact of the pandemic, and the college's response to this, was well reflected in the report.

38. However, as we have reported in previous years, we believe the performance analysis section of the report could be enhanced. In particular, the Board and committee metrics disclosed in the report do to not contain full details of actual performance levels against targets or trend analysis comparing the current year's performance with the prior year. Further comment on the college's performance is detailed in the Value for Money section of this report.

The annual governance statement includes good disclosure on the ongoing impact of Covid-19 on the college's governance arrangements during 2020/21

39. The FReM requires inclusion of a governance statement in an annual report and financial statements. The Scottish Public Finance Manual (SPFM) sets out guidance on the content and minimum requirements of the statement but does not prescribe a format. The college's annual governance statement complies with SPFM guidance and presents a good explanation and assessment of its governance arrangements for the year under review.

40. Public bodies have had to quickly change how they deliver services in response to the ongoing Covid-19 outbreak and the related restrictions introduced. The widespread use of virtual working and the rapid introduction of new programmes and services create a range of potential financial risks and challenges to internal controls.

41. In its annual governance statement, the college has made good disclosure of the continued impact that Covid-19 has had on its governance arrangements and the steps it has taken in response to this. All Board and committee meetings continued to be held virtually during 2020/21, with updates on the college's response to the pandemic included as a standing item on meeting agendas. The college continues to maintain, and report to members, its Covid-19-specific risk register. This is used to help identify and mitigate any disruption caused by the pandemic.

42. Audit Scotland published its Covid-19: Guide for audit and risk committees in August 2020. The guide focused on the short-term challenges facing public bodies in the response phase of the pandemic. This report, along with the completed checklist, was considered by the college's Audit and Risk Committee in September 2020. We consider that this is further evidence that the college has taken appropriate steps to ensure good governance during the pandemic.

Good practice

The college was proactive in taking steps to ensure good governance arrangements were maintained throughout the Covid-19 pandemic.

The audited part of the remuneration and staff report was consistent with the financial statements and has been prepared in accordance with applicable guidance

43. The FReM requires the college to include a remuneration and staff report within its annual report and financial statements that includes details of:

- the college's remuneration policy,
- details of the remuneration of senior officers, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 July of that year,

- the number and cost of exit packages approved during the financial year, and
- a median pay disclosure and a range of other information on staff costs, numbers, and related activity.

44. We have no issues to report in relation to the information included within the remuneration and staff report in the college's 2020/21 annual report and financial statements.

Progress was made on prior year recommendations, despite the ongoing pandemic impacting on a number of these

45. We followed up on actions agreed in our 2019/20 annual audit report, to assess what progress on implementation had been made. Details of the follow up are included in appendix 1. Following our work in 2020/21, three recommendations remain open:

- Fixed asset register - fully depreciated assets - see exhibit 2, issue 1
- revised financial plans to reflect Covid-19 - see paragraphs 70 - 75
- five-year estate strategy - see paragraphs 102 - 107.

2. Financial management

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

Main judgements

The college demonstrates sound financial management and has a well-established budget monitoring and reporting process in place.

Additional in year funding received by the college to support it through the pandemic resulted in a significantly improved 2020/21 budget outturn position.

The college reported an operating deficit of £2.172 million and an underlying operating surplus of £2.168 million for the year to 31 July 2021.

High level systems of internal control operated effectively in 2020/21.

The college has in place appropriate arrangements for the prevention and detection of fraud and other irregularities.

The college demonstrates sound financial management and has a well-established budget monitoring and reporting process in place

46. The college monitors its budget position through the budget monitoring reports presented to each meeting of the Finance and Property Committee. The budget monitoring reports provide an overall picture of spend against budget and include a good level of detail in the narrative to explain the main budget variances.

47. From our review of budget monitoring reports, review of committee papers and attendance at committees, we confirmed that members and senior management receive regular, timely and up-to-date information on the college's financial position. This allows both members and senior management to carry out effective scrutiny of the college's finances.

48. The college demonstrates sound financial management and has a well-established budget monitoring and reporting process in place. Our view is supported by the work of internal audit who undertook a review into the college's budgetary control arrangements during 2020/21. This review provided a satisfactory level of assurance and identified several areas of strength, with only two lower-level recommendations reported.

Additional in year funding received by the college to support it through the pandemic resulted in a significantly improved 2020/21 budget outturn position

49. The draft 2020/21 budget was presented to the Finance and Property Committee in September 2020. This projected a cash-backed surplus of £0.020 million for the year to 31 July 2021, based on total income of £44.202 million and total expenditure of £44.182 million (including £32.674 million for total pay costs).

50. While the college was able to set a balanced budget for 2020/21, the projected cash-backed surplus of £0.020 million for the year was a significant reduction on the underlying operating surpluses achieved in prior years of £2.249 million for 2018/19, and £1.104 million for 2019/20. This reflected the additional costs to the college relating to the Covid-19 pandemic and the continuing impact on its income streams.

51. At the time of setting this budget, no one could predict the lasting impact of the pandemic, with some restrictions still in place well into 2021/22, or the extent of additional funding received in response to it. It is clear both have had an impact on the college's 2020/21 budget, with this reflected in the budget movement across the year.

52. The Scottish Government provided the sector with £70 million additional revenue funding in 2020/21. This included money to support students and boost skills through training in response to the economic impact of Covid-19.

53. At the Finance and Property Committee in September 2021, members received a report entitled "2020/21 draft outturn". This indicated a likely cash-backed surplus for the year of £1.991 million. This was a substantial improvement on the budgeted outturn reported in September 2020. Given the timing of when the pandemic hit and the subsequent introduction of suppression measures, the full financial impact of Covid-19 was expected during 2020/21. The financial position of the college was stabilised through effective financial management together with the receipt of non-recuring additional funding by the Scottish Funding Council (SFC) and the HMRC's Coronavirus Job Retention Scheme.

54. The achievement of the improved cash-backed surplus for the year was attributable to a range of factors with notable movements being:

- the use of the Coronavirus Job Retention Scheme in respect of furloughed employees resulting in £1.163 million being received from HMRC.
- additional in year SFC sustainability funding of £0.898 million.
- a maximum additional 1,862 credits allocated in year with 1,521 delivered resulting in income of £0.441 million being received in 2020/21.
- SFC provided £0.152 million to support the provision of ICT equipment to students to help tackle digital poverty.

55. The changes in the budget position were reported in the budget monitoring reports presented to the Finance and Property Committee throughout the year. These reports contained a good level of detail on the forecast outturn position, as well as details on the costs of Covid-19 and the funding received in support of this.

The college reported an operating deficit of £2.172 million and an underlying operating surplus of £2.168 million for the year to 31 July 2021

56. The college reported an operating deficit for the year to 31 July 2021 of £2.172 million (£3.777 million in 2019/20) in the Statement of Comprehensive Income (SOCI).

57. The position reported in the SOCI includes the impact of non-cash charges such as depreciation and pension adjustments, and capital grants recognised as income. It also excludes other commitments funded from revenue including the allocation of revenue funding for loan repayments. To enable an assessment of the underlying financial strength of an institution, and allow comparison across institutions, the Scottish Funding Council requires colleges to also report the underlying operating position for the year by adjusting for these items and any one-off exceptional items impacting on the annual position reported in the SOCI.

