

# BOARD OF MANAGEMENT

## Joint Audit & Risk, and Finance & Property Committee



Tuesday 8 December 2020 in Microsoft Teams

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**4.00pm (please note early start time)**

### AGENDA

**4.00PM AUDIT AND RISK COMMITTEE MEMBERS INDEPENDENT MEETING WITH AUDITORS**

**4.30PM AUDIT AND RISK COMMITTEE MEETING**

**1 WELCOME**

**2 APOLOGIES**

**3 DECLARATIONS OF INTEREST**

**4 MINUTES OF AUDIT & RISK COMMITTEE – 22 SEPTEMBER** Paper A for approval

**5 MATTERS ARISING** Paper B for information JC

**6 STRATEGIC RISK REGISTER UPDATE** Paper C for approval ST  
6.1 Strategic Risk Register  
6.2 COVID-19 Risk Register

**7 AUDIT & RISK COMMITTEE ANNUAL REPORT TO BOARD** Paper D for approval GR

**8 INTERNAL AUDIT**

8.1 Student Activity Paper E for approval HL  
8.2 Student Support Funds Paper F for approval HL  
8.3 Follow-up Summary Paper G for information JC

**9 DATA BREACH REPORTING** Verbal update JC

**10 DATE OF NEXT MEETING - Tuesday 9 March 2021, 5:00pm via Teams**

**Close of Audit & Risk Committee Business**

## **5.15PM JOINT AUDIT & RISK/FINANCE & PROPERTY COMMITTEE MEETING**

### **11 ANNUAL ACCOUNTS**

11.1	Internal Audit Annual Report	Paper H for approval
11.2	Audit Scotland Covering Letter	Paper I for approval
11.3	Audit Scotland Annual Report	Paper J for approval
11.4	Financial Statements for the Year ended 31 July 2020	Paper K for approval

### **Close of Joint Audit & Risk/Finance & Property Committee Business**

## **FINANCE AND PROPERTY COMMITTEE MEETING**

### **12 WELCOME**

### **13 APOLOGIES**

### **14 DECLARATIONS OF INTEREST**

### **15 MINUTES OF FINANCE & PROPERTY COMMITTEE – 8 SEPTEMBER** Paper L for approval

### **16 MATTERS ARISING** Paper M for information JC

### **17 BUDGET MONITORING & FORECAST OUTTURN** Paper N for approval BF/JC

### **18 ESTATES**

18.1	Update	Paper O for information	BG
18.2	Kingsway Campus Options Appraisal	Paper P for approval	BG

### **19 FINANCE, PAYROLL AND HR DIGITAL FIRST** Paper Q for information AR/JC

### **20 2021/2022 FEES POLICY** Paper R for approval JC

### **21 PROCUREMENT**

21.1	Annual Report	Paper S for information	JC
21.2	Procurement Strategy	Paper T for approval	JC

### **22 STRATEGIC RISK REGISTER UPDATE** Paper U for approval ST

22.1	Finance & Property Committee Strategic Risk Register
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### **23 VP CORPORATE SERVICES REPORT** Paper V for information JC

### **24 DATE OF NEXT MEETING - Tuesday 2 March 2021, 5:00pm via Teams**



**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**

**Tuesday 8 December 2020**

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**Minutes of Previous**

**Audit & Risk Committee Meeting  
22 September 2020**

**PAPER A**

# **BOARD OF MANAGEMENT**

## **Audit and Risk Committee Meeting**

### **Tuesday 22 September 2020**



*Draft confirmed by Chair*

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**Minute of the Audit and Risk Committee meeting held on Tuesday 22 September 2020 at 5.00pm in Microsoft Teams.**

**PRESENT:**

G Robertson (Chair)	H Honeyman
M Williamson	M Thomson
P Milne	T Pirie

**IN ATTENDANCE:**

J Carnegie (Vice Principal)	
S Taylor (Vice Principal and Secretary to the Board)	
D Archibald (Henderson Loggie)	R Smith (Audit Scotland)
T D'All (Principal's/Board Chair PA)	
J Howie (observer undertaking Board Evaluation)	

#### **1. WELCOME**

G Robertson welcomed members of the Audit and Risk Committee and introduced Jackie Howie as an observer undertaking the Board Evaluation.

#### **2. APOLOGIES**

Apologies were received from K Keay.

#### **3. DECLARATIONS OF INTEREST**

G Robertson noted his role as Chair of Gardyne Theatre Limited.

#### **4. MINUTE OF AUDIT AND RISK COMMITTEE – 12 MAY 2020**

The Minute of the Audit & Risk Committee meeting held on 14 May 2019 was approved as an accurate record.

#### **5. Matters Arising**

**5.1** The use of Microsoft Teams for sharing of Board papers has been established but some members are experiencing problems connecting to Teams. Any issues raised would be reviewed by the ICT helpdesk.

**5.2** G Robertson noted that the evaluation of arrangements for the allocation of risks would be picked up later in the Agenda.

## 6. STRATEGIC & COVID RISK REGISTERS

### 6.1 Strategic & COVID Risk Register

S Taylor summarised the Risk Register paper highlighting there were no changes to the main Risk Register. Changes to the COVID Register were summarised and had been highlighted to the appropriate Committees.

T Pirie asked if the issues surrounding the Kingsway library and Kingsway Campus building project had any impact on the financial stability risk. J Carnegie confirmed that there was a possible financial impact of this, but that this would not impact on financial sustainability.

The College were currently exploring options and once these were known an update would be provided to the Board.

G Robertson highlighted the Audit Scotland COVID-19 Risk Guidance noting the considered approach and actions in place. S Taylor confirmed that no element caused concern but that areas would be kept under review and was comfortable with the arrangements in place.

M Williamson confirmed that the Learning, Teaching & Quality Committee had discussed the Risks and were satisfied with the controls e.g. Student Feedback, Retention, Wellbeing and Engagement.

M Williamson also noted that the distribution of risks to the individual Committees had worked well, especially given the current COVID 19 situation.

P Milne highlighted the discussion that took place at the recent Human Resource & Development Committee around the possible major / catastrophic risk of significant numbers of staff becoming ill due to COVID and suggested that this be added to the People Section of the COVID Risk Register.

H Honeyman also highlighted the systems and CPD elements of ICT and the possible risk associated with staff and student access and skills to deliver Learning & Teaching effectively.

S Taylor confirmed he would look at including both the impact of staff illness and ICT impact on Learning & Teaching. **S Taylor to progress.**

R Smith congratulated J Carnegie, S Taylor and B Ferguson on updating the checklist and stated that he believed that this evidenced that the College was taking reasonable steps.

Asked about how the first couple of days had gone on campus J Carnegie highlighted the new Learner Engagement "Meeters & Greeters" welcoming students and encouraging them to comply with face coverings, physical distancing etc. J Carnegie also noted that all Help Points were up and running along with members of the Senior Leadership Team on site at each campus. J Carnegie noted that everything went as well as could be expected with ICT and LDR Teams being extremely busy.

### 6.2 Feedback on the Impact of Allocating Risks to Individual Committees

G Robertson introduced the paper he had prepared for the Committee for discussion.

M Williamson noted the COVID situation was discussed by the Learning, Teaching & Quality Committee and they welcomed the opportunity to keep an eye on risk matters, but needed to ensure that it didn't become the key focus of the meetings.

Discussion took place around “Risk Culture and Risk Appetite” and the possibility of a development exercise for the Board members as part of one of the BOM Development Session. It was agreed that this might be something for the future.

D Archibald stated that he felt that the D&A College and Board awareness and consideration of risk was well developed.

G Robertson noted that feedback on the arrangements seemed to be favourable and noted that, at present, there was no need for training, but as new Board members took up positions on the Board of Management that this may need to be revisited.

## **7. COVID-19 UPDATE**

J Carnegie noted that a significant update paper would be provided to the full Board of Management but highlighted the College’s involvement in various meetings and workshops over the last few weeks, sharing good practice with the sector and noted her pride at how well staff had adopted recommended practices and demonstrated good practice.

J Carnegie noted the recent meeting with Health Protection Scotland in respect of college approaches to outbreak management and stated that this had been reassuring, with the Health Protection Service comfortable that appropriate arrangements were in place.

S Taylor highlighted the Daily Check-ins at 4pm with union representatives, Students Association, Workstream Leads and Heads of Sector as a quick and effective route to share information and pick up on any problems being experienced.

G Robertson said that it was clear the College Teams were doing a difficult job well.

## **8. FRAUD, BRIBERY & CORRUPTION POLICY**

J Carnegie noted that this Policy was an action from the previous Audit & Risk Committee meeting and highlighted that this had been updated as a result of the National Fraud Initiative.

J Carnegie noted the more engaging layout of the Policy, highlighting the Fraud Triangle Framework, to make people to think twice and understand fraud and why it might happen.

M Williamson sought confirmation around the “whistleblowing policy” and it was confirmed that the College has this termed as a Public Interest Disclosure Policy. Discussion took place around additional reference to this (and using common wording within both) and it was agreed that these updates be made and the revised draft circulated by e-mail for approval.

**J Carnegie to progress.**

J Carnegie highlighted a recent training session undertaken with the ICT Team around Fraud which was very successful and the desire to rollout training opportunities across the College.

The Committee agreed that further training of this type, including training with the unions, would be of benefit.

D Archibald noted that he felt that this was a good policy and hoped that making a connection with staff would reduce the risk of fraud.

## **9. INTERNAL AUDIT**

### **9.1 Health, Safety & Wellbeing Audit**

D Archibald noted that it had been agreed to undertake the Health, Safety & Wellbeing Audit as early as possible to identify any areas for development in respect of COVID 19 arrangements and mitigations. It was noted that this work had been completed and that he was pleased to report that the audit outcome was good, a very positive review with no significant recommendations.

M Williamson congratulated the College on a five-star report.

The Audit & Risk Committee noted their thanks to all involved for the very positive report.

### **9.2 2019/20 Progress Report**

D Archibald summarised the progress report, noting that the National Fraud Initiative work had been moved to the 2020/21 Audit Plan.

D Archibald noted that the Audit fieldwork for EMAs, Bursary and Credits was underway and would be reported to the next meeting.

G Robertson noted that the audit schedule was on track and thanked all of those involved.

### **9.3 Follow Up Review**

D Archibald noted that the College had a total of 13 recommendations (which was a relatively small number). Six of these had been fully implemented, 3 partially implemented and 4 considered but not implemented (3 of these related to Risk and 1 related to CRM). Progress was discussed and D Archibald confirmed that the “not implemented” would be formally closed off.

D Archibald stated that his view was that there was an overall positive picture on progress made and noted that there was nothing to concern the Committee. This assurance was welcomed.

### **9.4 Follow Up Summary**

J Carnegie summarised the report on actions, including the range of post cyber-attack actions and stated that good progress had been made. Of the 16 outstanding actions: 10 were complete; with 1 on track; 3 in progress and 2 behind schedule.

The Committee noted the paper.

### **9.5 2020/21 Audit Plan**

D Archibald said that the 2020/21 Audit Plan had adapted and changed and that the focus for the year ahead would be:

- Budget Control
- National Fraud Initiative
- Economic Recovery
- System Development & Implication

In response to a query from M Williamson, D Archibald confirmed that the Procurement Review had been removed from 2020/21 because it had been moved forward and completed in 2019/20.

J Carnegie confirmed that discussions had been held with D Archibald in drawing up the 2020/21 Audit Plan, and that this had taken into consideration the Scottish Government Priorities around economic recovery.

The Committee approved the 2020/21 Audit Plan.

#### **10. EXTENAL AUDIT**

R Smith said that the hope for an extended deadline for the sign-off of the College Accounts has not materialised and that work was underway working towards a December 2020 deadline. Despite pushing back the fieldwork by a week, it was planned that the draft audit report would be made available for the Joint Audit & Risk and Finance & Property Committee on 24 November 2020.

D Smith confirmed that it would be the same Audit Scotland Team undertaking the audit as last year. This was welcomed.

#### **11. DATE OF NEXT MEETING**

Tuesday 24 November 2020

#### **Action Point Summary**

<b>Action</b>	<b>Responsibility</b>	<b>Date</b>
COVID Risk Register to be updated to reflect the risk of significant staff illness and impact of ICT failures or skills gaps on Learning and Teaching	S Taylor	24 November 2020
Revised Fraud, Bribery & Corruption Policy to be circulated to the ARC for approval	J Carnegie	30 October 2020



**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**

**Tuesday 8 December 2020**

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**Audit & Risk Committee Meeting**

**Matters Arising**

**PAPER B**

# BOARD OF MANAGEMENT

## Audit & Risk Committee

Tuesday 8 December 2020



### Matters Arising

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#### *Paper for information*

The following actions were noted from the Tuesday 22 September 2020 Audit & Risk Committee meeting.

Agenda Item No	Action	Current status	Open / Closed
6.1	COVID-19 Risk Register to be updated to reflect the risk of significant staff illness and impact of ICT failures or skills gaps on Learning and Teaching <b>S Taylor</b>	Strategic Risk Register updated – on agenda for approval	Closed
8.0	Revised Fraud, Bribery & Corruption Policy to be circulated to the ARC for approval <b>J Carnegie</b>	Revised policy was circulated on 14 October	Closed

The following actions were noted from the Tuesday 26 November 2019 Audit & Risk Committee meeting.

Agenda Item No	Action	Current status	Open / closed
8.3	Duty of Care (Safeguarding) action to be discussed at HR&D Committee <b>S Taylor</b>	Discussed and included in HR Metrics	Closed

**Author & Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services



**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**

**Tuesday 8 December 2020**

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- 6.0 Strategic Risk Register Update**
- 6.1 Strategic Risk Register &**
- 6.2 COVID-19 Risk Register**

**PAPER B**

**BOARD OF MANAGEMENT**  
**Audit and Risk Committee**  
**Tuesday 8 December 2020**



**Strategic Risk Register Update**

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***Paper for approval***

**1. Strategic Risk Register**

A copy of the November 2020 draft Strategic Risk Register is enclosed. One change has been made to the Strategic Risk Register since this was last approved as follows.

Risk 3.11 (Difficulties with implementation of structural change) has been removed following discussion around this at the Human Resource and Development Committee. Whilst there is still some (COVID 19 delayed) post restructure evaluation activity to be completed, feedback from the structure review group and recent staff surveys has been positive and any issues arising will fall within the normal range of people management activity.

Whilst no change has been made to the Risk Register, members of the Committee may wish to note that work is progressing within the College in respect of the risks associated with Brexit. The Senior Leadership team recently received a briefing from the Scottish Funding Council Policy (SFC) Officer overseeing the impact of Brexit on FE/HE and on-going monitoring will influence course portfolio, workforce planning and financial strategy developments over the coming weeks. SFC have confirmed funding entitlements / arrangements for EU students for the remainder of 2020/21 and projections are being developed of impact (and opportunities) thereafter.

Given the current COVID 19 pandemic, an additional temporary COVID 19 Strategic Risk Register was developed to record the additional risks, mitigating actions and monitoring associated with identified areas of College operation at the current time.

The COVID 19 Risk Register was approved at the May 2020 meeting and has been included within the risk reporting to individual Board Committees. From review of this supplementary Risk Register, the following change has been made.

Risk 3.5 has been reduced from Amber to Green as a result of as a result of a reduced likelihood of negative publicity relating to COVID cases. This reflects the robust monitoring/reporting and outbreak management arrangements in place, coupled with experience of the general publicity associated with other organisations.

Amendment has also been made to the wording in respect of risk 3.1 to refer to College engagement in contingency planning with SQA and other awarding bodies.

## **2. Approvals**

In respect of the above information approval for the following actions is sought.

- Approval of the Strategic and additional COVID Risk Registers

**Author and Executive Sponsor:** Steve Taylor, Vice Principal People and Performance



# STRATEGIC RISK REGISTER

**2020 - 2021**

As at November 2020

Post Holders	ELT	Executive Leadership Team	Prin	Principal	Score	Impact	Likelihood
	SLT	Senior Leadership Team	DirC&A	Directors of Curriculum & Attainment	1	Routine	Remote
	Board	Board of Management	HoICT	Head of ICT	2	Minor	Unlikely
	VPP&P	Vice Principal People & Performance	HoE	Head of Estates	3	Significant	Possible
	VPCS	Vice Principal Corporate Services	Chair	Chair of the Board of Management	4	Major	Probable
	VPCA	Vice Principal Curriculum & Attainment			5	Critical	Very L kely

Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS				TREATMENT	POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Lead Responsibility
1	Strategic and Structural									
1.1 LT&Q	Failure of College strategy to meet the needs of the D&A Region and/or national priorities (eg Employability, DYW, attainment, articulation)	4	4	16	<ul style="list-style-type: none"><li>Robust strategic planning</li><li>Effective environmental scanning</li><li>Strong partnerships</li><li>Clear links between strategy and practice</li><li>Concerted demands for increased activity levels</li></ul>	4	1	4	<ul style="list-style-type: none"><li>Robust monitoring via ROA</li><li>Clear performance metrics</li><li>Amendment of strategic direction/ plans</li><li>Rolling curriculum review</li></ul>	Prin & Chair
1.2 Board	College may be disadvantaged by changes to either UK or Scottish Government policies	4	3	12	<ul style="list-style-type: none"><li>Effective environmental scanning</li><li>Negotiation/influence at national level</li></ul>	4	2	8	<ul style="list-style-type: none"><li>Review of changes and amendment of strategic direction/plans</li><li>Financial strategy sensitivities</li></ul>	Prin & Chair
1.3 Board	College disadvantaged by changes arising from UK leaving European Union	5	4	20	<ul style="list-style-type: none"><li>Negotiation/influence at national level</li><li>Review of activities/ projects</li><li>Responsiveness to new opportunities</li></ul>	5	3	15	<ul style="list-style-type: none"><li>Review of changes and amendment of strategic direction/plans/ curriculum</li><li>Financial strategy ESF sensitivity</li><li>Workforce planning</li><li>International strategy &amp; planning</li><li>Brexit planning</li></ul>	Prin

Key to Risk Estimation/Score based on scale of 1 – 5 for impact/likelihood: Green (1-8) = Minor Risk; Amber (9-15) = Significant Risk; Red (16-20) = Major Risk; Purple, (>21 - 25) = Fundamental Risk

Post Holders	ELT	Executive Leadership Team	Prin	Principal	Score	Impact	Likelihood
	SLT	Senior Leadership Team	DirC&A	Directors of Curriculum & Attainment	1	Routine	Remote
	Board	Board of Management	HoICT	Head of ICT	2	Minor	Unlikely
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Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Lead Responsibility
<b>1</b>	<b>Strategic and Structural</b>									
<b>1.4 Board</b>	Difficulties or over commitment arising within large scale/national College led initiatives or projects impact negatively on: <ul style="list-style-type: none"> <li>Ability of the College to meet key regional strategies/objectives</li> <li>Financial loss or unmanageable financial risk</li> <li>Reputational loss</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Effective project/activity management in place</li> <li>Clear governance structures</li> <li>Project/initiative finances clearly incorporated within College financial strategy and plans</li> <li>End of project and exit/contingency planning</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Regular project updates at Executive/Board level</li> <li>Monitoring of project activities, plans and outcomes</li> <li>Budget reporting and management</li> </ul>	Principal, VPC&A

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility
<b>2</b>	<b>Financial</b>									
<b>2.1</b> <b>F&amp;P</b>	Change in SFC Funding Methodology and Allocation – Reduction in Funding	3	3	9	<ul style="list-style-type: none"> <li>Negotiation/influence at national level</li> <li>Contingency plans for reduced funding</li> </ul>	2	3	6	<ul style="list-style-type: none"> <li>Advance modelling of new funding methodologies and allocations</li> <li>Monitoring impact of changes</li> <li>Amendment of strategic or operational direction/plans</li> <li>Financial strategy sensitivities</li> </ul>	VPCS
<b>2.2</b> <b>F&amp;P</b>	Failure to achieve institutional sustainability	5	4	20	<ul style="list-style-type: none"> <li>Protection of funding through dialogue with SFC</li> <li>Robust annual budget-setting and multi-year financial strategic planning</li> <li>Effective budgetary control</li> <li>Where required, swift action to implement savings</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Monthly monitoring of budgets</li> <li>Regular review of financial strategy and non-core income sensitivity</li> <li>Detailed monitoring of savings programmes</li> </ul>	VPCS
<b>2.3</b> <b>F&amp;P</b>	National outcomes on salaries and conditions of service outstrip ability to pay	4	4	16	<ul style="list-style-type: none"> <li>Influence within Employers Association</li> <li>Management of staffing expenditures</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Expenditure modelling</li> <li>On-going discussions with staff</li> <li>Financial strategy sensitivities</li> <li>Workforce planning</li> </ul>	VPP&P, VPCS

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Lead Responsibility
2	Financial (cont)									
2.4 A&R	Financial Fraud	4	3	12	<ul style="list-style-type: none"> <li>Strong financial controls: segregation of duties and review of transactions.</li> <li>Review of impact of any changes in structure or duties</li> <li>Whistleblowing arrangements</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Continuous review of financial controls</li> <li>Internal Audit programme</li> </ul>	VPCS
2.5 F&P	D&A Foundation refuses/withholds funding for key College priorities	5	3	15	<ul style="list-style-type: none"> <li>On-going dialogue with Foundation Trustees</li> <li>Appropriate bid arrangements in place</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Monitor and advise Board of Management</li> </ul>	Prin & VPCS
2.6 F&P	Demands of capital developments / maintenance impacts on financial sustainability or delivery of learning and/or services	3	2	6	<ul style="list-style-type: none"> <li>Multi-year estates strategy and capital planning</li> <li>Lobbying of SFC on capital and backlog maintenance funding</li> <li>Planning for D&amp;A Foundation bids</li> </ul>	2	2	4	<ul style="list-style-type: none"> <li>Monitoring of capital plans and expenditures</li> <li>Regular review of capital plans/timescales relative to funds</li> </ul>	VPCS

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<b>3</b>	<b>People and Performance</b>									
<b>3.1</b> <b>LT&amp;Q</b>	Failure to reach aspirational standards in learning, teaching and service delivery	4	3	12	<ul style="list-style-type: none"> <li>Clear quality arrangements and priority actions</li> <li>Continuous self-evaluation and action planning</li> <li>Rigorous CPD arrangements in place</li> <li>Regular classroom observation and learner feedback arrangements</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Comprehensive monitoring of key PIs and student/staff feedback</li> <li>Regular Stop and Review events</li> <li>External review and validation findings</li> </ul>	VPC&A, VPP&P, DirC&A
<b>3.2</b> <b>LT&amp;Q</b>	Failure to achieve/maintain compliance arrangements, e.g. contracts; awarding bodies; audit.	4	3	12	<ul style="list-style-type: none"> <li>Robust strategic planning and monitoring</li> <li>Effective environmental scanning</li> <li>Strong partnerships</li> <li>Clear links between strategy and practice</li> <li>Concerted demands for increased activity levels</li> </ul>	2	2	4	<ul style="list-style-type: none"> <li>Effective internal monitoring/review/verification arrangements</li> <li>External review findings</li> </ul>	VPP&P, VPC&A
<b>3.3</b> <b>A&amp;R</b>	Legal actions; serious accident; incident or civil/criminal breach	4	5	20	<ul style="list-style-type: none"> <li>Adherence to legislative and good practice requirements</li> <li>Positive Union relations and staff communication</li> <li>Effective management development programmes</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Monitoring and reporting in key areas – eg H&amp;S, equalities, employee engagement</li> <li>Continuous professional development</li> <li>Internal audit programme</li> <li>Staff surveys</li> </ul>	Prin, VPP&P, VPCS, HoE

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	VPP&P	Vice Principal People & Performance	HoE	Head of Estates	3	Significant	Possible
	VPCS	Vice Principal Corporate Services	Chair	Chair of the Board of Management	4	Major	Probable
	VPCA	Vice Principal Curriculum & Attainment			5	Critical	Very L kely

Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Lead Responsibility
<b>3</b>	<b>People and Performance (cont.)</b>									
<b>3.4</b> <b>HR&amp;D</b>	Failure to meet the aspirational standards in respect of the health, safety, wellbeing and development of staff and students	3	4	12	<ul style="list-style-type: none"> <li>Clear and proactive approaches to managing and promoting health, safety and wellbeing</li> <li>Continuous self-evaluation and action planning</li> <li>Rigorous CPD arrangements in place</li> <li>Regular staff and learner feedback arrangements</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Regular employee engagement monitoring</li> <li>Open communication with staff</li> <li>Comprehensive monitoring of key PIs and student/staff feedback</li> <li>Regular union/management dialogue</li> </ul>	VPP&P, VPCS
<b>3.5</b> <b>Board</b>	Reputational Risk – Loss of reputation with key stakeholders	4	3	12	<ul style="list-style-type: none"> <li>Marketing strategy</li> <li>Reputation plan</li> <li>Positive marketing approaches</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>Social media monitoring arrangements</li> </ul>	VPC&A, DirC&A
<b>3.6</b> <b>HRD</b>	National bargaining outcomes impact adversely on College operations, activity and flexibility	4	4	16	<ul style="list-style-type: none"> <li>Influence within Employers Association</li> <li>Management of bargaining outcomes and implementation</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Positive union relations and staff communication</li> <li>On-going discussions with staff</li> <li>Innovation in approaches</li> </ul>	VPP&P, VPC&A

Key to Risk Estimation/Score based on scale of 1 – 5 for impact/likelihood: Green (1-8) = Minor Risk; Amber (9-15) = Significant Risk; Red (16-20) = Major Risk; Purple, (>21 - 25) = Fundamental Risk

<b>Post Holders</b>	ELT	Executive Leadership Team	Prin	Principal	<b>Score</b>	<b>Impact</b>	<b>Likelihood</b>
	SLT	Senior Leadership Team	DirC&A	Directors of Curriculum & Attainment	1	Routine	Remote
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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Lead Responsibility
<b>3</b>	<b>People and Performance (cont.)</b>									
<b>3.7</b> <b>HRD</b>	Industrial Relations Problems (including industrial action)	4	5	20	<ul style="list-style-type: none"> <li>Adherence to legislative and good practice requirements</li> <li>Positive Union relations and staff communication</li> <li>Effective management development programmes</li> <li>Industrial action continuity planning</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Regular union/management dialogue</li> <li>Regular employee engagement monitoring</li> <li>Open communication with staff</li> <li>Industrial action continuity planning</li> </ul>	VPP&P
<b>3.8</b> <b>A&amp;R</b>	Breach of data security / data protection	5	4	20	<ul style="list-style-type: none"> <li>Effective management of GDPR compliance</li> <li>Mandatory staff CPD and awareness raising on data protection (relative to role)</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Active data protection monitoring and auditing</li> <li>Effective information and data security policies in operation</li> <li>Regular data security monitoring/testing</li> <li>GDPR Action Plan</li> <li>Staff CPD</li> </ul>	VPC&A, HoICT
<b>3.9</b> <b>HRD</b>	Failure to meet Prevent and related obligations	5	3	15	<ul style="list-style-type: none"> <li>Prevent training</li> <li>Staff awareness and contingency planning</li> <li>Engagement/practice sharing with local agencies</li> </ul>	5	1	5	<ul style="list-style-type: none"> <li>Business Continuity Plan including scenario testing</li> <li>Information sharing with local agencies</li> </ul>	VPC&A, VPP&P

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Lead Responsibility
3	People and Performance (cont.)									
3.10 HRD	College arrangements do not minimise risk associated with Modern Slavery	4	3	12	<ul style="list-style-type: none"> <li>Clear and compliant procurement arrangements and procedures</li> <li>Staff identity checking arrangements and use of PVG.</li> </ul>	4	1	4	<ul style="list-style-type: none"> <li>Annual procurement monitoring/reporting</li> <li>Regular employee engagement monitoring</li> <li>Open communication with staff</li> </ul>	VPC&A, VPP&P
3.11 HRD	Difficulties with implementation of structural change leading to: <ul style="list-style-type: none"> <li>Loss of good, flexible and committed staff</li> <li>Loss of critical staff during period of transition</li> <li>ineffective post-restructure arrangements</li> </ul> <b>REMOVE FROM RISK REGISTER</b>	4	3	12	<ul style="list-style-type: none"> <li>Effective planning and scheduling of change</li> <li>Managed transitions/handovers</li> <li>Implementation Plan</li> <li>Contingency Planning</li> <li>On-going focus on core business requirements</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Regular union/management dialogue</li> <li>Monitoring of implementation plans</li> <li>Performance measures/ reporting</li> <li>Open communication with staff</li> </ul>	VPP&P VPC&A

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Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS			TREATMENT	POST MITIGATION EVALUATION					
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility
4	Infrastructure									

4.1 A&R	Disasters – eg Fire, MIS Failure, Failure of Emergency Procedures	5	4	20	<ul style="list-style-type: none"> <li>Sound systems of administration</li> <li>Clear fire and disaster recovery arrangements</li> <li>Staff CPD</li> </ul>	5	1	5	<ul style="list-style-type: none"> <li>Business Continuity Plan including scenario testing</li> </ul>	Prin & VPCS
4.2 F&P	Failure to achieve ambitions of ICT strategy; strategy and development is ineffective	4	3	12	<ul style="list-style-type: none"> <li>Planning, careful phasing of changes to processes and systems</li> <li>Effective management of ICT arrangements</li> <li>Clear investment plan</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Regular review/reporting on milestones, systems effectiveness etc</li> <li>Regular CPD</li> </ul>	VPC&A, HoICT
4.3 A&R	Breach of ICT/Cyber security	4	3	12	<ul style="list-style-type: none"> <li>Effective management of ICT arrangements</li> <li>Active ICT/data security monitoring and cyber security policy</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Staff CPD on cyber security issues</li> <li>Regular security monitoring/testing</li> <li>Cyber resilience plan</li> </ul>	VPC&A, HoICT
4.4 A&R	ICT infrastructure fails to support effective data security / data protection	5	3	15	<ul style="list-style-type: none"> <li>Effective infrastructure and systems design and implementation</li> <li>Effective management of ICT arrangements and GDPR compliance</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Active data protection monitoring and auditing</li> <li>Effective information and data security policies in operation</li> <li>Regular data security monitoring/testing</li> </ul>	VPC&A, HoICT

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# STRATEGIC RISK REGISTER COVID 19 SPECIFIC MITIGATIONS

**2020 - 2021**

As at November 2020

<b>Post Holders</b>	ELT	Executive Leadership Team	Prin	Principal	<b>Score</b>	<b>Impact</b>	<b>Likelihood</b>
	SLT	Senior Leadership Team	DirC&A	Directors of Curriculum & Attainment	1	Routine	Remote
	Board	Board of Management	HoICT	Head of ICT	2	Minor	Unlikely
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Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS				TREATMENT	POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Additional COVID 19 Mitigation Actions	Impact	Likelihood	Score	Additional COVID 19 Monitoring	Lead Responsibility
1	Strategic and Structural									
1.1 LT&Q	Failure of College strategy to meet the needs of the D&A Region and/or national priorities (eg Employability, DYW, attainment, articulation)	4	4	16	<ul style="list-style-type: none"><li>Regular strategic analysis and assessment of need for change</li><li>Strong engagement with government and key partners – influencing national priorities</li><li>Clear prioritisation of activities</li><li>Focus on core business</li></ul>	4	3	12	<ul style="list-style-type: none"><li>Regular monitoring of recruitment, retention, ROA Outcomes and key strategic needs by SLT and reporting to Chairs</li><li>Amendment of strategic direction/ plans</li><li>Rolling curriculum, activity and priority review and implementation of new approaches/services where needed</li><li>Engagement with government and other partners</li></ul>	Prin & Chair
1.4 Board	Difficulties or over commitment arising within large scale/national College led initiatives or projects impact negatively on: <ul style="list-style-type: none"><li>Ability of the College to meet key regional strategies/objectives</li><li>Financial loss or unmanageable financial risk</li><li>Reputational loss</li></ul>	4	3	12	<ul style="list-style-type: none"><li>Clear prioritisation of activities</li><li>Effective project/activity management in place</li><li>Strong engagement with partners/funders</li><li>Clear governance structures</li><li>Project/initiative finances clearly understood and reviewed regularly</li><li>Project cessation, pausing or contingency planning in place</li></ul>	4	2	8	<ul style="list-style-type: none"><li>Regular project updates at Executive/Board level</li><li>Monitoring of project activities, plans and outcomes</li><li>Budget reporting and management</li></ul>	Principal, VPC&A

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility
<b>2</b>	<b>Financial</b>									
<b>2.2</b> <b>F&amp;P</b>	Failure to achieve institutional sustainability	5	4	20	<ul style="list-style-type: none"> <li>Protection of funding through dialogue with government, SFC and other funders</li> <li>Robust and effective budgetary control</li> <li>Where required, swift action to implement savings</li> <li>Increased focus on cash position</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Monthly monitoring of budgets</li> <li>Engagement with government and other partners</li> <li>Detailed monitoring of income optimisation and savings programmes</li> </ul>	VPCS
<b>2.4</b> <b>A&amp;R</b>	Financial Fraud	4	3	12	<ul style="list-style-type: none"> <li>Revised financial controls: segregation of duties and review of transactions.</li> <li>Review of impact of changes in ways of working, authorisation arrangements</li> <li>Whistleblowing arrangements</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Continuous review of financial controls and revised arrangements</li> </ul>	VPCS

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Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Lead Responsibility
<b>3</b>	<b>People and Performance</b>									
<b>3.1</b> <b>LT&amp;Q</b>	Failure to reach aspirational standards in learning, teaching and service delivery	4	3	12	<ul style="list-style-type: none"> <li>Clear input and engagement with revised quality arrangements and priority actions</li> <li>Rigorous CPD arrangements in place to support new ways of working</li> <li>Regular learner feedback and engagement arrangements</li> </ul>	3	3	9	<ul style="list-style-type: none"> <li>Comprehensive monitoring of engagement of learners in learning (where possible)</li> <li>Engagement with revised quality arrangements</li> <li>Outcome monitoring</li> </ul>	VPC&A, VPP&P, DirC&A
<b>3.2</b> <b>LT&amp;Q</b>	Failure to achieve/maintain compliance arrangements, e.g. contracts; awarding bodies; audit.	4	3	12	<ul style="list-style-type: none"> <li>Engagement and communication strategy with compliance bodies</li> <li>Clear input and engagement with revised quality arrangements and priority actions</li> <li>Prioritisation of activities/outcomes</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Effective internal monitoring/review/verification arrangements</li> <li>Engagement with revised quality arrangements and contingency plans</li> <li>Outcome monitoring/recording</li> </ul>	VPP&P, VPC&A

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Lead Responsibility
3	People and Performance (cont.)									
3.4 HR&D	Failure to meet the aspirational standards in respect of the health, safety, wellbeing and development of staff and students	3	4	12	<ul style="list-style-type: none"><li>• Clear and proactive approaches to supporting and promoting health, safety and wellbeing when WFH and/or on-site</li><li>• Project 2020 developments and mitigations</li><li>• Outbreak management plan</li><li>• Enhanced awareness of challenges/support needs</li><li>• Extensive CPD arrangements in place – Home Working Hub</li><li>• Regular staff and learner feedback arrangements</li></ul>	3	3	9	<ul style="list-style-type: none"><li>• Regular employee engagement monitoring</li><li>• Maintaining and reporting on physical distancing measures</li><li>• Open communication with staff</li><li>• Monitoring of formal and informal feedback – student and staff feedback</li><li>• Regular union/management dialogue</li></ul>	VPP&P, VPCS
3.5 Board	Reputational Risk – Loss of reputation with key stakeholders  Risk Reduced	4	3	12	<ul style="list-style-type: none"><li>• Marketing strategy</li><li>• Reputation plan</li><li>• Positive marketing approaches</li><li>• Outbreak management communications plan</li></ul>	4	2	8	<ul style="list-style-type: none"><li>• Positive marketing plan</li><li>• Regular stakeholder engagement</li><li>• Social media engagement and monitoring arrangements</li></ul>	Prin DirC&A

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<b>3</b>	<b>People and Performance (cont.)</b>									
<b>3.7</b> <b>HRD</b>	Industrial Relations Problems (including industrial action)	4	5	20	<ul style="list-style-type: none"> <li>Adherence to legislative and good practice requirements</li> <li>Positive Union relations and staff communication</li> <li>Effective management engagement and support</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Regular union/management dialogue</li> <li>Open communication with staff</li> <li>Effective management engagement and support</li> </ul>	VPP&P
<b>3.8</b> <b>A&amp;R</b>	Breach of data security / data protection	5	4	20	<ul style="list-style-type: none"> <li>Effective management of GDPR compliance</li> <li>Additional awareness raising of WFH risks</li> <li>Mandatory staff CPD and awareness raising on data protection (relative to role)</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Active data protection awareness raising</li> <li>Effective information and data security policies in operation</li> <li>Regular data security monitoring/testing</li> <li>Staff CPD</li> </ul>	VPC&A, HoICT
<b>3.12</b> <b>HRD</b>	Significant or catastrophic Covid 19 outbreak/infection rate impacts on ability to deliver learning, teaching or other core services	4	3	12	<ul style="list-style-type: none"> <li>Clear scenario and contingency planning</li> <li>COVID 19 H&amp;S mitigations in place, monitored and adapted where required</li> <li>All appropriate government guidance followed</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Monitoring of COVID 19 cases and absences</li> <li>Outbreak management arrangements</li> <li>Amendment to support prioritised services</li> </ul>	Prin VPC&A

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	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility
4	Infrastructure									
4.3 A&R	Breach of ICT/Cyber security	4	3	12	<ul style="list-style-type: none"><li>Effective management of ICT arrangements</li><li>Active ICT/data security monitoring and cyber security policy</li><li>Additional awareness raising of WFH risks and COVID related 'scams'</li></ul>	4	2	8	<ul style="list-style-type: none"><li>Staff awareness raising/CPD on cyber security issues</li><li>Regular security monitoring/testing</li><li>Cyber resilience plan</li></ul>	VPC&A, HoICT
4.6 LT&Q	ICT/Cyber failure significantly disrupt learning, teaching or other core services	4	3	12	<ul style="list-style-type: none"><li>'Cloud first' strategy implementation for major services/systems</li><li>Clear and robust management of ICT systems</li></ul>	3	1	3	<ul style="list-style-type: none"><li>Systems monitoring</li><li>On-going cyber resilience and systems development</li></ul>	HoICT

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Audit & Risk Committee  
Annual Report to the Board**

**PAPER D**

# BOARD OF MANAGEMENT



## Audit and Risk Committee Tuesday 8<sup>th</sup> December 2019

### DRAFT Annual Report from the Audit and Risk Committee

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#### *Paper for discussion/agreement*

#### 1. Introduction

The Audit & Risk Committee is required to report annually to the full Board on its activities, and on the reports presented to the Committee by the College's internal and external auditors.

#### 2. Recommendation

Members are asked to discuss and agree the contents of this report for submission to the Board of Management in December 2019.

#### 3. Background

In accordance with the Scottish Government [Audit and Assurance Committee Handbook](#) ("the Handbook") the Audit & Risk Committee is required to provide the Board with a written annual report, timed to support the finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

This report is intended to be presented to the Board by the Chair, on behalf of the Audit & Risk Committee to cover the period of its operations in relation to the financial year 2019/20, including the Audit & Risk Committee meeting held on 22<sup>nd</sup> September 2020.

This is the draft report, which following discussion and agreement on its content by this Audit and Risk Committee will be submitted to the full Board at its meeting of 15<sup>th</sup> December 2020.

#### 4. Overview

- 4.1. The period of this Annual Report includes the consideration of the statutory accounts for 2019/20, together with the associated 2019/20 Annual Audit Report from Audit Scotland, the College's External Auditors for the period.
- 4.2. The Committee continues to have an oversight of the work of the College's Internal Auditors, Henderson Loggie, and considers reports issued by them.
- 4.3. 2019/20 has been a turbulent and unexpected year for the College. At the end of January 2020 the College experienced a significant cyber-attack which paralysed our IT systems and data, followed in March 2020 by the COVID-19 pandemic, which has and continues to affect how the world operates. Both these major events have shaped how the College has operated in 2019/20 as well as how the College has engaged with audit, risk, processes, systems, management, leadership and governance.

- 4.4. The Committee met three times over the period covered by this report. As the emerging impact of COVID-19 was becoming evident the Committee meeting that was due to take place in March 2020 was cancelled.
- 4.5. In addition to the reports provided by the College's Internal and External Auditors the Committee considered the following during the course of the year:
- College's Strategic and COVID-19 Risk Registers and the oversight and review of specific risks by committees
  - Updates on progress towards implementing audit recommendations; including significantly those recommended as a result of an independent Jisc report into the cyber-attack.
  - Procuring the new Internal Audit contract and subsequent reappointment of Henderson Loggie
  - Revisions to Policies;
    - Business Continuity
    - Gifts and Hospitality
    - Fraud, Bribery & Corruption
  - Agreement of the 2020/21 Annual Internal Audit Plan

## 5. Committee Membership

The Audit & Risk Committee Membership in the 2019/20 year was as follows:

George Robertson (Chair); Trisha Pirie (Vice Chair); Margo Williamson; Pamela Milne; Kirsty Keay; Helen Honeyman; Michael F Thomson (Co-Opted August 2018).

