

Dundee and Angus College

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

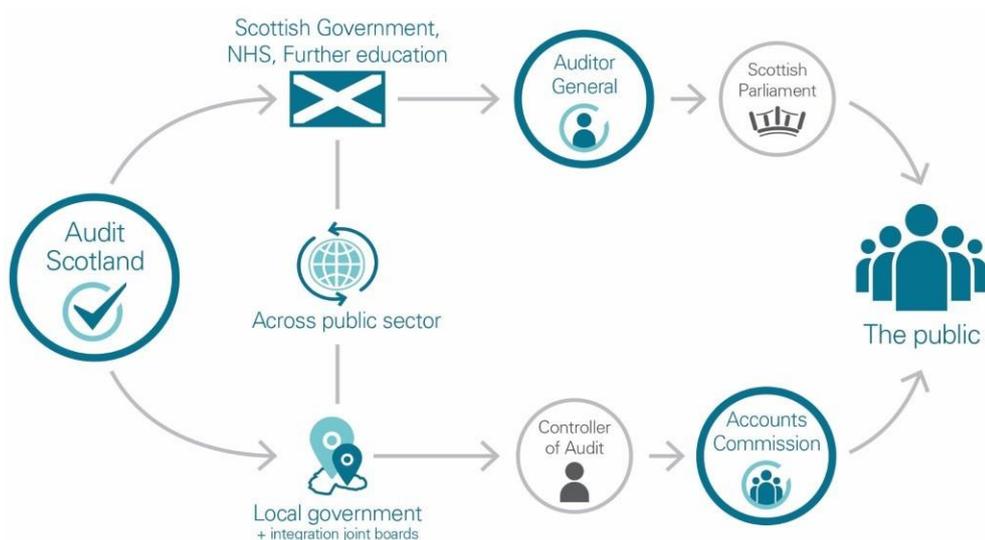
Prepared for Dundee and Angus College
April 2021



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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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit of Dundee and Angus College (the College) for 2020/21 which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual report and financial statements and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money. We make a public report of conclusions on these matters in our annual audit report to members and the Auditor General for Scotland.

Impact of Covid-19 on public audit

3. The public health crisis caused by the Covid-19 pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work including annual audits and the programme of performance audits. A January 2021 paper, [Covid-19: What it means for public audit in Scotland update](#), restates the principles and approach we are taking following the reintroduction of significant restrictions in Scotland.

5. Audit Scotland is unable to meet all the audit timetables which were possible before Covid-19, but we will aim to conclude each audit as early as possible. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a flexible and pragmatic approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, revisions to this annual audit plan may be necessary.

Adding value

6. We aim to add value to the College through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the College promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

7. Based on our discussions with staff, attendance at meetings and a review of supporting information we have identified the significant audit risks for the College. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [exhibit 1](#).

Exhibit 1

2020/21 Significant audit risks

 Audit Risk	Source of management assurance	Planned audit work
Financial statements risks		
<p>1 Risk of material misstatement caused by the management override of controls</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"> Owing to the nature of this risk, assurances from management are not applicable in this instance. 	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business. Review of the Annual Governance Statement and the assurances obtained in support of the statement.
<p>2 Risk of material misstatement caused by fraud in income recognition</p> <p>Auditing standards assert that fraud over income should be presumed to be a significant risk in any audit where income streams are significant.</p> <p>The College had income totalling £45 million in 2019/20, of which £36 million was provided by the Scottish Funding Council (SFC) and £9 million was received from other sources.</p> <p>SFC funding is reliant on accurate recording of student numbers and courses provided. The level of income received by the College from other sources is material.</p> <p>The extent and complexity of income means that, in accordance with ISA 240, there is an inherent risk of fraud.</p>	<ul style="list-style-type: none"> Budget monitoring in place. Fraud, bribery, corruption and whistleblowing policies and procedures in place. Most College funding is received from the SFC via direct bank payment. This income can easily be reconciled to funding allocations. The risk of material misstatement in this income is not significant. 	<ul style="list-style-type: none"> Review of budget monitoring reports focussing on significant budget variances. Analytical procedures on income streams. Detailed testing of income transactions focusing on the areas of greatest risk.
<p>3 Risk of material misstatement caused by fraud in expenditure</p> <p>Audit Scotland's Code of Audit Practice requires that auditors should plan to address the risk that the financial statements may be materially misstated as a result of fraud over expenditure. This applies</p>	<ul style="list-style-type: none"> Involvement in National Fraud Initiative (NFI). Internal audit review of NFI. Budget monitoring in place. 	<ul style="list-style-type: none"> Consideration of the findings from internal audit's reviews of NFI and budgetary control. Review of budget monitoring reports focussing on significant budget variances.