58. The underlying operating position of the college reported within the performance report shows an underlying operating surplus of £2.168 million for the year to 31 July 2021 (£1.104 million in 2019/20).

High level systems of internal control operated effectively in 2020/21

59. As part of our 2020/21 audit, we tested key controls operating over the main accounting systems. Our objective was to gain assurance that systems for processing and recording transactions provide a sound basis for the preparation of the financial statements.

60. We did not identify any significant control weaknesses from this work.

Internal audit reported that the college had adequate and effective risk management, control, and governance arrangements in place during 2020/21

61. The college's internal audit function is carried out by Henderson Loggie. The internal audit service, in any organisation, is an important element of internal control. It provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

62. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our 2020/21 audit we carried out an assessment of the internal audit function. This confirmed that the internal auditors have adequate documentation standards and reporting procedures in place and comply with the requirements of the Public Sector Internal Audit Standards (PSIAS).

63. During 2020/21 we placed reliance on aspects of internal audit's work as part of our wider dimension work. This included the reviews of the college's:

- budgetary control (paragraph 48)
- National Fraud Initiative arrangements (paragraph 68)
- economic recovery (paragraph 86).

64. We also considered internal audit's annual report as part of our review of the annual governance statement included within the accountability report in the 2020/21 annual report and financial statements. This provided internal audit's opinion that the college had adequate and effective arrangements for risk management, control, and governance in place during 2020/21.

The college has in place appropriate arrangements for the prevention and detection of fraud and other irregularities

65. The Board is responsible for establishing arrangements for the prevention and detection of fraud, error and corruption and ensuring that its affairs are managed in accordance with proper standards of conduct.

66. The college has in place a range of established procedures for preventing and detecting fraud and irregularity. These include the college's:

- articles of governance and governance manual for members of the Board of Management (this includes details of the members' code of conduct and register of interests)
- gifts and hospitality policy
- fraud, bribery, and corruption policy.

67. The college also participates in the National Fraud Initiative (NFI), a counter-fraud exercise coordinated by Audit Scotland that uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

68. In 2020/21 internal audit undertook a review of the college's participation in the NFI focussing on the process followed for the 2020/21 NFI exercise. This review provided a good level of assurance, including comment on the effective arrangements in place for the Audit and Risk Committee to be kept informed of the outcome of the data matching process. This allows members to consider any associated risks around the prevention and detection of fraud.

69. We have concluded that adequate arrangements are in place for the prevention and detection of fraud and other irregularities. We are not aware of any specific issues that we need to bring to your attention.

3. Financial sustainability

Financial Sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services.

Main judgements

Work is ongoing to revise the college's medium-term financial strategy.

The college's three-year Financial Forecast Return shows the cash position reducing from £5.853 million as at 31 July 2021 to £3.053 million by 31 July 2024, reflecting the ongoing financial pressures on the sector.

The college has budgeted for a cash-backed surplus of £0.215 million for 2021/22.

The college is playing an active role in the Tayside region's economic and social recovery from the pandemic.

The college is progressing its revised Estates Strategy, with lessons learned from delivering education during the pandemic being factored into this.

Progress on the Kingsway campus redevelopment has been made, but structural issues, the pandemic and industry pressures have resulted in increased project costs and delays.

Work is ongoing to revise the college's medium-term financial strategy

70. The college's five-year financial strategy covering 2019/20 to 2023/24 was approved by the Board in March 2019. This was developed prior to the pandemic.

71. In its Scotland's colleges 2020 blog Audit Scotland recognised that even before the pandemic colleges were facing financial pressures. It noted that in addition to ongoing financial sustainability issues, there are going to be a range of new challenges facing colleges, including decisions on what level of estate to maintain to deliver future learning.

72. Medium and longer-term financial plans will need to be revised by all colleges to consider additional financial pressures and updated funding arrangements arising from the pandemic, as well as updated savings requirements and financial assumptions.

73. Covid-19 has significant implications for the finances and operation of Scotland's colleges, which are likely to continue for years to come. Planning for the medium-term is difficult, but necessary, to manage the levels of uncertainty and volatility facing colleges' budgets.

74. At the meeting of the Finance and Property Committee in September 2021, management informed members on the planned approach to updating the college's financial strategy during 2021/22, with a proposal to present a draft of this to the March 2022 committee meeting.

75. Following on from our 2019/20 recommendation, we welcome the ongoing work to revise the college's medium-term financial strategy. It is important this momentum is maintained to ensure the college has a robust financial strategy in place that supports its post pandemic recovery.

Recommendation 3 (**appendix 1**, action plan)

The college's three-year Financial Forecast Return shows the cash position reducing from £5.853 million as at 31 July 2021 to £3.053 million by 31 July 2024, reflecting the ongoing financial pressures on the sector

76. The Financial Forecast Return (FFR) is an established part of the Scottish Funding Council's (SFC) financial health monitoring framework. The FFR allows the SFC to monitor and assess the medium-term financial planning and health of colleges.

77. On 23 June 2021, the college were advised of the format and the assumptions to be used for the 2020/21 FFR, with the deadline for submission to the SFC being 31 July 2021. The returns usually include financial projections for the current academic year and following three years. This return request covered a shorter period (to 2021/22), reflecting uncertainty over the longer-term impact of Covid-19. The SFC issued a further call for information on 26 August 2021 for a medium-term financial forecast return for the period 2020/21 to 2023/24. This was submitted by the college in line with the 15 October 2021 deadline.

78. It is recognised that the college has a strong cash position (£5.853 million) at 31 July 2021. However, there were several non-recurring factors that contributed positively to this (discussed further at paragraph 54) together with savings made because of Covid-19 related lockdowns.

79. The FFR submitted by the college to the SFC in October showed a projected underlying deficit for 2021/22 and 2022/23 with an underlying surplus for 2023/24. The underlying operating and closing cash positions for 2021/22 to 2023/24 is shown in exhibit 4.

80. Due to the timing of when the FFR was required to be submitted to the SFC, members of the Finance and Property Committee met prior to the submission and the Board of Management retrospectively approved this at the December 2021 meeting. The accompanying paper explained the format and content of the return, including the assumptions used and the proposed actions to further mitigate the impact of the financial challenges facing the college. The paper also provided additional context for Board members on the national and local impact of Covid-19 on future financial projections.

Exhibit 4
FFR projected underlying operating and closing cash balance positions

Description	2021/22 £' million	2022/23 £' million	2023/24 £' million
Underlying operating surplus / (deficit)	(£0.687)	(£0.676)	£0.488
Closing cash position	£3.978	£2.934	£3.053

Source: Dundee and Angus College 2020/21 Financial Forecast Return

The college has budgeted for a cash-backed surplus of £0.215 million for 2021/22

81. The draft 2021/22 budget was presented to the Board of Management in June 2021. This projected a cash-backed surplus of £0.215 million for the year to 31 July 2022, based on total income of £43.742 million and total expenditure of £43.527 million (including £34.462 million for total pay costs). Where possible, the budget reflects the easing of Covid-19 restrictions. For example, given the increase in activity across the college, with staff and students returning to face-to-face learning in September 2021, non-pay costs are budgeted to increase by £0.654 million.

82. Estimating any further cost or funding associated with the ongoing Covid-19 disruption is complex and subject to revision as national funding decisions are made. For example, the budget includes increased supplementary SFC credit income of £1.9 million for the expansion of digital learning and mental health provision together with funds to support deferred students and for foundation apprenticeships. However, clarity on whether the funds could be withheld or recovered if targets are not achieved is still to be provided by the SFC.