College staff members – Jaki Carnegie, Vice Principal Corporate Services, and Steve Taylor, Vice Principal People & Performance/Secretary to the Board were also in regular attendance at meetings.

Representatives from Henderson Loggie (Internal Auditor) and Audit Scotland (External Auditor) regularly attend the Audit & Risk Committee.

## 6. Meetings and Discussions

The Audit & Risk Committee met during the year on the following dates:

- 26<sup>th</sup> November 2019
- 12<sup>th</sup> May 2020
- 22<sup>nd</sup> September 2020

## 7. Internal Audit

The Internal Auditor's 2019/20 Annual Plan was presented and approved at the Audit & Risk Committee meeting in September 2019. The reports considered by the Audit & Risk Committee under this plan include:

Report	Grading <sup>1</sup>	Committee (2020)	Number of Priority Action Grades <sup>2</sup>		
			1	2	3
Staff Recruitment & Retention	Satisfactory	May	-	1	4
IT Network Arrangements / IT	Satisfactory	May	-	-	6

Report	Grading <sup>1</sup>	Committee (2020)	Number of Priority Action Grades <sup>2</sup>		
Strategy					
Payroll & HR	Good	May	-	-	1
Procurement & Creditors / Purchasing	Good	May	-	-	2
Health, Safety & Wellbeing	Good	September	-	-	-
Follow-Up Reviews	N/A	September	-	-	3
Student Activity Data	Audit opinion unqualified	November	-	-	-
Student Support Funds	Audit opinion unqualified	November	-	-	-

<sup>1</sup> Good - System meets control objectives

Satisfactory - System meets control objectives with some weaknesses present

Requires improvement - System has weaknesses that could prevent it achieving control objectives,

Unacceptable - System cannot meet control objectives.

<sup>2</sup> Priority 1 = Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.

Priority 2 = Issue subjecting the College to significant risk and which should be addressed management.

Priority 3 = Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

The Board and Senior Leadership Team are pleased that our Internal auditors were able to accommodate a timely audit of the College's COVID-19 Health, Safety and Wellbeing arrangements in advance of the official start of the new academic year, providing reassurance that the College's arrangements were good.

The College has made some progress in implementing the recommendations followed-up as part of this review with six of the 13 recommendations followed up being classified as 'Fully implemented'. Three recommendations were assessed as 'partially implemented' and these will be subject to formal follow-up as part of the equivalent review in 2020/21.




In the Annual Report for 2019/20 the Internal Auditor concluded that "the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money."

The work of Internal Audit is carried out primarily for the benefit of the Board/Executive of the College and is the single most significant resource used by the committee in discharging its responsibilities to be assured of the overall adequacy and effectiveness of the organisation's governance, risk management and control processes. The relationship between Henderson Loggie and the Committee and College staff continues to be professional, proactive, positive and effective.

The Committee are pleased that all Internal Audits of systems are reported as being satisfactory or good and that there were no Priority 1 issues identified.

The Committee also considers at each meeting a management report on progress made in respect of recommendations made in previous audits. As of September 2020 from the Internal audits undertaken in 2019/20 there were 14 outstanding actions, nine of which were "Complete" by September, one of which is not due for completion yet and are "On Track" and three were in progress and within 3 months of the deadline and one which is "Behind Schedule".

		Number of Actions Outstanding (& Priority Grades)		
Audit Area	Report Grades	1	2	3
Staff Recruitment and Retention	Satisfactory		1	4
HR / Payroll	Good			1
Procurement and Creditors/ Purchasing	Good			2
IT Network Arrangement / IT Strategy	Satisfactory			3
	<b>Total</b>		1	13

	Complete or on target to complete within original deadline
	Behind schedule by < 3 months from original deadline
	Behind schedule by > 3 months, or in danger of not being delivered

Of the 16 outstanding actions, since the last Audit & Risk Committee, good progress has been made:

- 10 are "Complete"
- 1 is "On Track", in line with the deadline
- 3 are "In Progress" by < 3 months from the deadline
- 2 are "Behind Schedule" by > 3 months from the deadline

As well as the work of Henderson Loggie, good progress is being made in relation to responding to the Jisc report of the cyber-attack.

Of the original 12 recommendations since the report in May 2020:

- 8 have been completed
- 1 is paused due to other related work that will enable progress
- an alternative is being progressed to 1 previously advised as being on hold for further consideration
- 1 is on track
- 1 will not be implemented due to other detrimental impacts

The Committee are satisfied with the progress being made on closing out outstanding actions.

The internal audit contract was awarded to Henderson Loggie in 2015, with an initial contract period to 31 July 2018. During 2017/18 the contract was extended for a further 12 months and in March 2019 the Audit & Risk Committee approved a further 12 months extension. The fee for internal audit activities in 2018/19 was £11k.

The Committee were pleased to award the contract for the provision of Internal Audit services for 2020/21 – 2023/24 to Henderson Loggie. The contract allows for two

extensions of one year after the initial three year period, subject to satisfactory performance.

## **8. External Audit of Year End Financial Statements**

The external audit of the Financial Statements to 31 July 2020 was undertaken by Audit Scotland, who were appointed by the Auditor General for a 5-year term from 2016/17 to 2020/21 inclusive.

The fee for the 2019/20 is reported in the Financial Statements to 31 July 2020 as £26k.

The external auditor's Annual Audit Plan was considered by the Committee at its May 2020 meeting and was subsequently published on the Audit Scotland website.

At a joint meeting with the Finance and Property Committee on 8 December 2020, the Audit & Risk Committee received the Annual Accounts for 2019/20, together with the external auditor's Annual Audit Report and the internal auditor's Annual Report to the Board of Management.

The external auditor provided an unqualified report relating to the financial statements and reported that the financial statements of Dundee and Angus College:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2020 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

The Committee reviewed the Annual Audit Report and related work and expressed satisfaction with the assessment provided. In terms of the contribution from the External Auditor, the Committee were pleased with the organisation of the external audit process and the performance and effectiveness of the External Audit team throughout the financial year.

The Committee were delighted to note that all recommendations made in Audit Scotland's Scotland's colleges 2019 report had been actioned.

The Committee were particularly satisfied to note that Audit Scotland reported that the Audit and Risk Committee provide a good level of scrutiny and challenge.

A professional, positive and effective relationship between the external auditor and College staff was reported.

## **9. Discussions Between The Audit & Risk Committee And The External And Internal Auditors**

These discussions confirmed that:

- External and internal auditors have been provided with all necessary help and information.
- College staff and managers are operating effective systems of internal control and maintaining accurate and reliable financial records.
- College managers and staff have responded positively and timeously to implement suggested changes for improvement.

## **10. Risk Management**

A Strategic Risk Register has been compiled and this is passed for discussion to the full Board of Management.

Risks are monitored and reported (including reporting to the Board of Management where necessary) at each meeting of the Audit & Risk Committee. Risks (including both pre- and post-mitigation risk ratings) are amended/added/deleted as appropriate through on-going analysis and approval at each Audit & Risk Committee meeting.

During the latter part of 2018/19 the Board agreed that appropriate risks be allocated to each Committee for their regular review and consideration, with feedback on these discussions and considerations being fed back into the Audit & Risk Committee. This process has worked well over the last year and following a review by the Chair of the Audit & Risk Committee and reported to the September Committee it was agreed to continue this process.

As a response to COVID-19 pandemic a specific risk register was created and is monitored by the various Committees and Board using the same process as for the Strategic Risk Register.

## **11. National Fraud Initiative**

The Committee welcomes the College's involvement in the National Fraud Initiative, which is a data-matching exercise led by Audit Scotland to aid the detection of fraudulent payments.

The next cycle of data-matching commences during 2020/21. The Internal Audit Plan includes a review of the College's progress.

## **12. Opinion**

In accordance with the Audit and Assurance Committee Handbook, this Annual Report should summarise the committee's work for the year past, and present its opinion about:

- the effectiveness of governance, risk management and control;
- the comprehensiveness of assurances in meeting the Board's needs;
- the reliability and integrity of these assurances;
- whether the assurance available is sufficient to support the Board in their decision taking and their obligations;
- the implications of these assurances for the overall management of risk;
- any issues the committee considers pertinent to the Governance Statement and any long term issues the committee thinks the Board should give attention to;

- financial reporting for the year;
- the quality of both Internal and External Audit and their approach to their responsibilities; and
- the committee's view of its own effectiveness, including advice on ways in which it considers it needs to be strengthened or developed.

The Audit & Risk committee considers that it has been successful in progressing the Board's governance and internal control priorities during the period covered by this annual report.

The Committee welcomed the success in finalising the annual accounts and the improvement in the efficiency in completing the external audit process. The Committee recognised the significant efforts of the College's Finance team, led by Brian Ferguson and Rhonda Bissett and the supportive, flexible and pragmatic way that the External Audit team led by Andrew Kerr and Richard Smith managed the audit.

Based on the assessment and reports provided by External and Internal Auditors, the Audit & Risk Committee is satisfied as to the adequacy and soundness of the College's system of internal control and financial management, and the arrangements to deliver value for money from public funds, ensuring economy, efficiency and effectiveness in the use of resources.

The Audit & Risk Committee believes that the governance of the College is compliant with the principles of the:

- [Code of Good Governance for Scotland's Colleges](#), which was revised in September 2016, and
- Scottish Government [Audit and Assurance Committee Handbook](#), which was revised in April 2018, and

that the College has been compliant for the period from 1 August 2018 to 31 July 2019.

### **13. Link to Strategic Risk Register**

The preparation and consideration of this Audit & Risk Committee Annual Report alongside the topics covered within the report, by its very nature, support the mitigation of all the risks included within the Strategic Risk Register.

**Author:** George Robertson, Chair Audit & Risk Committee

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Internal Audit – Student Activity**

**PAPER E**

# Dundee and Angus College

## 2019/20 Student Activity Data

Period covered: 30 November 2020

Final issued: 1 December 2020

Now, for tomorrow

 **mha**  
HENDERSON LOGGIE



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## Management Summary

### Introduction

The Guidance Notes issued by the Scottish Funding Council (SFC) on 16 July 2020, '*2019-20 data return for funding purposes (FES return) and audit guidance for colleges*', requested submission by Dundee and Angus College ('the College') of the FES return for session 2019/20, which includes the Credits data relating to College activity for the academic year 2019/20.

Guidance on completion of the 2019/20 return was issued by the SFC on 3 July 2019.

The Credits Audit Guidance requests that colleges obtain from their auditors their independent opinion on the accuracy of the FES return.

### Scope of Audit

In accordance with the Credits Audit Guidance we reviewed and recorded the systems and procedures used by the College in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance and the key areas of risk identified in Annex D.

### Audit Staffing

An Audit Director with 27 years' experience in the further and higher education sectors had overall responsibility for the planning, control and conduct of the audit and supervised and reviewed work performed by an Auditor with three years' experience in the sector. A Manager with 15 years' experience in the sector was also involved at the planning, review and reporting stage.

The quality of audit work undertaken by the firm is enhanced through continuous review of procedures and the implementation of individual training programmes designed to address the needs of each team member.

The total number of audit days was 9, split 1 day for the Audit Director, 1 day for the Manager and 7 days for the Auditor.

### Audit Findings

The points that we would like to bring to your attention have been grouped together under the following headings to aid your consideration of them:

- Introduction
- Systems and Procedures for Compilation of Returns
- Analytical Review

The action that we consider necessary on each issue is highlighted in the text for clarity and an action plan for implementation of these recommendations can be found in section 2.

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are as follows:

<b>Priority 1</b>	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.
<b>Priority 2</b>	Issue subjecting the College to significant risk and which should be addressed by management.
<b>Priority 3</b>	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

### Conclusion

Our report was submitted to the SFC on 30 November 2020. We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material mis-statement.

A copy of our Audit Certificate is included at Appendix I to this report.

### Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during our audit visit.



## Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.2.2	<b><i>Systems and Procedures for Compilation of Returns</i></b>  <b>Price Groups and Superclass</b>  <b>R1</b> Review course superclass codes to ensure they best describe the academic subject areas.	3	Data Management will continue to monitor on an ongoing basis the Superclass for each course.	Yes	Data Management Team Leader	June 2021
2.3.1 - 2.3.5	<b>Distance / Work-Based Learning</b>  <b>R2</b> The College should ensure that a schedule of milestones agreed at enrolment is maintained for all distance learning programmes. This should include a record of the estimated amount of time that students are expected to take to complete each element of the course, to evidence eligibility of the Credits value claimed.	2	All our remote learning material has now been developed to embed the Insights Functionality with milestones throughout to monitor attainment and progress.  We will work with curriculum teams to record this evidence for any new provision.	Yes	Head of Administrative Operations	June 2021

## 2019/20 Student Activity Data

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.3.7 & Appendix V	<b>R3</b> The College should ensure evidence of progression and participation / engagement is retained to evidence eligibility of the Credits claimed for distance / work-based learning students. Where curriculum staff identify that no evidence is available, or that students are no longer engaging this should be notified to the Student Records team to ensure that the Credits are removed from the Credits claim.	<b>3</b>	<p>All remote programmes now have embedded within the learning material, online milestones and assignments to track and monitor progress and attainment.</p> <p>Data management will work with the appropriate teams throughout the session to remove any student that does not meet this criteria.</p>	Yes	Data Management Team Leader	June 2021

# Main Report

## 1. Introduction

### 1.1 SFC Guidance

1.1.1 The Credits Audit Guidance issued by the Scottish Funding Council (SFC) on 16 July 2020 sets out, at Annex D, the key areas of risk in relation to the preparation of the FES return. These are:

- identification of non-fundable activity, both courses and students;
- classification as higher education or further education;
- classification as full-time or other than full-time;
- identification and counting of infill students;
- allocation of Price Group code;
- capturing of enrolments and identification and recording of student withdrawals;
- allocation of Credit values;
- claims for related study;
- recording of fee waivers;
- recording of progress for students on open / distance learning programmes;
- claims for non-accredited work experience / placement; and
- claims for collaborative provision.

1.1.2 For academic year 2019/20 we established that there had been no significant changes to the systems and procedures used in the compilation of the returns. We then carried out detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily. Detailed analytical review was carried out, including a comparison with last year's data, and obtaining explanations for significant variations by Price Group.

1.1.3 As requested by the Credits Audit Guidance this report indicates: the scope of the audit; the approach taken; an indication of analytical review work performed; the extent of checking undertaken; details of any additional testing carried out as a result of errors found in initial sampling; the external data examined; review of prior year recommendations; and the main findings from our audit work. As requested by the guidance, the report also includes a summary of adjusted and unadjusted errors found during the course of the audit.

### 2. Systems and Procedures for Compilation of Returns

#### 2.1 Introduction

2.1.1 Detailed testing at the year-end Credits audit included two main tests on courses and individual students.

2.1.2 The following tests were carried out for a sample of 15 courses selected from the UNIT-e system:

- a) Ensured that the course met the criteria for fundable activity set out in the Credits guidance;
- b) Where applicable, ensured that the course met the definition of further or higher education set out in the Credits guidance;
- c) Ensured that courses recorded as full-time met the definition for full-time as set out in the Credits guidance;
- d) Checked the student total for a programme against course / class lists or course / class register. Checked calculation of the required date and ensured that students who had withdrawn prior to this date had been excluded from the Credits count; and
- e) Checked allocation of Credits to courses is in accordance with the Credits guidance.

2.1.3 For a total of 90 students selected from the above courses the following tests were carried out, where applicable:

- a) Ensured that the student met the criteria for fundable activity set out in the Credits guidance;
- b) Checked back to signed enrolment forms, or electronic equivalent, for the 2019/20 academic year;
- c) For infill courses, ensured that Credits were allocated according to the modules attended by individual students rather than by the default value for the courses being infilled;
- d) Checked to student attendance records and, for withdrawals (including a further sample of 15 full-time students who withdrew within two weeks after the Credits qualifying date), checked that the withdrawal date noted on the system was the last date of physical attendance;
- e) For students following courses of open / distance and work-based learning vouched to study plan etc. and ensured that required criteria was met; and
- f) For students undertaking work experience ensured that the Credits value had been calculated in line with the Credits guidance.

2.1.4 The following tests were carried out by reviewing records for all College courses:

- a) Confirmed that there were no claims for more than one full-time enrolment per student for 2019/20 and ensured that Credits had not been claimed in respect of courses that were related in respect of subject area, unless progression could be clearly established;
- b) Confirmed that there were no claims for overseas students and students enrolled on full cost recovery commercial courses; and
- c) Confirmed that Credits had not been claimed for distance learning students resident outwith Scotland.

2.1.5 In relation to European Social Funds (ESF), for a sample of 10 students selected from the College's ESF funded programmes testing was carried out on the College's systems for administering the additional funding, in line with conditions of grant. This included:

- a) reviewed the eligibility of students flagged for ESF Credits;
- b) ensured that supporting documentation was held for ESF students, including: a completed participant form; proof of nationality; proof of permanent residence; and appropriate notification issued to the student; and
- c) ensuring that Credits are only claimed for completed modules.

### 2. Systems and Procedures for Compilation of Returns (continued)

#### 2.1 Introduction (continued)

- 2.1.6 We reviewed the systems for recording fee waiver entitlement and carried out an analytical review to ensure the accuracy of the fee waiver element of the FES return. For a random sample of 10 part-time students, we confirmed that College staff had verified the entitlement to benefit.
- 2.1.7 It was confirmed by the Head of Administrative Operations and Data Management Team Leader that there has been no new collaborative activity during 2019/20. Collaboration agreements are in place in relation to programmes delivered in partnership with Dundee City Council and Dundee Repertory Theatre. These agreements have been reviewed by us in previous years and it was confirmed that the programmes meet the requirements for eligibility for funding set out in the Credits guidance. No other collaborative courses were identified during our audit testing.
- 2.1.8 Before signing our audit certificate, we reviewed the final FES online report and the explanations for remaining errors.
- 2.1.9 From our review and testing of the systems and procedures used in the compilation of the returns, we concluded that overall, they were adequate to minimise risk in the areas identified in Annex D of the Credits Audit Guidance and were working satisfactorily as described to us.
- 2.1.10 The remainder of this report discusses issues identified during our review of the 2019/20 student activity data.

#### 2.2 Price Groups and Superclass

- 2.2.1 SFC recognises that some subject areas are more expensive to deliver than others and has worked with the sector to categorise all programmes across five individual price groups, based on the course subject classification (superclass). A mapping from superclass subject areas to price group is provided at Annex A of the Credits Guidance. The mapping is based on the superclass coding for the course which should best describe the academic subject area.
- 2.2.2 We noted two courses in our sample that did not appear to be under the most appropriate superclass code. Infill Art & Design was classed as Personal and Self Development and Community Opportunities classed as Cookery. We found that the College had already identified the classification error for the Art & Design course at the time of audit and the Data Management Team Leader agreed that the courses would be more appropriately classified under Art Studies and Personal and Self Development respectively and these were updated in UNIT-e and the final FES data. Infill Art & Design moved from Price Group 1 to Price Group 2 whilst Community Opportunities moved from Price Group 3 to Price Group 1.

#### **Recommendation**

**R1 Review course superclass codes to ensure they best describe the academic subject areas.**

### 2. Systems and Procedures for Compilation of Returns (continued)

#### 2.3 Distance / Work-Based Learning

- 2.3.1 The Credits guidance states that the number of Credits claimed for distance learning provision should be commensurate with the **college** staff time spent on developing and delivering the course. The Credits audit guidance requires that colleges should have procedures to agree the likely duration of study for open / distance learning programmes. Records of work of such students which record formal progress against a schedule with milestones agreed at enrolment must be maintained.
- 2.3.2 The Credits guidance also notes that in cases where the units delivered do not have a credit value, the fundable credits should be derived on the basis of the planned learning hours divided by 40 (1 Credit = 40 hours of learning). Planned learning hours should represent a realistic and sensible estimation of the number of hours that students will normally be required to undertake in their programme of learning.
- 2.3.3 In 2019/20 the College delivered an Introduction to Microsoft Teams course claiming 0.3 Credits per student for 316 students who completed the course. The course framework provided by the College shows a course start date of 23 March 2020 and end date of 1 May 2020, with the equivalent of 12 planned learning hours. College management advised that the course was delivered by the Learning and Digital Resource Team to support students with remote delivery whilst working from home during the COVID-19 pandemic. Students completed this in the form of webinars, phone calls, online one-to-ones and live chat which was all supported with a RISE online e-development course. There was no record of ongoing participation on the course, which was undertaken in addition to students' full-time programme of study. Representation was received from management that 12 planned learning hours was a realistic estimation of the number of hours that students will normally be required to undertake in their programme of learning. Including other similar courses, 1,162 Credits has been claimed by the College for this type of activity across 45 courses.
- 2.3.4 For a sample of 14 students, we were able to verify online enrolment and that each student had been recorded as having successfully passed in UNIT-e. There was no detailed breakdown of the estimated amount of time students would need to work through each element of the course as the students' activity was scheduled through Microsoft Teams via the College's Learning and Digital Resources team in order to complete the RISE course, however Microsoft Teams only retains scheduling information for up to six months and was no longer available at the time of our audit fieldwork.
- 2.3.5 College management advised that these programmes were introduced at short notice due to the speed and nature of lockdown, with limited knowledge on Microsoft Teams tracking and auditing. The College has since gained a full insight into Microsoft Teams functionality and this will be the default it will use for its remote delivery programmes. Going forward these will all be set up as a channel in Teams and this will allow the College to use the Insight Functionality of the product to monitor progress and engagement and students will have assignment sections embedded so the College can track attainment.

#### Recommendation

**R2 The College should ensure that a schedule of milestones agreed at enrolment is maintained for all distance learning programmes. This should include a record of the estimated amount of time that students are expected to take to complete each element of the course, to evidence eligibility of the Credits value claimed.**

### 2. Systems and Procedures for Compilation of Returns (continued)

#### 2.3 Distance / Work-Based Learning (continued)

- 2.3.6 Although there was obviously some development time spent by the College and a time and resource commitment for delivering the course, this is relatively small in comparison to the Credits claimed based on planned learning hours. Taking a strict interpretation of the wording of the Credits guidance, the Credits claimed for the course did not appear to meet the SFC requirement that the Credits should be commensurate with the **college** staff time spent on developing and delivering the course. We sought clarification from the SFC on this point, although not specifically in relation to this course. The response received indicated that the SFC recognised the current exceptional circumstances giving rise to a higher volume of distance learning activity. The claim was acceptable for 2019/20 although the SFC would be monitoring activity in this area more closely in the years ahead.
- 2.3.7 For one other distance learning programme, HNC Social Services, we identified one student on the course for whom Credits were being claimed but there was no evidence of progression, resulting in a potential overclaim of 6 Credits. For a work-based learning programme in our sample of courses, SVQ Level 3 Social Services (Children and Young People), we identified one student who was only on the course for a short period of time and had withdrawn, and another for whom there was no evidence of progression and where allowance was being made by the College for family issues experienced by the student. This gave rise to a potential overclaim of 12 Credits. No adjustment was made to the final Credits claim by the College. Similar issues were also identified in 2018/19 (see **R2** per Appendix V). We have repeated our previous recommendation from 2018/19 and this will be followed up as part of the 2020/21 Credits audit to confirm that the updated College process is operating effectively.

#### Recommendation

**R3 The College should ensure evidence of progression and participation / engagement is retained to evidence eligibility of the Credits claimed for distance / work-based learning students. Where curriculum staff identify that no evidence is available, or that students are no longer engaging this should be notified to the Student Records team to ensure that the Credits are removed from the Credits claim.**

### 3. Analytical Review

- 3.1 The analytical review by Price Group for the current year, included at Appendix III of this report, showed significant variances in Price Groups 1, 2 and 5. These were discussed with College management. The explanations we received provided us with additional assurance that the Credits claim does not contain material errors:
- Price Group 1: overall decrease of 966 Credits (4.3%). Reduction in Credits due to downturn in applications within Business, Administration, Retail & Tourism sectors. Also changes in curriculum provision resulted in several programmes moving from Children & Young People within Price Group 1 to Health & Social Care within Price Group 2;
  - Price Group 2: overall increase of 796 Credits (1.8%). As noted above several programmes have moved from Children & Young People within Price Group 1 to Health & Social Care within Price Group 2; and
  - Price Group 5: overall decrease of 859 Credits (11.4%). Reduction in Credits due to a number of part-time programmes within this area being cancelled during national lockdown as they could not be offered remotely.

## Appendix I – Copy of Audit Certificate

DUND386/DA/STI

Dundee and Angus College  
Old Glamis Road  
Dundee  
DD3 8LE

30 November 2020

Dear Sirs

### **Auditor's Report to the Members of the Board of Management of Dundee and Angus College**

We have audited the FES return which has been prepared by Dundee and Angus College under the 'Credits' Guidance issued 3 July 2019 and updated guidance relating to 'one plus' activity and which has been confirmed as being free from material misstatement by the College's Principal in his Certificate dated 6 October 2020. We conducted our audit in accordance with guidance contained in the 2019-20 audit guidance for colleges and updated guidance relating to 'one plus' activity. The audit included an examination of the procedures and controls relevant to the collection and recording of student data. We evaluated the adequacy of these controls in ensuring the accuracy of the data. It also included examination, on a test basis, of evidence relevant to the figures recorded in the student data returns. We obtained sufficient evidence to give us reasonable assurance that the returns are free from material misstatement.

In our opinion:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement.

Stuart Inglis  
Director  
For and on behalf of MHA Henderson Loggie  
Chartered Accountants  
Dundee Office  
stuart.inglis@hlca.co.uk

30 November 2020

Date FES returned: 5 October 2020

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

## Appendix II – Summary of Adjusted and Unadjusted Errors

Report Para	Error identified	Adjusted/unadjusted	Approx. Value
2.2.2	Change in Price Group due to the most appropriate superclass code not being used.	Adjusted	-£18,000 approx.
2.3.7	Credits claimed for students who did not show progression on their distance / work-based learning programmes.	Unadjusted	-18 Credits

College Funded Target 2019/20                      108,068 Credits

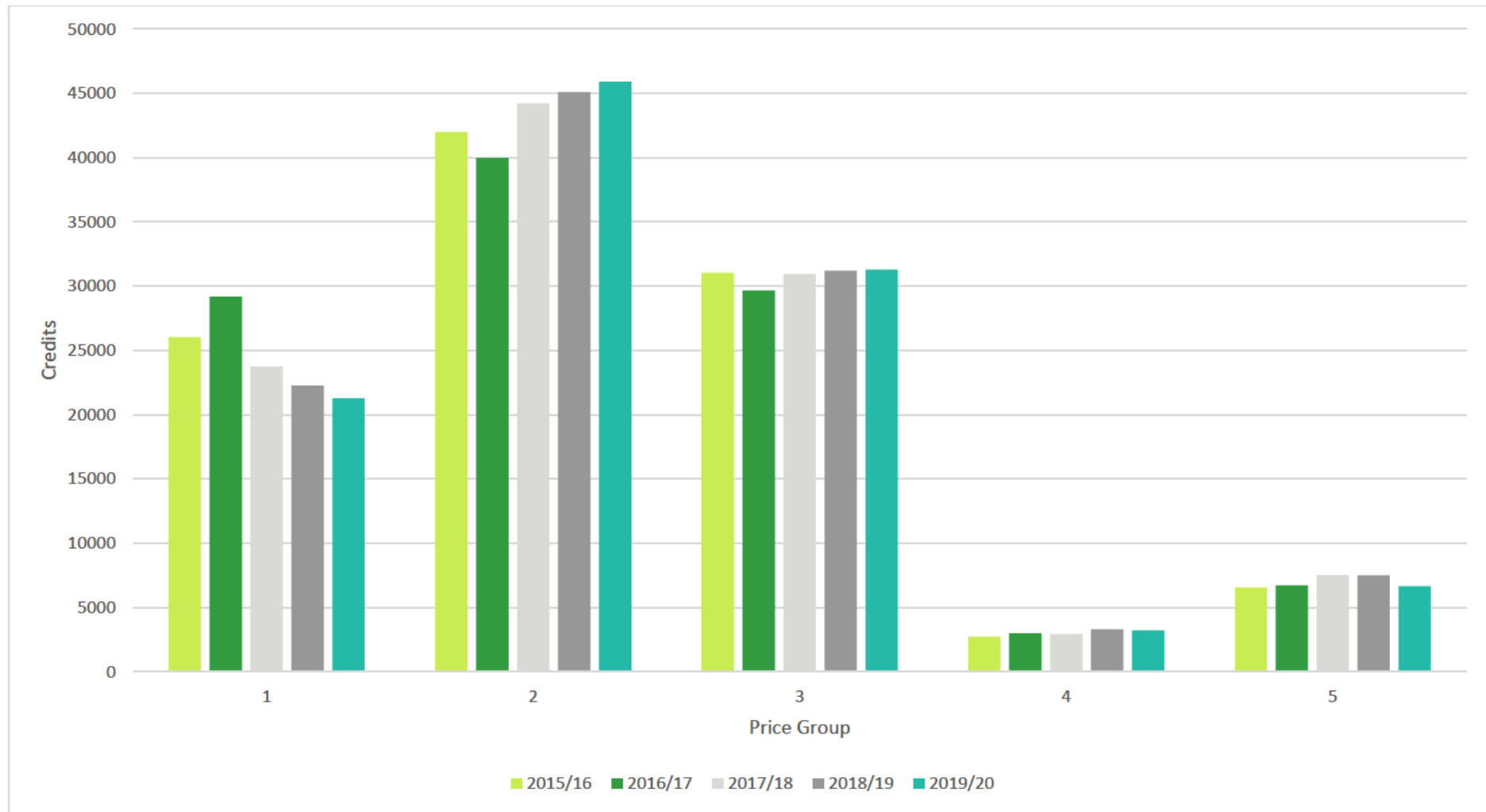
The above target figure includes 103,647 core Credits and 4,421 ESF Credits.

Final claimed 2019/20                                      108,331 Credits (including 5,579 ESF Credits)

## Appendix III – Price Group Analytical Review 2018/19 and 2019/20 – Figures

Price Group	2018/2019		2019/2020		Variance	Variance
	Credits		Credits		Credits	%
1	22,250		21,284		(966)	(4.3)
2	45,101		45,897		796	1.8
3	31,200		31,279		79	0.3
4	3,284		3,220		(64)	(1.9)
5	7,510		6,651		(859)	(11.4)
	<b>109,345</b>		<b>108,331</b>		<b>(1,014)</b>	<b>(0.9)</b>

## Appendix IV – Price Group Analytical Review 2015/16 to 2019/20 – Graph



## Appendix V – Updated Action Plan – Student Activity Data 2018/19

Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at October 2020
<b><i>Systems and Procedures for Compilation of Returns</i></b>  <b>Fundable Students</b>  <b>R1</b> Ensure that Credits are only claimed for non-EEA students that satisfy the criteria for residency exemptions included in the Credits guidance; and ensure that the details of any exemptions that are being applied are captured within enrolment data.	3	Data Management will implement further checks surrounding nationality and country of domicile, liaise with International and Administration Team to ensure student records are updated accordingly.	Y	Fiona Beattie, Data Management Team Leader	June 2020	No similar issues identified during 2019/20 audit testing.  <b><i>Fully Implemented</i></b>
<b>Work-Based Learning</b>  <b>R2</b> The College should ensure evidence of progression and participation / engagement is retained to evidence eligibility of the Credits claimed for work-based learning students. Where curriculum staff identify that no evidence is available, or that students are no longer engaging, this should be notified to the Student Records team to ensure that the Credits are removed from the Credits claim.	3	The Administration team will issue student checklists to relevant curriculum staff each semester in relation to work-based students to ensure all students are still participating / engaged in their studies. Any students identified as no longer engaged will be notified to the Data Management team and records will be updated accordingly.	Y	Chrissie Clinkscale, Curriculum Support Services Team Leader	Dec 2019	Similar issues noted during audit testing in 2019/20. See paragraph 2.3.7 in main report.  <b><i>Partially Implemented</i></b>

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**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Internal Audit – Student Support Funds**

**PAPER F**

# Dundee and Angus College

Student Support Funds 2019/20

November 2020

Now, for tomorrow

 **mha**  
HENDERSON LOGGIE

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<b>Appendices</b>		
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<b>Appendix II</b>	<b>Higher Education Discretionary and Childcare Fund Return and Audit Certificate</b>	
<b>Appendix III</b>	<b>Education Maintenance Allowance Return and Audit Certificate</b>	



## Management Summary

### Introduction

Colleges receive **Discretionary Funds** from the Scottish Funding Council (SFC) and the Student Awards Agency for Scotland (SAAS) to provide financial help for students where access to, or continuance in, further or higher education would otherwise be denied due to financial hardship. The maximum payable from both the Further Education Discretionary Fund and the Higher Education Discretionary Fund is normally £4,000 however this limit was relaxed for 2019/20 to allow additional support to be given to students financially impacted by COVID-19.

**Childcare Funds** sit alongside the Discretionary Funds to provide assistance with the cost of formal childcare expenses. From academic year 2011/12, childcare funds for higher education students formerly allocated to colleges by SAAS, were transferred to the SFC who now allocates childcare funding direct to colleges for all eligible further and higher education students. No limit is placed on the amounts individuals can access and colleges have the flexibility to determine award levels themselves. Priority must however be given to lone parents, part-time students and mature students when allocating funds from the Further Education Childcare Fund.

The Discretionary and Childcare Funds must be administered, and payments made, in accordance with SFC and SAAS guidelines.

**Bursary** funds are given to students at the discretion of a college to help maintain that student in their education beyond their compulsory school leaving date. An award can include allowances that cover a student's maintenance, travel and study costs. Colleges can also use bursary funds for allowances to cover costs incurred by a student due to an additional home, their dependants and / or special education needs.

Colleges must apply the terms of the National Policy for Further Education Bursaries, together with applicable legislation and supplementary letters issued by the SFC, when using the funds allocated to them for bursary purposes. The policy sets out the minimum criteria, maximum rates and minimum contribution scales that a college must apply in allocating bursary funds, however, a college may vary the terms of the policy by imposing additional eligibility criteria or conditions. Figures used within the policy to calculate a student's award may be varied, but only in order to reduce the value of an award, although where a college chooses to supplement bursary funds from its own resources it may use the additional resources as it sees fit.

**Education Maintenance Allowances (EMAs)** provide financial support for 16 to 19 year-olds from low income households who are attending non-advanced full-time education at school, college or are home educated. Eligible students receive £30 per week, which is targeted at young people from the lowest income families.

EMAs must be administered, and payments made, in accordance with SFC and Scottish Government guidelines

### Audit Scope

For the 2019/20 academic year three specific fund statements were required for audit:

- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return;
- Higher Education Discretionary and Childcare Fund; and
- Education Maintenance Allowance Return.

### Audit Objectives

The audit objectives were to ensure that:

- The College complies with the terms, conditions and guidance notes issued by SFC, SAAS and the Scottish Government;
- Payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- The information disclosed in each of the returns for the year ending 31 July 2020, is in agreement with underlying records.

### Audit Approach

The audit approach included:

- Reviewing new guidance from SFC, SAAS and the Scottish Government, including additional guidance issued in response to the COVID-19 pandemic, and identifying internal procedures;
- Agreeing income to letters of award;
- Reconciling expenditure through the financial ledger to returns, investigating reconciling items;
- Reviewing College analysis spreadsheets for large or unusual items, obtaining explanations where necessary; and
- Carrying out detailed audit testing, on a sample basis, on expenditure from the funds.

Audit guidance issued by the SFC was utilised.

### Findings and Conclusions

We were able to certify the FE Discretionary Fund, FE and HE Childcare Fund and Bursary Return and the Higher Education Discretionary and Childcare Fund for the year and submit these to the SFC and SAAS respectively without reservation.

In our covering letter to SAAS enclosing the audited HE Discretionary and Childcare Return we noted that the College does not operate a separate interest bearing bank account for the HE Discretionary Fund and all transactions are through the College's main bank account. The College uses the Government banking service for all of its financial transactions, on instruction from the Scottish Funding Council, and this account does not pay interest.

### Findings and Conclusions (continued)

The following observations were raised in the covering letter which accompanied our Auditors' Report to the SFC on the College's EMA Return:

- We noted that the EMA spot checks carried out during the year by the College did not include a check of application details to supporting documents, a check on income records or confirmation of student attendance. This was as a result of the cyber-attack on the College on 31 January 2020, which impacted on key systems and services. At the time the spot checks were carried out in July 2020 no supporting documents or attendance records were available to the member of staff independent of the student support administration who conducted the checks, although an alternative attendance recording system had been put in place for the Student Funding Team. Notes were included for each student selected for spot checking confirming that they were eligible for EMA based on the level of parental income; and
- We made a further observation in relation to student attendance checking during the period following the cyber-attack. After the cyber-attack the Student Funding Team had to wait on College systems being rebuilt therefore did not have functionality to attendance check students and an Executive decision was made to pay all students as the College did not want any student in financial hardship due to the incident. This was the case for all payment runs through February and March 2020 until systems were back up and running, by which time the national Covid-19 lockdown was in place. The Student Funding Team requested that any students not engaging with their studies were notified to the funding team directly by the Curriculum Leader and payments were held for that period.

Copies of the fund statements and audit certificates are provided at appendices I to III of this report.

### Acknowledgements

We would like to take this opportunity to thank the staff at the College who helped us during our audit visit.



**Appendix I – Further Education Discretionary Fund,  
Further and Higher Education Childcare  
Fund and Bursary Return and Audit  
Certificate**



## **Appendix II – Higher Education Discretionary and Childcare Fund Return and Audit Certificate**



## **Appendix III – Education Maintenance Allowance Return and Audit Certificate**

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**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Internal Audit – Follow Up Summary**

**PAPER G**

# BOARD OF MANAGEMENT

## Audit & Risk Committee

Tuesday 8 December 2020

### Internal Audit Outstanding Actions Follow-up Summary



#### *Paper for information*

#### 1. Introduction

This report provides an update on the Internal Audit actions that are not yet closed off.

These are a combination of actions:

- that are not yet due to be completed or;
- where the originally anticipated deadline has passed or;
- that are partially completed.

#### 2. Recommendations

Members are asked to note the progress highlighted in Appendix 1 and 2.

#### 3. Background

The following provides a summary of the progress of actions since the September 2020 meeting.

		Number of Actions Outstanding (& Priority Grades)		
Audit Area	Report Grades	1	2	3
Student Engagement/Students' Association	Good	-	-	1
HR / Payroll	Good	-	-	1
Procurement and Creditors/ Purchasing	Good	-	-	1
IT Network Arrangement / IT Strategy	Satisfactory	-	-	2 1
Total		-	-	6



Complete or on target to complete within original deadline

Behind schedule by < 3 months from original deadline

Behind schedule by > 3 months, or in danger of not being delivered

Of the 16 outstanding actions, since the last Audit & Risk Committee, good progress has been made:

- 10 are "Complete"
- 1 is "On Track", in line with the deadline
- 3 are "In Progress" by < 3 months from the deadline
- 2 are "Behind Schedule" by > 3 months from the deadline

The outstanding actions with the respective progress updates are detailed in the appendix below.

#### **4. Cyber Incident**


The following provides a summary of the progress on the recommendations from the Cyber Incident that affected the college in January 2020.

Due to the sensitivity of the report the progress will be reported as a separate Appendix.

The report should continue to be treated as sensitive and confidential and not be shared wider.

Of the remaining 3 (of 12) outstanding recommendations since the report in September 2020 excellent progress continues to be made:

- one has been completed
- one is paused and has moved into options appraisal stage
- an alternative is being progressed for one

 Complete or on target to complete within original deadline

#### **5. Catering Business Process Review Update**

At the November 2019 Audit & Risk Committee it was agreed that a regular update on progress of the Catering Business Process Review would be welcomed. A series of workstreams are now in place, however as reported to the May/September meetings there is an ongoing requirement for physical distancing. The catering function reopened on 21<sup>st</sup> September with a very limited service.

#### **6. Fraud Initiative Update**

The revised Fraud, Bribery and Corruption policy has been approved and online workshops will be delivered over the coming year, recognising that the ongoing management of the impact of the pandemic will continue to be a priority. The first workshop has been delivered to the Joint Consultation Forum.

#### **7. Link to Strategic Risk Register**

Consideration of the outstanding actions is intended to provide Members with reassurance that actions for improvement are being progressed and addressed.

Progressing these Internal Audit outstanding actions will support the mitigation of a range of risks identified within the Strategic Risk Register namely;

2.2 – failure to achieve institutional sustainability

2.4 – financial fraud

3.1 – failure to reach aspirational standards in learning, teaching and service delivery

3.2 – failure to achieve/maintain compliance arrangements

3.3 – serious accident, incident or civil/criminal breach, legal action

3.4 – loss of reputation with key stakeholders

- 3.7 – breach of data security/data protection
- 3.8 – failure to meet Prevent and related obligations
- 3.8 – arrangements do not minimise risk associated with Modern Slavery
- 4.4 – failure to support effective data security/data protection

**Author & Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services

## Outstanding Action Update

## Appendix 1

Year	Audit Area Report Title	Priority Action Grade	Report Grade	Action	Responsible Officer	Deadline	Progress (as at November 2020)
2019/07	R1 - Student Engagement / Students' Association	3	Satisfactory	A formal Learner Engagement Strategy should be developed which contains aims and objectives which are clearly linked to the College's Regional Outcome Agreement and to the College's partnership agreement with the Students' Association; identifies and priorities learner engagement activity; and identifies actions which focus specifically on how the Strategy will be implemented in practice.	Learner Engagement Manager	<del>Jun-20</del> <del>Dec-20</del> August 21	<u>Behind Schedule</u> Draft strategy document developed in line with original timescale by LE Manager for final discussion/approval.  This has not been progressed at current time due to Covid-19 adaptations in working arrangements / approaches. It is not felt to be appropriate to finalise this until 'post COVID' learning and study arrangements are clearer.
2020/03	R2 - Network Arrangements / IT Strategy	3	Satisfactory	Develop a programme of information and cyber security training for staff and students to mitigate information security risks, covering: <ul style="list-style-type: none"> <li>the College's Information Security Strategy and associated IT security policies;</li> <li>cyber security risks and strategies for defence,</li> </ul>	Head of ICT	Jan-21	<u>In Progress</u> Rolled out to high risk areas in the first instance incl. Finance, People, Administration

Year	Audit Area Report Title	Priority Action Grade	Report Grade	Action	Responsible Officer	Deadline	Progress (as at November 2020)
				<p>covering internet safety, mobile and home working, phishing, and prevention against malware.</p> <ul style="list-style-type: none"> <li>• an induction process for new staff (and where applicable contractors and third-party users);</li> <li>• regular refresher training on the security risks to the College;</li> <li>• supporting staff in information security roles to enrol on a recognised certification scheme;</li> <li>• monitoring the effectiveness of security training; and</li> <li>• promoting an incident reporting culture.</li> </ul>			
2020/03	R3 - Network Arrangements / IT Strategy	3	Satisfactory	<p>Once training has been delivered (see R2) mechanisms should be developed and implemented to test the effectiveness and value of the security training provided to staff and students. This should be delivered <u>through</u> formal analysis of the section on information security within the Digital Skills</p>	Learning & Digital Resource Manager	Jun-20	<p><u>Potentially Complete</u>- tba</p> <p>An extensive remote and digital learning CPD programme has been implemented during Covid-19 with over 1,500 staff attending sessions.</p> <p>Due to the major change in the way that learning and teaching is now delivered, it</p>

Year	Audit Area Report Title	Priority Action Grade	Report Grade	Action	Responsible Officer	Deadline	Progress (as at November 2020)
				Capability Assessment. Those areas of the College which routinely feature in security reports (or achieve the lowest feedback from information security questionnaires) should be targeted and prioritised for further training.			has been agreed that running the Digital Skills Capability Assessment – with the original questions in the new landscape - would provide no real value.  Instead the Remote Learning Group will continue to monitor the information security skills of staff via a pulse survey, with bespoke training delivered to staff who fall below an agreed standard.
2020/03	R5 – Network Arrangements / IT Strategy	3	Satisfactory	It is recommended that awareness of the risks arising from the use of removable media is re-enforced to staff and students through appropriate training material (see R2). This should then be followed up with the introduction of College wide requirement for all staff and students to use encrypted USBs only, leading to a restriction in the use of USBs enforced by policy (through	Head of ICT	Aug-20	<u>Complete</u> Technical set up complete to enable usb encryption and comms have gone out to staff making them aware of the changes.  2 <sup>nd</sup> stage to be implemented in summer 2021

Year	Audit Area Report Title	Priority Action Grade	Report Grade	Action	Responsible Officer	Deadline	Progress (as at November 2020)
				whitelisting of devices and port restrictions) and to the ultimate full removal of the ability to use such devices.			
2020/04	R1 – Payroll & HR	3	Good	The Payroll Procedural Notes should be updated to provide a comprehensive guide for any member of staff brought in to cover for the Payroll Officer or Payroll Assistant	Head of Finance	Aug-20 Dec-20	<u>Behind Schedule</u> Along with furlough job retention claims, resources have been devoted to supporting HR with the iTrent integration project. Phase 1 is due to complete in January and this will, in part, influence operational procedures and ultimate guidance. Whilst Phase 2 will also impact, our aim is to produce interim guidance during the first quarter of 2021.
2020/05	R1 – Procurement & Creditors / Purchasing	3	Good	The next iteration of the procurement strategy and the procurement policy should make specific reference to the ways in which risks around modern slavery will be dealt with through the procurement arrangements.	Head of Finance / Procurement Manager	Nov-20	<u>Partially complete</u> Procurement Strategy has been updated and Policy will be suitably revised by February.

**SENSITIVE AND CONFIDENTIAL: NOT TO BE SHARED WIDER**

Recommendation	Technical Detail/Progress Update	Deadline	Progress (as at September 2020)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Subsequent to the report to the Board, additional recommendations were made by Jisc which are shown below and which will be progressed and reported upon in the same way.

Recommendation	Technical Detail/Progress Update	Deadline	Progress (as at April 2020)
<div data-bbox="161 226 564 306" data-label="Text"> <p>[REDACTED]</p> </div>	<div data-bbox="667 226 1451 386" data-label="Text"> <p>[REDACTED]</p> </div> <div data-bbox="667 418 1464 577" data-label="Text"> <p>[REDACTED]</p> </div>	<div data-bbox="1509 226 1666 306" data-label="Text"> <p>[REDACTED]</p> </div>	<div data-bbox="1756 226 2092 641" data-label="Text"> <p>[REDACTED]</p> </div>

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Annual Accounts –**

**Internal Audit Annual Report**

**PAPER H**

# Dundee and Angus College

Annual Report to the Board of Management and  
the Principal on the Provision of Education and  
Services for 2019/20

Approved: 30 November 2020

Final issued: 1 December 2020



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# 1. Annual Report and Opinion

## Introduction

- 1.1 We were re-appointed as Internal Auditors of Dundee and Angus College ('the College') for the period from 1 August 2015 to 31 July 2018, which was subsequently extended for a further two one-year periods in line with the terms of the contract. This report summarises the internal audit work performed during 2019/20.
- 1.2 An updated Audit Needs Assessment (ANA), based on the areas of risk that the College is exposed to, was prepared as part of our internal audit programme for 2018/19 (internal audit report 2019/01, prepared in May 2018). The ANA was developed through discussion with the Vice Principal (Corporate Services) and review of previous internal and external audit reports and covered the three-year internal audit cycle from 2018/19 to 2020/21. The ANA was based on the College's own Risk Register and also the risk prompt list for higher education institutions issued as a guide by the Higher Education Funding Council for England (HEFCE). This was supplemented by our own assessment of the risks faced by the College. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle, and this was approved by the Audit and Risk Committee, together with the ANA, at its meeting on 15 May 2018.
- 1.3 The annual operating plan for 2019/20 showed several changes to the allocation set out in the original Strategic Plan:
- The removal of the four-day review on Curriculum from the 2019/20 programme;
  - The addition of a four-day review on Staff Recruitment and Retention to the 2019/20 programme;
  - The deferral of the three-day review of Budgetary Control from 2019/20 into 2020/21;
  - The acceleration of the four-day review of Procurement and Creditors / Purchasing from 2020/21 into the 2019/20 programme;
  - The addition to the 2019/20 plan of a two-day review on the College's arrangements for dealing with the National Fraud Initiative;
  - The deferral of the three-day review of Corporate Planning from 2019/20 into 2020/21;
  - The acceleration of the four-day review of IT Network Arrangements and the one day review of IT Strategy (which will be reported jointly as one report) from 2020/21 into 2019/20; and
  - The deferral of the four-day review of Systems Development / Implementation from 2019/20 into 2020/21.
- 1.4 The reports submitted during 2019/20 are listed in Section 2 of this report and a summary of results and conclusions from each finalised assignment is given at Section 3. These followed the programme set out in the operating plan, with the exception of the proposed review of the College's arrangements for dealing with the National Fraud Initiative, which has been deferred into 2020/21.
- 1.5 An analysis of the time spent against budget is included at Section 4.

### Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.6 The College has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent, risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
- Confirm our independence;
  - Provide information about the year's activity and the work planned for next year in this report; and
  - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.
- 1.7 Self-assessment is undertaken through:
- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
  - Ensuring compliance with best professional practice, in particular the PSIAS;
  - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
  - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
  - Annual completion of a checklist to confirm our PSIAS compliance. This is undertaken annually.
- 1.8 External assessment is built into our firm-wide quality assurance procedures. MHA Henderson Loggie is a member of MHA, a national association of independent accountancy firms. Continued membership of MHA is dependent on maintaining a high level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The independent MHA review conducted in March 2019 included our internal audit service. This was a comprehensive independent review of our internal audit function as required every five years by PSIAS. Overall, the review confirmed that the firm's policies and procedures relating to internal audit were compliant with the PSIAS in all material respects. Our annual self-evaluation exercise, conducted in May 2020, confirmed that the findings of the independent review remain valid.
- 1.9 The results of our self-assessment are that we are able to confirm that our service is independent of the college and complies with the PSIAS.

### Significant Issues

- 1.10 There were no issues identifying major internal control weaknesses noted from the internal audit work carried out during the year. Although the January 2020 cyber-attack on the College resulted in some limitations on scope, within our testing of Procurement and Creditors / Purchasing, we are comfortable that, overall, sufficient evidence was available to provide robust findings on the vast majority of the agreed audit scope. In general, procedures were operating well in the areas selected, but a few areas for further strengthening were identified and action plans have been agreed to address these issues. The agreed actions will be followed-up as part of our planned activity in 2020/21.

### Opinion

- 1.11 In our opinion, the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2019/20 and in previous years since our first appointment in 2013/14.

## 2. Reports Submitted

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2020/01	Annual Plan	N/A	N/A	N/A	N/A	N/A
2020/02	Staff Recruitment and Retention	Satisfactory	5	0	1	4
2020/03	IT Network Arrangements / IT Strategy	Satisfactory	6	0	0	6
2020/04	Payroll and HR	Good	1	0	0	1
2020/05	Procurement and Creditors / Purchasing	Good	1	0	0	1
2020/06	Follow-Up Reviews	N/A	6 out of 13 recommendations considered 'fully implemented' plus 4 'considered but not implemented'	0	0	3
2020/07	Credits Audit	Audit opinion unqualified	3	0	1	2
2020/08	Student Support Funds	FE-unqualified HE-unqualified EMA-observations made	0	0	0	0

## Internal Audit Annual Report 2019/20

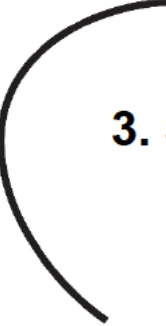
Overall gradings are defined as follows:

<b>Good</b>	System meets control objectives.
<b>Satisfactory</b>	System meets control objectives with some weaknesses present.
<b>Requires improvement</b>	System has weaknesses that could prevent it achieving control objectives.
<b>Unacceptable</b>	System cannot meet control objectives.

## Action Grades

Recommendation grades are defined as follows:

<b>Priority 1</b>	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.
<b>Priority 2</b>	Issue subjecting the College to significant risk and which should be addressed by management.
<b>Priority 3</b>	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.



### 3. Summary of Results and Conclusions

#### 2020/01 – Annual Plan

##### Final Issued – September 2019

The purpose of this document was to present for consideration by management and the Audit & Risk Committee the annual operating plan for the year ended 31 July 2020. The plan was based on the proposed allocation of audit days for 2019/20 set out in the Audit Needs Assessment and Strategic Plan 2018 to 2021 (although refer to paragraph 1.3 above for changes from the initial Strategic Plan assignments).

The outline scope, objectives and audit approach for each audit assignment to be undertaken, arrived at following discussion with the Vice Principal (Corporate Services), were set out in the report.

## Internal Audit Annual Report 2019/20

### 2020/02 – Staff Recruitment and Retention

#### Final Issued – January 2020

The scope of this audit was to consider whether the College is making best use of its staff.

The table opposite notes the objective for this review and records the results.

#### Strengths

- The College had a consistent and robust recruitment process in place which helped identify the best candidates available for each vacancy.
- The College had well established, up to date and adequate policies and procedures in place for Recruitment & Selection and Performance Improvement.
- A Workforce Plan was in place which helped the College ensure it had sufficient staff resources to meet its strategic and operational aims, objectives and targets. This was supported by effective staff and leadership development initiatives.
- The College had recently implemented an academic staff re-structure which resulted in the majority of senior teaching roles being filled by internal candidates.
- The College had a robust process for evaluating, and obtaining feedback on, all training received by employees and took appropriate action in response to this feedback.
- The College had introduced a new Staff Development Review process which provided all members of staff, and their managers, with the opportunity to evaluate their training / development needs and plan how to meet those needs in the future.
- The College regularly asked its staff for feedback to assess their motivation, morale and job satisfaction as well as ensuring their wellbeing.

Objective	Findings				Actions already in progress
		1	2	3	
The specific objectives of this audit were to obtain reasonable assurance that:		No. of Agreed Actions			
1. The recruitment process is efficient and effective and adheres to requirements regarding equality and diversity	Good	0	0	0	
2. The College has a systematic approach for ensuring that its staff resources are aligned to effectively deliver its commitments	Good	0	0	0	
3. There is a systematic approach for translating business objectives into actions / tasks for members of staff	Good	0	0	0	
4. Appropriate succession planning arrangements are in place	Good	0	0	0	
5. The College's approach to training, including induction training, is clearly informed by an assessment of where there are skills / knowledge / performance gaps	Requires Improvement	0	1	3	✓
6. The College has a systematic approach to evaluating its training to ensure that it is achieving the desired impact	Satisfactory	0	0	1	✓

## Internal Audit Annual Report 2019/20

### 2020/02 – Staff Recruitment & Retention (continued)

#### Weaknesses

- New employees did not always complete their mandatory induction training within the required timescales.
- Adequate checks were not performed to ensure all new starts had completed their mandatory induction training before their probationary period was signed-off
- There were inadequate assurances that all new academic staff were completing the new lecturer training packages before they commenced the assessment of students.
- Under the process followed for tracking mandatory refresher training, it was difficult to monitor whether this training was completed by all staff.
- The newly implemented Staff Development Review process had not been formally documented.

Objective	Findings				Actions already in progress
		1	2	3	
The specific objectives of this audit were to obtain reasonable assurance that:		No. of Agreed Actions			
7. A systematic process is used for providing feedback to staff on performance and agreeing action to improve performance where necessary	Good	0	0	0	
8. Senior managers systematically assess the state of morale, satisfaction and motivation of staff. Where problems with morale, satisfaction or motivation are identified, appropriate action is taken	Good	0	0	0	
Overall Level of Assurance	Satisfactory	0	1	4	System meets control objectives with some weaknesses present

## Internal Audit Annual Report 2019/20

### 2020/03 – IT Network Arrangements / IT Strategy

Final Issued – April 2020

#### IT Network Arrangements

This aspect of the audit included a review of the College's current position with regard to Cyber Security in order to advise on areas that should be addressed in line with the latest guidance produced by the National Cyber Security Centre (NCSC), the UK Government's national technical authority for information and cyber security.

#### IT Strategy

This aspect of the audit included a high-level review of the College's IT / Digital Strategy.

The table opposite notes the objective for this review and records the results.

Shortly after our audit visit the College suffered a cyber-attack which caused significant disruption to College operations. At the time of our report a forensic review of the causes of the attack were being conducted by the College in conjunction with the NCSC and Janet. Cyber-attacks are often random, and difficult to predict, and although organisations can implement cyber security controls to mitigate known risks the nature of cyber-attacks are constantly evolving and therefore all risks cannot be completely eliminated.

Throughout our review we observed examples of good practice and we welcomed the willingness of personnel in the ICT Team to assist our review and to improve security within the College. Despite the cyber-attack on 31 January 2020, we concluded that, overall, the College ICT team had a high awareness of the risks of information / cyber security, and that the control environment demonstrated good practice with the expected cyber security controls in place, for an organisation of this size, found to be in place in most areas.

Objective	Findings			
The specific objectives of this audit were to obtain reasonable assurance that:  <i>IT Network Arrangements</i>		1	2	3
		No. of Agreed Actions		
1. Review the security tools in place, how these are currently used, the configuration of key elements of IT infrastructure which protect access to data, plus the policy and procedures giving guidance as to how security should be managed by both the IT department and users.	Satisfactory	0	0	5
<i>IT Strategy</i>				
2. An IT strategy group (or equivalent) has been formed to prepare and maintain the strategy.	Good	0	0	0
3. The IT/Digital Strategy was developed in consultation with users and taking into account the Regional Outcome Agreement and other operational plans.	Good	0	0	0

## Internal Audit Annual Report 2019/20

### 2020/03 – IT Network Arrangements / IT Strategy (continued)

The main area of weakness identified was around User Education and Awareness, where we found that although ICT staff demonstrated a strong awareness of information security risks the College could do more to provide information security training to expand the breadth and depth of knowledge amongst the wider staff and student group at all levels.

#### Strengths

- A risk management regime had been established, which included identifying information / cyber security as key strategic risks, supported by an ICT operational risk register which identified specific risks relating to information / cyber security.
- The College was a member of InfoSec, the Universities and Colleges Shared Services group for information security, which provided the College with access to information security expertise.
- A baseline security build for workstations, servers, firewalls and routers was in place.
- Hardware and software inventories had been created.
- Periodic vulnerability scans were conducted of the internal network and the ICT team constantly monitored the health and activity on the IT network.
- Processes were in place for applying updates and patches to all devices connected to the College network.
- The IT architecture protected the College network through use of firewalls and segregation prevented direct connections to untrusted external services and protected internal IP addresses.
- Management of user accounts was linked to the College's starter, leaver and change of role procedures.

Objective	Findings			
The specific objectives of this audit were to obtain reasonable assurance that:		1	2	3
		No. of Agreed Actions		
<i>IT Strategy (continued)</i>				
4. The IT/Digital Strategy shows: ♦ objectives; ♦ how they will be achieved; ♦ resources required; ♦ clearly defined timescales for achieving specific goals and objectives; and ♦ implications.	Good			
5. Staff are aware of, and have ready access to, the IT/Digital Strategy.	Good	0	0	0
6. Procedures have been established for monitoring implementation of the IT/Digital Strategy and responsibilities formally assigned.	Good	0	0	1
		0	0	6
Overall Level of Assurance	Satisfactory	System meets control objectives with some weaknesses present		

## Internal Audit Annual Report 2019/20

### 2020/03 – IT Network Arrangements / IT Strategy (continued)

#### Strengths (continued)

- Although a formal cyber incident response plan was not available (see weaknesses identified below) the College corporate Business Continuity Plan (BCP) was invoked. In November 2019, a mock test of the BCP was undertaken by College management which contributed to the BCP being implemented efficiently and effectively in response to the cyber-attack in January 2020.
- Network hardware was protected by an antivirus solution, which automatically scanned for malware.
- Removable media was scanned for malware when connected to networked equipment.

#### Weaknesses

- At the time of our review there was an overarching information security policy in place which clearly communicated the College's approach to information risk management. Additionally, an Information Security Strategy, and supporting policies, were being drafted which would thereafter require approval by management and the Board.
- Our review found that although ICT staff demonstrated a strong awareness of information security risks the College was unable to demonstrate that a similar same level of awareness existed amongst the wider staff and student user groups as there was no structured programme of information security training provided to either staff or students. Notably, there was no mandatory training as part of the staff induction process.

## Internal Audit Annual Report 2019/20

### 2020/03 – IT Network Arrangements / IT Strategy (continued)

#### Weaknesses (continued)

- In 2018 the College was required to comply with the applicable elements of the Scottish Government's Public Sector Action Plan (PSAP) for cyber security. An Internal Audit review of the College's compliance with the PSAP in February 2019 found that the College had not formally developed incident response plans for cyber threats. At the time of this audit the College had still to develop response plans, however the Head of ICT was in the process of drafting these and they would form part of the College's wider BCP arrangements.
- The use of removable media, such as USBs, was unrestricted and there was no requirement to ensure that only encrypted USBs were used. Our review noted that the systems and services deployed across the College ICT environment eliminated the need for transferring data from one device / location to another via USBs. In order to reduce the risk of data loss the ICT team had encouraged staff to use applications and services such as Office 365, Microsoft Teams, OneDrive and virtual desktop for remote access, which all had stronger document management controls. However, these alternatives did not reduce the risk of viruses being introduced into the College network via removable media.
- The Digital Strategy Action Plan showed 'date to be achieved' and where the action was complete it was marked as 'achieved'. However, details regarding progress and if the action was still on track to be achieved by the target date were not formally documented.

## Internal Audit Annual Report 2019/20

### 2020/04 – Payroll and HR

#### Final Issued – April 2020

The scope of this audit was to consider the key internal controls in place over the College's spend on staff costs. Our audit covered the current procedures in place within both Finance and the People Team.

The table opposite notes the objectives for this review and records the results.

#### Strengths

- From our sample testing we confirmed that gross pay and deductions had been correctly calculated; and salaries, hourly rates and rates for deductions agreed to the standing data held in iTrent.
- From our sample testing we confirmed that employer national insurance and employer superannuation contributions had been correctly calculated;
- All part-time lecturers, overtime and travel payments tested had been correctly calculated and input into the iTrent system and were appropriately authorised in line with the College's procedures;
- All changes to employee standing data selected for testing had been appropriately made to the iTrent system and were independently checked and verified;
- Our sample of starters and leavers tested had entered and left the iTrent and hydrogen systems at the correct date with all details entered correctly;
- Variations to core pay were appropriately checked, authorised and supported by relevant documentation; and
- There was proper authorisation, processing and recording of payments.

Objective	Findings			
The objectives of this audit were to obtain reasonable assurance that systems are sufficient to ensure:		1	2	3
		No. of Agreed Actions		
1. Correct calculation of gross pay and deductions	Good	0	0	0
2. Correct calculation of employer national insurance and superannuation contributions	Good	0	0	0
3. Part-time lecturers, overtime and travel & subsistence payments are properly authorised	Good	0	0	0
4. Appropriate approval and checking of changes to employee standing data	Good	0	0	1
5. Starters and leavers are properly treated and enter and leave the system at the correct dates	Good	0	0	0
6. There is proper authorisation, processing and recording of payments	Good	0	0	0
Overall Level of Assurance	Good	0	0	1
		System meets control objectives		

## Internal Audit Annual Report 2019/20

### 2020/04 – Payroll and HR (continued)

#### Weaknesses

- We noted that although work to update the detailed procedural notes for Payroll had commenced this work had not been concluded. Given the small number of staff in the payroll team it was important that detailed procedural notes were available to guide any staff brought in to provide cover.

## Internal Audit Annual Report 2019/20

### 2020/05 – Procurement and Creditors / Purchasing

#### Final Issued – May 2020

This audit focussed on the systems of internal control in place for the ordering of goods and services and the payment of invoices. We also considered whether the procurement strategy which is followed and the procedures which are in place support the delivery of best value purchasing across the College in relation to non-pay spend, recognising that procurement legislation in Scotland has been significantly revised in recent years.

The table opposite notes the objectives for this review and records the results.

Due to the cyber-attack perpetrated on the College, which took place during fieldwork we were unable to perform compliance testing to determine whether key controls were working effectively. Unfortunately the historic data from the P2P system was not retrievable after the attack and therefore it was not possible to select a sample of items of expenditure from the financial ledger and test these to ensure compliance with the College's Financial Regulations and Procedures.

#### Strengths

- There was a dedicated Procurement resource within the College, with additional support provided through the APUC regional set up;
- The College's Procurement Strategy, Procurement Policy, Contract Register, guidance and information were available on the intranet and the College website;
- The P2P system provided an automated system for requesting and authorising purchase orders with inbuilt segregation controls;

Objective	Findings				
The specific objectives of this review were to obtain reasonable assurance that:		1	2	3	Actions already in progress
		No. of Agreed Actions			
Procurement					
1. The College’s Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 (‘the Act’) and The Procurement (Scotland) Regulations 2016 (‘the Regulations’)	Satisfactory	0	0	1	✓
2. Procurement procedures ensure that: <ul style="list-style-type: none"><li>• areas of high spend across the College are monitored appropriately;</li><li>• opportunities for pooling of expenditure are identified in order to achieve best value; and</li><li>• collaborative procurements and frameworks available to the College are utilised where appropriate</li></ul>	Good	0	0	0	

## Internal Audit Annual Report 2019/20

### 2020/05 – Purchasing and Procurement (continued)

#### Strengths (continued)

- Invoices required authorising by an appropriate member of staff in line with delegated authorities set by individual departments;
- Checks were undertaken by Finance staff processing items for payment on online banking or through payment transmission software, including ensuring that there was appropriate supporting documentation and agreeing the SUN report to the BACS payment listing; and
- Approvers on P2P, and users on the finance system SUN, online banking and payment transmission software were appropriate.

#### Weaknesses

- The wording of the Procurement Strategy and Procurement Policy did not make reference to modern slavery although a risk on this topic was on the College's Strategic Risk Register; and
- The details of the person spoken to within a supplier, in order to corroborate bank account details, was not currently recorded.

Objective	Findings				
The specific objectives of this review were to obtain reasonable assurance that:		1	2	3	Actions already in progress
		No. of Agreed Actions			
Procurement (continued)					
3. The College’s procurement guidance on quotes and tenders are being complied with	Good	0	0	0	
Purchasing / Creditors					
4. Purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised	Good	0	0	0	
5. All payments are properly authorised, processed and recorded*	Good	0	0	0	
6. Appropriate controls are in place over the amendment of standing supplier data on the finance system	Satisfactory	0	0	1	
Overall Level of Assurance	Good	0	0	2	
		System meets control objectives			

\* Only very limited testing was possible on this objective to the cyber-attack on the College.

## Internal Audit Annual Report 2019/20

### 2020/06 – Follow-Up Reviews

#### Final Issued – September 2020

We carried out a follow-up review of recommendations made in Internal Audit reports issued during 2018/19 and reports from earlier years where previous follow-up identified recommendations outstanding. These were:

2019/05 – Duty of Care;  
2019/06 – Risk Management and Business Continuity Planning;  
2019/07 – Student Engagement / Students' Association; and  
2019/09 – Follow-Up Reviews 2018/19

The objective of each of our follow-up reviews was to assess whether recommendations made in previous reports had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress them.

The College had made some progress in implementing the recommendations followed-up as part of this review with six of the 13 recommendations followed up being classified as 'fully implemented'. Three recommendations were assessed as 'partially implemented' and these will be subject to formal follow-up as part of the equivalent review in 2020/21.

Four recommendations were assessed as 'considered but not implemented'. Three related to report 2019/06 – Risk Management and Business Continuity Planning. For R2 and R3 management had updated the risk owner on the Strategic Risk Register to identify risk owners but had not implemented the recommended linkages to the ROA/Corporate Plan or developed the recommended supporting documentation which aligned responsibility for the mitigating actions and controls for each strategic risk to specific individuals. For R4 we were advised by management that the lack of reference to ISO 22301 had not impacted on the effectiveness of the Business Continuity Plan, so this element of the recommendation was not accepted. The other recommendation considered but not implemented related to report 2017/07 – Business Development (included in previous year's Follow-Up Reviews) where a new CRM system to meet the College's needs had not been identified, and the College will continue to use the current version of Sales Force as a CRM system and review in 12 months' time.

Our findings from each of the follow-up reviews has been summarised below:

## Internal Audit Annual Report 2019/20

### 2020/06 – Follow-Up Reviews (continued)

<i>From Original Reports</i>			<i>From Follow-Up Work Performed</i>			
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Considered But Not Implemented
Duty of Care	1	-	-	-	-	-
	2	1	1	-	-	-
	3	2	1	1	-	-
<b>Total</b>		<b>3</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>-</b>
Risk Management and Business Continuity Planning	1	-	-	-	-	-
	2	-	-	-	-	-
	3	4	1	-	-	3
<b>Total</b>		<b>4</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>3</b>
Student Engagement / Students' Association	1	-	-	-	-	-
	2	-	-	-	-	-
	3	1	1	-	-	-
<b>Total</b>		<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
Follow-Up Reviews	1	-	-	-	-	-
	2	-	-	-	-	-
	3	5	2	2	-	1
<b>Total</b>		<b>5</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>1</b>
<b>Overall Total</b>		<b>13</b>	<b>6</b>	<b>3</b>	<b>-</b>	<b>4</b>

## Internal Audit Annual Report 2019/20

### 2020/07 – Student Activity Data (Credits) 2019/20

#### Final Issued – November 2020

In accordance with the Credits Audit Guidance we reviewed and recorded the systems and procedures used by the College in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance and the key areas of risk identified in Annex D.

Our report was submitted to the SFC on 30 November 2020. We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance;
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material mis-statement.

Three recommendations were made in our report including that the College should ensure that: a schedule of milestones agreed at enrolment is maintained for all distance learning programmes. This should include a record of the estimated amount of time that students are expected to take to complete each element of the course, to evidence eligibility of the Credits value claimed; and evidence of progression and participation / engagement is retained to evidence eligibility of the Credits claimed for distance / work-based learning students. Where curriculum staff identify that no evidence is available, or that students are no longer engaging, this should be notified to the Student Records team to ensure that the Credits are removed from the Credits claim.

## Internal Audit Annual Report 2019/20

### 2020/08 – Student Support Funds 2019/20

#### Final Issued – November 2020

We carried out an audit on the following fund statements for the 2019/20 academic year: Higher Education Discretionary Fund; Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return; and Education Maintenance Allowance (EMA) Return.

The audit objectives were to ensure that:

- the College complies with the terms, conditions and guidance notes issued by SFC, the Student Awards Agency for Scotland and the Scottish Government;
- payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- the information disclosed in each of the returns for the year ending 31 July 2020 is in agreement with underlying records.

We were able to certify the FE Discretionary Fund, FE and HE Childcare Fund and Bursary Return and the Higher Education Discretionary and Childcare Fund for the year and submit these to the SFC and SAAS respectively without reservation.

In our covering letter to SAAS enclosing the audited HE Discretionary and Childcare Return we noted that the College does not operate a separate interest-bearing bank account for the HE Discretionary Fund and all transactions are through the College's main bank account. The College uses the Government banking service for all of its financial transactions, on instruction from the Scottish Funding Council, and this account does not pay interest.

The following observations were raised in the covering letter which accompanied our Auditors' Report to the SFC on the College's EMA Return:

- We noted that the EMA spot checks did not include a check of application details to supporting documents, a check on income records or confirmation of student attendance. This was as a result of the cyber-attack on the College on 31 January 2020, which impacted on key systems and services. At the time the spot checks were carried out in July 2020 no supporting documents or attendance records were available to the member of staff independent of the student support administration who conducted the checks, although an alternative attendance recording system had been put in place for the Student Funding Team. Notes were included for each student selected for spot checking confirming that they were eligible for EMA based on the level of parental income; and
- We made a further observation in relation to student attendance checking during the period following the cyber-attack. After the cyber-attack the Student Funding Team had to wait on College systems being rebuilt therefore did not have functionality to attendance check students and an Executive decision was made to pay all students as the College did not want any student in financial hardship due to the incident. This was the case for all payment runs through February and March 2020 until systems were back up and running, by which time the national Covid-19 lockdown was in place. The Student Funding Team requested that any students not engaging with their studies were notified to the funding team directly by the Curriculum Leader and payments were held for that period.

## 4. Time Spent – Actual v Budget

	Report number	Planned days	Actual days fee'd	Days to fee at Nov 2020	Days to spend / WIP	Variance
<b>Staffing Issues</b>						
Staff Recruitment and Retention	2020/02	4	4	-	-	-
HR / Payroll	2020/04	5	5	-	-	-
<b>Financial Issues</b>						
Procurement and Creditors / Purchasing	2020/05	4	4	-	-	-
National Fraud Initiative	2020/06	2	-	-	-	2
<b>Information and IT</b>						
IT Network Arrangements / IT Strategy	2020/03	5	5	-	-	-
<b>Other Audit Activities</b>						
Credits Audit	2020/07	8	-	8	-	-
Bursary, Childcare and Discretionary Funds Audit	2020/08	6	-	6	-	-
EMA Audit	2020/08	2	-	2	-	-
Management and Planning	2020/01	3	2	1	-	-
Follow-up reviews	2020/06	2	2	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>		41	22	17	-	2
		=====	=====	=====	=====	=====

## 5. Operational Plan for 2020/21

- 5.1 We have been re-appointed as internal auditors to the College for the three-year period from 1 October 2020 to 30 September 2023. The internal audit programme for 2020/21 has been based on the Audit Needs Assessment and Strategic Plan for 2018 to 2021 (internal audit report 2019/01, prepared in May 2018).
- 5.2 The proposed annual operating plan for 2020/21 shows a number of changes to the allocation set out in the original Strategic Plan:
- The inclusion of a three-day review of Budgetary Control deferred from 2019/20 into 2020/21, and which will focus on financial reporting;
  - The inclusion of a four-day review of Systems Development / Implementation deferred from 2019/20 into 2020/21, and which will focus on remote working and progress on the implementation of the recommendations from the cyber-attack;
  - The addition of a two-day review on the College's arrangements for dealing with the National Fraud Initiative, which was originally added into the 2019/20 plan but has subsequently been deferred into 2020/21;
  - The re-focus of five days originally planned in 2020/21 for a review of Building maintenance / Estates strategy / capital projects to a review of Health, Safety and Wellbeing, and which will look at the work that has been undertaken to allow College operations to continue during the COVID-19 pandemic and preparations for the reopening of College campuses once the lockdown is eased; and
  - The removal of a four-day review of Procurement and Creditors / Purchasing, four-day review of IT Network Arrangements and one day review of IT Strategy which were all accelerated and carried out as part of the 2019/20 programme.
- 5.3 An extract from the revised Strategic Plan, in relation to 2020/21, is shown below.

## Internal Audit Annual Report 2019/20

### Proposed Allocation of Audit Days

	Category	Priority	Planned 20/21 Days
<b>Reputation</b>			
<i>Publicity</i>	Gov	M	
<i>Health, Safety and Wellbeing</i>	Gov	H	5
<i>Equality and diversity</i>	Gov	M	
<b>Student Experience</b>			
<i>Curriculum</i>	Perf	M	
<i>Quality</i>	Perf	M	
<i>Student support</i>	Perf	M	
<i>Student recruitment</i>	Fin/Perf	M	
<i>Duty of Care</i>	Gov	M	
<i>Student engagement / Students' Association</i>	Perf/Gov	M	
<b>Staffing Issues</b>			
<i>Staff recruitment and retention</i>	Perf	M	
<i>Staff development</i>	Perf	M	
<i>Workforce planning</i>	Perf	M	
<i>HR/Payroll</i>	Fin	M	
<b>Estates and Facilities</b>			
<i>Building maintenance</i> )	Fin/Perf	M	
<i>Estates strategy / capital projects</i> )	Fin/Perf	H/M	
<i>Space management</i>	Perf	H	
<i>Asset / fleet management</i>	Perf	H	
<i>Catering (Business Process Review)</i>	Fin/Perf	H	
<b>Financial Issues</b>			
<i>Budgetary control</i>	Fin	H	3
<i>Student fees and contracts / registry</i>	Fin	M	
<i>General ledger</i>	Fin	M	
<i>Procurement and creditors / purchasing</i>	Fin	M	
<i>Debtors/ Income</i>	Fin	M	
<i>Cash &amp; Bank</i>	Fin	M	
<i>Treasury management</i>	Fin	H	
<i>National Fraud Initiative (NFI)</i>	Fin	M	2
<b>Commercial Issues</b>			
<i>Economic Recovery</i>	Fin/Perf	H/M	5
<b>Organisational Issues</b>			
<i>Risk Management / Business Continuity</i>			
<i>Corporate Governance</i>			
<i>Corporate Planning</i>			
<i>Partnership Working</i>			
<i>Organisational Development</i>			

## Internal Audit Annual Report 2019/20


### Proposed Allocation of Audit Days (Continued)

	Category	Priority	Planned 20/21 Days
<b>Organisational Issues</b>			
<i>Risk Management / Business Continuity</i>	Perf	H/M	
<i>Corporate Governance</i>	Gov	M	
<i>Corporate Planning</i>	Perf	M	
<i>Partnership Working</i>	Gov/Perf	M	
<i>Organisational Development</i>	Perf	M	
<b>Information and IT</b>			
<i>IT network arrangements</i>	Perf	M	
<i>Data protection / FOI</i>	Gov	H/L	
<i>Systems development / implementation</i>	Perf	M	4
<i>IT strategy</i>	Perf	M	
<i>Cyber Security</i>	Perf	M	
<b>Other Audit Activities</b>			
Credits Audit		Required	8
Bursary, Childcare and Hardship Funds Audit		Required	6
EMA Audit		Required	2
Management and Planning )			3
External audit / SFC )			
Attendance at Audit & Risk Committee )			
Follow-up reviews		Various	2
Audit Needs Assessment			
<b>Total</b>			<u>40</u>
			=====

### Key

**Category:** Gov – Governance; Perf – Performance; Fin – Financial

**Priority:** H – High; M – Medium; L – Low



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**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Annual Accounts –**

**Audit Scotland Covering Letter**

**PAPER I**

Audit and Risk Committee  
Dundee and Angus College  
Kingsway Campus  
Old Glamis Road  
Dundee  
DD3 8LE

8 December 2020

## Dundee and Angus College

### Audit of the 2019/20 Annual Report and Financial Statements

#### Independent auditor's report

1. Our audit work on the 2019/20 annual report and financial statements is now substantially complete. Subject to receipt of a revised set of annual report and financial statements for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 15 December 2020 (the proposed report is attached at [appendix A](#)).

#### Annual audit report

2. We also present for your consideration our proposed Annual Audit Report on the 2019/20 audit. International Standard on Auditing (UK) 260 (Communication with those charged with governance) requires auditors to report specific matters arising from the audit of the annual report and financial statements to those charged with governance in sufficient time to enable appropriate action to be taken where necessary. Within the proposed Annual Audit Report (page 11), exhibit 3 sets out the issues which we consider require to be drawn to your attention.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report is proposed but will be issued in final form after the annual report and financial statements have been certified.

#### Unadjusted misstatements

5. We are required to report to those charged with governance, all unadjusted misstatements, other than those of a trivial nature, and request that they be corrected. There are no unadjusted misstatements to report.

#### Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Audit and Risk Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from management**

7. As part of the completion of our audit we seek written assurances from the Principal on aspects of the financial statements and judgements and estimates made.
8. A template letter of representation under ISA580 is attached at [appendix B](#). This should be reproduced on headed paper, signed and returned by the Principal on behalf of the Board of Management with the signed annual report and financial statements prior to the independent auditor's opinion being certified.

## **Outstanding information**

9. Internal Audit 2019/20 Annual Report (due to be reported to the Audit and Risk Committee on 8 December 2020).

## **Concluding remarks**

10. We would like to express our thanks to the staff of Dundee and Angus College for their courteous assistance during the course of this year's audit under difficult circumstances. This enabled us to bring the audit to completion with minimum delay.

## APPENDIX A: Proposed Independent Auditor's Report

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

#### Report on the audit of the financial statements

##### Opinion on financial statements

I have audited the financial statements in the annual report and financial statements of Dundee and Angus College and its group for the year ended 31 July 2020 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statement of Comprehensive Income, Consolidated and College Statement of Changes in Reserves, Consolidated and College Statement of Financial Position, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2020 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

##### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 17 June 2019. The period of total uninterrupted appointment is two years. I am independent of the college and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Risks of material misstatement**

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

## **Responsibilities of the Board of Management for the financial statements**

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

In preparing the financial statements, the Board of Management is responsible for assessing the ability of the college and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## **Auditor's responsibilities for the audit of the financial statements**

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual report and financial statements**

The Board of Management is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I

have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on regularity of expenditure and income**

### **Responsibilities for regularity**

The Board of Management is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Opinion on regularity**

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

## **Report on other requirements**

### **Opinions on matters prescribed by the Auditor General for Scotland**

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

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

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

### **Matters on which I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

## Use of my report

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

Richard Smith CPFA  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

15 December 2020

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

## APPENDIX B: Template Letter of Representation (ISA 580)

Richard Smith, Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear Richard

### **Dundee and Angus College Annual Report and Financial Statements 2019/20**

1. This representation letter is provided in connection with your audit of the financial statements of Dundee and Angus College and its group for the year ended 31 July 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Dundee and Angus College and its group, as at 31 July 2020 and its total comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Audit and Risk Committee, the following representations given to you in connection with your audit of Dundee and Angus College and its group for the year ended 31 July 2020.

### **General**

3. I acknowledge my responsibility and that of Dundee and Angus College for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Dundee and Angus College and its group have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Report to the financial statements, including the Performance Report, Governance Statement and Remuneration and Staff Report, presents a balanced picture of Dundee and Angus College and its group and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements.

### **Regularity of Financial Transactions**

6. The financial transactions of Dundee and Angus College and its group are in accordance with the relevant legislation and regulations governing its activities, and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Funding Council.