83. The budget paper is supported by extensive narrative on key assumptions and included a risk assessment assessing the likelihood and impact of any potential adverse and / or favourable movements. The college has a strong budgetary review process, with budget monitoring reports subject to review and scrutiny by the Finance and Property Committee. Taken together, this should ensure the college can respond effectively to the challenging forecasting demands that will continue during 2021/22.

The college is playing an active role in the Tayside region's economic and social recovery from the pandemic

84. Though the pandemic has brought with it a range of new challenges, previous issues facing colleges remain. The priorities that demanded colleges' attention before the pandemic have become even more pressing, such as tackling inequalities in learning, improving outcomes for students and the need for robust long-term financial planning.

85. However, it is also recognised that there will be opportunities across the sector with these supporting Scotland's recovery from the pandemic. The college has identified a range of projects that it feels will contribute to its own economic and social recovery and that of the wider Tayside region.

86. In 2020/21 internal audit undertook a review looking at the college's program of work to support its, and the Tayside region's, economic recovery from the pandemic. This review provided a good level of assurance, including positive comment on the college's engagement with partners across the region.

The college is the lead partner for several projects within the Tay Cities Deal

87. The Tay Cities Deal was developed after the Scottish Government's Enterprise and Skills Review was published in 2017. This allowed the deal to build on good practice from other city region deals. The £700 million deal is to be funded by both the Scottish and UK Governments with the partner councils, other public sector bodies, and private sources contributing additional funding. The deal was officially signed in December 2020.

88. A key element of the Tay Cities Deal is the Skills Investment Plan which focuses on the skills needs of people and businesses across the region. This was developed by Skills Development Scotland (SDS) alongside a range of partners including local authorities, colleges, and universities. The plan informs the delivery of a range of projects, which are supported by up to £20 million of Scottish Government funding towards skills and employability. These projects are intended to create up to 6,000 job opportunities across the tourism, food and drink, creative industries, eco innovation, digital, decommissioning, engineering, biomedical and health and care sectors.

89. The college is the lead pattern in four Tay City Deal projects with a total value of around £9 million:

- Tay Cities Engineering Partnership - 5-year project with Angus Council, Perth College and Angus Training Group.
- Tay Cities Bio Tech - 10-year project with James Hutton Institute, University of Dundee, Perth UHI and Fife College.
- Tay Cities SMEs - 10-year project with Chamber of Commerce, Business Gateway, University of Dundee, Abertay University, Perth UHI, Fife College.
- Shared Apprenticeship - 10-year project with Angus Council.

90. Three of the above projects are part of the overall £20 million Skills Investment Plan with the standalone project being the Tay Cities Engineering Partnership.

91. The projects are at various stages. For example, the Outline Business Case (OBC) for the Tay Cities Engineering Partnership has been approved by the Scottish Government and is now progressing to the Final Business Case stage, with the aim that this is submitted for consideration by the end of December 2021.

92. The Bio Tech and SME Skills projects are part of the wider £20 million Skills Investment Plan and are dependent on the progress of the overall OBC for this fund being approved. There have been some delays in progressing this, with any drawdown of funding now not likely to be made until 2022/23. However, once the overall bid is approved, the college has in place its project specific OBCs ready for submission.

93. The college will play an important role in the Tay Cities Region Deal by contributing to the objectives of the Skills Investment Plan to boost fair work, inclusive growth, and productivity across the region. In turn this will support the region's recovery from the pandemic.

The college's participation in the Michelin Scotland Innovation Parc aims to provide students and businesses with the skills needed to support the green recovery from the pandemic

94. The college is a key partner in the Michelin Scotland Innovation Parc (MSIP), a major development on the former Michelin factory site in Dundee. The Parc aims to create sustainable jobs across a variety of skillsets providing local and national opportunities both now and in the future. It will also incorporate a Skills Academy and Engineering School which will facilitate a range of training opportunities in partnership with Dundee and Angus College, Abertay University, and the University of Dundee. The college has been asked to be the lead partner in the Skills Academy. This will provide additional opportunities for the college to deliver teaching and training for local businesses in areas such as low carbon, green energy, hydrogen, battery storage, offshore wind, remote control systems, and advanced manufacturing.

95. Although impacted by Covid-19 restrictions, the area for the Skills Academy has been earmarked on the site and curriculum planning is well advanced, with this aligned to industry needs. The expectation is that the Skills Academy will launch in February 2022.

96. There has been clear strategic oversight of both the Tay Cities and MSIP projects, with regular updates provided to members of the Board of Management and the Finance and Property Committee. We will continue to monitor the progress of these projects, including the reporting to members, as part of our work in 2021/22.

The college has invested to ensure opportunities arising from the region's pandemic recovery can be maximised

97. During 2020/21 the college created and recruited to the new role of Economic Partnerships Manager. This role was established to help provide a link between the college and its partnership working with local businesses, with the aim of maximising the opportunities and funding arising from the pandemic. A key element of this work is the college's participation in the Flexible Workforce Development Fund (FWDF).

98. The FWDF provides an opportunity for colleges to engage with local businesses and work with them to support their economic recovery and growth. To assist with their training programmes, businesses can apply for financial support, up to £0.015 million as a levy payer or £0.005 million as an SME. The college's share of this fund was increased to £0.608 million in 2020/21 with an additional fund for SMEs of £0.157 million being allocated by the Scottish Funding Council (SFC) to support businesses to upskill and / or reskill following the pandemic. The college has secured a further £0.764 million from the SFC for 2021/22, mainly from 2020/21 funds that were unspent due to the delivery of training to businesses being impacted because of the pandemic, to support the continued delivery of the programme.

99. The aims of the training are twofold. As well as closing skills gaps by reskilling and upskilling individuals in growing sectors such as digital, manufacturing, energy and renewables, the college is supporting the reskilling of individuals which will help create more employees for sectors struggling to find staff, such as care and hospitality.

100. The college's Michelin Skills Academy, launching in February 2022, will be used as the training base for the delivery of most of the training.

101. The successful contribution to, and delivery of, the above projects will be crucial in ensuring the college delivers on its priority outcomes as set out in its Regional Outcome Agreement with the SFC.

Good practice

The college has been proactive in seeking opportunities to contribute to the economic and social recovery of the Tayside region.

The college is progressing its revised Estates Strategy, with lessons learned from delivering education during the pandemic being factored into this

102. The college has in place a five-year estate strategy covering the period 2019/20 to 2023/24. The strategy sets out the college's estate ambitions which includes the redevelopment of the Kingsway campus and creation of a new STEM centre. This was developed prior to the pandemic. Our work in 2019/20 recommended that the college reviews its strategy to take account of the impact the pandemic has had on its future estate requirements.

103. Covid-19 changed the way learning was delivered, with teaching moved largely online and campuses closed. Students had to adapt to a new way of learning, with this remote learning presenting questions for colleges around the level of estate and equipment needed to deliver future learning.