### **Financial Reporting Framework**

7. The financial statements have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council

including all relevant presentation and disclosure requirements, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

8. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Dundee and Angus College and its group for the year ended 31 July 2020.

### **Accounting Policies and Estimates**

9. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter and takes account of the requirements set out in the Statement of Recommended Practice on Accounting for Further and Higher Education.
10. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

### **Going Concern**

11. The Board of Management has assessed the college's ability to carry on as a going concern and concluded that it is appropriate to prepare the financial statements on a going concern basis.

### **Related Party Transactions**

12. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Statement of Recommended Practice on Accounting for Further and Higher Education.

### **Events subsequent to the date of the Consolidated and College statement of financial position**

13. Other than the asset impairment disclosed in Note 20, there have been no material events since 31 July 2020 which necessitate revision of the figures in the financial statements or notes thereto.
14. Since 31 July 2020 no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice other than those already advised.

### **Corporate Governance**

15. I acknowledge as Principal on behalf of the Board of Management my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
16. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. There have been no changes in the corporate governance arrangements or issues identified, since 31 July 2020, which require disclosure.

## **Fraud**

17. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

## **Carrying Value of Assets and Liabilities**

18. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

## **Assets**

19. The assets shown in the statement of financial position at 31 July 2020 were owned by Dundee and Angus College and its group, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.
20. There are no known errors in the valuations of non-current assets in the statement of financial position.

## **Liabilities**

21. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 July 2020.

## **Bank term loan**

22. The disclosure of the College's bank term loan in the statement of financial position within Note 15 is appropriate as I have no reason to believe that the lender will require settlement of the loan.

## **Annual Leave Accrual**

23. The annual leave accrual included in the financial statements excludes any flexi time balance due at the year-end as this is not considered material.

## **Contingent liabilities**

24. There are no significant contingent assets or liabilities, other than those disclosed in note 21 to the financial statements. All known contingent liabilities have been fully and properly disclosed.

## **Group Accounts**

25. The results of Gardyne Theatre Limited have been accurately consolidated within the group financial statements.

## **Other matters**

26. I have reviewed the assumptions made by the actuary in the IAS19 report for Dundee and Angus College and I confirm that they are consistent with management's own view.

27. In my opinion, the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's ISA260 report to those charged with governance.

Yours sincerely

Simon Hewitt  
Principal

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Annual Accounts –**

**Audit Scotland Annual Report**

**PAPER J**

# Dundee and Angus College

## Proposed 2019/20 Annual Audit Report



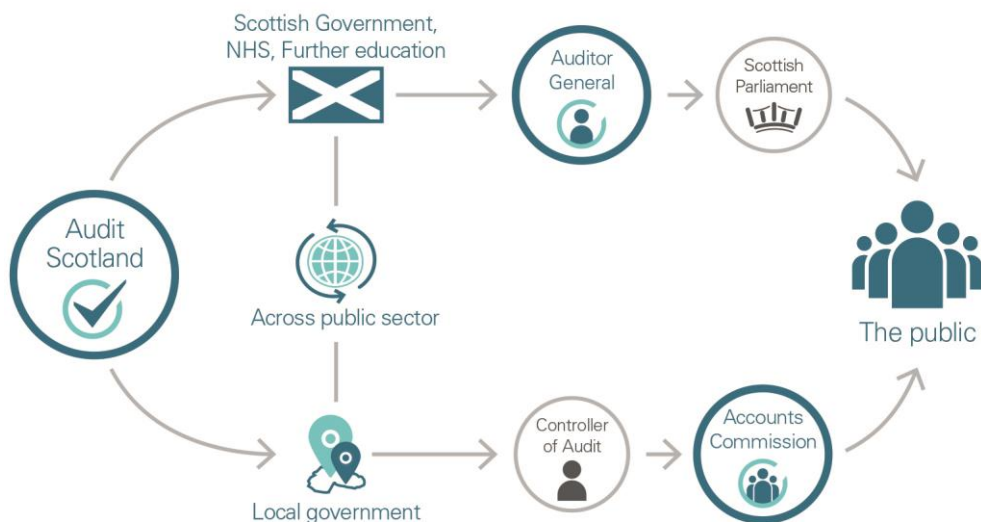
To the Board of Management and the Auditor General for Scotland

15 December 2020

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Key messages

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## 2019/20 annual report and financial statements

- 1 The financial statements of Dundee and Angus College give a true and fair view of the state of affairs of the College and its group as at 31 July 2020 and of the deficit for the year then ended.
- 2 The audited part of the Performance Report, 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.
- 3 Despite the impact of Covid-19, the audited annual report and financial statements were signed off by the 31 December deadline.

## Financial management

- 4 The College has well developed budget monitoring and reporting arrangements. It managed its budget effectively during 2019/20 and adapted well to the difficult circumstances faced during the year. This enabled it to report an underlying operating surplus of £1.014 million for the year to 31 July 2020.
- 5 The College had to implement a number of changes to its systems of internal control during 2019/20 due to the impact of the cyber-attack and Covid-19. However, high level systems of internal control continued to operate effectively during the year.
- 6 The College has adequate arrangements for the prevention and detection of fraud and other regularities. These include arrangements to prevent fraud and corruption related to procurement activity.

## Financial sustainability

- 7 Additional income from the Scottish Funding Council to support economic recovery has enabled the College to budget to achieve a cash-backed surplus of £0.020 million for 2020/21.
- 8 Covid-19 will continue to have a significant impact on the College's financial health going forward. The College should produce a revised five-year financial strategy once there is sufficient certainty around the longer-term financial impact of Covid-19.
- 9 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 world. This should include consideration of the next steps for the Kingsway Tower redevelopment and new build STEM centre.
- 10 The College will play an important role in the delivery of the Tay Cities Region Deal projects by contributing to the objectives of the Skills Investment Plan to boost fair work, inclusive growth and productivity across the region.

## Governance and transparency

- 11** Effective governance and decision-making arrangements were in place during 2019/20 and the College took effective action to adjust its governance arrangements to respond to the challenges presented by Covid-19.
- 12** The College conducts its business in an open and transparent manner.
- 13** The College fell victim to a major cyber-attack in January 2020. Since this incident, good progress has been made in implementing the recommendations of the independent JISC Computer Security Incident Response Team review.
- 14** The external evaluation of the Board of Management undertaken during 2020 confirmed that it is operating effectively and has a robust self-evaluation process in place.

## Value for money

- 15** The College has proper arrangements in place to promote and secure value for money.
- 16** A new five-year strategic plan, 2025 Strategy More Successful Students, was approved by the Board in December 2019. The College also created Project 2020 to support a coordinated and inclusive approach to reopening the College's campuses and returning to face-to-face learning and services in September 2020.
- 17** The College reported on a range of positive outcomes from its Good to Great strategy. It also continues to report strong performance against the National Measurement Framework, including student satisfaction results above the national average. As in prior years, the College exceeded its student activity credits target for 2019/20.

# Introduction

1. This report summarises the findings arising from our 2019/20 audit of Dundee and Angus College (the College).

2. We aim to add value to the College through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports, [Appendix 3](#), and good practice guides, and
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Scope of our audit

3. The scope of our 2019/20 audit was set out in our Annual Audit Plan presented to the 12 May 2020 meeting of the Audit and Risk Committee. This report comprises the findings from:

- the audit of Dundee and Angus College's annual report and financial statements, including the issue of an independent auditor's report setting out our opinions,
- a review of the College's key financial systems, and
- our consideration of the wider audit dimensions of public sector audit, [exhibit 1](#), as set out in the [Code of Audit Practice 2016](#).

## Exhibit 1 Audit dimensions



## Impact of Covid-19

4. The College has had to respond to the disruption caused by Covid-19. This impacted on the final five months of the financial year and will continue to have a significant impact during 2020/21. We reviewed our assessment of audit risks and the planned audit work in October 2020 and concluded that the risks identified and reported in the annual audit plan remained relevant.

## Ethical considerations

5. We can confirm that we comply with the Financial Reporting Council's Ethical Standards. We can also confirm that we have not undertaken any non-audit related services and the 2019/20 audit fee of £24,370, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Responsibilities and reporting

6. Dundee and Angus College is responsible for preparing an 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 them to successfully deliver their objectives.

7. Our responsibilities as independent auditors are outlined in 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.

8. As public sector auditors we give independent opinions on 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, and financial position and arrangements for securing financial sustainability, and best value arrangements.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

10. This report raises matters from the audit of the annual report and financial statements and consideration of the audit dimensions. 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.

11. An agreed action plan is included 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.

12. 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](http://www.audit-scotland.gov.uk)

## Extension of audit appointment

13. Auditors appointed under statute by the Auditor General for Scotland are engaged for a five-year period. The current audit engagement was due to end after the conclusion of the 2020/21 audit. Normally at the end of each five-year period a new auditor is appointed, either Audit Scotland or a private sector accountancy firm.

14. Covid-19 will have audit implications beyond the immediate challenge of this year's final accounts. As some of this year's audits will be reported later than normal, planning for and potentially reporting of, next year's annual audit work will

also be affected. As such, the Auditor General for Scotland approved the extension of current audit appointments for a year to include the 2021/22 audit year. This decision reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary procurement exercise during the pandemic.

## **Acknowledgement**

**15.** We would like to thank all management and staff for their cooperation and assistance during the audit.

# Part 1

## Audit of 2019/20 annual report and financial statements



### Main judgements

**The financial statements of Dundee and Angus College give a true and fair view of the state of affairs of the College and its group as at 31 July 2020 and of the deficit for the year then ended.**

**The audited part of the Performance Report, 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 impact of Covid-19, the audited annual report and financial statements were signed off by the 31 December deadline.**

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

**16.** The annual report and accounts for the year ended 31 July 2020 were approved by the Board of Management on 15 December 2020. We reported, within 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 applies in accordance with applicable enactments and guidance issued by Scottish Ministers, and
- the audited part of the Performance Report, 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.

The College's annual report and financial statements are the principal means by which it accounts for the stewardship of resources and its performance in the use of those resources.

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

**17.** The proposed schedule for completing the audit of the College's annual report and financial statements was adversely affected by the impact of Covid-19. We received the unaudited financial statements on 1 October. The Performance Report and Governance Statement were subsequently presented for audit on 20 October. This was later than the planned date per the original audit timetable, 28 September. The physical limitations on access to records and systems meant that our staff had to conduct the audit remotely and College finance staff also faced similar constraints.

**18.** The unaudited annual report and financial statements and the working papers provided for audit were of a reasonable standard and finance staff provided good support to the audit team which helped ensure the final accounts process ran

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

## Our audit testing reflected the calculated materiality levels

**19.** Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the 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). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

**20.** Our initial assessment of materiality for the financial statements is undertaken during the planning phase of the audit and was based on the gross expenditure reported in the 2018/19 audited annual report and financial statements. These levels were reported in our Annual Audit Plan presented to the Audit and Risk Committee on 12 May 2020.

**21.** On receipt of the unaudited annual report and financial statements we recalculated our materiality levels based on the actual gross expenditure for the year ended 31 July 2020. Our final materiality levels are summarised at [exhibit 2](#).

## Exhibit 2 Materiality levels

Materiality level	Amount
<b>Overall materiality</b> – This is the calculated figure used in assessing the potential effect of errors in the financial statements. It was set at 1.5% of gross expenditure for the year ended 31 July 2020.	£0.730 million
<b>Performance materiality</b> – 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 have calculated performance materiality at 65% of overall materiality	£0.475 million
<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality.	£0.035 million

Source: Audit Scotland

## Our audit identified and addressed the risks of material misstatement

**22.** The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified some key audit risks which involved the highest level of judgement and potential impact on the financial statements. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and indicated how the efforts of the audit team would be directed. We set out in our annual audit plan the audit work we proposed to undertake to secure appropriate levels of assurance.

**23.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan. [Appendix 2](#) explains how we addressed the key audit risks identified at the planning stage, in arriving at our opinion on the annual report and financial statements.


## We have reported the significant findings from the audit to those charged with governance

**24.** International Standard on Auditing (ISA) 260 requires us to communicate significant findings from the audit to “those charged with governance”, including our view about the qualitative aspects of the body’s accounting practices including accounting policies, accounting estimates and financial statements disclosures.

**25.** The significant findings are summarised at [exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the action plan at [appendix 1](#) has been included.

**26.** Our audit also identified some presentational and disclosure issues which were discussed with management. These were all adjusted and reflected in the audited annual report and financial statements and none were significant enough to require to be separately reported under ISA 260.

### Exhibit 3 Significant findings from the audit of annual report and financial statements

Issue	Resolution
<p><b>1. Post balance sheet event</b></p> <p>In September 2020 an issue was identified as part of the Kingsway campus re-development works. Further details of this can be found in paragraphs <a href="#">109-116</a>.</p> <p>As a result of these issues the Digital and Learner Resources (Library) annex requires demolition along with the Lecture Theatre roof.</p> <p>The College’s professional valuer, Graham and Sibbald, has confirmed that the total value of the impairment is £0.815 million.</p>	<p>Management has adjusted for this in the audited financial statements. This resulted in the College’s Property, Plant and Equipment balance at 31 July 2020 decreasing by £0.815 million.</p> <p>The College has made appropriate disclosure of the issue in the annual report and financial statements.</p>
<p><b>2. Approval and evidencing of exit package</b></p> <p>We identified that one exit package had a payback period exceeding 1 year. Per the College’s guidance, in these circumstances additional approval from the Scottish Funding Council (SFC) is required. At the time of our audit, this had not been requested by the College.</p> <p>In addition to this, the SFC guidance also states that all severance decisions should be fully documented and a clear audit trail supporting these decisions retained. For example, a business case that includes justification and details of the full expected costs.</p> <p>As a result of the cyber-attack, documented evidence in respect of decision making on this package was not available for review by audit.</p>	<p>The College has received retrospective approval from the SFC for this exit package.</p> <p> <a href="#">Recommendation 1 (Appendix 1 - Action Plan)</a></p>
<p><b>3. Valuation of Fairlie House</b></p> <p>During the year the College identified that it had ownership of an unoccupied outreach facility in Kirriemuir, Fairlie House.</p> <p>This was subject to a separate revaluation on a market value basis as at 31 July 2020.</p>	<p>The audited financial statements include the valuation of Fairlie House. This resulted in the College’s Property, Plant and Equipment balance at 31 July 2020 increasing by £0.060 million.</p> <p>The valuation is not material to the financial statements. As such, we do not consider that the “<i>material valuation uncertainty</i>” requires disclosure</p>

Management advised that this revaluation would not complete in time to be included in the unaudited financial statements.

The property was valued at £0.060 million by J&E Shepherd.

In the valuation of Fairlie House, the valuer has declared a “*material valuation uncertainty*”. This is due to market uncertainties caused by Covid-19. Royal Institute of Chartered Surveyors (RICS) guidance is clear that an inclusion of a material valuation uncertainty means that less certainty can be attached to a valuation than would normally be the case. However, this does not mean that the valuation cannot be relied upon or that there is a misstatement.

The valuation completed by Graham & Sibbald for all of the College’s other land and buildings did not include a material valuation uncertainty.

in the College’s audited annual report and financial statements.

#### 4. Grant income

In accordance with the accrual model permitted under the Financial Reporting Standard (FRS) 102, the College recognises government grants as income in the same period as the related costs for which the grant is expected to compensate.

In the unaudited financial statements, the College erroneously recognised £0.040 million of grant income when the related costs had not been incurred by the year-end.

As a consequence, income was overstated by £0.040 million.

Management has adjusted for this in the audited financial statements. This resulted in the College’s grant income for the year ended 31 July 2020 reducing by £0.040 million.

#### 5. Annual leave accrual

The accrual was calculated correctly. However, an error in processing this figure resulted in the unaudited financial statements being understated by £0.100 million.

Management has adjusted for this in the audited financial statements. This resulted in the College’s net current liabilities at 31 July 2020 increasing by £0.100 million.

#### 6. 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.

Assets no longer in use should be removed from the asset register to ensure that the cost and accumulated depreciation balances for Property, Plant and Equipment in the financial statements 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 in use.



[Recommendation 2 \(Appendix 1 - Action Plan\)](#)

## Identified adjustments of £1.015 million were made to the financial statements, these were above our performance materiality and as such we revised our audit approach

**27.** It is our responsibility to request that all misstatements above our reporting threshold (£0.035 million) are corrected. The final decision on this lies with those charged with governance considering advice from management and materiality.

**28.** We identified two misstatements in the unaudited financial statements (items 4 and 5 in [exhibit 3](#)) with a gross value of £0.140 million. In addition to this, there was a post balance sheet adjustment required for the asset impairment of £0.815 million (item 1 in [exhibit 3](#)) and a late property valuation amounting to £0.060 million (item 3 in [exhibit 3](#)). Management has processed adjustments in the audited report and financial statements in respect of all these issues.

**29.** These adjustments resulted in the deficit for the year ended 31 July 2020 in the statement of comprehensive income increasing by £0.895 million, with a corresponding decrease in the total reserves held by the College at 31 July 2020.

## The College's application of the going concern basis of accounting remains appropriate

**30.** ISA 700 requires auditors to report in accordance with ISA 570 in respect of going concern. ISA 570 requires auditors to conclude:

- on the appropriateness of the body's use of the going concern basis of accounting, and
- whether a material uncertainty exists about the body's ability to continue to adopt the going concern basis of accounting.

**31.** The Financial Reporting Council's [\*Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom\*](#) indicates that a going concern basis of accounting is appropriate in a public sector organisation unless there is a known intention to abolish, transfer or privatise activities. Even then, if the transfer of operations is within the public sector, a going concern basis of accounting may still be appropriate. The Financial Reporting Manual (FReM) also interprets going concern for the public sector context in a similar way.

**32.** Dundee and Angus College prepared its 2019/20 financial statements on the going concern basis but due to the major impact of the Covid-19 pandemic on the operation of the College, we sought assurances from management of the arrangements in place to ensure that the organisation could continue to operate as a going concern. In evaluating management's assessment of the College's ability to continue as a going concern we have taken into consideration the following:

- As at 31 July 2020 the College's Statement of Financial Position discloses £3.712 million held as cash and cash equivalents,
- As part of its sector funding announcement, the SFC has allocated the College funding for 2020/21,
- The College has set a balanced budget for 2020/21, with a cash-backed surplus of £0.020 million projected together with a forecast year-end cash position of circa £3 million, and
- There has been no communication from the SFC that the College's functions could be ceased or be privatised.

**33.** We recognise that the College, like many public sector bodies, is facing financial sustainability issues, described further in [Part 3](#) of this report. However, based on the arrangements in place and the assurances provided we do not

consider there to be a material uncertainty regarding the ability of Dundee and Angus College to continue to operate for the next 12 months. We therefore believe that the use of the going concern basis of accounting remains appropriate.

### **The College's five-yearly valuation was completed during 2019/20 and resulted in a revaluation gain of £3.638 million**

**34.** Non-current assets are those assets which are used over a number of years for the delivery of services. The recognition and measurement of non-current assets in the college's Statement of Financial Position provides stakeholders with a valuation of the assets held by the college. Making depreciation charges to the Statement of Comprehensive Income reflects a charge to services for the benefits derived from using those assets during the year.

**35.** Accounting for non-current assets is governed by Financial Reporting Standard (FRS) 102, with specific requirements set out in the *Statement of Recommended Practice: Accounting for Further and Higher Education (SORP)*.

**36.** The fair value of non-current assets, specifically land and buildings, is usually determined from market-based evidence by appraisal undertaken by a professionally qualified valuer. The SORP requires such revaluations to be sufficiently regular so that the carrying value of an asset at 31 July each year is not materially different from its fair value.

**37.** The College operates a quinquennial valuation programme with a full valuation conducted every five years, and an interim valuation conducted in the third year following the full valuation. As the last full valuation was conducted in 2014/15, with an interim valuation in 2017/18, the College required to have a full valuation completed during 2019/20.

**38.** The 2019/20 valuation was completed by Graham and Sibbald, a Royal Institute of Chartered Surveyor (RICS) qualified valuer. As part of our financial statements audit we reviewed the work of the Valuer, in accordance with the requirements of ISA 620 – Using the Work of An Expert, to confirm that they had appropriate qualifications, knowledge and experience to conduct such a valuation programme and were free to complete their work without undue influence from the audited body. Our review did not identify any issues that would impact upon the reliability of the information provided by the Valuer.

**39.** The valuation programme completed by Graham and Sibbald during the year is reflected in the 2019/20 audited annual report and financial statements. This resulted in the fair value of the assets at 31 July 2020 increasing by £3.638 million from the interim valuation in 2017/18.

**40.** We have concluded that the College's land and buildings were valued on an appropriate basis using information provided by professional valuers.

### **Market instability towards the end of the financial year resulted in the College's funded pension liability increasing to £22.5 million at 31 July 2020**

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

**42.** 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 provided the disclosures for these schemes in accordance with applicable guidance.

43. As required by Financial Reporting Standard 102 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.

44. 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.

45. 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.

46. 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.

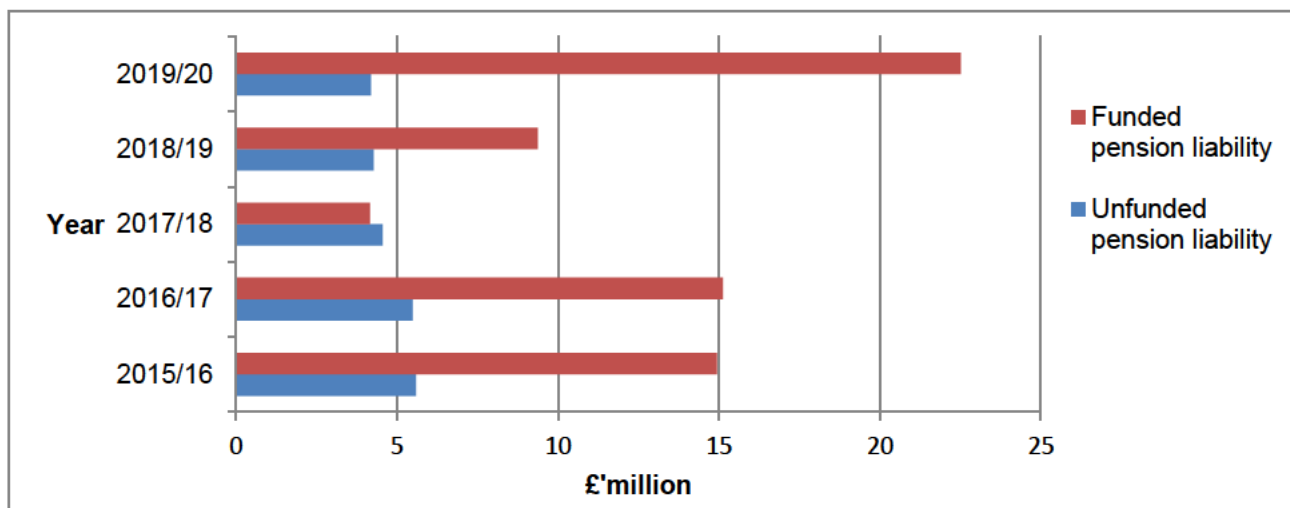
47. As at 31 July 2020, the college's funded pension liability stood at £22.509 million and the unfunded liability stood at £4.195 million. These balances compare to a funded pension liability of £9.370 million and an unfunded pension liability of £4.271 million at 31 July 2019. This is also reflected in the Consolidated Statement of Financial Position.

48. 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 the College's financial year due to fears over the second wave of Covid-19 infections and the political uncertainty caused by the upcoming elections in the United States. The increase in the funded pension liability is mainly attributable to the increase in scheme obligations, primarily arising from the decrease in this discount rate.

49. [Exhibit 4](#) 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. Small 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 4

### Movement in funded and unfunded pension liability 2015/16-2019/20



Source: Dundee and Angus College Annual Report and Financial Statements 2015/16 to 2019/20

## **The College's 2019/20 Performance Report provides a good picture of its performance and operational activity for the year although there is still scope for further improvement**

**50.** The Government Financial Reporting Manual (FReM) requires colleges to include a performance report in their annual report and financial statements. In addition to the opinion covered in paragraph [16](#) of this report, we also consider the qualitative aspects of the performance report. 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. It is required to provide a fair, balanced and reasonable analysis of a body's performance and is essential in helping stakeholders understand the financial statements.

**51.** We concluded that the College's 2019/20 Performance Report is consistent with our knowledge of the organisation and provides a good picture of its performance and operational activity for the year. However, as reported in prior years, we feel further improvements could still be made to include details of actual performance levels against targets, including trend analysis over time, and to make greater use of infographics.

## **The annual governance statement includes appropriate disclosure of the cyber-attack, and the impact of Covid-19 on governance arrangements since March 2020**

**52.** As detailed at paragraphs [137-143](#), the College was the victim of a major cyber-attack at the start of 2020. In its annual governance statement, the College has made appropriate disclosure of the control weaknesses that enabled it to fall victim to such an attack, and the actions taken to address these and reduce the risk of a similar incident occurring in the future.

**53.** Public bodies have had to quickly change how they deliver services in response to Covid-19 outbreak and the related restrictions introduced. The widespread use of virtual working and the rapid introduction of new programmes and services to support businesses and individuals, create a range of potential financial risks and challenges to internal controls. In its annual governance statement, the College has made appropriate disclosure of the impact that Covid-19 has had on its governance arrangements in 2019/20 and the continued risk this represents to it for 2020/21.

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

**54.** The College is required 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, including time spent on trade union activity.

**55.** Other than point 2 raised in [exhibit 3](#), we have no issues to report in relation to the information included within the remuneration and staff report in the College's 2019/20 annual report and financial statements.

## **Our prior year recommendations have been addressed**

**56.** As noted in [appendix 1](#) the College implemented both of our prior year audit recommendations during 2019/20.

# Part 2

## Financial management



### Main judgements

The College has well developed budget monitoring and reporting arrangements. It managed its budget effectively during 2019/20 and adapted well to the difficult circumstances faced during the year. This enabled it to report an underlying operating surplus of £1.014 million for the year to 31 July 2020.

The College had to implement a number of changes to its systems of internal control during 2019/20 due to the impact of the cyber-attack and Covid-19. However, high level systems of internal control continued to operate effectively during the year.

The College has adequate arrangements for the prevention and detection of fraud and other regularities. These include arrangements to prevent fraud and corruption related to procurement activity.

### The College has well developed budget monitoring and reporting arrangements

**57.** The tight cash balances held, and projected to be held, by the College means there is a greater need to ensure budgets are effectively managed and monitored.

**58.** Control over income and expenditure is closely monitored by the Senior Leadership Team. Some of the control measures include:

- The production of monthly management accounts that compare actual to budgeted income and expenditure for the period to date and an updated year end forecast.
- Expenditure controls to ensure non-pay spend is only incurred where there is budget cover.

**59.** 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.

**60.** 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.

### The College managed its budget effectively during 2019/20 and adapted well to the difficult circumstances faced during the year

**61.** The College Board of Management approved its 2019/20 budget in June 2019. This projected a cash-backed surplus for the year of £0.637 million. The budget

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

was prepared within the context that some key elements were uncertain, due to issues such as the ongoing national pay bargaining negotiations and the College's academic restructure being in progress at the time. Once there was more certainty around these elements the College's Finance and Property Committee approved a revised budget in November 2019. This projected a cash-backed surplus for the year of £0.604 million

**62.** The Covid-19 pandemic had a significant impact on the College's financial management arrangements in 2019/20. Following the closure of the College to all staff on 21 March 2020, the College took urgent steps to mitigate the immediate financial risks. This included the use of the Coronavirus Job Retention Scheme (CJRS) with a claim of £0.702 million made to HMRC in 2019/20 in respect of around 280 employees furloughed between March and July 2020.

**63.** The College's income streams have been adversely affected by the impact of the pandemic. Catering income and income from commercial and leisure activities, such as the Gardyne Gym and Swim, was significantly lower than initially budgeted for the final months of the financial year. However, the use of the CJRS and reduction of costs associated with these activities helped mitigate the impact of this loss of income on the College's overall financial performance.

**64.** At the Finance and Property Committee in September 2020, members received a report entitled "*2019/20 draft outturn*". This indicated a likely cash-backed surplus for the year of £1.265 million. This was in line with the projected budget outturn reported to the committee during the course of 2019/20, and the final underlying operating position of £1.014 million reported in the annual report and financial statements.

**65.** The achievement of the above budget cash-backed surplus during the year was attributable to a range of factors with the most significant being the provision of an additional £0.747 million of funding from the SFC to fund the increase in employer contributions to the Scottish Teachers' Superannuation Scheme.

**66.** We are satisfied the College managed its budget effectively during 2019/20 and adapted well to the difficult circumstances faced during the year.

### **The College reported an operating deficit of £3.776 million and an underlying operating surplus of £1.014 million for the year to 31 July 2020**

**67.** The College reported an operating deficit for the year to 31 July 2020 of £3.776 million (£2.344 million in 2018/19) in the Statement of Comprehensive Income (SOCl).

**68.** 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.

**69.** The underlying operating position of the College reported within the Performance Report shows an underlying operating surplus of £1.014 million for the year to 31 July 2020 (£2.249 million in 2018/19).

## **The College had to implement a number of changes to its systems of internal control during 2019/20 due to the impact of the cyber-attack and Covid-19**

**70.** As part of our interim audit work, we reviewed the high-level controls in the systems fundamental to the preparation of the financial statements. Our objective was to obtain assurance over these controls to support our opinion on the College's financial statements.

**71.** During the course of 2019/20, the College had to implement a number of changes to its systems of internal control due to the impact of the cyber-attack, paragraphs [137-143](#), and Covid-19.

**72.** A number of changes to internal controls were implemented in the wake of the cyber-attack in January 2020 due to core ICT systems being unavailable. The most significant of these changes was the adoption of a temporary manual ordering and approval system to ensure delegated authority limits were maintained while the College's P2P ordering system was rebuilt.

**73.** On 21 March 2020 College staff moved to home working in response to the Covid-19 pandemic. This required some changes to the internal controls set out in the College's financial procedures. For example, the approval process for reconciliations and journals required approval by signature but alternative controls such as email approvals have been put in place, and guidance on the new arrangements has been provided to all staff. The College should keep this under review to ensure internal financial controls remain appropriate and effective going forward.

## **High level systems of internal control operated effectively during 2019/20**

**74.** Taking account of the revised control arrangements introduced in response to the cyber-attack and Covid-19, we carried out some additional testing to gain the assurance we required for the audit of the College's 2019/20 accounts. Our testing identified control weaknesses in relation to the approval of debt write-offs and completion of leavers forms during the year. However, we did not identify any significant control weaknesses that could impact to the extent that they would result in a material misstatement in the financial statements.

## **Internal audit reported that the College had adequate risk management, control and governance arrangements in place during 2019/20**

**75.** The College's internal audit function has been carried out by Henderson Loggie since 2013/14 and during 2019/20 they were re-appointed as the College's internal auditors for 2020/21 to 2022/23. 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.

**76.** 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 2019/20 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).

**77.** During 2019/20 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 procurement practices (paragraph [84](#)), health, safety and wellbeing arrangements

in relation to Covid-19 (paragraph [133](#)), and the IT network arrangements and IT strategy in the wake of the cyber-attack (paragraph [142](#)).

**78.** We also considered internal audit's Annual Report as part of our review of the Governance Statement included within the Accountability Report in the 2019/20 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 2019/20.

**The College has adequate arrangements for the prevention and detection of fraud and other regularities. These include arrangements to prevent fraud and corruption related to procurement activity.**

**79.** Our consideration of financial management includes evaluating the arrangements in place for preventing and detecting fraud, error and corruption. 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.

**80.** We have reviewed the arrangements in place to maintain standards of conduct including the College's code of conduct for members of the Board of Management, public interest disclosure policy (this includes details of the College's whistleblowing arrangements), and the recently revised gift and hospitality policy (May 2020) and fraud, bribery and corruption policy (September 2020).

**81.** The College also participates in the National Fraud Initiative, 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.

**82.** Instances of fraud and corruption can be particularly prevalent in procurement functions with illicit rebates, kickbacks and false invoicing potential risks across the public sector.

**83.** The Board has a range of activities in place designed to prevent and detect fraud and corruption in its procurement function. These include:

- Financial regulations with delegated budget authority thresholds which apply to all non-pay expenditure.
- A procurement policy updated annually focussing on the sustained integrity of the procurement process
- Participation in the Scottish Government's procurement and commercial improvement programme (PCIP). The latest biennial PCIP assessment was undertaken in November 2019 with the College achieving a score that placed it in the silver band (61-75 per cent). This is an improvement on the January 2018 assessment which placed the College in the bronze band (51-60 per cent).

**84.** In 2019/20 internal audit undertook a review of the College's procurement arrangements focussing on the system of internal controls in place for the ordering of goods and services and the procedures in place to support the delivery of best value purchasing. This review provided a good level of assurance concluding that the College's procurement policy, strategy and procedures are in line with the Procurement Reform (Scotland) Act 2014 and the Procurement (Scotland) Regulations 2016.

**85.** We have concluded that adequate arrangements are in place for the prevention and detection of fraud and other irregularities. These include arrangements to prevent fraud and corruption related to procurement activity. We are not aware of any specific issues that we need to bring to your attention.

# Part 3

## Financial sustainability



### Main judgement(s)

**Additional income from the Scottish Funding Council to support economic recovery has enabled the College to budget to achieve a cash-backed surplus of £0.020 million for 2020/21.**

**Covid-19 will continue to have a significant impact on the College's financial health going forward. The College should produce a revised five-year financial strategy once there is sufficient certainty around the longer-term financial impact of Covid-19.**

**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 world. This should include consideration of the next steps for the Kingsway Tower redevelopment and new build STEM centre.**

**The College will play an important role in the delivery of the Tay Cities Region Deal projects by contributing to the objectives of the Skills Investment Plan to boost fair work, inclusive growth and productivity across the region.**

### Covid-19 will continue to have a significant impact on the College's financial health going forward

**86.** The Covid-19 pandemic is placing additional pressure on a college sector that already faced significant financial pressures and uncertainties. The external auditors of the Scottish Funding Council (SFC) highlighted in their 2019/20 Annual Audit Report that the SFC estimated, in April 2020, that due to the impact of Covid-19 the 2019/20 adjusted operating positions for colleges would move from a near break-even position to a deficit of £25 million for the year ended 31 July 2020.

**87.** Covid-19 will have an even greater impact on the College's financial performance during 2020/21. There remains a great deal of uncertainty what level of additional financial support will be available going forward but the whole college sector is likely to be operating within significant financial constraints for the foreseeable future.

### Additional income from the SFC to support economic recovery has enabled the College to budget to achieve a cash-backed surplus of £0.020 million for 2020/21

**88.** The College did not approve a budget in June 2020 as it was not possible at that point to present a balanced budget to the Board due to the uncertainty caused by Covid-19. Instead, the Finance and Property Committee agreed that the June meeting of the Board would be presented with an update on the potential financial impact of Covid-19 with a view to the budget being presented when there was sufficient clarity to reliably project income and expenditure for 2020/21.

Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

**89.** The paper presented to the June board meeting included pre and post pandemic budget figures for 2020/21 to highlight the potential impact that Covid-19 could have on the financial position of the College. The post Covid-19 budget showed a projected 2020/21 cash deficit for the year of £1.56 million, compared to the pre Covid-19 break-even projection. It also highlighted that a deficit of this size would fully exhaust the College's cash reserves by the end of the financial year.

**90.** The draft 2020/21 budget was presented to the Finance and Property Committee meeting 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). This represented a significantly improved position from the financial projections reported to the Board in June.

**91.** The improved budget projections were mainly attributable to additional income from the SFC to support economic recovery, and other sources of income including amounts to be reclaimed through the Coronavirus Job Retention Scheme (CJRS) from July and the related Job Retention Bonus payments (i.e. the College will be entitled to a payment of £1,000 per employee for each member of staff who has been furloughed and is still employed at 31 January 2021). The budget also reflected the additional costs and income associated with the Kingsway Tower development which is being partly funded by the Dundee and Angus Foundation.

**92.** While the College were able to set a balanced budget for 2020/21, it should be noted that the projected cash-backed surplus of £0.020 million for the year is a significant reduction on the underlying operating surpluses achieved in prior years of £2.249 million for 2018/19, and £1.014 million for 2019/20. This reflects the additional costs to the College related to the Covid-19 pandemic and the continuing impact on income streams, for example the College is projecting that catering and other income will be £1.173 million during 2020/21 compared to £2.108 million in 2019/20.

**93.** The budget paper was 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 should maintain its strong budgetary review processes, paragraphs [57-60](#), to ensure it can respond effectively to the challenging forecasting demands that will continue during 2020/21.

### **The College has secured a repayment holiday for the Gardyne Campus long-term loan for 2020/21 but this debt will still require to be repaid in full by June 2027**

**94.** The College makes annual payments in August each year towards the repayment of the Gardyne Campus long-term loan. For 2020/21, the College has secured a loan repayment holiday at no additional cost with no loan repayment made in August 2020. This has helped the College set a balanced budget for 2020/21, paragraphs [88-93](#). However, the terms of the current loan agreement will require the College to make an additional payment in 2026/27 to ensure the full debt is repaid by 30 June 2027. The College should ensure that future financial plans reflect this obligation.

### **The College should produce a revised five-year financial strategy once there is sufficient certainty around the longer-term financial impact of Covid-19**

**95.** Dundee and Angus College's five-year financial strategy covering 2019/20-2023/24 was approved by the Board in March 2019. This included income and expenditure projections for the next five years based on anticipated increases in income and the delivery of planned non-pay savings.

**96.** As discussed above, the College faces a loss of income from sources including tuition fees, catering and other commercial activities, as well as additional costs to

support the move to online teaching and learning, due to Covid-19. A number of the assumptions that underpinned the five-year financial strategy will therefore be challenging to deliver in the current economic climate. These include the anticipated 2 per cent increase in the volume of commercial income and an increase of 1.5 per cent in the price levels for all non-core income.

**97.** It is recommended that the College produce a revised five-year financial strategy once there is sufficient certainty around the longer-term financial impact of Covid-19.



#### [Recommendation 3 \(Appendix 1 - Action Plan\)](#)

### **The College's three-year Financial Forecast Return shows the cash position being maintained at around £1 million over the three years to 31 July 2023, but this is predicated upon the delivery of savings from staff reductions over the same period**

**98.** In previous years, the SFC has required colleges to annually submit five-year financial forecast returns (FFRs). The returns require standard information for all colleges and contribute to the SFC financial health monitoring framework. The 2019/20 FFR followed a similar format to prior years with a range of common planning assumptions to be used, however the SFC reduced the forecast period from five to three years. Reducing the forecast period to 2022/23 aligned the college and university reporting timescales.

**99.** At the start of June 2020, the College were advised of the format and the assumptions to be used for the 2019/20 FFR and the deadline for submission to the SFC of the 30 June 2020. Colleges are required to present a balanced budget for 2020/21 and / or a deliverable plan to reach a balanced budget over the forecast period. The College prepared its three-year financial forecasts through to 2023 and submitted these to the SFC by the June deadline as required.

**100.** The FFR submitted by the College to the SFC in June showed underlying operating deficits for future years that would result in a negative cash position by 31 July 2022. Following this submission, the SFC asked the College to resubmit its FFR showing a balanced position by 2022/23. To achieve this the College adjusted the FFR to reflect the potential costs and savings of a targeted reduction in staffing, in the region of 30 full-time equivalent staff, over the next three years. The revised FFR was submitted to the SFC on 16 July 2020.

**101.** The revised FFR shows a projected underlying deficit for 2020/21 with underlying surpluses for both 2021/22 and 2022/23. The underlying operating and closing cash positions for 2020/21-2022/23 are shown in [Exhibit 5](#).

## **Exhibit 5**

### **Projected underlying operating and closing cash balance positions**

Description	2020/21 £' million	2021/22 £' million	2022/23 £' million
Underlying operating surplus / (deficit)	(0.807)	0.718	0.381
Closing cash position	1.006	1.120	1.097

Source: Dundee and Angus College 2019/20 Financial Forecast Return

**102.** The FFR was presented to the September meeting of the Board. 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 serious 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.

### **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 world**

**103.** In June 2019, Audit Scotland published the [Scotland's colleges 2019](#) report. This report provided an overview of the college sector, and amongst other things, gave an update on the financial health of colleges. The report highlighted that colleges are working in an increasingly tight financial environment with Scottish Government capital funding falling short of what is needed to meet the estimated costs of maintaining the college estate.

**104.** The Gardiner & Theobald (GT) [College Estate Condition Survey](#), issued in December 2017, estimated that the total value of Dundee and Angus College's backlog maintenance was £19.718 million. In 2019/20, the College received total capital funding of £1.646 million (including £1.109 million for high priority backlog maintenance) to address these needs.

**105.** For 2020/21 the College's capital funding has increased to a total of £3.142 million. This includes additional grants awarded by the SFC in response to the impact of Covid-19 with the College awarded £0.514 million to support economic recovery and £0.152 million ringfenced to provide learners with equipment in support of remote learning.

**106.** 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. The funding to deliver the strategy is estimated in the region of £90-£100 million. The College's progress with the delivery of these projects is discussed in more detail at paragraphs [109-120](#).

**107.** Despite the increase in capital funding, the Scottish Government's current levels of capital funding remains insufficient to fully meet the College's estate ambitions. There is a risk that this lack of funding may impact upon the College's ability to address the condition of its estate. However, the College has engaged proactively with the SFC to discuss alternative funding options and, despite significant challenges, clear progress has been made during the year in the delivery of the estate strategy.

**108.** 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 in this context to ensure that the existing plans represent the best approach to supporting an excellent, future-focussed curriculum, in a post-Covid world. This should include consideration of the next steps for the Kingsway Tower redevelopment, paragraphs [109-117](#), and new build STEM centre, paragraphs [118-120](#).



#### **[Recommendation 4 \(Appendix 1 - Action Plan\)](#)**

### **Phase 1 of the Kingsway Tower redevelopment commenced in June 2020 but issues have been encountered that could affect the delivery and costs of the overall project**

**109.** The College's estate strategy notes that the Kingsway campus is no longer a fit for purpose learning environment establishing that the learning spaces require significant redevelopment and investment in order to meet the needs of the curriculum. Redevelopment of the Kingsway Tower is the first of the major works planned for the campus. Following approval by the Finance and Property Committee, the redevelopment plans were approved by the Board in May 2020.

**110.** This development is being progressed over two phases – phase 1 in 2020 and phase 2 in 2021. The total cost of the project is projected to be £4.500 million and is being funded through both the SFC capital backlog maintenance grant and a funding bid approved by the Dundee and Angus Foundation, [Exhibit 6](#).

## Exhibit 6

### Funding for Kingsway Tower redevelopment

Source of funding	Phase 1 projects £' million	Phase 2 projects £' million	Total £' million
SFC capital backlog maintenance grant	1.203	0.548	1.751
Dundee and Angus Foundation	2.175	0.574	2.749
<b>Total</b>	<b>3.378</b>	<b>1.122</b>	<b>4.500</b>

Source: Dundee and Angus College 2019/20 annual report and financial statements

**111.** 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.

**112.** The creation of a Hair, Beauty and Complimentary Therapies facility in the vacated Digital and Learner Resources (Library) annex is also due to be completed as part of phase 1. However, an issue has arisen that has impacted on this work and could affect the delivery and costs of the overall project.

**113.** The issues identified was the discovery that the existing concrete slab roof was showing signs of deflection which was outwith acceptable tolerance levels. Subsequent extensive investigation identified that the construction of the existing concrete slab did not comply with the code of practice required at the time of the original build, back in the 1960s. As there are no suitable, and cost effective, options to make the building structurally safe, the existing annex will require to be demolished.

**114.** Following the identification of the defects in the Digital and Learner Resources (Library) annex, similar issues were also identified with the roof of the Lecture Theatre. As a result, this building will also now require to be demolished.

**115.** 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 will still require to be funded as part of the overall project.

**116.** The College is currently exploring the consequences of these issues for the overall project with support from the SFC and Dundee and Angus Foundation. We will continue to monitor and report on the progress with the Kingsway Tower redevelopment as part of our 2020/21 audit.

### The College should ensure that its capital budget from 2020/21 will be sufficient to cover the additional annual costs associated with the capital works at the Kingsway Campus

**117.** 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. Given the extent of the capital works planned for the Kingsway Campus during 2020/21, the College should discuss with the SFC its plans to finance future depreciation costs. This may include the availability of additional

capital budget in future years, or the option to vire funds from the College's annual revenue budget to its capital budget, to cover these costs.

#### Recommendation 5 (Appendix 1 - Action Plan)

### **There is a risk that the College's plans for a new build STEM centre on the Kingsway Campus, funded through a Mutual Investment Model, are impacted by the current pressure on public finances**

**118.** As part of the overall Estates Strategy for the Kingsway Campus the SFC funded 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).

**119.** Work on these proposals initially progressed well during the early part of 2019/20 but was impacted by the cyber-attack and Covid-19, both of which required senior staff to reprioritise their workload.

**120.** The original estimated timeframe for the development of the MIM project could have seen construction start at the College as soon as 2022. However, there is a risk these plans are impacted by the current pressure on public finances. We will continue to monitor and report on progress with the STEM centre project as part of our 2020/21 audit.

### **Dundee and Angus College has been asked to be the lead partner in the Skills Academy at the Michelin Scotland Innovation Parc. This will provide additional opportunities for the College to deliver teaching and training for local businesses.**

**121.** In November 2018 Michelin announced its intention to close its plant at Baldovie in Dundee, with the loss of all 845 jobs. At that point Michelin had no plans for further activity at the site beyond that date.

**122.** Since the original announcement Dundee City Council and Scottish Enterprise have worked closely with Michelin to create an ambitious joint venture called the Michelin Scotland Innovation Parc. This will be based on the same site and aims to create a world class innovation centre in Dundee to drive growth and diversity in the Scottish economy while addressing the global climate emergency.

**123.** Covering a 32-hectare site in Dundee it is intended to drive global research while influencing and supporting breakthroughs in sustainable mobility and low carbon energy. It will provide industrial spaces and facilities to a wide variety of organisations, research institutions and industry leaders and attempt to address the global challenges facing the community, country and planet.

**124.** The Parc should 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. Dundee and Angus 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.

### **The College will play an important role in the delivery of the Tay Cities Region Deal projects by contributing to the objectives of the Skills Investment Plan to boost fair work, inclusive growth and productivity across the region**

**125.** In January 2020 the Auditor General for Scotland and Accounts Commission published a joint report titled [\*Scotland's City Region and Growth Deals\*](#). This looked at the eight Scottish City Region deals, both those signed and proposed, including

the Tay Cities Deal which includes projects across the Dundee City, Angus, Perth and Kinross, and Fife council areas.

**126.** 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.

**127.** 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.

**128.** The Skills Investment Plan focuses on ensuring more people have the skills to access high-quality jobs in the key and growth sectors that drive the region's economy and features a broad range of measures including:

- enhancing the of careers information, advice and guidance available to young people and the existing workforce to promote careers in key sectors across the region,
- mounting an effective regional effort around Foundation Apprenticeships to ensure year-on-year growth across each part of the region, with opportunities in all schools and with employers involved at every stage,
- creating an integrated regional approach to reducing gender inequality in specific occupations, targeting young people and people at all stages of their working lives,
- creating a regional workforce development fund, open to employers in the key and growth sectors, and
- enhancing mentoring and e-learning support for owner-managers in micro-businesses and third sector organisations, focusing on key and growth sectors and their supply chains.

**129.** Dundee and Angus 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.

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### **Good Practice – The College is offering 340 Foundation Apprenticeship opportunities for the 2020/21 academic year**

The College leads on the development of the school / college curriculum and infrastructure to deliver on the Developing the Young Workforce strategy for the region and has continued to grow the senior phase and Foundation Apprenticeship activity with local schools. Foundation Apprenticeship opportunities offered by the College have increased year-on-year from 40 in 2018/19, to 260 in 2019/20, and 340 for the 2020/21 academic year. This growth reflects the close and productive collaboration between the College and Dundee City and Angus councils. It also demonstrates the College's ability to deliver increased opportunities and outcomes for young people in the region.

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# Part 4

## Governance and transparency



### Main judgements

**Effective governance and decision-making arrangements were in place during 2019/20 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.**

**The College fell victim to a major cyber-attack in January 2020. Since this incident, good progress has been made in implementing the recommendations of the independent JISC Computer Security Incident Response Team review.**

**The external evaluation of the Board of Management undertaken during 2020 confirmed that it is operating effectively and has a robust self-evaluation process in place.**

### Effective governance and decision-making arrangements were in place during 2019/20

**130.** 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.

**131.** We have concluded that our previous year's conclusion is still relevant, i.e. that "the College has effective governance and decision-making arrangements", as there has been no significant change to these arrangements during 2019/20, except for the specific comments below on the response to the Covid-19 outbreak since March 2020.

### The College took effective action to adjust its governance arrangements to respond to the challenges presented by Covid-19

**132.** The impact of Covid-19 since March 2020 has been set out in the Governance Statement in the College's annual report and accounts. We note the following adjustments were made to the College's governance arrangements in response to the challenges faced due to Covid-19:

- All recent board and committee meetings have been conducted virtually through Microsoft Teams. There has been a re-focus of work priorities on

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

business continuity and finances with three additional meetings of the Chairs Committee (comprising the Chair and Vice-Chair of the Board and Chairs of the other four committees) taking place

- An additional temporary Covid-19 Strategic Risk Register has been developed to record the additional risks, and the mitigating actions and monitoring activity associated with the impact of the pandemic on the College's operations. This was approved at the May 2020 Audit and Risk Committee and has been included within the risk reporting arrangements of each individual board committee.

**133.** We have concluded that the College took effective action to adjust its governance arrangements to respond to the challenges associated with Covid-19.

### **The College conducts its business in an open and transparent manner**

**134.** 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.

**135.** As reported in 2018/19, 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.

**136.** We remain of the view that the College conducts its business in an open and transparent manner.

### **The College fell victim to a major cyber-attack in January 2020. Since this incident, good progress has been made in implementing the recommendations of the independent JISC Computer Security Incident Response Team review.**

**137.** As part of our work in 2018/19, we reported that the College was making good progress in implementing the key actions set out in the Scottish Government's [\*Cyber resilience: public sector action plan\*](#).

**138.** The College achieved Cyber Essentials Basic Accreditation in 2018 and we are pleased to note the College achieved the Plus Accreditation in December 2019. The Plus certification requires independent verification of cyber security carried out independently by a certification body. This is in addition to the self-assessment exercise required for basic accreditation.

**139.** Cyber-attacks are becoming more sophisticated and prevalent in the public sector and the College fell victim to a major cyber-attack in January 2020. This was a ransomware attack which encrypted desktops, share drives and backups. Personal data was not impacted; however, a number of IT systems were compromised, and data held in share drives, including student coursework, was lost. The College was also closed to all students for three days as it took steps to respond to the incident.

**140.** The College immediately enacted its business continuity and major incident arrangements to respond to the attack. It also received support from a range of public sector bodies to assist with the process of cleansing all the computers affected by the attack.

**141.** At the Board meeting in March 2020, a confidential report was presented to members detailing the events that led to the cyber incident. The report was supported by evidence and guidance from the Joint Academic Support Network (JANET) and the JISC Computer Security Incident Response Team (CSIRT). This report made a total of eight recommendations specific to the cyber-attack with a further four recommendations made to the Board following the initial report.

**142.** In addition to this report, Internal Audit also carried out a review of the College's IT network arrangements and IT strategy. This provided a satisfactory level of assurance concluding that: *"...despite the recent cyber-attack, we have concluded that, overall, the College ICT team has a high awareness of the risks of information / cyber security, and that the control environment demonstrates good practice with the expected cyber security controls in place, for an organisation of this size, found to be in place in most areas"*.

**143.** Since the cyber-attack, the College has made good progress in implementing the recommendations. This includes the creation of a Cyber Incident Response Plan and the development of cyber security training for staff and students. While cyber security risks cannot be fully eliminated, staff awareness is a key defence against these attacks. We will continue to monitor the College's progress in improving its cyber resilience arrangements as part of our work in 2020/21.

### **The external evaluation of the Board of Management undertaken during 2020 confirmed that it is operating effectively and has a robust self-evaluation process in place**

**144.** The Code of Good Governance for Scotland's Colleges prescribes that the College Board must keep its effectiveness under annual review and have in place a robust self-evaluation process. The Board are also expected to facilitate an external evaluation of its effectiveness at least every three years.

**145.** An external evaluation was undertaken during 2020 and reported to the December meeting of the Board of Management. The evaluation involved the:

- review of the self-evaluation completed by the Board of Management,
- review of Board and Committee papers and minutes for academic session 2019-2020,
- observing four committee meetings during September 2020,
- observing the Board of Management meeting on 29 September 2020,
- one-to-one interviews with nine Board Members including the Chair, the Principal, staff, student and other members, and
- an interview with the Board Secretary.

**146.** The review concluded that:

- Dundee and Angus College has a skilled and experienced Board which works well with its senior leadership team and its student body. The Board, led by a very experienced and enthusiastic Chair, works collectively in formulating the College's strategic direction and in ensuring its effective delivery for its students and wider partners. There is evidence of strong processes and effective governance arrangements that adhere fully to the Code of Good Governance for Scotland's Colleges.

- The evaluation was undertaken during the Covid-19 pandemic which had, and continues to have, a significant impact on the way the College delivers its services. The Board's strong governance arrangements supports the senior leadership team in managing these challenges and maintaining a continuity of service to its users.
- The Board has a robust self-evaluation process in respect of its overall effectiveness which identifies actions through which the Board can continuously develop.

### **A number of changes in the membership of the Board of Management are anticipated during 2020/21**

**147.** Under the terms of the Post-16 Education (Scotland) Act 2013, and the ministerial guidance on the recruitment of board members, the Board of Management must make appropriate arrangements for the recruitment of members of the Board. To operate within the terms of the legislation the Board of Management must include a minimum of 15 members and a maximum of 18 members (up to 12 of whom are classified as "ordinary members" recruited under the board arrangements). The College Board cannot operate legally with fewer than 15 members.

**148.** The Board commenced 2019/20 with the maximum 18 members, including 12 ordinary members. During the year one ordinary member resigned and a further ordinary member signalled their intention to step down at the end of June 2020. The Board approved that an existing co-opted member would be appointed as a full member and recruitment would be undertaken to appoint another new member. However, due to Covid-19 the recruitment process has been delayed. As a result, the member who intended to step down at the end of June has agreed to continue on the Board until the end of 2020, or the conclusion of the recruitment process.

**149.** The current appointments of a further five ordinary members are due to end during 2020/21 (two on 30 April 2021 and three on 31 May 2021). The Board of Management will need to put in place arrangements to either re-appoint these members or recruit new members to replace them.

**150.** Management should ensure that a comprehensive induction programme, and additional support, is provided for all new members to ensure that the Board of Management continues to operate effectively going forward.

### **The College is participating in a University of Stirling Economic and Social Research Council funded research project looking at how governing boards realise the strategic aims of their organisation**

**151.** During 2019 and 2020, Dundee and Angus College was selected as one of a number of colleges participating in a University of Stirling Economic and Social Research Council funded research project titled: *"Processes and practices of governing in further education colleges in the UK: How do governing boards realise the strategic aims of the organisation?"*

**152.** The main fieldwork for the study involved the observation and videoing of meetings of college's Boards of Management held between January and December 2019. This work was completed as planned, with additional follow up work identified to investigate the approach of Boards in determining strategy, and how Boards are operating on a remote / online basis.

# Part 5

## Value for money



### Main judgements

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

A new five-year strategic plan, **2025 Strategy More Successful Students**, was approved by the Board in December 2019. The College also created **Project 2020** to support a coordinated and inclusive approach to reopening the College's campuses and returning to face-to-face learning and services in September 2020.

The College reported on a range of positive outcomes from its **Good to Great** strategy. It also continues to report strong performance against the **National Measurement Framework**, including student satisfaction results above the national average. As in prior years, the College exceeded its student activity credits target for 2019/20.

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

**153.** 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.

**154.** Securing the economical and effective management of the College's resources and expenditure is the responsibility of the Board of Management.

**155.** 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 over half of College procurement spend in 2018/19 went through collaborative agreements.

**156.** 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 2019/20 and their Annual Report for 2019/20 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 2019/20 and in each of the previous years since they were first appointed by the College in 2013/14.

**157.** 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.

Value for money is concerned with using resources effectively and continually improving services.

## The College reported on a range of positive outcomes from its Good to Great strategy

**158.** Key to delivering Value for Money is a clear focus on driving continuous improvement across all areas of the College's activities.

**159.** 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 & Angus College will be the outstanding model of how regional colleges in Scotland operate and how they impact on their local economy".

**160.** The final Good to Great progress report taken to the December 2019 Board of Management Committee stated that the project has created a can-do attitude amongst staff across the College, encouraged creative thinking and innovative approaches to working practices. The report also highlighted the following key outcomes which have been delivered as a result of the project:

- Delivery of financial savings of £1.51 million and a 10 per cent reduction in expenditure on wider administration costs.
- An improvement in learner retention from 84.6 per cent in June 2017 to 87 per cent in December 2017.
- An increase in the full-time recruitment of students from 5,225 in June 2017 to 5,557 in December 2019.
- The creation of help points situated in each of the three college campuses.
- The modernisation of 90 per cent of the College's course portfolio

**161.** An independent evaluation of the Good to Great project will be undertaken and reported to the Board of Management in 2021. We will consider the results of this evaluation as part of our 2020/21 audit.

## The College has approved a new five-year strategic plan, 2025 Strategy More Successful Students

**162.** A new five-year strategic plan, [\*2025 Strategy – More Successful Students\*](#), was approved by the Board of Management in December 2019. The strategy is designed to build upon rather than replace the Good to Great transformation plan.

**163.** The strategy set out the College's vision to: "to create more successful students through effective partnerships that change lives and create thriving communities". A range of high-level 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.

**164.** Each of these pledges are aligned to the Colleges' core values, [Exhibit 7](#).

## Good Practice – The College has embarked on a project to reduce barriers, improve skills and facilitate access to training and qualifications

The College has secured funding through the Scottish Government's Child Poverty Fund to help increase engagement with the most vulnerable members of society. This initiative aims to break the long-term cycle disadvantaged young people can face by providing intensive support to reduce barriers, improve skills and facilitate access to training and qualifications.

Source: [Dundee and Angus College website](#)

## Exhibit 7

### Strategy 2015 – More Successful Students pledges



Source: Future Strategy report to Board of Management (December 2019)

## The College created Project 2020 to support a coordinated and inclusive approach to reopening the College's campuses and returning to face-to-face learning and services in September 2020

**165.** Since March 2020, the College's immediate operational priorities have focussed on Covid-19 business continuity and recovery. This included the creation of 'Project 2020' which pulled together a wide range of activities and plans to make the infrastructure, educational and operational changes necessary to support the safe and effective reopening of the College's campuses and the return to face-to-face learning and services.

**166.** Project 2020 included the following five workstreams set up to support and inform the work needed to reopen the College safely and effectively:

- **Estates and Infrastructure:** Led by the Head of Estates and focussed on making the health and safety changes needed on the College's campuses to support social distancing, hygiene and safe working. This included changes needed to support increased ICT access and usage.
- **Delivery of Learning and Teaching:** Led by the Directors of Curriculum and Attainment to support the changes to curriculum planning and delivery.
- **Student Engagement & Service Delivery:** Led by the Head of Administrative Operations to support the changes to support services and the induction and engagement of students.
- **Leadership, Communication and Ways of Working:** led by the Head of People and Organisational Development and focussed on supporting and developing changes in the way in which the College works and delivers learning and other services within the 'new normal'. This includes planning and delivering CPD activities and oversight of key staff communications on outcomes / plans from all workstreams.
- **Finance and Governance:** Led by the Head of Finance to support ongoing financial security and planning for additional costs and requirements to deliver on workstream outcomes and changes to the curriculum, delivery and services.

**167.** Each workstream included a union representative and the involvement of the Student Association, particularly within the Delivery of Learning and Teaching and Student Engagement workstreams, was also a key aspect of the College's joined up approach.

**168.** The College reopened to students on 21 September 2020, but Project 2020 will continue to run throughout the remainder of the current calendar year, and longer if needed. This will support and inform the steps required in response to Scottish Government guidance and restrictions.

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### Good Practice – The College has responded well to the increased health, safety and wellbeing challenges presented by Covid-19

An Internal Audit report into Health, Safety and Wellbeing focussed on the work undertaken to allow the College to continue to operate during the Covid-19 pandemic. It also reviewed the preparations made for the reopening of the College campuses from August 2020. This provided a good level of assurance, identifying many strengths in the College's response including its enhanced support for vulnerable students, contingency planning arrangements and remote working capacity. Internal Audit also found that the College's arrangements reflected best practice and guidance issued by the Scottish Government, World Health Organisation, and Health and Safety Executive (HSE).

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

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

**170.** The agreement also sets a number of 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 Scottish Funding Council. 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.

**171.** 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 student satisfaction results above the national average

**172.** 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:

- **76.5 per cent of students successfully completed their courses in 2019/20**  
This showed an increase on the completion rate reported for 2018/19, although it was slightly lower than the completion rates reported for 2016/17 and 2017/18.
- **96.1 per cent of students were satisfied with their overall college experience**  
This was based on the 2018/19 Student Satisfaction and Engagement Survey (SSES) survey and compares favourably with the national college average of 93.0 per cent for Further Education students and 86.8 per cent for Higher Education students. This continues the trend of the College achieving above average satisfaction rates in the annual SSES survey.
- **18.2 per cent of credits were delivered to students from the 10 per cent most deprived post code areas during 2018/19**  
This has increased year-on-year since 2015/16 when the comparative figure was 15.9 per cent. The College has also committed to further increasing performance in this area as part of its 2019/20 Outcome Agreement.

**173.** 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 completed fully online. While college applications were down, full time recruitment has remained consistent with the prior year. Maintaining student recruitment, retention and attainment will be important if the College is to meet its 2020/21 credit target.

## As in prior years, the College exceeded its student activity credits target for 2019/20

**174.** 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.

**175.** The College has a strong track record of meeting and exceeding its credits targets, [Exhibit 8](#). During 2019/20 the College successfully delivered its student activity target of 108,068 credits, following an in-year distribution of an additional 333 credits, with actual credits exceeding this at 108,331.

### Exhibit 8

#### Delivery of student activity credits target 2015/16 to 2019/20

Year	Core activity target	Activity delivered	Difference
2019/20	108,068*	108,331	+ 263 credits
2018/19	109,308*	109,345	+ 37 credits
2017/18	108,962	109,360	+ 398 credits
2016/17	108,333	108,501	+ 168 credits
2015/16	105,225	108,350	+ 3,125 credits

\* The 2018/19 and 2019/20 credit targets shown include an additional 1,500 credits for 2018/19 and 333 credits for 2019/20 that the SFC transferred to the College during the year.

Source: SFC Infact database and Dundee and Angus College Regional Agreements

## The Cumberford-Little report highlighted the importance of 21st century colleges being agile, flexible and adaptable if they are to maximise their contribution to delivering Scotland's national priorities

**176.** In February 2020 the principals of Scotland's two largest colleges, Edinburgh College and City of Glasgow College, published the [Cumberford-Little Report, One Tertiary System: Agile, Collaborative, Inclusive](#). The report was commissioned by the Scottish Government to consider what more Scottish colleges can do to help improve businesses' performance and productivity.

**177.** The findings of the report identified the significant economic impact colleges already have and identified how colleges support a wide range of Scottish Government national priorities, highlighting examples of best practice across Scotland. The authors also made a series of recommendations aimed at allowing colleges to make an even greater contribution to business growth, particularly among Scotland's huge small and medium-sized enterprise, and micro-business communities.

**178.** The recommendations in the report were directed to Scottish Ministers and the Scottish Funding Council. However, the report also highlighted the key principle that 21st century colleges require to be agile, flexible and adaptable if they are to maximise their contribution to delivering Scotland's national priorities. Although the report was published prior to the Covid-19 outbreak, this overarching principle will be even more important in a post-Covid world.

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

**179.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 3](#) details reports which may be of interest to the College. During 2019/20, we also published a range of documents aimed at assisting public bodies in addressing some of the potential issues presented by Covid-19. These have all been published on Audit Scotland's website and can be accessed via the dedicated [Covid-19 hub](#).

**180.** During our audit appointment we have noted that relevant national reports are taken to the Audit and Risk Committee for consideration. During 2019/20 this included the [Covid-19: Guide for audit and risk committees](#) which was accompanied by the completed self-assessment checklist, and other supplementary information explaining how the findings and recommendations relate to the specific circumstances of the College. We welcome this positive response to our national reports.

# Appendix 1

## Action plan



No. Issue/risk

Recommendation

Agreed management action/timing

### 2019/20 recommendations for improvement

1	<p><b>Approval and evidencing of exit package</b></p> <p>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.</p> <p><b><i>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.</i></b></p>	<p>Management should ensure that all exit packages are authorised in accordance with the applicable guidance and are supported by an appropriate business case.</p> <p><a href="#">Exhibit 3 – Point 2</a></p>	<p>Agreed. This was a single omission where the mandatory pension costs incurred marginally exceeded the one-year payback period resulting in payback of 1 year and 14 days. This was notified to SFC when identified who are content with the position. Final VS cost reporting arrangements will be updated to ensure that an omission of this type does not recur.</p> <p>Revised working arrangements implemented post cyber-attack will mitigate against any future large-scale loss of required audit trail data.</p> <p><b>Responsible officer:</b> Vice Principal People &amp; Performance</p> <p><b>Agreed date:</b> 31 January 2021</p>
2	<p><b>Fixed asset register - fully depreciated assets</b></p> <p>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.</p> <p><b><i>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.</i></b></p>	<p>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 in use.</p> <p><a href="#">Exhibit 3 – Point 6</a></p>	<p>Agreed. Prevailing circumstances frustrated plans for a comprehensive review this year but this will be conducted in advance of the current year-end.</p> <p><b>Responsible officer:</b> Head of Finance</p> <p><b>Agreed date:</b> 31 July 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
3	<p><b>Revised financial plans to reflect Covid-19</b></p> <p>Dundee and Angus College's five-year financial strategy covering 2019/20-2023/24 was approved by the Board in March 2019.</p> <p><i>The longer-term financial impact of Covid-19 may make the financial strategy undeliverable.</i></p>	<p>The College should produce a revised five-year financial strategy once there is sufficient certainty around the longer-term financial impact of Covid-19.</p> <p>Paragraphs <a href="#">95-97</a></p>	<p>Agreed. When there is more stability and certainty surrounding the longer-term impact of Covid-19 a longer terms financial strategy will be produced</p> <p><b>Responsible officer:</b> Vice Principal Corporate Services</p> <p><b>Agreed date:</b> Potentially 2021/22</p>
4	<p><b>Five-year estate strategy</b></p> <p>The College has in place a five-year estate strategy covering the period 2019/20 to 2023/24.</p> <p><i>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.</i></p>	<p>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 world.</p> <p>Paragraphs <a href="#">103-108</a></p>	<p>Agreed. The impact of Covid-19 on capital funding models alongside the Tayside Region opportunities including Tay Cities Deal, MSIP, e-Sport will necessitate a review of the Estates strategy.</p> <p><b>Responsible officer:</b> Head of Estates</p> <p><b>Agreed date:</b> During 2021</p>
5	<p><b>Annual capital budget</b></p> <p>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.</p> <p><i>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 works at the Kingsway Campus.</i></p>	<p>The College should discuss with the SFC its plans to finance future depreciation costs.</p> <p>Paragraph <a href="#">117</a></p>	<p>The College is conscious of the need to make SFC aware of this and potential future increases were highlighted when submitting this year's AME Return. The dialogue with SFC will continue</p> <p><b>Responsible officer:</b> Head of Finance</p> <p><b>Agreed date:</b> During 2021</p>

## Follow up of prior year recommendations

PY1	<p><b>External evaluation of the effectiveness of the Board</b></p> <p>A three-yearly external evaluation of the effectiveness of the Board was due to be undertaken during 2019 but has been deferred to 2020.</p>	<p>The College should ensure that the planned external evaluation of the Board's effectiveness is undertaken during 2020 and reported to the Board of Management prior to the end of the financial year (i.e. 31 July 2020).</p>	<p><b>Action complete</b></p> <p>The review was completed in October 2020 and presented to the Board in December 2020. It concluded that:</p> <p><i>"The Board has a robust self-evaluation process in respect of its overall effectiveness which identifies actions through which</i></p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	<i><b>There is a risk that the Board is not operating effectively</b></i>		<i>the Board can continuously develop.”</i>
PY2	<p><b>NFI</b></p> <p>Investigation of the College’s NFI matches identified two instances of duplicate payment of invoices.</p> <p><i><b>There is a risk of further duplicate payments in the future</b></i></p>	<p>The College should review the controls in place to prevent future duplicate payments occurring. It should also consider the outcome of the investigation of the remaining matches to identify whether other improvements can be made to the internal control environment to further reduce the risk of fraud and misappropriation.</p>	<p><b>Action complete</b></p> <p>All matches have been investigated. The next data-matching exercise will take place in 2020/21 and the College has provided all data within the requisite timelines.</p> <p>The 2020/21 Internal Audit Plan includes a review of the College’s response to the National Fraud Initiative.</p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the 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 annual report and financial statements and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit Risk	Assurance Procedure	Results and Conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of material misstatement caused by management override of controls</b></p> <p>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</p>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of accounting estimates.</li> <li>Focused testing of accruals and prepayments.</li> <li>Evaluation of significant transactions that are outside the normal course of business.</li> <li>Review of the Annual Governance Statement and the assurances obtained in support of the statement.</li> </ul>	<p><b>Results:</b></p> <ul style="list-style-type: none"> <li>Journal adjustments were tested, and no indications of management override of controls were found.</li> <li>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</li> <li>We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</li> <li>We reviewed transactions during the year – no issues highlighted of significant transactions outside the normal course of business.</li> <li>We reviewed the Annual Governance Statement and the assurances in support of this. No issues were identified.</li> </ul> <p><b>Conclusion: Satisfactory</b></p>
<p><b>2 Risk of material misstatement caused by fraud in income recognition</b></p> <p>ISA 240 requires auditors to presume a risk of fraud where income streams are significant. The College recorded income of £44million in 2018/19, of which £35million was provided by the Scottish Funding Council (SFC) and £9million was received from other sources.</p> <p>SFC funding is reliant on accurate recording of student numbers and courses provided. In addition, the level of income received from other sources is material.</p> <p>The extent and complexity of income means that, in accordance</p>	<ul style="list-style-type: none"> <li>Review of budget monitoring reports focussing on significant budget variances.</li> <li>Detailed testing of income transactions.</li> <li>Analytical procedures on income streams.</li> </ul>	<p><b>Results:</b></p> <ul style="list-style-type: none"> <li>Satisfactory results obtained from our testing of income transactions.</li> <li>We obtained satisfactory explanations for any significant increases or decreases in income.</li> </ul> <p><b>Conclusion: Satisfactory</b></p>

with ISA 240, there is an inherent risk of fraud.

<p><b>3 Risk of material misstatement caused by fraud in expenditure</b></p> <p>The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. This applies to the College due to the variety and extent of expenditure incurred.</p>	<ul style="list-style-type: none"> <li>• Audit work on the National Fraud Initiative matches.</li> <li>• Review of budget monitoring reports focussing on significant budget variances.</li> <li>• Consideration of the findings from internal audit's review of procurement.</li> <li>• Detailed testing of expenditure transactions focusing on the areas of greatest risk</li> <li>• Analytical procedures on expenditure streams.</li> </ul>	<p><b>Results:</b></p> <ul style="list-style-type: none"> <li>• We concluded that the College is proactive in following up NFI matches.</li> <li>• Satisfactory results obtained from our testing of expenditure transactions.</li> <li>• We obtained satisfactory explanations for any significant increases or decreases in expenditure.</li> </ul> <p><b>Conclusion: Satisfactory</b></p>
<p><b>4 Estimation and judgments</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of some significant balance sheet assets/liabilities.</p> <ul style="list-style-type: none"> <li>• Valuations on non-current assets rely on expert valuations and management assumptions. A full valuation of non-current assets is due in 2019/20.</li> <li>• The value of the College's pension liability is an estimate based on information provided by management and actuarial assumptions.</li> </ul> <p><b>Risk:</b> Valuations of assets/liabilities are materially misstated.</p>	<ul style="list-style-type: none"> <li>• Review of the work of the valuer and actuary.</li> <li>• Focused substantive testing of classification and valuation of assets.</li> <li>• Review appropriateness of actuarial assumptions.</li> <li>• Confirm pension valuations in actuarial report are correctly reflected within the 2019/20 accounts.</li> </ul>	<p><b>Results:</b></p> <ul style="list-style-type: none"> <li>• Our review of the work of the College's valuer confirmed the appropriateness of the methodology and assumptions used.</li> <li>• We assessed the reliability of the actuary and reviewed their work. No issues were noted.</li> <li>• Pension disclosures agreed in full to information from actuaries, or to financial records where applicable.</li> <li>• Judgements and estimations applied were tested to confirm they were appropriate and reasonable. No issues were highlighted with the judgements and estimates applied.</li> <li>• We obtained assurances from HR in relation to provisions. This supported the information included in the financial statements.</li> </ul> <p><b>Conclusion: Satisfactory</b></p>

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

<p><b>5 Financial Sustainability</b></p> <p>The College approved its Financial Forecast Return (FFR) for 2019/20-2023/24 projected an underlying operating deficit from 2021/22 onwards resulting in a negative cash position by 31 July 2024.</p> <p>To address this, the College's financial strategy identified savings of £2.75 million are required over</p>	<ul style="list-style-type: none"> <li>• Monitor achievement of financial targets, including achievement of student credit targets.</li> <li>• Ongoing assessment of the College's financial strategy, including the assumptions used.</li> <li>• Review of the College's Financial Forecast</li> </ul>	<p><b>Results:</b></p> <ul style="list-style-type: none"> <li>• The College managed its budget effectively during 2019/20.</li> <li>• The College exceeded its student activity credits target for 2019/20.</li> <li>• Additional income from the SFC to support economic recovery has enabled the College to</li> </ul>
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the next five years. Much of the savings required were expected to come from reduced head count achieved through voluntary severance.

The College has reported that the voluntary savings assumptions made in the Financial Strategy for 2019/20 are not expected to be realised due to lower than anticipated requests.

**Risk:** There is a risk that the College fails to achieve the planned savings and this negatively impacts on their cash balances over the next five years.

Return for 2020/21-2024/25.

budget to achieve a cash-backed surplus of £0.020 million for 2020/21.

- The College's three-year Financial Forecast Return shows the cash position being maintained at around £1 million over the three years to 31 July 2023, but this is predicated upon the delivery of savings from staff reductions over the same period.

**Conclusion: Unsatisfactory – The College should produce a revised five-year financial strategy once there is sufficient certainty around the longer-term financial impact of Covid-19.**

Paragraphs [95-97](#)

## 6 Estates Investment

In common with other Scottish colleges, Dundee and Angus College has a significant backlog of repairs and maintenance for its estate.

The College's estates strategy covering 2019/20 to 2023/24 sets out an estates plan to be followed during the five-year period and outlines how this will be implemented. The SFC allocated the College £1.646 million of capital maintenance funding to address its high priority works in 2019/20. However, the College has recognised it will need to secure additional funding streams if it is to implement its strategy.

A business case is being developed with plans to build a new Science, Technology, Engineering and Maths (STEM) centre funded by the Scottish Government through a Mutual Investment Model (MIM). In addition, the College has planned a redevelopment of its Kingsway Tower and intends to submit a bid to the Dundee and Angus Foundation to seek financial support for this project.

**Risk:** Should the anticipated funding not be secured, there is a risk that it impacts on the ability of the College to address the condition of its estate and continue to deliver their core services in a safe environment. There is also a related risk that the condition of the

- Ongoing assessment of the College's five-year estate strategy.
- Monitor progress of funding applications.

## Results:

- Phase 1 of the Kingsway Tower redevelopment commenced in June 2020 but issues have been encountered that could affect the delivery and costs of the overall project.
- There is a risk that the College's plans for a new build STEM centre on the Kingsway Campus, funded through a Mutual Investment Model, are impacted by the current pressure on public finances.

**Conclusion: Unsatisfactory – 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 world.**

Paragraphs [103-108](#)

estate impacts on the ability of the College to attract new students.

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## Overarching financial statements and wider dimension risks

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### 7 Impact of cyber attack

In January 2020, the College experienced a three-day cancellation of all student classes following a significant cyber-attack. This impacted on a number of College systems and resulted in certain data and records being encrypted.

**Risks:** There is a risk that financial information and evidence required for the financial statements audit may not be available. There is also a risk that the encryption of other key information impacts on the day-to-day operation of the College. Furthermore, there is a risk that the College may be vulnerable to future cyber-attacks.

- We will review the financial controls introduced following the cyber-attack.
- We will select audit samples at an early stage, wherever possible, to enable the College to obtain supporting documentation from external parties where required (e.g. copy invoices from suppliers for expenditure sample testing).
- We will continue to monitor the ongoing implications from the cyber-attack, including the arrangements put in place by the College to prevent future attacks.

#### Results:

- The College had to implement a number of changes to its systems of internal control during 2019/20 due to the impact of the cyber-attack and Covid-19.
- Since this incident, good progress has been made in implementing the recommendations of the independent JISC Computer Security Incident Response Team review.

#### Conclusion: Satisfactory

### 8 Impact of Covid-19

In line with the tighter restrictions introduced, in response to the Coronavirus outbreak, to limit social interaction and non-essential work within the UK, the College closed to all students on 18 March, and to staff on 23 March.

**Risks:** The impact of Covid-19 will have a pervasive effect on all aspects of the College's operations and presents a wide range of risks for the 2019/20 audit.

- We will continue to discuss our audit approach, and timetable, with management during the course of the year to agree how we can work together to adapt and respond to the changing circumstances.

#### Results:

- Despite the impact of Covid-19, the audited annual report and financial statements were signed off by the 31 December deadline.
- The College created Project 2020 to support a coordinated and inclusive approach to reopening the College's campuses and returning to face-to-face learning and services in September 2020.
- The College has responded well to the increased health, safety and wellbeing challenges presented by Covid-19.

#### Conclusion: Satisfactory

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# Appendix 3

## Summary of national performance reports 2019/20



		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	Early learning and childcare: follow-up

# Dundee and Angus College

## 2019/20 Annual Audit Report

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**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Annual Accounts –**

**Financial Statement  
for the Year ended 31 July 2020**

**PAPER K**

**EMBARGOED**



**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**

**Tuesday 8 December 2020**

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**Minutes of Previous Meeting**

**Finance & Property Committee  
8 September 2020**

**PAPER L**

# BOARD OF MANAGEMENT

## Finance and Property Committee Meeting

**Tuesday 8 September 2020**

*Draft confirmed by Chair*



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Minute of the Finance and Property Committee meeting held on Tuesday 8 September 2020 at 5.00pm in Teams.

**PRESENT:**

S Mill (Chair)	A McCusker
N Lowden	B Carmichael
D Fordyce	S Hewitt
S Stirling	

**IN ATTENDANCE:**

J Carnegie (Vice Principal)	
S Taylor (Vice Principal and Secretary to the Board)	
B Ferguson (Head of Finance)	A Ross (Head of ICT)
B Grace (Head of Estates)	T D'All (Principal's/Board Chair PA)
J Howie (observer undertaking Board Evaluation)	

### 1. WELCOME

S Mill welcomed members and J Howie to the meeting.

### 2. APOLOGIES

Apologies were received from G Bisset and D Mackenzie

### 3. DECLARATIONS OF INTEREST

There were no declarations of interest

### 4. MINUTES OF FINANCE AND PROPERTY COMMITTEE MEETING 19 MAY 2020

The minute of the Finance and Property Committee meeting held on 19 May 2020 was approved as an accurate record.

### 5. MATTERS ARISING

In respect of Item 8 from the FPC Meeting on 21 January 2020, J Carnegie confirmed that arrangements and timescales had changes as a result of COVID 19, but advised that G Ritchie had been asked to support the development of the OBC. S Hewitt noted that the world had changed significantly since the initial discussions around the OBC and stated that further conversations about future direction would be held to inform this work.

S Hewitt noted the recent press coverage in respect of the potential involvement of the College as an education partner in the proposed e-sports waterfront development.

Arrangements in respect of Agenda Item 10.0 from the FPC Meeting on 10 September 2019, Procurement Update on Graduation Services and PPE, were discussed.

It was noted that graduation for 2020 had been postponed, with the hope that this could be rescheduled for the New Year.

The Finance & Property Committee noted the Matters Arising.

## **6. 2019/20 DRAFT OUTTURN**

S Mill highlighted the draft cash-backed surplus outturn for 2019/2020 of £1.265m and commented that this was a good position given the uncertainties of likely in 2020/21.

B Ferguson summarised the paper noting it was pre-audit and that some discussions were likely to take place around the early works at Kingsway Campus which would change the figures.

B Ferguson stated that a key benefit had been from SDS honouring existing contracts in respect of both the Modern and Foundation Apprenticeships.

B Ferguson noted that the College was yet to finalise and submit a claim against the Coronavirus Job Retention Scheme for July, but the forecast claim was expected to be £702k against a forecast of £720k. This had also had a significantly positive impact on College finances.

B Ferguson stated that year end cash balances of £3.7m that had exceeded expectation, but noted that a substantial amount of this cash holding was restricted funds held for others (such as Energy Skills Partnership and Developing the Young Workforce) along with unallocated student support funds that would be reclaimed by SFC.

D Fordyce said this was a fantastic position for the College and noted that the financial planning work over the last 2 / 3 years was now coming to fruition with good principles and people in place.

A McCusker asked about the support pay additions that hadn't been seen e.g. things in the pipeline, replacement or new staff. S Taylor confirmed that additional staff costs resulted from new roles within ESP, the increased Foundation Apprenticeship contract and agreement to provide additional support to Student Services for Mental Health issues.