104. In its National Overview of Remote Learning in Scotland's Colleges report published in June 2021, Education Scotland commented positively on the sector's response to remote learning, noting that "Scotland's colleges have responded well to the demands of moving their curriculum online and delivering learning and teaching remotely". At a local level, despite disruption to learning in 2020/21, the college has maintained a high level of overall student satisfaction. The national report did also acknowledge some challenges with remote learning. These include areas such as digital poverty and the wellbeing of both staff and students. These will be ongoing issues that require addressing by all colleges to ensure all learners are engaged when learning remotely. The college has taken steps to support both students and staff, with the college's good work in each of these areas noted in paragraphs 148 - 162 of this report.

105. The college has established a "New Ways of Working" project. This aims to engage with staff and students to help establish what future work and study arrangements will look like post pandemic, with the 2021/22 academic year being used as a pilot. The college is aware that any change to the traditional face-to-face model of teaching will have to ensure equalities for learners. The college adapted quickly to digital learning, and the continued use of digital technology for delivery of learning will be factored into the Estates Strategy. However, the wider social benefits of learning on campus cannot be underestimated and the college will look to maintain elements of face-to-face teaching on its courses. In this regard, the “New Ways of Working” project should help determine the needs of both learners and the college post pandemic.

106. In May 2021, the Finance and Property Committee was presented with an outline revised Estates Strategy covering 2021 to 2026. This will continue to be developed in 2021/22 with a draft of the Strategy due to be presented to the Committee during the first half of 2022.

107. We recognise the work the college has undertaken in response to our 2019/20 recommendation. Due to the impact of the pandemic, there remains an overarching risk for the whole college sector that future plans and investment in estate improvements may be affected by the increase in remote learning.

Recommendation 4 (**appendix 1**, action plan)

Progress on the Kingsway campus redevelopment has been made, but structural issues, the pandemic and industry pressures have resulted in increased project costs and delays

108. Following approval by the Finance and Property Committee, the Kingsway campus redevelopment plans were approved by the Board in May 2020. This development is being progressed over two phases. The original total cost was projected to be £5.400 million, with this being funded through both the Scottish Funding Council (SFC) capital backlog maintenance grant and a funding bid approved by the Dundee and Angus Foundation.

109. The work associated with phase 1 of the redevelopment commenced in June 2020. Refurbishments to the reception area, frontline services and social space were all completed in advance of the delayed college restart date in September 2020.

110. The creation of a Hair, Beauty and Complimentary Therapies facility in the vacated Digital and Learner Resources (library) annex was impacted by a defect in the library annex, and similar issues were also identified with the roof of the Lecture Theatre. As a result, this building had to be demolished. In both cases, professional fees such as architects, mechanical and electrical services, and structural and civil engineer services, as well as preliminary costs, had already been incurred to progress the initial development based on refurbishment of the existing buildings. Therefore, these sunk costs are included as part of the overall project funding.

111. The SFC provided additional funding (£0.979 million) to cover the cost of the demolition along with the design fees for the new build and advanced spending on Mechanical and Engineering. The work on the new build commenced in June 2021. Management advised that the new build is progressing well, with a planned completion date of April 2022.

112. The demolition has contributed to the overall project costs increasing. The costs and timetable have also been impacted by the pandemic, Brexit and the ongoing haulage and material pressures that are impacting the construction industry. The projected costs associated with the redevelopment have increased from the original budget, exhibit 5.

Exhibit 5
Cost for Kingsway redevelopment

	Original budget	Revised budget
Cost	£5.400 million	£8.229 million

Source: Dundee and Angus College 2020/21 annual report and financial statements

113. The college had secured funding to cover the revised project costs of £8.229 million, with the project funded from two sources, being £3.300 million secured from the Dundee and Angus Foundation and the remainder being funded from the SFC.

114. The delivery of the project in 2021/22, together with any ongoing Covid-19 and supplier impacts, will be subject to regular review and scrutiny by the Finance and Property Committee. We will continue to monitor the delivery of the Kingsway redevelopment as part of our 2021/22 audit.

Due to the pandemic, plans for a new build STEM centre on the Kingsway campus have yet to be finalised

115. As part of the overall Estates Strategy for the Kingsway Campus the SFC provided funding to the college to develop an Outline Business Case for a new build Science, Technology, Engineering and Maths (STEM) centre on the Kingsway Campus, funded by the Scottish Government through a Mutual Investment Model (MIM).

116. Work on these proposals initially progressed well during the early part of 2019/20 but was impacted by the January 2020 cyber-attack and Covid-19, both of which required senior staff to reprioritise their workload. Due to the ongoing impact of the pandemic in 2020/21, work on the business case has yet to progress. The college have kept the SFC informed throughout the process, and management have advised they are looking to progress this proposal alongside the revision to the Estate Strategy as part of the college's pandemic recovery.

4. Governance and transparency

The effectiveness of scrutiny and oversight, and transparent reporting of information

Main judgements

Effective governance and decision-making arrangements were in place during 2020/21.

The college conducts its business in an open and transparent manner.

Member recruitment and retention to the Board of Management will play an important role in progressing the college's strategic priorities post-pandemic.

Effective governance and decision-making arrangements were in place during 2020/21

117. The Board is responsible for ensuring the overall governance of the college. It is responsible for ensuring the governance framework is operating as intended, together with the monitoring of the adequacy and effectiveness of these arrangements.

118. Our review of the governance and transparency arrangements of an organisation includes consideration of:

- Board and committee structure and conduct.
- Overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery, and corruption. This includes action in response to the National Fraud Initiative.
- Openness of Board and committees.
- Reporting of performance and whether this is fair, balanced, and understandable.

119. As noted at paragraphs 41 and 42, the impact of Covid-19 on governance arrangements has been considered by the college with these disclosed in the annual governance statement in its annual report and financial statements.

120. We have concluded that our previous year's conclusion is still relevant, i.e., that "effective governance and decision-making arrangements were in place…and the college took effective action to adjust its governance arrangements to respond to the challenges presented by Covid-19".

The college conducts its business in an open and transparent manner

121. There is an increasing focus on how public money is used and what is achieved. Transparency means that the public have access to understandable, relevant, and timely information about how the Board is taking decisions and how it is using resources such as money, people, and assets.

122. As we reported in 2019/20, there is evidence from several sources which demonstrate the college's commitment to openness and transparency:

- The agendas, papers and minutes of the Board of Management and other committees are published on the college's website on a timely basis.
- The college makes its annual report and financial statements available on its website. These include a performance report which adequately explains the college's financial performance for the year.
- The website also provides the public with access to a wide range of corporate information including details of the college's strategy, performance information, and equality and diversity reporting.

123. Overall, we remain of the view that the college conducts its business in an open and transparent manner.

Member recruitment and retention to the Board of Management will play an important role in progressing the college's strategic priorities post-pandemic

124. In December 2020, the Board of Management approved the appointment for a four-year term of two new Board members. A further appointment was made in June 2021. The new members bring a range of experience, including from the Third Sector. The new members received inductions that included details on the role of the Board, the college's funding arrangements and introductory meetings with the Board Chair and Board Secretary.

125. During 2020/21, four Board members were also reappointed for a four-year term. Retaining experienced Board members with recent knowledge of the risks and opportunities facing the college will be important as it looks to progress its strategic priorities, including its 2025 Strategy – More Successful Students, post-pandemic.

5. Value for money

Using resources effectively and continually improving services

Main judgements

The college has proper arrangements in place to promote and secure value for money.