The Finance & Property Committee noted the 2019/20 Draft Outturn paper.

## **7. 2020/21 DRAFT BUDGET**

S Mill highlighted that the revised draft budget forecast a break-even position for the year, predicting a cash-backed surplus of £20k and was positive movement of almost £1.5m since the initial draft budget of May 2020. S Mill noted that meetings that had taken place on a monthly basis since May with himself, J Carnegie, B Ferguson, S Hewitt and A McCusker. S Mill stated that whilst the budget showed a small surplus with a range of risks, this was overall a good position.

J Carnegie said she was pleased to be able to present a balanced budget, and noted that a lot of work had gone into analysing the key income and expenditure areas to get to this position. J Carnegie highlighted that 2020/21 recruitment numbers; and the Flexible Workforce Development Fund (FWDF) would show changes and remained as risks.

J Carnegie noted that the FFR presented to the Board, alongside the draft Budget in June, had shown the progress being made, but that levels of uncertainty continued e.g. College Guidance in relation to the Senior Phase from the Scottish Government received in the past week would have an impact.

B Ferguson took the Committee through the detail of the draft budget noting that the situation continued to be fluid. B Ferguson noted optimism with clarity in some areas including funds from SFC for the Child Poverty project and the FWDF. Additional funds from SDS (£460K) was assumed for MAs & FAs and an extra £200K for COVID-19 related employability funding. B Ferguson noted that while these were big increases in income, they were achievable and related to known activity.

B Ferguson highlighted that the Service Design Academy (SDA) as a standout area due to the niche product that was particularly sought after in terms of organisations planning COVID-19 related challenges and noted the positive move to online delivery and services in this area.

B Ferguson also highlighted that the Job Retention Scheme 'bonus' to be claimed in January 2021 had added c.180k extra income.

B Ferguson outlined planned expenditure increases of almost £3m but stated that this was a consequence of additional revenues, primarily grant funding and donations for property works. Costs benefited however from a net reduction on property of £300K and ICT of £260K, with the budget for the latter reduced to reflect accelerated spend accommodated within 2019/20.

B Ferguson noted that the pay budget incorporated an element of salary increases and also some current vacancy savings.

B Ferguson noted the cashflow projection and highlighted that the cash position remained reasonably healthy, despite an anticipated reduction from 35 days to 20 days.

S Mill noted that the Risk Appendix outlined a range of risks that were low, stating that this gave a bit of confidence around the scale of potential changes. B Ferguson confirmed that this was the case.

D Fordyce asked about the highlighted breakeven position and any associated risks with Gardyne Theatre Limited. B Ferguson confirmed this would difficult to know until the theatre was up and running again. J Carnegie confirmed that the only significant GTL cost was for one member of staff and noted that there was hope that GTL would be able to access a proposed Cultural Grants scheme for commercial theatres.

A McCusker thanked everyone for the work undertaken to create a breakeven budget.

J Carnegie noted that A Ross and the Finance Team were undertaking a Finance Systems Review Project looking at new ways of reporting on finance. The creation of data dashboards for finance information had been given a high priority by A Ross and his Team.

J Carnegie highlighted that the Internal Audit Plan would also look at, and report on, financial management and reporting.

The range of new initiatives/funds to support post-COVID jobs recovery was noted and J Carnegie confirmed that opportunities and financial forecasts arising from these new funds would be shared with the Committee once known. **J Carnegie to Progress.**

S Mill enquired about areas that the College may wish to invest in for example Digital Inclusiveness for staff and students. S Hewitt noted that he along with A Ross and S Stirling were undertaking a review of the Digital Strategy and while the majority was still relevant there were 3 core themes: Capability – Upskilling and Re-Skilling; Access to Devices; and Engagement that would require investment.

The 2020/21 draft budget was approved for submission to the Board of Management.  
**J Carnegie to progress.**

## 8. PROCUREMENT UPDATE

S Mill reiterated the protocols agreed at the Finance & Property Committee in November 2018 where recurring new contract and contract renewals which exceed £50k are brought to the Committee for approval.

J Carnegie noted that the previous annual procurement report covered the period up to December 2020 and that the report being presented to the Committee was to cover the period from January – December 2021. J Carnegie also confirmed that all but one of the contracts were awarded under framework agreements.

A McCusker enquired about the £1m to HP over the next 4 years and asked if this was in line with the current ICT Strategy and previous expenditures. A Ross confirmed this was a slight change to the strategy in terms of the focus on laptops to enhance remote working but that the overall contract value was in line with previous years.

J Carnegie highlighted the Tay Cities Deal consultancy support proposal and noted that while it is not necessary to come to the Finance & Property Committee given the anticipated value, it was felt to be important to note as the contract would support future additional bids that may then exceed the £50k threshold. J Carnegie confirmed that it did not make sense for the College try to complete submissions for the Tay Cities Deal given the complexity of these. This was recognised and S Mill requested that the Committee received information once the Tender was complete. **J Carnegie to progress.**

The update and planned contract arrangements were approved.

## 9. COVID-19 UPDATE ARRANGEMENTS

B Grace, A Ross and B Ferguson delivered a detailed PowerPoint presentation to the Committee outlining the range of work completed to support the creation of adapted campuses and remote working (see appendix 1).

S Mill congratulated the Teams on a job well done throughout the pandemic. A McCusker echoed this sentiment noting the phenomenal job to keep up the remote learning and getting all campuses up and running for the new Academic Year.

S Mill enquired about how the College would deal with any behaviour issues.

J Carnegie confirmed the guidance received from the Scottish Government and noted the thoughts of the First Minister and the National Clinical Director of the Scottish Government in respect of social responsibility. J Carnegie confirmed that not adhering to Health & Safety Regulations could be a matter of gross misconduct, and stated that the College would take appropriate action where necessary.

S Taylor stated that the College would employ students (or others) as Learner Engagement Assistant in each campus to help with the enforcing the wearing of face coverings and general physical distance and hand hygiene obligations. S Taylor also noted that the unions along with the Students' Association had been very supportive and had signed up to a joint statement outlining College and individual responsibilities in respect of health and safety guidance.

J Carnegie noted that the NHS Health Protection Team would look at the guidance, systems and processes the College has in place if required. J Carnegie stated that she could also report that there had been no positive COVID-19 cases on campus to date.

## **10. ESTATES UPDATE**

B Grace noted that the Kingsway Campus project was progressing well. An update on the issue regarding the Library roof slab should be received by Friday 11 September 2020.

B Grace confirmed that the new social space was nearing completion and looked great. This was on target to be completed in time to welcome our new student on 21 September 2020 along with the new external entrance and staircase.

S Mill asked about the commitment the College had made, if any, to the Michelin site. B Grace confirmed that the College was in discussions but that no formal or legal commitment had been undertaken.

The Estates update and related arrangements were approved.

## **11. ICT RESOURCE PLAN**

A Ross drew the Committee's attention to the positive changes as a result of the Cyber Attack, including the forced move to One Drive and accelerated migration to the Cloud. The progress over the last 6 months had guaranteed that various systems and information including: HR, Payroll, finance payments etc would remain intact if the College was to suffer another attack.

A Ross said that the Business Case for VDI had changed as a result of newer technologies and the way in which staff were now working. The VDI contract end in April 2021 and it was intended that VDI would be phased out after that.

A Ross noted that there had been progress regarding the College phone system moving away from ISDN and using internet connections. The plan to move towards an option appraisal with a solution to replace the phone system to a Cloud based system in the next year was noted.

The ICT Resources Plan was approved.

## **12. STRATEGIC & COVID-19 RISK REGISTERS**

S Mill noted that the Risk Registers has been annotated to only include the relevant Risk for the Finance & Property Committee and thanked S Taylor for the update.

S Mill highlighted Risk 2.2 noting this had been revised downward to 3 due to the 19/20 Outturn and balanced Budget.

The Committee approved the updated Risk Register in respect of those risks under Finance & Property.

## **13. VP CORPORATE SERVICES REPORT**

J Carnegie noted that her report was for noting but wanted to take the opportunity to highlight the work undertaken by the SDA Team and noted the addendum to the report.

S Mill acknowledged the work undertaken by the SDA.

S Mill enquired about the likelihood of an improved situation in respect of the Catering provision by the College. B Grace provided a brief update noting that this was challenging due to the COVID 19 restrictions. It was noted that discussion were still ongoing in relation to the catering service that can be offered to students.

#### 14. DATE OF NEXT MEETING

Tuesday 24 November 2020 at 5.00pm as part of the Joint Audit & Risk and Finance & Property Committee

#### **Action Point Summary**

<b>Action</b>	<b>Responsibility</b>	<b>Date</b>
Information on new fund opportunities and income forecast to be made available the member of the Committee.	J Carnegie	24 November 2020
Draft Budget to be presented for approval at the September Board meeting.	J Carnegie	29 September 2020
Committee to be updated on the outcome of tender arrangements for Tay Cities Deal bid support	J Carnegie	24 November 2020

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Finance & Property Committee**

**Matters Arising**

**PAPER M**

# BOARD OF MANAGEMENT

## Finance and Property Committee

### Tuesday 8 December 2020



### Matters Arising

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#### *Paper for information*

The following actions were noted from the Tuesday 8 September 2020 Finance & Property Committee Meeting.

Agenda Item No	Action	Current status	Open / Closed
7.0	Information on new fund opportunities and income forecast to be made available to members of the Committee.	Limited information has been provided on the new funds available. The Management Accounts being presented incorporates what information is currently known.	Closed
8.0	Committee to be updated on the proposal of tender arrangements for Tay Cities Deal bid support.	Members advised via email on 14 <sup>th</sup> September	Closed

The following actions were noted from the Tuesday 21 January 2020 Finance & Property Committee Meeting.

Agenda Item No	Action	Current status	Open / Closed
8.0	Final draft OBC to be circulated for Board approval by e-mail	As a result of the implications of Covid-19 and the opportunities/ challenges in Tayside Region, this development has been paused at the moment to reflect. The intention would be to bring an updated strategy to the Committee in 2021.	Open

The following actions were noted from the Tuesday 10 September 2019 Finance & Property Committee Meeting.

10.0	<b>Procurement Update</b> Details arising through new procurement of graduation services and PPE contracts to be shared with Committee - <b>J Carnegie</b>	<u>Graduation Services</u> : Ede & Ravenscroft were awarded.  <u>PPE</u> : postponed due to the Covid-19 situation. Supply has improved but the market is still very fluid. APUC is issuing weekly updates but they have advised that this is still not a good time to undertake a new PPE tender exercise. Some suppliers still have some staff furloughed so tender responses may be limited and good value for money at the present time is not expected.	Open
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**Author & Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Budget Monitoring &  
Revised 2020/21 Budget**

**PAPER N**

# Finance & Property Committee

Tuesday 8 December 2020



## Management Accounts and Forecast

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### *Paper for information*

#### **1. Introduction**

This report brings to the Committees attention the management accounts for Month 3 (August – October) which incorporates the budget that was approved in September 2020 together with management's latest forecast for the year. The final audited Outturn position for the year to July 2020 is also reported.

#### **2. Recommendation**

Members are asked to note the Month 3 position.

#### **3. Context**

The Board approved a Budget for the current financial year to 31 July 2020, predicting an almost break-even cash operating position. This benefited from greater clarity of what the operating environment might be like during this phase of the pandemic however uncertainty remains, which is reflected in the Risk Assessment of Key areas in the Management Accounts.

This period has enabled management to review the budget in light of any changes to circumstances recognising that these continue to be volatile, particularly as we face the potential of tighter restrictions following the Winter break before a return to normal can be predicted. Economic conditions are difficult and there remains much uncertainty around sources of funding focused upon post-covid economic recovery which is a source of concern across the sector.

The forecast incorporates end of 2019/20 adjustments that have consequentially impacted on 2020/21, largely from property works, the net impact which is not significant.

Phase one of the Kingsway Development was suspended as a result of the issues encountered with the roof and this has resulted in a large proportion of the cost incurred being sunk with the demolition of the old library building. Whilst alternative options are considered, which will result in the way that future costs are accounted for, no further changes are reflected in this forecast other than reductions in both cost and associated SFC funding, to reflect the higher than expected measure of work at 31 July.

We continue to focus upon the risks, highlighting in particular those that are uncontrollable and considering mitigations wherever possible in what is a changing landscape. The Risk Assessment of Key Areas remains an important element in our reporting, reflecting both positive and negative movements, identifying controllable and uncontrollable risks.

#### 4. Summary of results

The forecast is a **Cash-backed surplus of £32K**, almost unchanged from the £20K budgeted recognising that there are net reductions in both income and expenditure.

Actual cash-backed surplus reported for the period to 31 October, of £1.7m is slightly ahead of budget but is due to profiling of income and expenditure.

This forecast sees a net reduction in income of £875K which is due in large part to the allocation of SFC grants to different financial years. Capital & Maintenance (C&M) grant is down by £488K, matched by a reduction in associated costs, allocated to 2019/20 and Flexible Workforce Development Fund (FWDF) has been reduced by £300K, in recognition that delivery will occur in 2021/22. Significant movement in other sources is described below together with residual risks present in this forecast.

Pay costs have reduced by £405K, aided by net savings from variable teaching, finalised academic pay award, and reductions in associate trainer costs related to FWDF activity. New posts, most notably Workbased Assessors, have offset some savings.

Non-pay costs have reduced by £482K. The reduction in grant funded property costs of £488K, along with reductions from other areas such as catering and travel, have been offset to a degree by certain other increases. Some of these additional cost are funded, such as additional electric vehicles and commitments to MSIP.

A summary of the main movements from budget is presented below:

	£000's
<b>Surplus per Approved Budget</b>	<b>20</b>
FWDF loss of contribution	(100)
Tuition fees	35
Apprentice income net of pay costs	93
Catering contribution	(169)
Pay - academic pay award	160
Pay - variable teaching hours	205
Pay - additionality net of savings	(34)
Staff related travel	38
Student costs, consumables etc.	(35)
Utility savings	74
ICT - iTrent development	(46)
Professional fees - Tay Cities	(38)
Other miscellaneous, net	(21)

Job Retention Scheme (150)

**Surplus per forecast 32**

## **5. Income**

Total cash income for 2020/21 is forecast to be £43.3m, down £875K on budget. The net reduction in contribution after associated costs is however circa £170K.

SFC Income reduces by £761K and, as stated above, is due largely to C&M grant adjusted for additional spend in 2019/20 of £488K and FWDF of £300K. In the case of the latter, although our allocation for 2020/21 has increased by almost a third to £608K, and appears likely to rise further, timelines for delivery are longer. We have until March 2022 to deliver this year's allocation, and we are carrying over £391K from last year's allocation to be delivered by 31 December 2021. This is a major focus, with new operational and strategic groups established, however this forecast reduction acknowledges the additional challenges posed by COVID-19 and the need to build capacity.

Tuition Fees rise by £35K in this forecast. Enrolment and early retention provides confidence to increase full-time fees by £68K offset by a reduction in commercial short courses of £33K in recognition of the difficult economic climate. Overall, fees remain 9% down on the previous year.

Non-core income rises by a net £248K, of which £116K is attributable to grant funding for six new vehicles as we continue the transformation to an electric fleet. Other increases include circa £200K for Managing Agents, albeit with additional pay costs, and a £40K SDS grant for Michelin Scotland Innovation Parc (MSIP) matched with new IT connectivity and property costs. These are largely off-set by a reduction in mobility funding of £134K, matched by a substantial travel cost reduction.

Budgeted provision for funding for employability initiatives of £200K is carried forward in this forecast which presents risk whilst we await clarity from Scottish Government and SFC.

Catering and other income has declined by £397K in this forecast. Catering is now expected to reduce much more dramatically this year, dropping £273K in this forecast, at a net loss of contribution of £169K. Trading is no longer expected to recover this year.

Our forecast retains £230K for Job Retention funding, a reduction of £150K from budget. The Retention Bonus accounted for £180K and we no longer have a realistic expectation of this being reinstated following the extension of monthly claims through to March. We intend to utilise the scheme to its full potential subject to operational requirements.

Donations from the Dundee & Angus Foundation for the original Phase 1 of the Kingsway Development are unchanged in this forecast pending the options appraisal.

Cost already incurred, including sunk costs, have primarily been funded by SFC, leaving the Foundation contribution intact.

## **6. Pay Costs**

Total pay costs have reduced by £405K, with savings from teaching and delivery.

Established and variable teaching pay should be considered together following the large number of variable lecturers who have moved over to established hours since the budget was established. With optimum utilisation of contracted hours this should be cost neutral. Combined, teaching pay has reduced by £315K, of which approximately £160K has been due to the nationally bargained pay award effective from September. Reduced 'variable teaching hours' have been completely re-forecast and this exercise has secured savings of £215K, which includes the release of some budgeted contingency. Sufficient provision remains however to fund a package to relieve pressure on staff and further support learners. Offsetting increases include approximately £114K for additional Assessors required to fully deliver the new requirements of the new CITB contract.

Invoiced staff costs forecast are reduced by £200K as a consequence of the reduction in delivery of FWDF within this current year.

Support pay continues to assume a pay award pending resolution of national negotiations. Forecast increases of £98K includes approximately £50K attributable to overtime/additional hours. The budget assumed a reduction due to COVID-19 however costs are being incurred in line with previous year and forecast has been adjusted accordingly. Other increases from a limited number of new posts are partially cancelled by internal appointments or offset by vacancy savings.

In keeping with budget, no provision is made for possible payments under a voluntary severance scheme.

## **7. Non Pay Costs**

This forecast sees an overall reduction of £482K in total non-pay cash expenditure.

Much of this positive movement is a direct consequence of income reductions, often pound for pound, in the case of funded property works, or with very little marginal impact.

Property works expenditure reduces by £488K as a consequence of the higher spend recognised in last year's Accounts. Increases in non-works costs are largely funded. The expectation of prolonged home working has allowed for a further saving in electricity costs of £74K.

Both Staff and Student related net cost reductions are mainly due to travel restrictions limiting Erasmus funded activity, however staff costs are also further reduced for domestic travel and accommodation in recognition of continued restrictions likely now to last for much of the academic year.

Academic budget holders have been fully engaged and have added back some costs where previous high level estimates have proved insufficient, however at circa £35K, this has not had a hugely detrimental impact and seems prudent.

ICT costs have risen by £46K to fund further enhancements to the iTrent HR/Payroll system. Whilst some work will continue to be done in-house this additional provision will allow for appropriate consultancy to be procured. Other IT costs include an SDS funded data link to MSIP.

Professional fees increase by £32K plus VAT specifically to pay for the tendered costs of consultancy required to mount effective bids for Tay Cities Deal funds.

## **8. Subsidiary Company**

Gardyne Theatre Limited will, as anticipated, remain closed until well into next year. It has recently been successful in a bid to Creative Scotland and been awarded £15K from the Culture Organisations and Venues Recovery Fund. We consequently feel more confident of an updated forecast to achieve a break-even trading position.

## **9. Student Support Funding**

The enhanced allocations received for 2020/21 appear to be sufficient to meet current and anticipated demand. Additional funds were not requested from SFC this year when completing the In Year Distribution exercise in November and we do not believe this presents significant risk.

## **10. Cash Flow Forecast**

The operating position remains sufficient to ensure that a healthy cash balance can be maintained even when allowing for a negative movement in working capital and anticipated reduction in restricted cash holdings. The strength of our cash forecast provides significant resilience against factors that we are unable to control.

## **11. Conclusion**

Although there remains unpredictability, in substantial areas such as fee income and pay in particular, we have relatively more certainty and this provides greater assurance that a positive cash-backed operating position can be achieved this year.

## **12. Link to Strategic Risk Register**

As highlighted throughout the paper there remains levels of uncertainty, particularly impacted by the continued challenges faced by the impact of the pandemic. The College will continue to manage the controllable risks to support the key strategic risk;

2.2 – failure to achieve institutional sustainability

**Authors:** Brian Ferguson, Head of Finance

Rhonda Bissett, Senior Management Accountant

**Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services

Month 3, October 2020

	2019/20	Month 3, October 2020			2020/21		
	Actual	Budget	Actual	Variance	Budget	Forecast	Variance
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
SFC Credit income	27,163	7,118	7,118	-	28,471	28,471	-
SFC ESF Credits	1,071	286	286	-	1,143	1,143	-
Other SFC grants	3,787	1,554	1,168	(386)	4,558	3,797	(761)
<b>SFC Total</b>	<b>32,021</b>	<b>8,958</b>	<b>8,572</b>	<b>(386)</b>	<b>34,172</b>	<b>33,411</b>	<b>(761)</b>
Tuition Fees	3,480	1,963	2,054	91	3,121	3,156	35
Non-Core income	2,974	465	418	(47)	3,126	3,374	248
Catering & other income	2,115	295	291	(4)	1,173	776	(397)
Foundation donations	248	-	-	-	2,610	2,610	-
<b>Total Income</b>	<b>40,838</b>	<b>11,681</b>	<b>11,335</b>	<b>(346)</b>	<b>44,202</b>	<b>43,327</b>	<b>(875)</b>
Teaching Pay - established	14,444	3,696	3,810	(114)	14,964	15,749	(785)
Teaching Pay - variable	2,988	654	369	285	3,633	2,533	1,100
Invoiced Staff Costs	210	14	32	(18)	449	261	188
Teaching Support Pay	2,097	479	509	(30)	2,075	2,128	(53)
Support pay	10,613	2,686	2,646	40	11,049	11,094	(45)
Apprenticeship Levy	98	25	24	1	100	100	-
VS Scheme	170	-	-	-	-	-	-
Unfunded pension payments	400	101	100	1	404	404	-
<b>Total Pay Costs</b>	<b>31,020</b>	<b>7,655</b>	<b>7,490</b>	<b>165</b>	<b>32,674</b>	<b>32,269</b>	<b>405</b>
Staff related costs	285	44	29	15	389	299	90
Consumables & Equipment	1,115	172	185	(13)	890	819	71
Exam fees	799	74	36	38	851	829	22
Student related costs	165	27	128	(101)	369	329	40
Property cost	3,297	1,229	943	286	5,854	5,529	325
ICT & Telephony	1,284	355	350	5	1,065	1,121	(56)
Insurance	116	30	29	1	120	120	-
Marketing	42	15	12	3	65	65	-
Professional fees	185	22	9	13	126	158	(32)
General Overheads	278	78	78	0	260	270	(10)
Interest & Charges	143	38	38	0	153	153	-
VAT	923	333	260	73	1,366	1,334	32
<b>Total non-pay costs</b>	<b>8,632</b>	<b>2,417</b>	<b>2,097</b>	<b>320</b>	<b>11,508</b>	<b>11,026</b>	<b>482</b>
<b>Cash-backed surplus/(deficit)</b>	<b>1,186</b>	<b>1,609</b>	<b>1,748</b>	<b>139</b>	<b>20</b>	<b>32</b>	<b>12</b>
<b>Add: subsidiary profit/(loss)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated Cash-backed surplus/(deficit)</b>	<b>1,185</b>	<b>1,609</b>	<b>1,748</b>	<b>139</b>	<b>20</b>	<b>32</b>	<b>12</b>

**Risk Assessment of key volatile areas**

Income/Expenditure Category	Latest Forecast £000's	Possible Cash Deviations		Controllable?	Adverse Risk Assessment			
		Favourable	Adverse		Likelihood	Impact	Overall	Comments and mitigation
		£000's	£000's		£000's	£000's	£000's	
SFC Credit income	28,471	-	-	N/A	Low	Low	Low	Core grant is not at risk from any covid related shortfall in credits.
SFC ESF Credits	1,143	-	460	No, not beyond our own recruitment and retention.	Low	High	Mid	We can only exercise a measure of control over our own HE student intake. SFC continue to caution of the heightened collective risk to the sector of failure to achieve both ESF and core credit targets. The risk is difficult to quantify but potentially the full 40% ESF contribution could be lost. There is also risk of clawback arising from audits of prior years, with results of 2016/17 expected imminently.
Other SFC grants	3,797	100	250	Yes, in the main we can control the bulk of the adverse impacts.	Low	Mid	Mid	Other grants includes a number of disparate funds, currently seven, with many matched directly with associated costs. Income and expenditure can therefor fluctuate substantially without substantive net impact. For the purposes of this assessment we are concentrating upon contribution. Our particular focus is on FWDF included at £563K, and to a lesser extent Child Poverty funding, where we assume a level of FY21/22 funding applicable to the current year. The latter is not especially material, and risk from FWDF has diminished in this forecast with income reducing by £300K.
Tuition Fees	3,156	200	200	Yes, within reason, but we have limited influence over demand.	Low	Low	Low	A net increase in this forecast has been possible due to stronger full-time HE enrolments however retention beyond cut-off for payment by SAAS still poses some risk if our assumptions prove to be optimistic. A re-appraisal of fees by academic staff also provides greater assurance but future part-time enrolment is more difficult to predict this year. Commercial fees are most volatile but expectations have been further reduced in this forecast amidst covid constraints and continued economic uncertainty.
Non-Core income	3,374	200	300	Partly; we control delivery but not funding or economic conditions.	Low	Mid	Mid	Forecast Apprentice funding has increased and now more assured with most contract values confirmed, albeit potential reduction now greater if outcomes not achieved. The £200K provided for delivery of new employability initiatives require confirmation and clarity, and may require additional resource.
Catering & other income	776	100	100	Yes	Low	Low	Low	Forecast has been substantially reduced for catering and job retention bonus removed. Risk of further downward movement is therefore limited, however we similarly see limited potential for future increases.

Income/Expenditure Category	Latest Forecast £000's	Possible Cash Deviations		Controllable?	Adverse Risk Assessment			
		Favourable	Adverse		Likelihood	Impact	Overall	Comments and mitigation
		£000's	£000's		£000's	£000's	£000's	
Total Pay (exc. VSS & unfunded pensions)	31,865	200	300	Yes	Low	Mid	Mid	Risk from higher pay awards is removed in case of academic staff and judged to be reduced for support, however this is out with our direct control. Risk of additional variable teaching rises a little with reduction in contingency and offer of additional hours to support staff. Further transfer of variable hours to permanency increases risk of inefficiencies if not adequately controlled. Timely monitoring of variable hours is a key control.
VSS	-	-	200	Yes	Mid	Low	Low	Any new scheme applications would be judged on an individual basis but leavers in the second half of the year are more likely to have a detrimental impact in-year. The adverse value is merely indicative to highlight this.
Property cost	5,529	100	200	Largely controllable but with notable exception of unforeseen occurrences and price rises.	Low	Low	Low	The value of major works is likely to fluctuate directly with funding with no net impact. The possibility of not securing additional funding for Kingsway is not considered within this assessment. Unforeseen maintenance costs always present a risk but unlikely to be substantive. Additional covid related expenditure is being contained within budget. Utility costs appear stable, allowing us to reduce electricity in this forecast, and whilst price rises from April are out-with our control the impact on current year is limited, particularly with lower occupation of our campuses.
Non-pay costs excluding property	5,497	200	300	Yes, with limited exceptions.	Low	Mid	Mid	Greater Budget Holder engagement has largely superseded high level budget assumptions, albeit with certain obvious uncertainties as we work our way through the pandemic. This provides comfort that the new consumable forecast is likely to be adequate. In other areas risk of substantive net impact appear slight, with IT possibly posing the greatest risk as it operates on a lower operational budget this year. Greater latitude afforded students and an increased desire to utilise non financial sanctions potentially increase risk of higher levels of bad debt.

## Cash Flow Forecast

	2019/20	2020/21		
	Actual	Actual Oct 2020	Budget	Forecast
	£000's	£000's	£000's	£000's
<b>Cash backed surplus/(deficit)</b>	<b>1,185</b>	<b>1,748</b>	<b>20</b>	<b>32</b>
Loan repayment	(486)	-	-	-
Capital Expenditure	92	-	-	23
Capital funding	(92)	-	-	(23)
Working capital movements	909	(2,103)	(800)	(800)
<b>Net Movement in cash balances</b>	<b>1,608</b>	<b>(355)</b>	<b>(780)</b>	<b>(768)</b>
Opening cash balances	2,150	3,758	3,758	3,758
<b>Closing cash balances</b>	<b>3,758</b>	<b>3,403</b>	<b>2,978</b>	<b>2,990</b>

Restricted funds exc. SFC are approximately £1,160K at 31st October, in addition to student support funds of £640K



**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**

**Tuesday 8 December 2020**

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**Estates –**

- |             |   |                |
|-------------|---|----------------|
| <b>18.1</b> | <b>Update</b>                                       | <b>PAPER O</b> |
| <b>18.2</b> | <b>Kingsway Campus Capital<br/>Option Appraisal</b> | <b>PAPER P</b> |

**BOARD OF MANAGEMENT**  
**Finance & Property Committee**  
**Tuesday 8 December 2020**



**Estates Update**

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*Paper for noting*

**1. Introduction**

This paper provides an update on estates related activity since the last report to the committee.

**2. Recommendations**

Members are asked to note the report.

**3. Capital Backlog Maintenance Projects**

Following the impact of COVID-19, the funding for the 2019/20 grant allocation has now been fully expended with projects completed as detailed below.

<b>Project</b>	<b>Campus</b>	<b>Indicative Cost</b>	<b>Revised Budget</b>	<b>Month 12 Actual</b>	<b>Remaining Spend</b>
External Cladding – CALC Building	Arbroath	125	497	479	18
External Stonework Repairs – Isla Building	Arbroath	50	-	-	-
External Stonework Repairs – Esk Building	Arbroath	50	-	-	-
Upgrade Mechanical Infrastructure – Clova Building	Arbroath	120	53	34	19
Upgrade Electrical Infrastructure – Clova Building	Arbroath	120	79	58	21
Internal Fabric – Decoration and Flooring – All buildings	Arbroath	50	15	16	(1)
External Paving and Road Repairs	Gardyne	30	-	-	-
Internal Fabric – Decoration and Flooring – All buildings	Gardyne	50	109	130	(21)

<b>Project</b>	<b>Campus</b>	<b>Indicative Cost</b>	<b>Revised Budget</b>	<b>Month 12 Actual</b>	<b>Remaining Spend</b>
External Tarmac Repairs	Kingsway	80	96	86	10
Upgrade Passenger Lifts – Tower Block	Kingsway	125	-	-	-
Upgrade Electrical Infrastructure – Tower Block	Kingsway	75	76	49	27
Upgrade Mechanical Infrastructure – Tower Block	Kingsway	75	78	35	43
Internal Fabric – Decoration and Flooring –All buildings	Kingsway	50	18	42	(24)
Upgrade mechanical infrastructure	Gardyne		35	37	(2)
Walkway Stairs	Kingsway		21	35	(14)
Various small scale backlog maintenance projects	All	109	32	109	(77)
<b>TOTAL</b>		<b>1,109</b>	<b>1,109</b>	<b>1,110</b>	<b>(1)</b>

The majority of the 2020-21 Capital Backlog Maintenance Grant had been allocated to the Kingsway Tower Project for the mechanical and electrical infrastructure and internal and external fabric. The amount allocated was £1.619m.

#### **4. Kingsway Tower Project Update**

The separate agenda item provides an update on the progress of the Kingsway Tower development.

#### **5. Michelin Scotland Innovation Parc**

The planning for the Skills Academy on the new Michelin Scotland Innovation Parc is progressing well.

The first phase will see the College operating from a training centre on the site hopefully by Easter 2020.

The space identified is larger than the original plan and is capable of hosting a variety of activities at the same time. It is large enough to cope with very large vehicles like buses and heavy lorries. This is significant in terms of the aim to have MSIP recognised as a national centre for the development of low carbon transport. The facility is large enough to service a training tower for wind power alongside the sizeable motor vehicle capacity.

It is anticipated that the site will be used by senior phase school pupils and mainstream students in the first instance. However, the Universities of Dundee, Abertay and St Andrews will all base activity on the site. This is a genuine partnership space designed to service all the training and research needs of customers on the site. SFC have agreed to

be partners and have allocated responsibility for the project to James Dunphy their new Director of Outcome Agreements and Access. The fact that they have someone at Director level leading their side of the project is very encouraging.

We have been involved now in meetings with potential investors in the site and the Skills Academy is a major selling point for companies looking to join the MSIP community.

Partnership work is also underway with the local Universities for collaboration on the curriculum development and marketing material is in preparation.

An Advisory Board for the Skills Academy has been set up chaired by Greg Coull the CEO of MSIP and including all key partners.

Financial arrangements are not yet fully in place, we will be required to pay a charge for services used but not a formal rent at this stage. We expect to have a business case ready for the next Board meeting.

The MSIP project is an outstanding opportunity to take the college into the forefront of training in green energy sources, low carbon transport development and advanced engineering, working alongside innovative industry partners, government and the other MSIP partners.

## **6. Link to Strategic Risk Register**

Progressing these Estates projects and initiatives will support the mitigation of a range of risks identified within the Strategic Risk Register namely;

- 3.1 – failure to reach aspirational standards in learning, teaching and service delivery
- 3.2 – failure to achieve/maintain compliance arrangements
- 3.3 – serious accident, incident or civil/criminal breach, legal action

**Author:** Billy Grace, Head of Estates

**Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services

## **CAPITAL APPRAISAL: Kingsway Campus Hair, Beauty and Complementary Therapies New Build Project**

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*For approval*

### **1. EXECUTIVE SUMMARY**

Phase 1 of the Kingsway Campus Tower Block Redevelopment Project commenced in June this year with the intention of creating the new Hair, Beauty and Complementary Therapies (HBCT) facility and the initial stage of the student frontline services and student social space.

The student frontline services and social space areas were successfully completed, however a significant structural defect in the roof slab was discovered in the location identified for the HBCT facility which will result in the demolition of the entire structure. It is still the intention to create the state-of-the-art facilities for HBCT facility and this document details the options.

The College has secured funding support from the Scottish Funding Council for the demolition of the existing structure and the design fees for a potential new build. A new build facility on the existing site and completion of Phase 1 and Phase 2 of the existing project would be the preferred option.

The expectation is that providing the College can secure the additional funding required of £2m using primarily the capital backlog maintenance grant from SFC, with also a contribution from the Dundee & Angus Foundation, the proposed package for the updated Kingsway Tower redevelopment is affordable.

### **2. STORY SO FAR**

The Board approved the Kingsway Campus Tower Block Redevelopment Project in May 2020.

Three distinct projects were identified as being part of the tower redevelopment:

- 1a. Creation of new Hair, Beauty and Complimentary Therapies facility
- 1b. Creation of new Learning and Digital Resources facility on Level 1
- 1c. Creation of new support function facilities on level 6
2. Creation of new Student Frontline Services and Social Space
3. Creation of a new Training Restaurant

Due to the impact of the COVID-19 pandemic, a decision was taken to spread the project over 2 phases across 2 years, with Project 1a and part of Project 2 being completed during 2020 and the remainder to be completed in 2021.

Full funding for the redevelopment had been secured via the Dundee and Angus Foundation and the Scottish Funding Council Capital Backlog Maintenance Grant as detailed in the table below-

	<b>Capital Backlog Maintenance</b>	<b>Dundee and Angus Foundation</b>	<b>Total Cost of Project</b>
Phase 1 Projects	£1,443,228	£2,609,688	£4,052,916
Phase 2 Projects	£657,084	£689,012	£1,346,096
Complete Project	£2,100,312	£3,298,700	£5,399,012

The work associated with the Kingsway Tower Redevelopment commenced in June on Phase 1 of the project.

Work on the reception area, frontline services and social space was completed and handed over in advance of the start of the 20/21 academic term.

The hair and beauty facility was also progressing well until an issue was identified with the existing roof structure. It was found that there was significant deflection of the existing roof slab. Despite investigations around the option of additional structural underpinning the recommendation of two independent structural engineers were that the building should be demolished.

Following the recommendation that the building would need to be demolished, the Board and Dundee and Angus Foundation were advised of the bad news. The SFC were also informed of the setback and an early meeting arranged to discuss the possibility of financial support to assist with the consideration of possible options.

Initial discussions were very positive and exceptionally supportive and the SFC invited the college to provide more detailed costs for the demolition of the building, the likely design costs associated with a new build and the costs of the new build in the same location. During discussions, it was also suggested that future Capital Backlog Maintenance Grant allocations could very likely be used to fund a new build.

SFC confirmed that they were able to support the costs associated with the demolition of the existing library block on our Kingsway Campus. They also confirmed that they would support the design and survey works of a replacement building.

The total amount of funding offered by SFC to support the College is –

- the demolition of the old library block (£223K + VAT)
- the design + survey works of a replacement building (£176K + VAT)

The Finance and Property Committee approved, via email, the use of the SFC grant to demolish the old library block.

### 3. SUNKEN COSTS

Project 1a started well and significant enabling works had been carried out on the existing library block including asbestos removal, soft strip and demolition of existing structures and installation of new mechanical and electrical infrastructure prior to the discovery of the structural defect in the roof slab.

Unfortunately, a lot of the costs associated with the enabling works are now 'sunk'. Also, because the project has stalled and the building has to be demolished, a significant element of the original project preliminary costs would also be classed as 'sunk', along with a significant element of the original professional design fee costs along with other project elements.

The total cost of the Phase 1 project to date is £1.44m inclusive of VAT as detailed in the breakdown table below which also highlights the projected 'sunk' costs –

<b>Project Element</b>	<b>Cost (£)</b>	<b>'Sunk' Costs</b>
Pre Construction Fees	28,560	0
Preliminaries	409,923	125,000
Design Fees	212,954	100,000
Completed Works	692,167	225,000
Compensation Events	40,069	25,000
Contingencies	14,906	0
Scape Fees	43,513	20,000
<b>Total</b>	<b>1,442,092</b>	<b>495,000</b>

In terms of overall costs for Phase 1 of the project, the costs attributable to the Dundee and Angus Foundation and Capital Backlog Maintenance Grant are detailed below -

<b>Funding by</b>	<b>Funding Level</b>	<b>Spend to date</b>	<b>Balance remaining</b>
Dundee and Angus Foundation	£2,609,688	-	£2,609,688
Capital Backlog Maintenance Grant	£1,443,228	£1,442,092	£1,136
<b>Total</b>	<b>£4,052,916</b>	<b>£1,442,092</b>	<b>£2,610,824</b>

### 4. MOVING FORWARDS - OPTIONS

The original aspiration for a state of the art Hair, Beauty and Complementary Therapies facility remains. This ambition and vision is not perceived to be affected, in the longer term, by the pandemic.

Irrespective of the options available, the sunken costs remain.

This paper presents 4 different options for providing high quality learning and teaching in a modern, fit for purpose environment.

- Option 1 – Do nothing

- Option 2 – New build on the site of the demolished library block on the Kingsway Campus.
- Option 3 – New build on an alternative location site within the Kingsway Campus
- Option 4 – Re-locate the Hair, Beauty and Complimentary Therapies facility on another campus – Gardyne or Arbroath

#### **4.1. Option 1 – Do Nothing**

##### Advantages:

- No additional costs, other than the costs already incurred and applicable to all options

##### Disadvantages:

- The existing facilities are no longer fit for purpose and do not meet the needs or aspirations of our learners, staff and stakeholders.

The original rationale approved as part of the Estates Strategy, for moving the Hair, Beauty & Complementary Therapies to an accessible location remains sound.

#### **4.2. Option 2 - New build on the site of the demolished library block on the Kingsway Campus**

##### Advantages:

- Achieves the Estates Strategy
- Supports the gender balance of the Kingsway Campus
- SFC has offered to fund the design + survey works
- Some of the original survey and preliminary works do not require to be repeated
- Utilities services are already in place.
- Mechanical and Electrical infrastructure for new facility has already been installed.
- New Hair, Beauty and Complementary facility is a key element in creating a new 'heart' of the campus

##### Disdvantages:

- Additional cost than the original redevelopment of an existing building (which will also apply to any other new build option)

There is an opportunity to create a brand new learning and teaching environment that aligns with the original intentions in the location with easy access to first-class front-line services.

If affordable, we would build the new facility on the existing site and complete Phase 1 of the original project along with phase 2 of the original project. Phase 1 and 2 were part of the original Kingsway Tower Project Plan previously approved by the Finance and Property Committee.

Work on the full design of the new build would commence – full funding for this has already been secured via the Scottish Funding Council. The high level costs for the new build have been provided with costs estimated at - £1.56m. The costs to complete Phase 1 and Phase 2 of the original project would be £3.34m which are in line with the original submitted tender prices.

Prior to the major setback regarding the roof slab, new mechanical and electrical infrastructure had been installed which would have supplied the existing building. Not progressing with the new build on the existing site using the new M&E infrastructure that has been installed would result in further sunk costs.

As well as supporting the demolition costs, SFC have offered to fund the costs associated with the design costs for the new build. SFC also confirmed that using future Capital Backlog Maintenance Grant funding for the new build would meet the required criteria. They also encouraged approaching Dundee and Angus Foundation, should there remain to be a shortfall.

The table below details the projected costs for –

- The demolition of existing building
- The design fees for a new build
- The construction of a new build
- Completion of works associated with Phase 1
- Cost of Phase 2 of the project
- Project contingencies
- Project preliminaries
- SCAPE fee.

<b>Project Element</b>	<b>Projected Costs (£)</b>
Demolition of existing building	268,000
Design Fees for New Build	211,000
Cost of New Build	1,560,000
Completion of Phase 1	1,991,000
Cost of Phase 2	1,346,096
Project Contingencies	354,000
Project Preliminaries	687,600
SCAPE Fee	225,600
<b>Total</b>	<b>6,642,696</b>

The table below details the funding already in place for the proposed project –

	<b>Funding Source</b>	<b>Amount</b>
Demolition Costs	SFC	268,000
New Build Design Fees	SFC	211,000
Balance of 2020/21 Capital Backlog and Lifecycle Grant Funding	SFC	327,000
Additional Capital Backlog Maintenance Funding (2020/21)	SFC	515,000
Foundation Grant	DAF	3,300,000
	<b>Total</b>	<b>4,621,000</b>

This means that the level of funding required to complete the proposed new build and complete Phase 1 and 2 of the original project would be approximately **£2m**.

The College would also use the 2021-22 Capital Backlog Maintenance Grant allocation to part fund the £2m required and subject to Finance and Property Committee approval, a further approach would be made to The Dundee & Angus Foundation for financial support.

Robertson Construction will continue as the main contractor via the SCAPE framework, which is a fully compliant procurement option. Also to ensure continuity, the existing design team will be retained as detailed below –

Main Contractor and Quantity Surveying -	Robertson Construction
Architect -	JAS Stephen
Structural Engineer -	Millards
Mechanical/Electrical Consultant -	KDQ

The Estates Project Team will continue to work very closely with Robertson Construction and the Design Team over the coming months to develop a facility that meets the aspirations of our students, staff, and employers from industry along with other stakeholders

#### **4.3. Option 3 - New build on an alternative location site within the Kingsway Campus**

##### Advantages:

- Achieves the Estates Strategy
- Supports the gender balance of the Kingsway Campus
- SFC has offered to fund the design + survey works

##### Disadvantages:

- Would take the new facility away from the new 'heart' of the campus alongside the other service industries
- Significant additional land suitability survey costs.
- Significant additional cost to install new utilities services for gas, electric and water
- Incur additional sunk costs due to infrastructure works completed prior to the project being halted.

This is not an option worth considering as it would take the proposed new facility away from the 'heart' of the campus. The original plan was to relocate the hair and beauty facilities alongside the other service industries, encouraging the students, staff and visitors to become customers thus giving our students real life working experiences.

#### **4.4. Option 4 – Re-locate the Hair, Beauty and Complimentary Therapies facility on another campus – Gardyne or Arbroath**

This is not an option worth considering as neither the Gardyne nor Arbroath campuses would have the space capacity required to accommodate a new Hair, Beauty and Complimentary Therapies facility.

There would also be difficult for our frontline services in each campus to support an additional 700 hair and beauty students.

It is recommended that option 2 be approved by the Finance and Property Committee as this option provides the College with a new build with modern and inclusive learning and teaching facilities. The new facilities will inspire and motivate our learners and staff to be more successful.

## **5. DUNDEE AND ANGUS FOUNDATION**

As part of the 2020/21 FFR assumptions Colleges were asked to assume the same levels of Capital Backlog Maintenance Grant funding in 2021/22 as in 2020/21, which was £2.476m

The intention will be to make a further bid to the Dundee and Angus Foundation for up to £0.5m contribution to the new build and to complete the other phases as per the original proposal with the remaining balance coming from the Capital Backlog Maintenance Grant for 2021/22.

## **6. RISKS**

The potential risks associated with this project are –

- Securing the necessary funding from Dundee and Angus Foundation alongside sufficient backlog maintenance funding from SFC to undertake the approved Kingsway Tower redevelopment.
- Completing all of the work within the required timeline. The current pandemic situation may have an as yet unquantifiable adverse affect on timing and funding.
- There will be an element of disruption during this project with curriculum and support functions needing to be decanted to allow works to be completed.

## **7. TIMESCALES**

Subject to approval, the College would submit a bid to the Dundee and Angus Foundation for funding of up to £0.5m to progress the various projects.

We would propose commencing the demolition element of the project in January 2021, with the new build commencing March 2021 with a view to having the projects completed by the late Autumn 2021.

## **8. RECOMMENDATION**

We have made an excellent start with first part of the new frontline services and social space and we are now seeking approval from the Board of Management to progress the Option 2 building of the new Hair, Beauty and Complementary Therapies facility.

**Author:** Billy Grace, Head of Estates

**Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Finance, Payroll & HR Digital**

**PAPER Q**

# BOARD OF MANAGEMENT

## Finance & Property Committee

**Tuesday 8 December 2020**

### Finance, Payroll and HR Digital First Programme

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#### *Paper for information*

#### **1. Background**

The College is in the process of implementing a 5-year Cloud First and Digital First strategy in support of the Digital Strategy. The aim of this strategy is to digitise all resources and move all digital services into the Cloud to improve performance, reliability, resilience and reduce running costs. In addition to this, the work will include a consolidation of input and output services to give a unified user experience for form completion, reporting and interrogation of data.

Areas where it has been identified there is an opportunity to significantly improve the services offered to users is within Finance, HR, and Payroll. By leveraging new digital tools available to the College there is an opportunity to give end users a simpler, streamlined experience.

It should be noted that the actual internal Finance, HR, and Payroll processes are outside the scope of this programme of work but has seen significant improvements over the last year as the core People Management system has moved from an in-house, bespoke solution to a cloud hosted Commercial off the Shelf solution.

#### **2. Recommendation**

Members are asked to note the progress of this digital first programme.

#### **3. Current Operating Model**

##### Finance

The College Finance team currently use Infor SunSystems for Financial Management. For staff to submit information to Finance there are excel spreadsheets for staff to complete, print off, sign, get counter signed, scan and email to Finance. These forms enable staff to complete numerous finance tasks including Credit Card authorisation, Cost Transfer and Supplier Account Requests.

There are multiple reports produced by the Finance team for consumption by stakeholders within the College. One of the key functions of these reports are to enable simple management and oversight of budgets

## Payroll

The College's Payroll team have been successfully using the iTrent HR and Payroll System for the past five years. During the last six months the service has been moved from the College's Data Centre to a Cloud hosted solution stored in MHR's Data Centre in Nottingham. There are three means of submitting pay claims data to the Payroll team: -

- Academic staff submit pay claims via the College's in-house Pay Claim system
- Support staff use an excel form to complete, print, sign, approve and email to Payroll
- Expenses are submitted in the same way as the Support staff pay claim form

Payroll reporting was previously delivered through a Business Objects application. This was discontinued at the point of migration to the Cloud and replaced with a standard SQL reporting tool.

## HR

The HR team have recently migrated from a bespoke staff management system to the iTrent HR and Payroll system for management of staff. The legacy solution is still being used to allow staff to manage annual leave requests and sickness absence notifications.

Reporting from HR is achieved using a standard SQL reporting tool for delivery of simple reports.

## Wider Context

The College's preferred Business Intelligence (BI) tool is Microsoft's PowerBi solution. However, there is limited knowledge within the College on the creation of business intelligence dashboards and a lack of licenses. There is a desire to increase knowledge of the tool and purchase additional licenses to allow sharing of data.

The benefits of this tool are it is simple to implement, it is cloud based and also cost effective compared to other Business Intelligence tools available.

## **4. Target Operating Model**

The overall target of this programme is to deliver services which are entirely digital, in the Cloud, and give the ability for staff to view data "as live" as possible in dashboards.

### Finance

The Financial Management system does not support end user forms, so we are looking to leverage a Microsoft forms tool called PowerApps which has an entirely digital process flow for approval of any requests. For reporting of financial information, dashboards shall be available to stakeholders via PowerBI.

### Payroll

The Payroll management solution, iTrent, has an online forms solution for staff to submit pay

and expense claims. This should be implemented and will replace the use of the printable forms that require signature. Payroll data should be available via a PowerBI dashboard to relevant stakeholders to enable real-time monitoring of budgets.

## HR

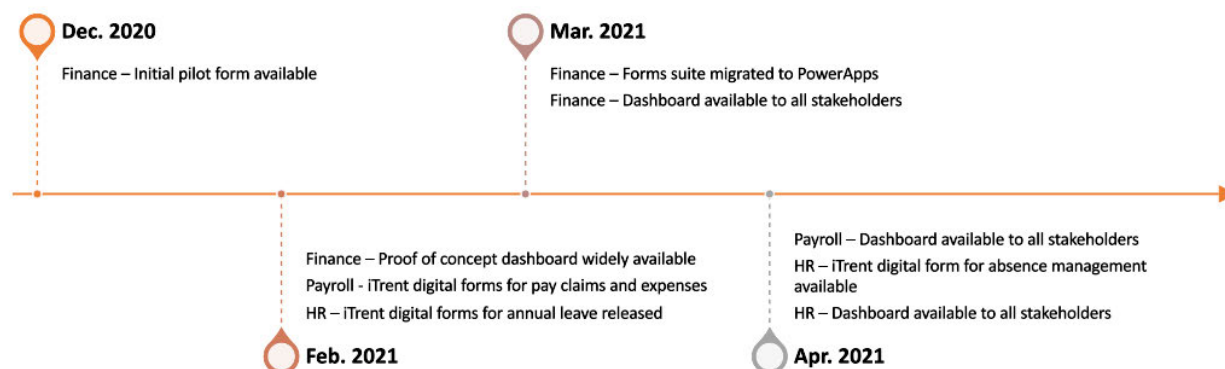
As per the payroll solution the online forms available in iTrent should be leveraged to support digital submission and approval of requests for annual leave and absences.

Reporting should be enabled via a PowerBI dashboard available to all stakeholders

## 5. Project Plan

The changes required to move from the Current Operating Model to the Target Operating Model will be phased in during the academic session 2020/2021.

As with all College ICT projects an Agile approach is taken throughout. In principle the projects will consistently deliver incremental improvements rather than deliver all improvements at the end of the project. Additionally, as the projects cover multiple teams and multiple technologies different project deliverables can be delivered at the same time in parallel with other deliverables

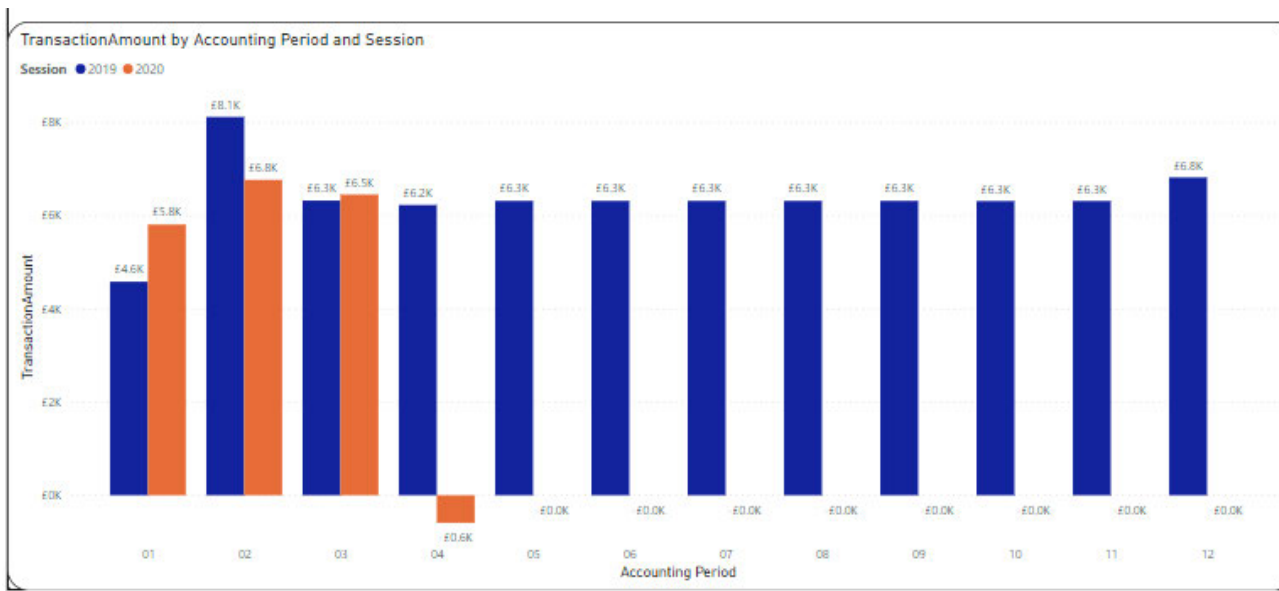


## 6. Progress to Date

The programme of work commenced in September 2020. During the past 2 months considerable progress has been made

### Finance

- Work completed to understand the Financial Management System's underlying dataset
- Pilot dashboard created as a proof of concept. See example below



- PowerApps pilot form delivered and currently under User Acceptance Testing

### Payroll

- Decision made that the skills to create iTrent forms were not available within the College, so consultancy required by either the iTrent suppliers, MHR, or a third party that specialises in iTrent configuration. Solution has been scoped and quotes received.
- Integration between Cloud iTrent solution and the on-premise reporting data layer created

### HR

- As per payroll, solution has been scoped and quotes for completion of the work on the forms received
- Integration between Cloud iTrent solution and the on-premise reporting data created and initial dashboards built.

**Author:** Andy Ross; Head of ICT  
**Executive Sponsor:** Jaki Carnegie; Vice Principal, Corporate Services

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**2020/2021 Fees Policy**

**PAPER R**

# BOARD OF MANAGEMENT

## Finance and Property Committee Tuesday 8 December 2020



### Fees 2021/22

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#### *Paper for discussion/agreement*

#### 1. Introduction

This paper outlines the rationale for the recommended programme fees for academic year 2021/22. It is proposed that we do not increase fees for next Academic Year. The Appendix shows the proposed fee levels for 2021/22.

#### 2. Recommendation

It is recommended that the Finance & Property Committee approve that the fees for 2021/22 remain the same as the current year 2020/21.

#### 3. EU and Rest of UK Fees

##### **Full time fees**

These fees are set nationally.

##### **Part Time fees**

Last year we implemented a scalable pricing structure for our Professional Development Award (PDA) provision based on the type of delivery for each PDA. This provided the opportunity for pricing to be more in line with our competitors and offered the facility for learners to seek 3<sup>rd</sup> party financial support for some of these programmes.

We have seen a drop in demand for our part-time programmes last and this year. In comparison to our neighbouring colleges our existing fees are already at the higher end of the range. In response to the pandemic we are reviewing the curriculum to identify what part time programmes will support economic recovery. We are also prioritising taking advantage of the initiatives and funding pots that are being made available to support economic recovery including; Kickstart, Young Persons Jobs Guarantee, National Training Transition Fund and an increased Flexible Workforce Development Fund.

#### 4. Commercial Programme

It is recommended that no specific blanket increase be made for session 2021/22.

The rationale is similar to that for part time fees and the economic challenges that the Region are facing. Where there are specific products or portfolios that offer the opportunity to enhance fees the usual factors that influence any pricing strategy will be taken into account;

- level of competition
- perceived value of the product
- product development cost
- economic trend
- level of market demand
- demographics
- Socio-economics of targeted customers

## **5. International Fees**

Most of our international students select Dundee and Angus College because of the provision we offer and whom are already living in the region. It is envisaged that as a result of Brexit and the pandemic that competition for international students will be fierce. We increased our fee by £500 last year to £7,500. As the fees generated by international students is a very small proportion of our overall fee income we propose no increase in fee.

## **6. Conclusion**

In the current environment where the economy is challenging it was felt appropriate to focus our efforts on accessing the various initiatives that are available to support training and reskilling as opposed to increasing fees.

**Author:** Leann Crichton, Head of Administrative Operations  
**Executive Sponsor:** Jaki Carnegie, Vice Principal – Corporate Services

	<b><u>2021/22</u></b>	<b><u>NOTES</u></b>
<b>1 EU &amp; Rest of UK (RUK) Students</b>		
<b>1.1 Full-time (including ESOL)</b>		
Advanced (Degree Equivalent)	£1,820	Eligible students will be entitled to have tuition fees paid by SAAS.
Advanced (Higher National or Equivalent)	£1,285	
Non-Advanced (inclusive of Assessment/Examination Fees)	£1,008	Eligibility for full-time Fee Waiver will be routinely determined via the Application and Registration process.
<b>1.2 Part-time – Traditional (Core)</b>		
HNC/D programmes	£740	This charge will be per academic session for programmes studied over 2 years.
PDA Programmes Up to 3 credits	£250 - £420	Each programme costed individually, variances are on teaching materials required.
4 – 6 credits	£450 - £700	
Over 6 credits	£750 - £1,200	
Higher & National 4/5 programmes	£480	Fee per course inclusive of SQA costs.
All other core part-time programmes – Single credit model.	£140	Students charged for the number of credits they are undertaking.
Per student hour	£3.50	Inclusive of assessment but subject to examination/presentation costs.
<b>1.3 Part-time – Commercial</b>		
Commercial PDA – fee per unit.	£600	Per costing policy. Additional assessment may incur charges.
Commercial Training Hourly Rate (including VQs, MAs & Lets)	£75	
<b>1.4 Re-Assessment Charges</b>		
Fee per Single Credit	£50 £3.50 p/h	Appropriate external charges/fees including Additional Assessment (AAA) may be added if applicable

	<u>2021/22</u>	<u>NOTES</u>
<b>1.5 No Recognised Qualification Programmes</b>		
SFC credit funded courses to be costed at hourly rate <u>plus</u> the full cost of any course materials.	£3.50 p/h	
Non SFC credit funded courses to be costed at hourly rate plus the full cost of any course materials.	£7.00 p/h	
<b>1.6 Overseas Students (Non EU)</b>		
Full-time programmes	£7,000	
All other programmes – per single credit	£700	

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Procurement –**

**21.1 Annual Report**

**PAPER S**

**21.2 Procurement Strategy**

**PAPER T**



# **Annual Procurement Report**

**2019-2020**

# Dundee & Angus College – Annual Procurement Report (APR) 2019/2020

## Executive Summary

The Procurement Reform (Scotland) Act 2014 (PRA) requires any public organisation which has an estimated annual regulated<sup>1</sup> spend of £5 million or more to develop a Procurement Strategy and then review it annually. Organisations required to publish a procurement strategy are also required to publish an Annual Procurement Report (APR).

This report covers the period of August 2019 to July 2020 and addresses performance and achievements in delivering the objectives laid out in the organisational [Procurement Strategy](#) for Dundee & Angus College.

The development of the procurement strategy was the outcome of consultation and discussion with internal and external stakeholders who have an interest in the College's approach to procurement and its impact. Stakeholder engagement also features in the annual assessments of the achievement of regulatory compliance, strategic objectives, value for money and delivery against the College's broader aims and objectives, in line with Scotland's National Outcomes. This process of review and reporting informs any adjustments to the procurement strategy deemed necessary to secure future performance improvements and to respond to the economic, political and financial influences to which the College may need to adjust.

Dundee & Angus College undertook the following procurement exercises during the reporting period:

- EU regulated procurements<sup>2</sup>. There was one such procurement completed during this year: a works contract for the redevelopment of the Kingsway campus tower block, with a value of £4.4m.
- Lower value, PRA-regulated procurements<sup>3</sup> amounted to £1.75 million. There were 10 such procurements completed.

More detailed information on the regulated procurements is provided in Appendix 1 of this report.

Dundee & Angus College has analysed its expenditure with third parties and has identified that over the year the following expenditure has occurred:

Dundee & Angus College has 710 active suppliers with whom the College did business in the reporting period and the total procurement expenditure was £6.9m: this included £4.8m of regulated expenditure (recorded on the Contracts Register) and £2.3m of non-regulated. This latter figure consists of low value, low risk purchases (including one-offs) which do not reach the regulated contract threshold.

The College has been optimising its use of national, sectoral, local or regional collaborative contracts and frameworks. As well as bringing leverage-based savings, the burdens of risk, contract and supplier management are shared and the number of resource-intensive formal local tenders that need to take place is reduced significantly. 33% of the College's procurement influenceable spend went through collaborative agreements.

47% of the College's Core Trade spend was with SMEs who constitute 69% of the total number of active suppliers. 2 SMEs featured in the award of PRA regulated procurements. This demonstrates the College's commitment to supporting SME's in its procurement activity and maximising social benefit.

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<sup>1</sup>'Regulated' procurements are those with an estimated value equal to or greater than £50k (≥ £12,500 per annum over a four-year contract period excluding VAT) for goods & services (or £2,000,000 excluding VAT for a public works contract).

<sup>2</sup> Goods and services worth more than £189,330, and works worth more than £4,733,252 (from 01/01/2020).

<sup>3</sup> Goods and services worth more than £50,000, works worth more than £2 million

This report comprises six sections which address mandatory reporting requirements.

- Section 1: Summary of Regulated Procurements Completed
- Section 2: Review of Regulated Procurement Compliance
- Section 3: Community Benefit Summary
- Section 4: Supported Businesses Summary
- Section 5: Future Regulated Procurements Summary
- Section 6: Sustainability

Date Report Approved: 8 December 2020

By name of authorising body: Finance and Property Committee

Signed responsible officer:

A handwritten signature in black ink, appearing to read 'C. Camacho', is written over a horizontal line.

Position: Vice Principal, Corporate Services

## **Section 1: Summary of Regulated Procurements Completed**

Dundee & Angus College strongly believes in conducting its procurements in an open and inclusive manner with procurement objectives aligned to the College's Strategic Plan.

The details of regulated procurements completed are set out in a list at the end of this report with details summarised in Appendix 1. That information, coupled with the publication of the institutional [Contracts Register](#) and the systematic use of [Public Contracts Scotland](#) (including use of PCS "Quick Quotes"), provides visibility of the College's procurement activity over the reporting period.

## **Section 2: Review of Regulated Procurement Compliance**

Where appropriate, Dundee & Angus College has made use of collaborative contracts to deliver improved contract terms, supported contract and supplier management, sustainable procurement outcomes and value for money (the best balance of cost, quality and sustainability).

In making its regulated procurements every care has been taken to ensure that the College awards the business to suppliers who are capable, reliable and who can demonstrate that they meet high ethical standards and values in the conduct of their business.

In the period covered by this report the College has conducted all its regulated procurements in compliance with EU Treaty Principles of equal treatment, non-discrimination, transparency, proportionality and mutual recognition.

Successful delivery against the procurement strategy objectives is part of a customer valued, continual improvement process (CIP) that seeks incremental improvements to process and outcomes over time.

The College's continual improvement process is linked to the Scottish Government's Procurement and Commercial Improvement Programme (PCIP), through which the College is periodically assessed. It provides valuable benchmarking information from which necessary improvements can be identified, consulted upon, planned and implemented.

Prior to this reporting period, the most recent PCIP assessment was undertaken in January 2018 when the College scored in the Bronze band. Work was undertaken during this reporting period to target a Silver grading at the next PCIP assessment, which took place in November 2019. Significant progress has been made with the College moving into the Silver performance band with a score of 67%.

The following table identifies the procurement aims, which were established within the procurement strategy in 2016 and progress towards achievement of those aims.

Procurement Aims and Focus	Annual Report Commentary on strategy delivery/compliance
<p>To sustain and further develop partnerships within the sector, with other publicly funded bodies, with professional bodies and appropriately with supply markets that will yield intelligence, innovation and deliver value to users of procurement services.</p>	<p>The engagement with internal and external stakeholders and suppliers provides valuable feedback which informs the College of possible necessary adjustments and improvements to strategy and process. Bi-annual internal stakeholder surveys have provided the opportunity to review engagement and focus on areas where impact is greatest.</p> <p>For each procurement, the College considers the community affected by the resultant contract and ensures that any affected organisations/persons are consulted (e.g. impact on service for students, or a local contract that could be combined with other similar institutions' needs). Such consultation will always be on a scale and approach relevant to the procurement in question.</p> <p>Dundee &amp; Angus College contributes to sector contracting plans and has coordinated procurement efforts on a regional basis with Dundee City Council, Angus Council, Perth &amp; Kinross Council, Tayside Contracts, Tayside Procurement Consortium and Abertay University to deliver local collaborative contracts.</p> <p>In addition, staff from the College attended the Tay Cities Meet the Buyer Event in February 2020 with a view to developing relationships with other public sector bodies.</p> <p>The Tayside Regional Procurement team, comprising Dundee &amp; Angus College and Abertay University, whilst in relative infancy, is using a collaborative approach and identifying opportunities for collaboration e.g. joint tendering activity, sharing best practice, and synergy in process and supplier management.</p> <p>The College actively engages with other bodies through HE and FE specific events and Scottish public-sector events.</p>
<p>To work with internal academic budget holders, professional support service colleagues and suppliers to deliver innovation and best value to the learning and service support communities through the development of an effective and co-ordinated purchasing effort within the College.</p>	<p>Procurement/contract strategies are developed and agreed through consultation with key stakeholders, end users and suppliers. This intelligence gathering approach is also used to improve skills and competencies in securing the most appropriate procurement routes to market that yield best value outcomes consistent with the guidelines set out in the <a href="#">Scottish Procurement Journey</a>. Where appropriate, contracts with an anticipated value in excess of £25,000 will have a specific contract</p>

Procurement Aims and Focus	Annual Report Commentary on strategy delivery/compliance
	<p>strategy covering spend analysis, market research, available frameworks as well as a recommendation on route to market, proposed evaluation criteria, expected outcomes and benefits and the identification of risk and actions to be taken in mitigation.</p> <p>Procurement activities follow the guidelines set out in the Procurement Journey. This helps to manage the expectations of stakeholders, customers and suppliers alike and facilitates best practice and consistency with what other organisations do across the Scottish public sector.</p> <p>For every procurement over £4m, the College will consider how it can improve the economic social or environmental wellbeing of its area through inclusion of community benefit clauses. Where possible and proportionate, such clauses may be included in procurements below £4m.</p> <p>Care is taken to ensure that procurement operations support the strategic objectives detailed in the College's Regional Outcome Agreement.</p>
To promote the delivery of value for money through good procurement practice and optimal use of procurement collaboration opportunities.	<p>The best balance of cost, quality and sustainability is consistently used to assess value for money delivered and to identify sensible aggregation opportunities through collaborative contracting.</p> <p>How goods, services and works are bought - joint purchasing, use of local, regional and national framework agreements, consolidated contracting – is subject to regular review with APUC and, through user consultation, sensible aggregation opportunities are exploited, category and commodity strategies are developed, recorded, signed off and processed.</p>

Procurement Aims and Focus	Annual Report Commentary on strategy delivery/compliance
<p>To seek out professional development opportunities to enrich and enhance experience and capability of procurement practitioners and to work with the supply chains to ensure continued value, managed performance and minimal risk throughout the life of contracts for the benefit of customers and students.</p>	<p>The defined procurement process is managed through a professional procurement team with access to competency-based training, skills development programmes and career development opportunities.</p> <p>Devolved procurement competencies are assessed across the College to secure optimum value delivery while managing supply side risks and opportunities.</p> <p>An online Introduction to Procurement module has been developed to support College staff at all levels to understand the legislative background and to enhance their knowledge of business processes and internal governance protocols.</p> <p>Post procurement reviews are carried out to check that tendering outcomes are delivering against business case objectives. These are in turn consolidated by contract and supplier management routines based on value and risk to monitor performance and introduce any improvements required.</p>
<p>To develop sound and useful procurement management information to measure and improve procurement and supplier performance in support of corporate planning conducted through fair and transparent process.</p>	<p>Internal governance procedures, policies, tools such as e-enabled workflow enhancements are introduced to effect improvements to procurement process and efficiency.</p> <p>Full use is made of expenditure segmentation analysis and data located on Hunter (including Contracts Registers) and Procurement Data Dashboard.</p> <p>Where relevant, use is made of appropriate standards and labels in procurements to take account of fair and ethical trading considerations with due consideration given to equivalent tender offerings from suppliers.</p> <p>Use is made of Public Contracts Scotland to publish procurement opportunities; appropriate use is made of lotting, output based specifications and clear evaluation criteria to ensure that procurements are accessible to as many bidders (including SMEs) as possible.</p>
<p>To embed sound ethical, social and environmental policies within the College's procurement function and to comply with relevant Scottish, UK and EC legislation in performance of the sustainable procurement duty.</p>	<p>Procedures are in place to ensure that consideration of environmental, social and economic issues and benefits is made, where appropriate, on a contract-by-contract basis during the planning stage utilising tools including Prioritisation, Flexible Framework, APUC's Supply Chain Code of Conduct, and Supply Chain Management Programme.</p>

Procurement Aims and Focus	Annual Report Commentary on strategy delivery/compliance
	<p>Procedures are also in place to ensure that regulated procurements are only awarded to businesses that are capable, reliable and, where relevant, meet high ethical standards and values in the conduct of their business. The College is committed to contracting only with suppliers that comply with all appropriate and relevant legislation. Where appropriate, and on a contract by contract basis, the College will assess the legislation applicable to a procurement and take steps to ensure bidders comply with it e.g. Health and Safety, Environmental and Late Payment legislation.</p> <p>Where relevant and proportionate the Living Wage and fair work practices of suppliers are promoted in tender documentation</p> <p>Dundee &amp; Angus College is proud of its accreditation as a Living Wage employer and fully complies with its duties under the Modern Slavery Act.</p> <p>Details of its Modern Slavery policy are available on the <a href="#">College website</a>.</p>

The commentary identified above shows that excellent progress has been made towards achievement of the procurement aims.

Dundee & Angus College has procurement process and sign off arrangements that are consistent with the guidelines set out in the Procurement Journey. These are detailed within the Schedule of Delegated Authority which has been approved by the Finance and Property Committee of the College's Board of Management.

### Section 3: Community Benefit Summary

For every procurement over £4m, Dundee & Angus College will consider how it can improve the economic, social or environmental wellbeing of its area through inclusion of community benefit clauses, to assist with achieving sustainability in contracts activity, including targeted recruitment and training, small business and social enterprise development and community engagement. Where possible, relevant and proportionate, and where they are considered not to have a negative impact on the delivery of value for money, such clauses may be included in regulated procurements valued at below £4m.

The general College policy on identifying community benefit requirements is to conduct risk and opportunities assessments through stakeholder consultation and engagement – on a case-by-case basis the question is asked, 'could a community benefit clause be usefully included'? Where relevant and proportionate, the requirement is then built into the procurement specification and into the eventual conditions of contract performance.

Where applicable, as part of the tendering process, suppliers are invited to describe their approach to delivering community benefits or achieving social value through a contract. Relevant community benefits are cited such as:

- providing 'upskilling' opportunities (e.g. Toolbox talks) with students and staff,

- offering advice and assistance on the best practice methodology,
- employment, student work experience and vocational training opportunities,
- apprenticeships,
- local subcontractor opportunities available to SMEs, 3rd sector and supported businesses,
- direct involvement in community based schemes or programmes,
- equality and diversity initiatives,
- supply-chain development activity,
- educational support initiatives,
- to minimise negative environmental impacts, for example impacts associated with vehicle movements and/or associated emissions and impacts on protected areas, buildings or sites.

Tenderers are invited to describe how such benefits will be successfully delivered through the contract and promoted to contract users. Where community benefits are included in a procurement (at or above the £4 million threshold), the award notice would include a statement of the benefits that are expected to be derived from the contract.

Dundee & Angus College has awarded 11 regulated procurement contracts over the reporting period. including one which was over £4 million in value and so had community benefit requirements. These included apprenticeships, work experience, and talks to student classes.

#### **Section 4: Supported Business**

Higher value procurements, regulated procurements (between £50k and OJEU threshold and those equal to and above the OJEU thresholds) are conducted in line with [Routes 2 and 3 respectively of the Procurement Journey](#). Both Routes 2 and 3 mandate the use of the European Single Procurement Document (ESPD (Scotland)). The ESPD covers exclusion, selection and award criteria and includes questions relating to companies self-certifying themselves in terms of size (micro, small or medium), or whether they are supported businesses. [see Glossary of Terms for definitions]

The College reviews each procurement to determine whether it could be fulfilled by a Supported Business, whilst remaining compliant with EU and Scottish Procurement Legislation and ensuring value for money (using the only Supported Business register currently available and published by Ready for Business).

The College did not reserve any contracts for supported businesses in this period, and no contracts have been placed with supported businesses through the standard open tendering route during the reporting period. Discussions took place with 2 supported businesses in relation to future contracting opportunities for the supply of furniture and signage, but these have not yet resulted in any contracts being awarded.

In addition, the College has an ongoing, relatively low value contract (below the threshold for inclusion within this report) in place with Hey Girls!, a certified social enterprise offering 'buy one give one free' sanitary products to address period poverty.

## **Section 5 – Future Regulated Procurements**

The College is keen to encourage competition by promoting optimal participation in its procurement process and achieve better value for money in its procurements. One method of achieving this is to give notice to suppliers of tendering opportunities that are expected to commence over the next two financial years after the period covered by this report.

In preparing this forward projection of anticipated regulated procurements, it is difficult to be precise about providing details of actual requirements. Over a forecast period of two years it is very probable that circumstances and priorities will change so the list of projected individual regulated procurement exercises outlined in Appendix 4 should be viewed with this caveat in mind.

## **Section 6 – Sustainability**

Dundee & Angus College has a very strong commitment towards sustainability and where relevant and proportionate, sustainability criteria are evaluated in procurement exercises for both regulated and non-regulated contracts.

## Appendix 1: List of Regulated Procurements (Compliant and Non-Compliant) Completed in the Reporting Period 8/19 – 7/20

### Compliant

Category Subject	Supplier name	Date of Award	Owner: Cat A/B or C?	Start Date	End Date	Value over contract period (excl. VAT)	SME status	Supported Business
Fresh Bakery Produce	D. McGhee & Sons	23/08/2019	APUC B	07/09/2019	06/09/2022	£60,000	Yes	No
Supply of Audio-Visual equipment	GV Multi-Media Ltd.	23/09/2019	APUC B	30/09/2019	29/09/2021	£150,000	No	No
Fresh Dairy Produce	Grahams Dairy	07/09/2019	APUC B	25/10/2019	24/10/2021	£56,000	Yes	No
Fixed Line Telephony	Gamma Telecom Ltd	16/09/2019	Scottish Government B	01/11/2019	31/10/2021	£60,000	No	No
Microsoft Campus Licence	Softcat	29/11/2019	Scottish Government B	01/12/2019	30/11/2023	£143,022	No	No
Student Hospitality Kits	Russems	28/02/2020	D & A College C	01/03/2020	28/02/2023	£150,000	Yes	No
Natural Gas	Total Gas	01/04/2020	Scottish Government A	01/04/2020	31/03/2023	£480,000	No	No
Water & Waste Water Services	Business Stream	31/03/2020	Scottish Government A	01/04/2020	31/03/2023	£345,000	No	No
HR/Payroll System	MHR International UK Ltd	03/06/2020	APUC B	10/06/2020	08/06/2025	£177,472	No	No
Student Information Management System	Capita Business Services Ltd	27/07/2020	APUC B	01/08/2020	31/07/2025	£279,710	No	No

## **Non-Compliant**

There were no non-compliant regulated contracts completed in this period.

## **Appendix 2 – List of Regulated Procurements with Community Benefit Requirements Fulfilled**

Redevelopment of Kingsway Campus Tower Block: £4.5m

Community Benefits:

- Apprenticeship
- Work experience
- Talks to classes
- Use of local labour and suppliers

### **Appendix 3 – List of Regulated Procurements placed with Supported Businesses**

None placed during the reporting period although there has been engagement with 2 supported businesses in relation to future contracting opportunities.

In addition, there is an existing contract in place with Hey Girls CIC, the 'Buy One Give One' sanitary product social enterprise in support of the Period Poverty agenda. However, the overall value of this is only about £19k, below the regulated contract threshold..

## Appendix 4 – List of Regulated Procurements planned to commence in next two F/Ys 20/21 & 21/22

All contracting activity is subject to available budget and may be subject to change should additional funding become available.

*\*\* In cases where it is intended that the contract will be let as a call-off contract under a framework, the “expected contract notice publication date” is not applicable.*

Category Subject	Owner: Cat A/B/C or C1?	New or re-let procurement	Expected contract notice publication date**	Expected Date of Award	Expected Start Date	Expected End Date	Estimated Value over contract period
Student Hair and Beauty Kits	APUC C	Re-let	N/A – via framework	01/02/2021	01/03/2021	28/02/2023	£250,000
Timber and Associated Products	D & A College C	New	08/01/2021	26/02/2021	01/04/2021	31/03/2024	£130,000
Waste Management	Tayside Procurement Consortium C1	Re-let	N/A – via framework	01/03/2021	01/04/2021	31/03/2024	£375,000
General Stationery and Office Paper	Scottish Government B	Re-let	N/A – via framework	01/03/2021	01/04/2021	31/03/2024	£200,000
Virtual desktop Licence	Scottish Government C	Re-let	N/A – via framework	15/04/2021	01/05/2021	30/04/2024	£396,000
Backup Software	Scottish Government B	Re-let	N/A – via framework	28/05/2021	29/06/2021	28/06/2025	£140,000
Taxi Services and Private Transfers	D & A College C1	Re-let	February 2021	30/06/2021	07/07/2021	06/07/2023	£350,000
Non-life Insurance	APUC B	Re-let	N/A – via framework	15/07/2021	01/08/2021	31/07/2024	£296,000
Adobe Creative Cloud Licence	SUPC C	Re-let	N/A – via framework	30/07/2021	14/08/2021	13/08/2025	£100,000
Desktop Client Devices (PCs)	Scottish Government C	Re-let	N/A – via framework	07/08/2021	16/08/2021	15/06/2025	£500,000
Mobile Client Devices (Laptops)	Scottish Government C	Re-let	N/A – via framework	07/08/2021	16/08/2021	15/06/2025	£500,000
Audio Visual Equipment (Supply only)	APUC C	Re-let	N/A – via framework	26/09/2021	01/10/2021	30/09/2023	£150,000
Solidfire Software Support	D & A College B	Re-let	N/A – via framework	01/04/2022	01/05/2022	30/04/2027	£130,000
Solidfire Hardware Support	D & A College B	Re-let	N/A – via framework	01/04/2022	01/05/2022	30/04/2027	£247,000
SUN Finance System Licence Maintenance	D & A College B	Re-let	April 2022	June 2022	01/07/2022	30/06/2027	£100,000

<b>Category Subject</b>	<b>Owner: Cat A/B/C or C1?</b>	<b>New or re-let procurement</b>	<b>Expected contract notice publication date**</b>	<b>Expected Date of Award</b>	<b>Expected Start Date</b>	<b>Expected End Date</b>	<b>Estimated Value over contract period</b>
Travel Services	SUPC B	Re-let	N/A – via framework	June 2022	24/06/2022	23/06/2025	£180,000

<b>1.</b>	<b>Organisation and Report Details</b>	
a)	Contracting Authority	Dundee & Angus College
b)	Period of the annual procurement report	1 August 2019-31 July 2020
c)	Required by s18 Procurement Reform (Scotland) Act 2014 to prepare an annual procurement report?	Yes
<b>2.</b>	<b>Summary of Regulated Procurements Completed</b>	
a)	Total number of regulated contracts awarded within the report period	11
b)	Total value of regulated contracts awarded within the report period	£6,149,471
c)	Total number of unique suppliers awarded a place on a regulated contract awarded during the period	11
	i. How many of these unique suppliers are SMEs	2
	ii. How many of these unique suppliers are Third Sector bodies	0
<b>3.</b>	<b>Review of Regulated Procurements Compliance</b>	
a)	Number of regulated contracts awarded within the period that complied with your Procurement Strategy	11
b)	Number of regulated contracts awarded within the period that did not comply with your Procurement Strategy	0
<b>4.</b>	<b>Community Benefit Requirements Summary</b>	
	<b>Use of Community Benefit Requirements in Procurement</b>	
a)	Total number of regulated contracts awarded with a value of £4 million or greater.	1
b)	Total number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements.	1
c)	Total number of regulated contracts awarded with a value of less than £4 million that contain Community Benefit Requirements.	0
	<b>Key Contract Information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during the period:</b>	
d)	Number of jobs filled by priority groups	0
e)	Number of apprenticeships filled by priority groups	1
f)	Number of work placements for priority groups	1
g)	Number of qualifications achieved through training by priority groups	0

h)	Total value of contracts sub-contracted by SMEs	Not reported by contractor
i)	Total value of contracts sub-contracted to Social Enterprises	Not reported by contractor
j)	Total value of contracts sub-contracted to Supported Businesses	Not reported by contractor
k)	Other community benefit(s) fulfilled	2
<b>5.</b>	<b>Fair Work and the Real Living Wage</b>	
a)	Number of regulated contracts awarded during the period that have included a scored Fair Work criterion.	0
b)	Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract during this period.	0
c)	Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract awarded during the period.	1
d)	Number of unique suppliers who have signed up to the Scottish Business Pledge and were awarded a regulated contract awarded during the period.	0
<b>6.</b>	<b>Payment Performance</b>	
a)	Number of valid invoices during the reporting period.	11,168
b)	Percentage of invoices paid on time during the period.	99%
c)	Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains.	0
d)	Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	0
<b>7.</b>	<b>Supported Businesses Summary</b>	
a)	Total number of regulated contracts awarded to supported businesses during the period.	0
b)	Total spend with supported businesses during the period covered by the report, including:	
	i. Spend within the reporting year on regulated contracts.	£0
	ii. Spend within the reporting year on non-regulated contracts.	£6,377
<b>8.</b>	<b>Spend and Savings Summary</b>	
a)	Total procurement spend for the period covered by the annual procurement report.	£8,781,935
b)	Total procurement spend with SMEs during the period covered by the annual procurement report.	£3,230,453

c)	Total procurement spend with Third Sector bodies during the period covered by the report.	£0
d)	Percentage of total procurement spend through collaborative contracts.	44%
e)	Total targeted cash savings for the period covered by the annual procurement report	
	i. targeted cash savings for Cat A contracts	Not recorded
	ii. targeted cash savings for Cat B contracts	Not recorded
	iii. targeted cash savings for Cat C contracts	Not recorded
f)	Total delivered cash savings for the period covered by the annual procurement report	
	i. delivered cash savings for Cat A contracts	£14,046
	ii. delivered cash savings for Cat B contracts	£164,102
	iii. delivered cash savings for Cat C contracts	£0
g)	Total non-cash savings value for the period covered by the annual procurement report	£69,000
<b>9.</b>	<b>Future regulated procurements</b>	
a)	Total number of regulated procurements expected to commence in the next two financial years	16
b)	Total estimated value of regulated procurements expected to commence in the next two financial years	£3,864,180

## Glossary of Terms

### A, B, C and C1 Contracts (Who buys what?)

<b>Category A</b>	Collaborative Contracts available to all public bodies <ul style="list-style-type: none"><li>• Scottish Procurement</li></ul>
<b>Category B</b>	Collaborative Contracts available to public bodies within a specific sector <ul style="list-style-type: none"><li>• Scottish Procurement</li><li>• APUC</li><li>• Scotland Excel</li><li>• NHS National Procurement</li></ul>
<b>Category C</b>	Local Contracts for use by individual public bodies
<b>Category C1</b>	Local or regional collaborations between public bodies

**APUC's Code of Conduct** - APUC and its client community of colleges and universities is committed to carrying out procurement activities in an environmentally, socially, ethically and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to its vision. To demonstrate this commitment, current and potential suppliers are asked to acknowledge their compliance with the principles of the APUC Supply Chain Code of Conduct with respect to their organisation and their supply chain.