The college's five-year strategic plan was reviewed in 2020/21 to ensure it remained relevant in respect of the post pandemic needs for economic and social recovery. Whilst progress on various projects and initiatives towards achievement of the strategy are presented to the Board and Committees, there is no specific and separate annual reporting to the Board on performance against targets for all the metrics in the Strategy.

The college continues to report strong performance against the National Measurement Framework, including satisfaction results above the national average, although the pandemic has impacted on some of these indicators.

The college has played a key role in supporting students and staff through the pandemic.

The college has proper arrangements in place to promote and secure value for money

126. The Financial Memorandum between the Scottish Funding Council and fundable bodies in the college sector requires the college to:

- have a strategy for reviewing systematically management's arrangements for securing value for money, and
- as part of internal audit arrangements, to obtain a comprehensive appraisal of management's arrangements for achieving value for money.

127. Securing the economical and effective management of the college's resources and expenditure is the responsibility of the Board of Management.

128. One way the college seeks to ensure value for money is through good procurement practice. This is achieved by optimising the use of national, sectoral, local, or regional collaborative-based contracts and frameworks to deliver savings. The most recent figures published showed that around half of college procurement spend in 2019/20 went through collaborative agreements.

129. Internal audit does not consider value for money as a standalone review; however, they consider this within all audits. Internal audit did not raise any concerns over value for money in 2020/21 and their annual report for 2020/21 provided their opinion that '…proper arrangements are in place to promote and secure Value for Money'. This opinion was arrived at taking into consideration the work they had undertaken during 2020/21 and in each of the previous years since they were first appointed by the college in 2013/14.

130. Our review of expenditure during the audit did not highlight any issues with the regularity of the college's expenditure, or any instances of business decisions being taken that did not appear to reflect value for money.

The college's five-year strategic plan was reviewed in 2020/21 to ensure it remained relevant in respect of the post pandemic needs for economic and social recovery. Whilst progress on various projects and initiatives towards achievement of the strategy are presented to the Board and Committees, there is no specific and separate annual reporting to the Board on performance against targets for all the metrics in the Strategy.

131. The college's Good to Great Strategy was a two-year transformation project that concluded in early 2020. Its aim was to ensure that: "From 2020 onwards, Dundee and Angus College will be the outstanding model of how regional colleges in Scotland operate and how they impact on their local economy." We noted in our 2019/20 annual audit report that an independent evaluation of this project would be reported to the Board of Management in 2021, and that we would consider the findings of this. However, the college advised that due to changing priorities relating to the Covid-19 pandemic, the evaluation was not commissioned.

132. A five-year strategic plan, 2025 Strategy – More Successful Students was approved by the Board of Management in December 2019. The strategy was designed to build upon rather than replace the Good to Great transformation plan.

133. The strategy sets out the college's vision to: "create more successful students through effective partnerships that change lives and create thriving communities." Seventeen detailed metrics have been created which are designed to form the framework for assessing progress against the overall vision of the plan. Each metric falls under one of three strategic pledges:

- Effective Partnerships: to establish and enhance deeper, more meaningful partnerships both internally and externally to drive sustainability and ensure the best possible outcomes for students, employers, and the wider region
- Future Focussed: to deliver curriculum and services in new and innovative ways that drive success and are engaging, flexible, streamlined and designed in partnership with learners, staff, partners, and wider stakeholders
- Thriving Communities: to foster trusted, supportive, inclusive, and resilient communities that puts partnerships, engagement and the health, wellbeing and success of students, staff, stakeholders, and communities at the core of how the college operates.

134. Having been developed before the Covid-19 pandemic began, the strategy was reviewed during 2020/21 to ensure it remained relevant in respect of the post pandemic needs for economic and social recovery. No amendments to the strategy or its metrics were made.

135. A Board Metrics paper is reported to each Board of Management meeting, which includes some of the metrics included in the 2025 Strategy (see further detail at paragraphs 140 - 141). Further metrics are reviewed by the college's other committees. However, there is no single report that collates the performance against each of the metrics identified in the 2025 Strategy.

136. To ensure effective oversight and scrutiny of the 2025 Strategy's progress, the college should report on the performance against the metrics identified to the Board of Management on at least an annual basis.

Recommendation 5 (**appendix 1**, action plan)

Performance against the National Measurement Framework is reported regularly to the Board of Management

137. The Regional Outcome is a formal signed agreement between the Dundee and Angus College Board of Management and the Scottish Funding Council (SFC) which commits the college to deliver a number of outcomes and outputs as a condition of the funding received.

138. The agreement also sets several targets which the college has agreed to achieve in relation to the National Measurement Framework. This is a set of measures for the college that are monitored and reported on by the SFC. The college's funding is closely linked to its performance against the Framework and therefore these measures are a key area of focus for the Board of Management.

139. To ensure that there is clear visibility of data and progress at each Board meeting, a series of standard metrics is presented to members for their consideration and review. These metrics link together a number of data sources into a single high-level Board report to provide high-level indications of the college's performance and include details of performance against the National Measurement Framework. The college's committees are responsible for more detailed consideration of these performance measures.

The college continues to report strong performance against the National Measurement Framework, including satisfaction results above the national average, although the pandemic has impacted on some of these indicators

140. As part of our audit, we reviewed the college's performance against the National Measurement Framework and the standard metrics reported to the Board. This showed that:

- **79.5 per cent of students successfully completed their courses in 2020/21 -** this showed an increase on the completion rate for 2019/20 (76.9 per cent). However, the overall positive outcome rate decreased from 86.1 per cent to 80.4 per cent, due to an increase in the total rate of withdrawal to 19.6 per cent from 13.9 per cent. Management have identified the pandemic as being the primary reason for this increase, with the withdrawal rate peaking in the January to April 2021 lockdown.

- **93.1 per cent of Further Education students and 89.4 per cent of Higher Education students were satisfied with their overall college experience -** this was based on the 2020/21 Student Satisfaction and Engagement Survey (SSES) and compares favourably with the national college average of 88.6% for Further Education and 80.3% for Higher Education students. No survey was run in 2019/20, however the 2020/21 results continue the trend of the college achieving above average satisfaction rates in the annual SSES survey.

- **18.1 per cent of credits were delivered to students from the 10 per cent most deprived post code areas during 2020/21 -** this figure has remained stable since 2019/20 where the figure was 18.2 per cent, after increasing year-on-year since 2015/16 when the figure was 15.9 per cent.

141. The college's funding is closely linked to student success, retainment, and recruitment rates. Student recruitment has been impacted by Covid-19 with course applications and interviews largely completed online. While college applications again reduced, full time recruitment in 2020/21 has remained consistent with the prior year. Maintaining student recruitment, retention and attainment will be important if the college is to meet its 2021/22 credit target.

The college exceeded its student activity credits target for 2020/21

142. One of the priority measures contained within the National Measurement Framework is the student activity credits target. The SFC set a credits target for each college region every year and where these targets are not achieved the SFC can decide to recover funding. As with 2019/20, the SFC recognised the ongoing impact of the pandemic on credit delivery, with there being no clawback on 2020/21 core activity funding should the college not reach its target.

143. The college has a strong track record of meeting and exceeding its credits targets, as shown in exhibit 6. During 2020/21 the college successfully delivered its student activity target of 107,405 credits, with actual credits exceeding this at 109,591. The college's internal auditor carries out annual checks to confirm the accuracy of the reported credits. The credits delivery included 1,521 under the in-year Young Person's Guarantee and National Transitional Training Fund, with the college supporting these government initiatives that provide free participation in courses and reskilling opportunities.