**Category Subject** is a collection of commodities or services sourced from the same or similar supply base, which meet a similar consumer need, or which are inter-related or substitutable.

**Community Benefits** are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social- economic and or environmental. Benefits. Community Benefits clauses are requirements which deliver wider benefits in addition to the core purpose of a contract. These clauses can be used to build a range of economic, social or environmental conditions into the delivery of contracts.

**Contracts Registers** these typically provide details of the procurement exercise to capture key information about the **contract** (the goods and services, values, date started, expiry date, procurement category etc).

**EU regulated procurements** are those whose values require that they are conducted in compliance with the Public Contracts (Scotland) Regulations 2015 and the Procurement Reform (Scotland) Act 2014.

**Flexible Framework** Self-Assessment Tool (FFSAT) enables measurement against various aspects of sustainable procurement.

**Hunter** - Hunter has been developed by the eSolutions team. It is a database solution which uses standard Microsoft packages (Access and SQL Server) enabling organisations to effectively monitor and report on collaborative contracting activities.

As a solution, it is operational within the HE/FE sector in Scotland and is also being utilised by the HE consortia in England and Wales that also provide collaborative contracting services to the sector.

Hunter has a multi-level structure which allows consortia to share collaborative agreements, make them visible to their member organisations, and in turn enabling them to record their own contracts.

**Institutional Dashboard** - is the area within the APUC Buyers Portal being developed by the APUC eSolutions team providing easy access to key management reporting data being recorded centrally through Hunter. The dashboard currently hosts key regulatory procurement information on Contracts Registers, forward contracting plans, expenditure reporting and APR Data. The list of reports is planned to expand to cover savings and PCIP dashboard data.

**Lotting** - the Public Contracts (Scotland) Regulations 2015 encourage the use of lots (regulation 47), to promote competitiveness and to facilitate the involvement of SMEs in the public procurement market, by considering the appropriateness of dividing contracts into lots to smaller contracts

**OJEU thresholds** OJEU is the Official Journal of the European Union, the gazette of record for the European Union. Around 2500 new notices are advertised every week - these include invitations to tender, prior information notices, qualification systems and contract award notices. The European public contracts directive (2014/24/EU) applies to public authorities and the following thresholds will apply to procurement carried out whose value equals or exceeds specific thresholds. The present thresholds are (net of VAT): - for Supply, Services and Design Contracts, £164,176, for Works Contracts £4,104,394. Public contracts (EU) thresholds are revised every 2 years – this is next due on 01/01/2018.

**Output Specification** requirements are set out in terms of what you want to achieve, leaving the tenderers to decide on how they will deliver those requirements. This can lead to innovation by the tenderers. The services detailed in the output specification should be capable of objective assessment so that the performance of the supplier can be accurately monitored.

**Prioritisation** - the Sustainable Public Procurement Prioritisation Tool which is a tool to aid all procuring organisations across the Scottish Public Sector designed to bring a standard structured approach to the assessment of spend categories.

**Procurement Journey** is public procurement toolkit with guidance and templates on the procurement process to facilitate a standardised approach to the market and contract and supplier management.

**Procurement & Commercial Improvement Programme (PCIP)** replaced the previous Procurement Capability Assessment (PCA) and focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver.

**PCS (Public Contracts Scotland)** is the national advertising portal used to advertise all public sector goods, services or works contract opportunities.

**Small and Medium Sized Enterprises (SMEs)** encompass:

- Micro enterprises: enterprises which employ fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed £1.57 million.
- Small enterprises: enterprises which employ fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed £7.86 million.
- Medium enterprises: enterprises which are neither micro nor small, which employ fewer than 250 persons and which have an annual turnover not exceeding £39.28 million, and/or an annual balance sheet total not exceeding £33.78 million.

**Social Enterprises** are revenue-generating businesses with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners.

**Supply Chain** encompasses all activities, resources, products etc. involved in creating and moving a product or service from the supplier to the procurer.

**Supply Chain Management Programme (Sustain)** is the APUC supply chain sustainability web portal, a central hub where sector suppliers can complete and store sustainability compliance data. The portal is the core supply chain sustainability tool supporting HE and FE institutions and their suppliers in delivering a transparent, environmentally positive, ethical and socially responsible supply chain

**Supported business** means an economic operator whose main aim is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of the employees of the economic operator are disabled or disadvantaged persons.

**Sustainable Procurement** A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits, not only for the organisation but also to society, the economy and the environment.

**Third-Party Expenditure** is calculated based upon the total value of invoices paid per annum, excluding VAT, to all suppliers for the purchase of goods and services.

It is defined as including:

- goods – tangible products such as stationery, which are often also known as supplies.
- services – provision of an intangible product such as refuse collection, elderly home care, whether carried out internally or externally.
- works – including construction works and utilities – energy costs.

It excludes employee costs, non-cash expenditure (e.g. depreciation), grants, trust payments and other non-controllable payments to other publicly funded bodies but should include spending on agency staff, capital expenditure and programme spend on commodities and services.



# Procurement Strategy

**To cover period**      **2021 - 2024**

**Approved by**                      **Finance and Property  
Committee**

**Date**

Prepared by:	Procurement Manager	Approved by:	Finance & Property Committee	Revision Date:	26/11/20
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# PROCUREMENT STRATEGY 2021 – 2024



## Foreword by Principal Simon Hewitt

*This Strategy has been designed to ensure legislative compliance with the Procurement Reform (Scotland) Act 2014<sup>1</sup> and other relevant legislation and is aligned with the College's and the Scottish Funding Council's key strategic outcomes as detailed in our Regional Outcome Agreement<sup>2</sup>.*

*The key elements of the procurement legislation:*

- *require us to publish a procurement strategy<sup>3</sup>*
- *require us to maintain a public contracts register on our external website<sup>4</sup>*
- *increase the scope of our regulated procurements<sup>5</sup>*
- *require us to publish an annual procurement report<sup>6</sup>*
- *require us to meet the sustainable procurement duty<sup>7</sup>*

*This Strategy sets us challenging but realistic goals for the development of our procurement activities over the next 4 years, which will be subject to regular and transparent review.*

*The successful implementation of this Strategy can only be achieved by all of us involved in the procurement of goods and services on behalf of the College working in partnership with our Procurement Department and collaboratively with our partners across the wider education and public sector.*

*Working together we can significantly contribute to the future sustainability of the College through the reinvestment of resulting savings and efficiencies from our procurement activities to enhance our students learning experiences and outcomes and meet our aspirations as set out in our College's, Mission, Vision, Values and Ambitions<sup>8</sup>.*

<sup>1</sup> [Procurement Reform \(Scotland\) Act 2014](#)

<sup>2</sup> [Regional College Outcome Agreement](#)

<sup>3</sup> [Procurement Strategy](#)

<sup>4</sup> [Contracts Register](#)

<sup>5</sup> [Regulated contracts](#)

<sup>6</sup> [Annual Procurement Report](#)

<sup>7</sup> [The sustainable procurement duty](#) is a requirement of the Procurement Reform (Scotland) Act 2014

<sup>8</sup> [College Mission, Vision, Values & Ambitions](#)

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# PROCUREMENT STRATEGY 2021 – 2024



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# PROCUREMENT STRATEGY 2021 – 2024



## 1 Formation and approval of our Procurement Strategy

This Strategy has been informed by the Scottish Procurement's statutory guidance<sup>9</sup> under the Procurement Reform (Scotland) Act 2014 with the support of APUC<sup>10</sup>, the procurement centre of expertise for all of Scotland's colleges and universities.

The Strategy was approved by the College's Finance and Property Committee on the 8th of December 2020 and subsequently published on our external facing website.

The Senior Leadership Team will, as a minimum, review this Strategy annually in compliance with the Procurement Reform (Scotland) Act 2014, thus maintaining the alignment of our procurement activity with our broader priorities and allow the College where necessary to revise the Strategy.

See Annex A at the end of this document for a concise summary of the application of the Procurement Reform Act and Public Contracts (Scotland) Regulations 2016 and the key strategic and operational requirements therein.

## 2 Context

This Procurement Strategy provides the framework within which the procurement activities of the College can develop and help support our strategic objectives and outcomes. It can also be understood as a procurement improvements journey based on a clear understanding of where the College is currently, in terms of our procurement practice, and where we want and need to be and how we should get there.

As above, the College is now legally required to have and maintain a procurement strategy as part of the requirements of the Procurement Reform (Scotland) Act 2014, which provides a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice.

The Act focuses on a small number of general duties on contracting authorities regarding their procurement activities and some specific measures aimed at promoting good, transparent and consistent practice in procurement processes detailed in section 6 below.

This Strategy recognises that our procurement practice is based on the Scottish Government's public sector procurement policy<sup>11</sup> which sees procurement as an integral part of policy development and service delivery and is essentially about achieving the best balance of cost, quality and sustainability.

A key element of this Strategy is about moving the balance of procurement effort away from the buying or tendering phase and towards a greater emphasis on the planning and post contract phases of procurement. Included in this is an increasingly greater

<sup>9</sup> [Statutory Guidance under the Procurement Reform \(Scotland\) Act 2014](#)

<sup>10</sup> [APUC \(Advanced Procurement for Universities and Colleges\)](#)

<sup>11</sup> [Scottish Public Sector Procurement Policy](#)

# PROCUREMENT STRATEGY 2021 – 2024



engagement with our stakeholders both internal and external.

## 3 Procurement Mission

Our procurement mission is to support the College's wider vision<sup>12</sup> by enabling and supporting the College community in achieving value for money through continually improving our sustainable procurement practice.

## 4 Procurement Policy

Our Procurement Policy sets out the operational framework of how we conduct procurement and is largely based on the Scottish Government's Procurement Journey<sup>13</sup>. This will facilitate our regulated procurements being conducted in accordance with best practice in a legally compliant manner that is consistent with the rest of the Scottish public sector in achieving value for money for our stakeholders.

Policy is essentially about maintaining the integrity of process and, combined with this, Strategy will set out the College's strategic approach to procurement.

## 5 Strategic Procurement Objectives

Our strategic procurement objectives as defined below form the core of our Procurement Strategy. Each objective is mapped to the five strategic areas defined by the PPRB<sup>14</sup>; Sustainability, Access, Efficiency and collaboration, Savings and benefits and Capability which in turn have been aligned with SFC's Strategic Aims<sup>15</sup> as further detailed in the College's Regional Outcome Agreement, namely:

1. To be a key contributor to the economic growth opportunities created by the Dundee Waterfront, Tay Cities Deal, Michelin Scotland Innovation Parc and other developments. Establishing the College as the main skills partner for major regional economic opportunities, working as an effective partner to deliver a skilled and work ready workforce to support jobs growth in areas such as digital, hospitality, cultural tourism, renewable energy, advanced manufacturing, and care sectors.
2. To deliver a comprehensive, innovative and future focused curriculum that meets learner and economic needs, improves learner attainment and progression, and embeds essential learner attributes in enterprise, career management, digital and metaskills at all levels.
3. Contribute to thriving and resilient regional communities by ensuring seamless access and inclusive learning opportunities and services, irrespective of background, for all members of our community. We will meet national ambitions for Care Experienced and other disadvantaged/under-represented groups and contribute fully to the achievement of the recommendations contained within A Blueprint for Fairness: The Final Report of the Commission on Widening Access.
4. Deliver the outcomes of Developing the Young Workforce – Scotland's Youth Employment

<sup>12</sup> [College's Vision](#)

<sup>13</sup> Scottish Government's Procurement Journey

<sup>14</sup> See "[Transforming Procurement, Accelerating Delivery](#)" pages 5 and 6 - Areas for Further Work: Phase Three "The Public Procurement Reform Agenda: 2014 – 17"

<sup>15</sup> [Dundee and Angus College Outcome Agreements \(AY 2020-21\)](#)

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## PROCUREMENT STRATEGY 2021 – 2024



Strategy, working in close partnership with our local DYW Group, employers, schools and the university sector to deliver streamlined learning and skills opportunities that shorten learner journeys and enhance employment and progression opportunities.

5. Maintain a regional college that is sustainable in all its forms, delivering sound governance, wellbeing, and effective financial management, whilst addressing the challenge of the climate emergency, underpinning the international sustainable development goals, and directing the maximum level of resource towards learners and their learning.
6. Progress our ambitious estates strategy to meet regional curriculum needs and enhance the learning environment through the creation of a regional STEM centre, redevelopment of the Kingsway tower, and investment to meet regional skills needs.

We will achieve the objectives of the PPRB by meeting the following strategic procurement objectives:

- 5.1 To sustain and further develop partnerships within the sector, with other publicly funded bodies, with professional bodies and with supply markets that will yield intelligence, innovation and deliver value to users of procurement services.  
**[Access; Efficiency and collaboration; Savings and benefits]**
- 5.2 To work with internal academic budget holders, professional support service colleagues and suppliers to deliver innovation and best value to the teaching and learning, and service support communities, through the development of an effective and co-ordinated purchasing effort within the College.  
**[Access; Efficiency and collaboration; Savings and benefits]**
- 5.3 To promote the delivery of value for money through good procurement practice and optimal use of procurement collaboration opportunities.  
**[Savings and benefits; Efficiency and collaboration]**
- 5.4 To seek out professional development opportunities to enrich and enhance experience and capability of procurement practitioners, and to work with the supply chains to ensure continued value, managed performance and minimal risk throughout the life of contracts for the benefit of customers and students.  
**[Capability; Savings and benefits]**
- 5.5 To develop sound and useful procurement management information in order to measure and improve procurement and supplier performance in support of corporate planning conducted through a fair and transparent process.  
**[Efficiency and collaboration; Access]**
- 5.6 To embed sound ethical, social and environmental policies within the College's procurement function and to comply with relevant Scottish, UK and EU legislation in performance of the sustainable procurement duty.  
**[Sustainability; Capability]**

The last objective above includes compliance with the Scottish Government's modern slavery provisions and strategy on human trafficking and exploitation. This will be ensured by, amongst other measures, including conditions relating to supply chain labour in tender and contract documents, where appropriate.

These objectives are measured and supported in three ways; through the Procurement

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## PROCUREMENT STRATEGY 2021 – 2024



Action Plan, through our involvement in the Scottish Government's Procurement and Commercial Improvement Programme (PCIP)<sup>16</sup> and through the publication of an Annual Procurement Report (section 7).

### 6 Ensuring compliance with general duties and specific measures of the Procurement Reform (Scotland) Act 2014

#### 6.1 Introduction

As required by the Act, the College must comply with a small number of general duties and some specific measures which will be embedded in Procurement Policy or in our Action Plan. For clarity and to ensure full compliance with the Act these are stated below.

#### 6.2 Contribute to the carrying out our function and the achievement of our purposes

The College will analyse its third party expenditure, identify 'EU regulated procurements' [Goods and Services currently worth more than £189,330 and Works worth more than £4,733,252 (OJEU Thresholds that apply to the College as an "other public sector contracting authority")]<sup>17</sup> and 'lower value regulated procurements' [Goods and Services worth more than £50,000 and Works worth more than £2 million (Procurement Reform Act 2014)]<sup>18</sup>.

In addition, the College will sort regulated procurements into procurement categories and give consideration to appropriate and effective consultation that aligns individual procurement strategies with the College's own aims and objectives, and in turn their contribution to the National Outcomes as detailed in the College's Regional Outcome Agreement.

Finally, the College will consider, where appropriate, the effective use of contract and supplier management to monitor and further improve the regulated procurement contract outcomes.

#### 6.3 Deliver value for money

Value for money as defined by the Scottish Model of Procurement is not just about cost and quality, but about the best balance of cost, quality and sustainability.

The College through its Procurement Policy and practice will seek to consistently apply the above principle albeit the balance of cost, quality and sustainability will vary for a regulated procurement depending on the particular commodity, category and market.

The College will consider the use of whole-life costing of what is being procured, where appropriate, and when applying the above principle of value for money, ensure that it does so in a clear, transparent and proportionate manner; in line with the Treaty on the Functioning of the European Union of equal treatment, non-discrimination, transparency, proportionality and mutual recognition and in

<sup>16</sup> [PCIP](#) focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver. PCIP replaced the previous Procurement Capability Assessment (PCA) in 2015.

<sup>17</sup> EU Thresholds subject to review every two years – current thresholds valid from 1<sup>st</sup> January 2020

<sup>18</sup> Scottish lower value regulated threshold subject to periodic review by the Scottish Government

## PROCUREMENT STRATEGY 2021 – 2024



complying with the general duties<sup>19</sup> of the Act as well as the sustainable procurement duty – see 6.6 below

### 6.4 Treating relevant economic operators equally and without discrimination

The College will conduct all of its regulated procurements in compliance with the principles of the Treaty on the Functioning of the European Union<sup>20</sup> and will consider early engagement with the supply market where relevant prior to the publication of a contract notice.

All regulated procurements will be posted on free to access portals such as Public Contracts Scotland<sup>21</sup> (PCS) and Public Contracts Scotland-Tender<sup>22</sup> (PCS-T), and shall strive to ensure the appropriate use of separate lots with straightforward output based specifications and clear evaluation criteria to ensure the procurement is accessible to as many bidders as possible.

### 6.5 Acting in a transparent and proportionate manner

The College will ensure it engages widely with its local supply market on an ongoing basis and though the College's Procurement Policy will mandate the use of clear and precise language in its specifications and ensure contracts are awarded using appropriate quality, risk and sustainability factors as well as cost according to declared score weightings specific to each contract.

The College will actively take steps to make it easier for smaller and local businesses to bid for contracts through the use of Public Contracts Scotland and Quick Quotes, the provision of training and/or the provision of information on third party training opportunities<sup>23</sup> to build suppliers capacity to better navigate the public tender process and by publishing a contracts register to highlight contracts that local suppliers may be interested in bidding for.

### 6.6 The Sustainable Procurement Duty

In compliance with the Act the College will give consideration to the environmental, social and economic issues relating to all regulated procurements and how benefits can be accrued, on a contract-by-contract basis by taking proportionate actions to involve SME's, third sector bodies and supported businesses in our procurement activities, and in so doing benefit not only the College but the wider Tayside region.

To support compliance with this duty, the College will endeavour to make use of available tools and systems<sup>24</sup> where relevant and proportionate to the scope of the procurement, such as the Scottish Public Procurement Prioritisation Tool, the Sustainability Test, Life Cycle Impact Mapping, the Scottish Flexible Framework as well as APUC's Sustain Supply Chain Code of Conduct<sup>25</sup>.

### 6.7 Policy on the use of community benefits

<sup>19</sup> [Section 8 Procurement Reform \(Scotland\) Act 2014](#)

<sup>20</sup> Principles deriving from the treaty on the functioning of the European Union

<sup>21</sup> [Public Contracts Scotland](#)

<sup>22</sup> [Public Contracts Scotland - Tender](#)

<sup>23</sup> [Supplier Development Programme](#)

<sup>24</sup> [Sustainable Procurement Processes \(section 3.4.1 Statutory Guidance](#)

<sup>25</sup> [APUC Supply Chain Code of Conduct](#)

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## PROCUREMENT STRATEGY 2021 – 2024



The College will consider for each of its procurements over £4m<sup>26</sup> how it can improve the economic, social or environmental wellbeing of the Tayside region through the inclusion of community benefit clauses<sup>27</sup> aligned with the College's own strategic outcomes as well as a number of the Scottish Government's National Outcomes<sup>28</sup>, specifically those for education ("We are well educated, skilled and able to contribute to society", the economy ("We have a globally competitive, entrepreneurial, inclusive and sustainable economy", Fair Work and Business ("We have thriving and innovative businesses, with quality jobs and fair work for everyone" and the environment ("We value, enjoy, protect and enhance our environment").

Examples of the scope of community benefits clauses will include the delivery of training opportunities or subcontracting opportunities within Tayside relevant and proportionate to the particular procurement. The College will strive to engage with internal stakeholders including students where relevant as well as engage with the local and wider supplier community to ensure suppliers understand the use of community benefits and how to respond where they are included. Where possible and proportionate, such clauses may also be included in procurements below £4m.

### 6.8 Consulting and engaging with those affected by its procurements

The College will take note of available good practice/principles of engagement, including those detailed in the National Standards for Community Engagement<sup>29</sup>, as well as ensuring procurement staff have, or will be developed to have, the relevant communication and engagement skills. The College will consider each procurement, the community affected by the resultant contract, and ensure any affected organisations/persons are consulted (e.g. impact on service for students, or a local contract that could be combined with other similar institution's needs). Such consultation will always be on a scale and approach relevant to the procurement in question. All of the above will be embedded in the College's procurement practice.

### 6.9 The living wage

The College recognises the value of a well-motivated and dedicated workforce both in its own organisation and in those of its suppliers. In compliance with the Act the College will consider, before undertaking a procurement, whether it is relevant and proportionate to include a question on fair work practices along with other relevant criteria, whilst ensuring the appropriate balance between quality and cost of the contract, paying regard to the statutory guidance<sup>30</sup> including the application of the Scottish living wage.<sup>31</sup>

### 6.10 Promoting compliance with the Health and Safety at Work Act 1974

The College is committed to contracting only with suppliers that comply with all

<sup>26</sup> [Section 25\(1\) community benefit requirements in major contracts](#)

<sup>27</sup> [Community Benefit Clauses](#)

<sup>28</sup> [National Outcomes](#)

<sup>29</sup> [National Standards for Community Engagement](#)

<sup>30</sup> [Statutory Guidance on the Selection of Tenderers and Award of Contracts - Addressing Fair Work Practices, including the Living Wage, in Procurement](#)

<sup>31</sup> [Scottish Living Wage](#)

## PROCUREMENT STRATEGY 2021 – 2024



appropriate and relevant legislation, including Health and Safety legislation.

Where appropriate, and on a contract by contract basis, the institution will assess the legislation applicable to a procurement and take steps to ensure bidders comply with such legislation. Where proportionate, the College also seek to assess the compliance of subcontractors.

### 6.11 The procurement of fairly and ethically traded goods and services

The College supports the sourcing of goods that are fairly and ethically traded.

Where directly relevant, it shall make use of appropriate standards and labels in its procurements to take account of fair and ethical trading considerations as well as considering equivalent offerings from suppliers that can demonstrate they can meet the specified criteria without necessarily having the specific certification.

### 6.12 The provision of food and improving the health, wellbeing and education of communities in the College's area, and the promotion of the highest standards of animal welfare

The College will find practical ways to supply healthy, fresh, seasonal, and sustainably grown food which represents value for money whilst improving the health, wellbeing and education of our teaching and learning communities, coupled with promoting the highest standards of animal welfare.

The College will work to put in place affordable contracts, which meet the nutritional requirements for food for all users of our catering services and will use available good practice and guidance such as "Catering for Change – Buying food sustainably in the public sector"<sup>32</sup>

### 6.13 Payment terms

The College recognises the importance of paying suppliers promptly once a service has been performed or goods delivered and that late payment is particularly detrimental to SMEs, third sector bodies and supported businesses. The College will comply with the Late Payment legislation<sup>33</sup> and will review on a contract by contract basis whether such obligations should be enforced and monitored further down its supply chain.

## 7 Annual Procurement Report

### 7.1 Statutory Requirement

In accordance with the Procurement Reform (Scotland) Act 2014 the College will publish an Annual Procurement Report as soon as practicable after College's financial year end and will describe, as required by the Act, how it has discharged its obligations under the Act and how it has exercised discretion and judgement as permitted by the public procurement rules to secure strategic objectives in compliance with the Act.

This report will also provide a commentary on the progress of this Strategy.

### 7.2 Contents of our Annual Procurement Report

The Annual Procurement Report in compliance with the Act will contain as a minimum the following:

<sup>32</sup> [Catering for Change – Buying food sustainably in the public sector](#)

<sup>33</sup> [The Late Payment of Commercial Debts \(Scotland\) Regulations 2015](#)

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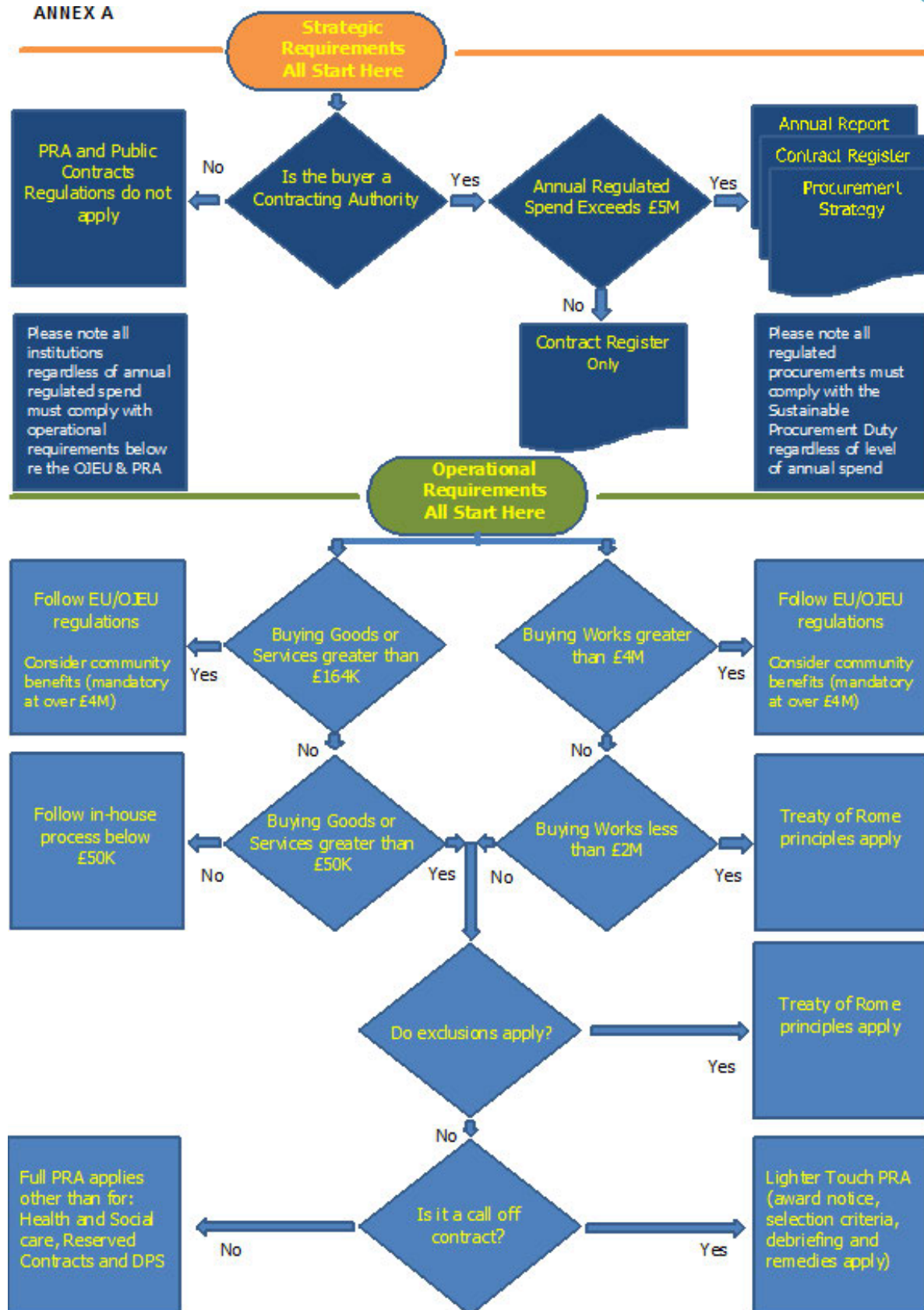


- A summary of the regulated procurements that have been completed during the year covered by the Report
- A review of whether these procurements complied with this Strategy
- To the extent that any regulated procurements did not comply, a statement of how the College intends to ensure that future regulated procurements do comply
- A summary of any community benefit requirements imposed as part of a regulated procurement that were fulfilled during the year of the Report including for example; apprenticeships completed, curriculum support activities, business support activities, support to communities and resource efficiencies achieved in terms of materials, waste or water.
- A summary of any steps taken to facilitate the involvement of supported businesses in regulated procurements during the year covered by the Report
- A summary of the regulated procurements the College expects to commence in the next two financial years
- Such other information as the Scottish Ministers may by order specify, and where applicable demonstrate compliance with other legislation placing specific requirements on the College with respect to its procurement activities. The College will also consider including:
  - What it has learned from its consultation and engagement with stakeholders and those affected by its procurements, and what it is doing to respond to these views
  - What it is doing to improve its performance and impact, drawing on relevant information – for example spend analysis – and what improvements have been achieved since its last report; and
  - How it is working with other bodies – for example procurement centres of expertise – to maximise effectiveness and efficiency.

The College will seek to publish its annual procurement report in an inclusive way that takes into account equality and accessibility issues and allows stakeholders to form a clear view of the College's performance.

# PROCUREMENT STRATEGY 2021 – 2024

## ANNEX A



**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**Strategic Risk Register Update**

**PAPER U**

# **BOARD OF MANAGEMENT**

## **Finance & Property Committee**

**Tuesday 8 December 2020**

### **Strategic Risk Register Update**

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#### ***Paper for approval***

#### **1. Allocation of Risks to Board Committees**

Following discussion at the Audit and Risk Committee in May 2019, the Board of Management agreed at its meeting in September 2019 that key strategic risks be allocated to each Board Committee for regular review and consideration.

The attached Strategic Risk Register highlights the allocation of risk areas to the Finance and Property Committee.

In identifying these delegated risks, it has been agreed that each Committee consider (and amend/update as appropriate) the key risk areas within their responsibility as a standing item at each future meeting. For this particular Committee the focus will again be on “2.2 Failure to achieve institutional sustainability”.

Proposed changes arising from this consideration will be brought back to the next appropriate meeting of the Audit & Risk Committee for final approval.

In making these changes, it is important to reinforce that the overall responsibility for risk management will remain with the Board of Management, with delegated authority for the implementation and review of this to the Audit & Risk Committee. The further allocation of areas of risk oversight to Board Committees is intended to improve the awareness, oversight and consideration of risk, rather than amend the terms of the Board of Management scheme of delegation.

#### **2. Consideration of Risks to Board Committees**

In making these changes, each Committee has also been asked to consider how it is informed around the areas of key risk and assure itself that the regular reporting and information, updates and opportunities for scrutiny within the operation of the Committee are reasonable and sufficient in respect of this.

#### **3. Review of Risks Allocated to the Committee within the Strategic Risk Register**

Given the current COVID-19 pandemic, an additional temporary COVID-19 Strategic Risk Register has been developed to record any additional risks associated with identified areas of College operation at the current time.

This attached Risk Register highlights the one risk within the remit of the Finance and Property Committee, “2.2 Failure to achieve institutional sustainability”, no changes have been made to this risk since the previous meeting.

#### **4. Approvals**

In respect of the above information approval is sought on the Strategic Risk Register as it relates to the operation of the Committee.

**Author and Executive Sponsor:** Steve Taylor, Vice Principal People and Performance



# STRATEGIC RISK REGISTER

**2020 - 2021**

As at November 2020

<b>Post Holders</b>	ELT	Executive Leadership Team	Prin	Principal	<b>Score</b>	<b>Impact</b>	<b>Likelihood</b>
	SLT	Senior Leadership Team	DirC&A	Directors of Curriculum & Attainment	1	Routine	Remote
	Board	Board of Management	HoICT	Head of ICT	2	Minor	Unlikely
	VPP&P	Vice Principal People & Performance	HoE	Head of Estates	3	Significant	Possible
	VPCS	Vice Principal Corporate Services	Chair	Chair of the Board of Management	4	Major	Probable
	VPCA	Vice Principal Curriculum & Attainment			5	Critical	Very Likely

Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility
<b>2</b>	<b>Financial</b>									
<b>2.1</b> <b>F&amp;P</b>	Change in SFC Funding Methodology and Allocation – Reduction in Funding	3	3	9	<ul style="list-style-type: none"> <li>Negotiation/influence at national level</li> <li>Contingency plans for reduced funding</li> </ul>	2	3	6	<ul style="list-style-type: none"> <li>Advance modelling of new funding methodologies and allocations</li> <li>Monitoring impact of changes</li> <li>Amendment of strategic or operational direction/plans</li> <li>Financial strategy sensitivities</li> </ul>	VPCS
<b>2.2</b> <b>F&amp;P</b>	Failure to achieve institutional sustainability	5	4	20	<ul style="list-style-type: none"> <li>Protection of funding through dialogue with SFC</li> <li>Robust annual budget-setting and multi-year financial strategic planning</li> <li>Effective budgetary control</li> <li>Where required, swift action to implement savings</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Monthly monitoring of budgets</li> <li>Regular review of financial strategy and non-core income sensitivity</li> <li>Detailed monitoring of savings programmes</li> </ul>	VPCS
<b>2.3</b> <b>F&amp;P</b>	National outcomes on salaries and conditions of service outstrip ability to pay	4	4	16	<ul style="list-style-type: none"> <li>Influence within Employers Association</li> <li>Management of staffing expenditures</li> </ul>	4	3	12	<ul style="list-style-type: none"> <li>Expenditure modelling</li> <li>On-going discussions with staff</li> <li>Financial strategy sensitivities</li> <li>Workforce planning</li> </ul>	VPP&P, VPCS

Key to Risk Estimation/Score based on scale of 1 – 5 for impact/likelihood: Green (1-8) = Minor Risk; Amber (9-15) = Significant Risk; Red (16-20) = Major Risk; Purple, (>21 - 25) = Fundamental Risk

<b>Post Holders</b>	ELT	Executive Leadership Team	Prin	Principal	<b>Score</b>	<b>Impact</b>	<b>Likelihood</b>
	SLT	Senior Leadership Team	DirC&A	Directors of Curriculum & Attainment	1	Routine	Remote
	Board	Board of Management	HoICT	Head of ICT	2	Minor	Unlikely
	VPP&P	Vice Principal People & Performance	HoE	Head of Estates	3	Significant	Possible
	VPCS	Vice Principal Corporate Services	Chair	Chair of the Board of Management	4	Major	Probable
	VPCA	Vice Principal Curriculum & Attainment			5	Critical	Very L kely

Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility Lead
2	Financial (cont)									

2.5 F&P	D&A Foundation refuses/withholds funding for key College priorities	5	3	15	<ul style="list-style-type: none"> <li>On-going dialogue with Foundation Trustees</li> <li>Appropriate bid arrangements in place</li> </ul>	3	2	6	<ul style="list-style-type: none"> <li>Monitor and advise Board of Management</li> </ul>	Prin & VPCS
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Risk Number & Committee	POTENTIAL CONTRIBUTING FACTORS			TREATMENT		POST MITIGATION EVALUATION				
	Risks	Impact	Likelihood	Score	Mitigation Actions	Impact	Likelihood	Score	Monitoring	Responsibility
4	Infrastructure									

4.2 F&P	Failure to achieve ambitions of ICT strategy; strategy and development is ineffective	4	3	12	<ul style="list-style-type: none"> <li>Planning, careful phasing of changes to processes and systems</li> <li>Effective management of ICT arrangements</li> <li>Clear investment plan</li> </ul>	4	2	8	<ul style="list-style-type: none"> <li>Regular review/reporting on milestones, systems effectiveness etc</li> <li>Regular CPD</li> </ul>	VPC&A, HoICT
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Key to Risk Estimation/Score based on scale of 1 – 5 for impact/likelihood: Green (1-8) = Minor Risk; Amber (9-15) = Significant Risk; Red (16-20) = Major Risk; Purple, (>21 - 25) = Fundamental Risk

**JOINT AUDIT & RISK,  
FINANCE & PROPERTY COMMITTEE**



**Tuesday 8 December 2020**

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**VP Corporate Services Report**

**PAPER V**

**BOARD OF MANAGEMENT**  
**Finance and Property Committee**  
**Tuesday 8 December 2020**



**Vice Principal Corporate Services Report**

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*Paper for information*

**1. Introduction**

This report brings to the Committee's attention matters, which are not covered by other agenda items.

**2. Recommendation**

Members are asked to:

- note the contents of this paper

**3. Business Continuity – COVID-19**

As Committee members are aware, there continues to be significant effort across Corporate Services and other services to support the Business Continuity activities in response to the COVID-19 pandemic. Since the last update the work has primarily involved the following:

- Communication of the changes as a result of the new 5 Tier system in Dundee and Angus and review of departmental risk assessments
- Communication of asymptomatic testing facility for students who wish to travel "home" over the winter break
- Continuing to implement good practice in the adaptation of processes to allow safe occupation in line with current Government guidance
- Weekly reporting of Covid-19 positive cases and self-isolation data to Scottish Government

	New Covid-19 Positive		New Self-Isolating	
Week Ending	Students	Staff	Students	Staff
16-Oct	1	0	2	-
23-Oct	3	0	25	9
29-Oct	6	0	75	7
5-Nov	11	0	53	2
12-Nov	4	1	81	8
19-Nov	7	0	23	2
26-Nov	5	1	38	4

#### **4. Scottish Funding Council Update**

The SFC published "[Analysis of the 2018-19 Annual Accounts of Scotland's Colleges and Universities](#)". Although providing a "historical" analysis the report referenced the potential impact of the pandemic and other current challenges:

- Failure to achieve income targets.
- Changes to the funding model and colleges' ability to deliver regional outcome agreements and Government priorities. This includes the sector's ability to meet the core student activity target of c116,000 FTEs and other key performance measures.
- The impact of cost efficiencies, including reduced staff numbers and frontline student services, on both the quality of student experience and on the health and wellbeing of college staff.
- The UK's exit from the European Union although this impact could be mitigated by the Shared Prosperity Fund.
- Additional staff costs arising from both cost of living pay awards and the outcome of the National Bargaining job evaluation exercise for support staff.
- Increases in employer contributions to the Scottish Teachers Superannuation Scheme and Local Government Pension Schemes.
- Addressing backlog estates maintenance and ICT/digital requirements.
- Challenges of diversifying income and generating additional surplus.
- The balance of portfolio provision and how that impacts on student numbers.
- Meeting student support requirements.

Scottish Government has announced the availability of Flexible Workforce Development Funds for non-levy paying businesses and the Young Persons Guarantee. The detail of these is awaited.

#### **5. Forfar Outreach Centre**

All work is now complete. This will no longer necessitate reporting.

#### **6. Procurement Update**

There are separate procurement reports; Annual Report and Procurement Strategy for discussion and approval.

#### **7. Vehicle Update**

The six funded electric fleet vehicles have now been delivered.

#### **8. Regular Updates**

The following have previously been agreed as a feature of the regular reporting to the Finance & Property Committees.

Subject	Comment
Bad Debt Reporting and Write-Off	There were no individual bad debt write offs over £3K during the period between September to November 2020.

## 9. Link to Strategic Risk Register

Consideration of the topics included in this Vice Principal – Corporate Services report will support the mitigation of a range of risks identified within the Strategic Risk Register namely;

2.2 – failure to achieve institutional sustainability

2.4 – financial fraud

3.2 – failure to achieve/maintain compliance arrangements

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