144. In May 2021, the SFC announced the college credits target for 2021/22. This was set at 111,897. For 2021/22, the SFC has taken over responsibility for the funding of Foundation Apprenticeships, with the college's share of these credits being 2,711. The college allocation also includes 1,854 for deferred students, with the SFC allowing colleges to claim credits for students who have to repeat units because of disruption caused by the pandemic. The college's strong attainment and student satisfaction results should provide a good platform from which to achieve these credits targets.

Exhibit 6
Delivery of student activity credits target 2016/17 to 2020/21

Year	Core activity target	Activity delivered	Difference
2020/21	108,926*	109,591	+665
2019/20	108,068*	108,330	+262
2018/19	109,308*	109,344	+36
2017/18	108,962	109,360	+398
2016/17	108,333	108,501	+168

* The 2018/19 and 2019/20 credits targets shown include an additional 1,500 credits and 333 credits respectively that the SFC transferred to the college during those years. The 2020/21 credits targets shown include an additional 1,521 credits that the SFC made available to the college during the year for delivery of YPG/NTTF activity.
Source: SFC Infact database and Dundee and Angus College Regional Outcome Agreements

The college has taken steps to address the challenges of student enrolment for 2021/22

145. The college reports regularly on recruitment to its Learning, Teaching Quality Committee. A paper taken to the committee in September 2021 noted that there has been an 11% (1,088) reduction in applications for full-time places for the 2021/22 academic year. Several factors have contributed to this, such as universities allocating additional places to school leavers and reduced engagement with schools as a result of Covid-19.

146. Despite the reduction in full-time applications, the college has maintained its offer rate. A number of initiatives have contributed to this, including a multi-channel promotional campaign which launched in April 2021. The college has also offered learners, who withdrew or did not complete their courses in 2019/20 due to the impact of Covid-19, another opportunity to complete or repeat their courses without detriment to their funding.

147. The college has been proactive in tackling the challenges to recruitment in 2021/22.

The college has played a key role in supporting students and staff through the pandemic

148. In its December 2020 report Scotland's Wellbeing: The Impact of Covid-19, the Scottish Government acknowledged that the pandemic has had a disproportionate impact across a range of outcomes for a number of groups. In particular:

- households on low incomes or in poverty
- low-paid workers
- children and young people
- older people
- disabled people
- minority ethnic groups
- women.

149. It is likely the pandemic will exacerbate existing inequalities within these groups. Throughout 2020/21 the college has played a key role in supporting students and staff through the pandemic, with steps taken to mitigate against some of these issues.

The college has provided a range of wellbeing support to both students and staff

150. The college has recognised that the pandemic and associated lockdowns have impacted the mental health and wellbeing of both students and staff. The Human Resources and Development Committee oversees health and safety matters on behalf of the Board of Management. The committee has considered the staffing and wellbeing impacts of the Covid-19 pandemic. In addition, the college's Equalities Mainstreaming Report, published in April 2021, details the work of the college's Wellbeing Group. This consolidates activities across all the college campuses in a bid to support staff and student's positive physical and mental wellbeing, together with supporting students with mental health needs.

151. The college has a number of wellbeing resources and opportunities available for staff, which include exercise sessions, online CPD sessions, an online Wellbeing Hub and bi-monthly wellbeing newsletters. Staff development reviews have been updated to focus more on wellbeing, and the introduction and training of wellbeing champions is being progressed.

152. Students have also been supported through the pandemic through the college's Student Services Support and Counselling teams, both of which are advertised on the college's website. In addition, the Students' Association offers a welfare information and referral service to learners. The college has noted that these services have been in high demand during the pandemic and has expanded the support available as a result.

The college has continued to support those most in need during the pandemic

153. In December 2020, the college won a College Development Network 'Inclusive College Award' for its Child Poverty Project 'Find Your Future'. This project has been funded through the SFC's Tackling Child Poverty Fund and supports young people in, or at significant risk of, severe poverty through education, employment training and entering work. The college reported on its website that 75% of participants who completed its courses reached a positive destination within six months. The college has committed to continuing to support the project through the Covid-19 recovery.

154. In July 2020, the Scottish Government announced it was investing an additional £5.000 million to help address digital poverty which had been heightened by the pandemic. Through the SFC, the college received an additional £0.152 million of funding to support the provision of ICT equipment to learners affected by digital poverty, providing them with the necessary equipment to engage in remote online learning.

155. From this funding, the college purchased 366 HP laptops with a value of £0.133 million and 46 Apple iPads with a value of £0.019 million. The devices were well received by students and helped the college to meet the needs of its learners during the academic session 2020/21.

The college is participating in a new project to support students with disabilities

156. DFN Project SEARCH is a transition to work programme which helps students with learning disabilities and autism spectrum conditions receive work-related learning and improved opportunities to access long-term paid employment. The project runs over 69 schemes throughout the UK and Europe.

157. Through the project, the college has co-operated with the Employment Support Service, Dundee Health and Social Care Partnership and NHS Tayside to create a one-year employment preparation programme, where participants complete three 10-week placements within Ninewells Hospital.

158. Due to the Covid-19 restrictions and limited capacity available within NHS Tayside, the programme was unable to run during the academic year 2020/21. However, eight students are now enrolled on the course for academic year 2021/22.

159. The college has a good track record of supporting students with disabilities. It was in the top three performing National colleges for those with disabilities in 2019/20, with a 72.1 per cent successful completion rate, ranking second out of seventeen colleges.

The college received the Carers Positive award in 2020/21

160. In May 2021, the college was recognised as a carer positive employer by Carer Positive, a Scottish Government initiative to raise awareness of the challenges facing working carers and encourage employers to understand the business benefits of supporting those staff.

161. The college has several members of staff who identify as carers and recognises the additional demands placed on them because of this. The college offers a range of support for these staff members that includes its Special Leave policy, flexible working arrangements, and access to a counselling service. The college also holds regular carer focus groups that help inform policy.

162. The review commented on the college's strong commitment to supporting staff with caring responsibilities (as well as student carers), with this available support being well communicated through the college's policies and staff intranet.

Good practice

The college has been proactive in providing additional support and opportunities to students and staff during the pandemic, with a focus on those groups disproportionately impacted by it.

The SFC has made recommendations to strengthen tertiary education and research

163. In June 2020, Scottish Ministers commissioned the Scottish Funding Council (SFC) to review the provision and sustainability of further and higher education and research in Scotland, to address the challenges and opportunities brought by Covid-19. The SFC published the final report on its review in June 2021.

164. The college welcomed this review and contributed to the consultation process together with participating in the review working groups.

165. The report includes a range of recommendations aimed at developing a more coherent, responsive, and effective system of tertiary education and research. This includes calling for a clearer strategic longer-term vision for tertiary education and recommending changes to funding and delivery models and how outcomes are agreed and monitored. The college is supportive of many of the report's recommendations.

166. The Scottish Government formally responded to the SFC report in October 2021 stating that it broadly accepted and agreed with the report's recommendations.

167. Taking forward the recommendations will require collaboration between the SFC, Scottish Government, colleges, universities, Skills Development Scotland, and other partners. The college is committed to its ongoing engagement with the process.

Appropriate arrangements are in place for consideration of Audit Scotland national reports

168. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2020/21 a number of reports were published which may be of direct interest to the Board of Management. These are outlined in appendix 3.

Appendix 1. Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Fixed assets register- fully depreciated assets Our review of the asset register identified that there were 182 assets with a nil carrying value. These had a total initial cost of £5.492 million and had been fully depreciated down to zero by 31 July 2021. **Risk:** The cost and accumulated depreciation balances for Property, Plant and Equipment in the financial statements do not accurately reflect the operational assets of the organisation.	Management should review the fixed asset register to identify fully depreciated assets. Appropriate adjustments should be made determined by whether these assets are continuing. Exhibit 2, issue 1	Agreed. A review will be undertaken in conjunction with the exercise recently begun to review college assets and develop a replacement and acquisition policy. Head of Finance July 2022
2. Journal authorisation As part of our financial statements testing, it was identified that at the most senior level within the Finance team, there is no requirement for a second member of staff to review or authorise the journals. **Risk:** The ability of staff to approve their own journals increases the risk that invalid, erroneous or fraudulent journals are posted to the financial ledger.	Management should review this approach. All staff, regardless of grade, should have their journals subject to review and authorisation by a second member of staff, Paragraph 26	Accepted. A peer review process will be implemented. Head of Finance December 2022

Issue/risk	Recommendation	Agreed management action/timing
3. Revised financial strategy The college's current five-year financial strategy was developed prior to the pandemic. Work is ongoing to revise this. **Risk:** The longer-term financial impact of Covid-19 may make the financial strategy undeliverable.	The college should produce a revised medium-term financial strategy in 2021/22. Paragraph 75	Agreed. Plans are underway to produce a revised strategy for consideration by Finance & Property Committee. VP Corporate Services March 2022 (Draft)
4. Revised estates strategy The college's current estates strategy was developed prior to the pandemic. Work is ongoing to revise this. **Risk:** Due to the impact of Covid-19, there is an overarching risk for the whole college sector that future plans and investment in estate improvements may be affected by the increase in remote learning.	The college should produce a revised estates strategy in 2021/22. Paragraph 107	Agreed. Plans are underway to produce a revised strategy for consideration by Finance & Property Committee. Head of Estates June 2022 (Draft)
5. Reporting against metrics in the 2025 Strategy There is no single report by which performance is reported against each of the metrics identified in the 2025 Strategy. **Risk:** The Board of Management is not provided with updates which limits its oversight and scrutiny of the 2025 Strategy progress.	The Board of Management should be provided with an annual update which allows for oversight and scrutiny of the metrics within the 2025 Strategy. Paragraph 136	Accepted. Appropriate reporting to meet the needs of the Board will be considered and implemented. Vice Principal (People & Performance) September 2022

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
PY1. Approval and evidencing of exit packages We identified that one exit package had not been authorised in accordance with the college's policy. As a result of the cyber-attack evidence supporting this decision was not available for review by audit. **Risk:** There is a risk that the college does not comply with SFC guidance to obtain clearance on exit packages or retain appropriate evidence of settlement agreement decisions.	Management should ensure that all exit packages are authorised in accordance with the applicable guidance and are supported by an appropriate business case.	**Complete** Our testing of exit packages in 2020/21 did not identify any issues. The college and SFC guidance were adhered to.
PY2. Fixed asset register – fully depreciated assets Our review of the asset register identified that there were 153 assets with a nil carrying value. These had a total cost of £29.774 million and had been fully depreciated down to zero by 31 July 2020. **Risk:** There is a risk that the cost and accumulated depreciation balances for Property, Plant and Equipment in the financial statements do not accurately reflect the operational assets of the organisation.	Management should undertake a regular review of the asset register to identify fully depreciated assets. Appropriate adjustments should be made determined by whether these assets are continuing.	**Ongoing** See recommendation 1 above. Fixed asset disposals in 2020/21 included 14 fully depreciated assets (with cost £0.234 million). However, at 31 July 2021 there remains 182 fully depreciated assets on the fixed asset register with cost £5.492 million. Management have begun a more comprehensive review of the fixed asset register in 2021/22. This should aim to identify and dispose of all fully depreciated assets no longer in use or held by the college. **By July 2022**
PY3. Revised financial plans to reflect Covid-19	The college should produce a revised five-year financial strategy once there is	**Ongoing**

Issue/risk	Recommendation	Agreed management action/timing
Dundee and Angus College's five-year financial strategy covering 2019/20-2023/24 was approved by the Board in March 2019. **Risk:** The longer-term financial impact of Covid-19 may make the financial strategy undeliverable.	sufficient certainty around the longer-term financial impact of Covid-19.	See recommendation 3 above. Work is ongoing to revise the college's medium-term financial strategy, with a draft being presented to the March 2022 committee meeting. We will obtain and review this as part of the 2021/22 annual audit. **By March 2022**
PY4. Five-year estate strategy The college has in place a five-year estate strategy covering the period 2019/20 to 2023/24. **Risk:** Due to the impact of Covid-19, there is an overarching risk for the whole college sector that future plans and investment in estate improvements may be affected by the increase in remote learning.	The college should review its five-year estate strategy to ensure that the existing plans represent the best approach to supporting an excellent, future focussed curriculum, in a post Covid-19 world.	**Ongoing** See recommendation 4 above. In May 2021, the Finance and Property Committee was presented with an outline revised Estates Strategy covering 2021 to 2026. This will continue to be developed with a draft of the Strategy due to be presented to the committee during the first half of 2022. We will obtain and review this as part of the 2021/22 annual audit. **By March 2022**
PY5. Annual capital budget Colleges are provided with a limited capital budget each year to fund the annual costs associated with existing assets, i.e., depreciation charges and any impairment costs. **Risk:** There is a risk that the college's annual capital budget from 2020/21 will be insufficient to cover the additional annual costs associated with the capital	The college should discuss with the SFC its plans to finance future depreciation costs.	**Complete** Sufficient capital funding has been obtained to fund capital costs in 2020/21, including the addition of assets under construction relating to the Kingsway Campus redevelopment.

Issue/risk	Recommendation	Agreed management action/timing
works at the Kingsway Campus.		

Appendix 2. Significant audit risks

The table below sets out the audit risks we identified on the 2020/21 audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the financial statements and those relating to our wider responsibility under the Code of Audit Practice 2016.

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
1. Risk of material misstatement caused by the management override of controls ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business. Review of the Annual Governance Statement and the assurances obtained in support of the statement.	**Results:** Journal adjustments were tested, and no indications of management override of controls were found. Judgements and estimations applied were tested to confirm they were appropriate and reasonable. We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year. We reviewed transactions during the year – no issues highlighted of significant transactions outside the normal course of business. We reviewed the Annual Governance Statement and the assurances in support of this. No issues were identified. **Conclusion:** Satisfactory
2. Risk of material misstatement caused by fraud in income recognition	Review of budget monitoring reports focussing on significant budget variances.	**Results and conclusion:** On completion of our interim audit work for 2020/21 we reconsidered this risk considering the results of our

Audit risk	Assurance procedure	Results and conclusions
Auditing standards assert that fraud over income should be presumed to be a significant risk in any audit where income streams are significant. The college had income totalling £45 million in 2019/20, of which £36 million was provided by the Scottish Funding Council (SFC) and £9 million was received from other sources. SFC funding is reliant on accurate recording of student numbers and courses provided. The level of income received by the college from other sources is material. The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.	Analytical procedures on income streams. Detailed testing of income transactions focusing on the areas of greatest risk.	interim audit work and the requirements laid out in auditing standards. As a result, we have now rebutted the presumption that a significant material risk exists from fraud over income recognition. This is based on the extent of income which is received from other parts of the public sector, including from the Scottish Funding Council.
3. Risk of material misstatement caused by fraud in expenditure Audit Scotland's Code of Audit Practice requires that auditors should plan to address the risk that the financial statements may be materially misstated as a result of fraud over expenditure. This applies to the college due to the variety and extent of expenditure incurred.	Consideration of the findings from internal audit's reviews of NFI and budgetary control. Review of budget monitoring reports focussing on significant budget variances. Testing of the key controls over the payroll system. Analytical procedures on expenditure streams. Detailed testing of expenditure transactions focusing on the areas of greatest risk.	**Results and conclusion:** On completion of our interim audit work for 2020/21 we reconsidered this risk taking into account the results of our interim audit work and the requirements laid out in auditing standards. As a result, we have now rebutted the presumption that a significant material risk exists from fraud over expenditure. This is based on the extent of expenditure which is associated with staff costs. These costs are well forecast, subject to tight controls and are reconciled to the payroll system, the risk of material misstatement is not significant. For the areas that are subject to some risk, we have considered the incidence of

Audit risk	Assurance procedure	Results and conclusions
		fraud using National Fraud Initiative outcomes. We have assessed that the volume of transactions, that would need to be fraudulent to prove a material risk, is implausible.
4. Estimation and judgements There is a significant degree of estimation and judgement in the measurement and valuation of the college's pension liability which is an estimate based on information provided by management and actuarial assumptions. This subjectivity represents an increased risk of material misstatement in the financial statements.	Review of the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used. Review of the college's procedures for ensuring actuarial valuations provided are appropriate. Confirm pension valuations in actuarial report are correctly reflected within the 2020/21 financial statements.	**Results:** We assessed the reliability of the actuary and reviewed their work. No issues were noted. Pension disclosures agreed in full to information from actuaries, or to financial records where applicable. This included verification of pension entries in the audited accounts to the IAS19 report. **Conclusion:** Satisfactory
5. Kingsway redevelopment A post balance sheet event is likely to arise due to the timing of completion of the Kingsway campus redevelopment. As at 31 July 2021 the capital element of these works will be classified as assets under construction. However, the redevelopment works are expected to be completed later in 2021 with the assets becoming operational prior to the certification of the audited accounts in December 2021. Once operational the assets will need to be revalued with consideration given to the associated accounting and disclosure implications for the annual accounts. The complexity of the accounting and disclosure requirements for a post	Review contractor and surveyor valuations. Review any post balance sheet accounting and disclosure adjustments made and assess whether these comply with accounting standards.	**Results and conclusion:** On completion of our interim audit work for 2020/21 we reconsidered this risk taking into account the results of our interim audit work and our discussions with management. Due to delays caused by the pandemic together with supply issues arising from the UK's withdrawal from the EU, the work on the redevelopment is not expected to be completed until the Spring of 2022. As such, there is unlikely to be any post balance sheet event prior to the certification of the audited accounts in December 2021. The college's progress with its revised estates strategy, together with an update on the Kingsway redevelopment and STEM centre are

Audit risk	Assurance procedure	Results and conclusions
balance sheet event represents an increased risk of material misstatement.		reflected in section 3 of this report.

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
6. Impact of Covid-19 The college has expended significant resources in responding to the disruption caused by Covid19. As with all other further education institutions, the college has had to adapt to delivering courses online in accordance with Covid-19 restrictions. The nature of the courses offered by the college, particularly practical courses, makes remote teaching challenging. The challenges caused by the pandemic, including those relating to remote learning, will impact on the college's ability to meet the objectives of its 2025 Strategy – More Successful Students.	Monitor achievement of Board Metrics, including those relating to student achievement and retention. Review college's recovery plans and progress against strategic pledges and metrics set out in the 2025 strategy. Review results of 2020/21 SFC Student Satisfaction and Engagement Survey.	**Results and conclusion:** The college has largely performed well against its Board Metrics, including exceeding targets for successful completion rates, credit out-turn and student recruitment. However, overall positive outcomes for students marginally decreased. See also appendix 1, recommendation 5. The results of the 2020/21 SFC Student Satisfaction and Engagement Survey showed that the college performed well, exceeding national average results.
7. Financial sustainability The Covid-19 pandemic has had a fundamental impact on the college's income and expenditure streams. For example, the college is projecting that catering and other income will be £0.879 million less in 2020/21 compared to 2019/20. As economic recovery from Covid-19 progresses, the financial outlook for the college is likely to be significantly different from	Monitor achievement of financial targets, including achievement of student credit targets. Assessment of the college's revised Financial Strategy. Review of the college's Financial Forecast Return for 2021/22-2023/24.	**Results:** The financial outturn and challenges for the medium and longer term are reflected in section 2 and 3 of this report. Performance is included in section 5. **Conclusion:** As with most public sector organisations, the college will need to update its medium to longer-term financial plans to reflect the impact of the pandemic. See appendix 1, recommendation 3.

Audit risk	Assurance procedure	Results and conclusions
that forecasted in the five-year financial strategy approved by the Board in March 2019. Assumptions around increases in commercial income and savings arising from voluntary severance will need to be revisited. Whilst we acknowledge that the college's financial sustainability is secure in the short-term, there is a risk that it is unable to accurately forecast potential changes in income and expenditure streams post Covid1-9 and this negatively impacts on their cash balances in the medium to long-term.		
8. Estates plans The college approved a five-year estate strategy covering the period 2019/20 to 2023/24 in March 2019. Since the strategy was created, the college has had to adapt to new ways of working in response to Covid-19 restrictions. More courses have been taught online and college staff have been primarily working from home. The Covid-19 pandemic may lead to more permanent changes in the college's working and learning environment which will need to be reflected in the college's estate requirements. Since the start of the pandemic, the financial environment has also changed and funding for estate developments may look different to that planned in the original strategy.	Ongoing assessment of the college's five-year estate strategy, including any revisions. Monitor progress of Kingsway redevelopment works. Monitor progress of outline business case for the planned STEM centre and any other funding applications.	**Results:** The college's progress with its revised estates strategy, together with an update on the Kingsway redevelopment and STEM centre are reflected in section 3 of this report. **Conclusion:** See appendix 1, recommendation 4.

Audit risk	Assurance procedure	Results and conclusions
There is a risk that the existing estate plans do not reflect the potential changes in the college's estate requirements and funding opportunities in a post-Covid world.		

Appendix 3. Summary of 2020/21 national reports

All reports can be found here

July 2020

The National Fraud Initiative in Scotland 2018/19

Covid-19: Emerging fraud risks

August 2020

Covid-19: Implications for public finances in Scotland

Covid-19: Guide for audit and risk committees

December 2020

Covid-19: Going concern in the public sector

Local government in Scotland: Financial overview 2019/20

February 2021

Covid-19: Tracking the implications of Covid-19 on Scotland's public finances

May 2021

Scotland's colleges 2020

Dundee and Angus College

2020/21 Annual Audit Report

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