 Audit Risk	Source of management assurance	Planned audit work
<p>to the College due to the variety and extent of expenditure incurred.</p>	<ul style="list-style-type: none"> • Internal audit review of budgetary control. • Fraud, bribery, corruption and whistleblowing policies and procedures in place. • Established procurement processes and systems with clear delegated authority limits. 	<ul style="list-style-type: none"> • Testing of the key controls over the payroll system. • Analytical procedures on expenditure streams. • Detailed testing of expenditure transactions focusing on the areas of greatest risk.
<p>4 Estimation and judgments</p> <p>There is a significant degree of estimation and judgement in the measurement and valuation of the College's pension liability which is an estimate based on information provided by management and actuarial assumptions.</p> <p>This subjectivity represents an increased risk of material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Pension figures are derived from valuation calculations prepared by appointed actuaries. Officers review the actuarial information to ensure data and assumptions used are reasonable. 	<ul style="list-style-type: none"> • Review of the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used. • Review of the College's procedures for ensuring actuarial valuations provided are appropriate. • Confirm pension valuations in actuarial report are correctly reflected within the 2020/21 financial statements.
<p>5 Kingsway redevelopment</p> <p>A post balance sheet event is likely to arise due to the timing of completion of the Kingsway campus redevelopment.</p> <p>As at 31 July 2021 the capital element of these works will be classified as assets under construction. However, the redevelopment works are expected to be completed later in 2021 with the assets becoming operational prior to the certification of the audited accounts in December 2021.</p> <p>Once operational the assets will need to be revalued with consideration given to the associated accounting and disclosure implications for the annual accounts.</p> <p>The complexity of the accounting and disclosure requirements for a post balance sheet event represents an increased risk of material misstatement.</p>	<ul style="list-style-type: none"> • Surveyor's certification of contractor valuations. 	<ul style="list-style-type: none"> • Review contractor and surveyor valuations. • Review any post balance sheet accounting and disclosure adjustments made and assess whether these comply with accounting standards.

 Audit Risk	Source of management assurance	Planned audit work
Wider dimension risks		
<p>6 Impact of Covid-19</p> <p>The College has expended significant resources in responding to the disruption caused by Covid-19.</p> <p>As with all other further education institutions, the College has had to adapt to delivering courses online in accordance with Covid-19 restrictions. The nature of the courses offered by the College, particularly practical courses, makes remote teaching challenging.</p> <p>The challenges caused by the pandemic, including those relating to remote learning, will impact on the College's ability to meet the objectives of its 2025 Strategy – More Successful Students.</p>	<ul style="list-style-type: none"> • Results from College's own Learner Surveys conducted in November 2020 and March 2021. • Student Performance Indicators published by SFC. 	<ul style="list-style-type: none"> • Monitor achievement of Board Metrics, including those relating to student achievement and retention. • Review College's recovery plans and progress against strategic pledges and metrics set out in the 2025 strategy. • Review results of 2020/21 SFC Student Satisfaction and Engagement Survey.
<p>7 Financial sustainability</p> <p>The Covid-19 pandemic has had a fundamental impact on the College's income and expenditure streams.</p> <p>For example, the College is projecting that catering and other income will be £0.879 million less in 2020/21 compared to 2019/20.</p> <p>As economic recovery from Covid-19 progresses, the financial outlook for the College is likely to be significantly different from that forecasted in the five-year financial strategy approved by the Board in March 2019. Assumptions around increases in commercial income and savings arising from voluntary severance will need to be revisited.</p> <p>Whilst we acknowledge that the College's financial sustainability is secure in the short-term, there is a risk that it is unable to accurately forecast potential changes in income and expenditure streams post Covid-19 and this negatively impacts on their cash balances in the medium to long-term.</p>	<ul style="list-style-type: none"> • Engagement with SFC and other stakeholders. • Local and national economic data. 	<ul style="list-style-type: none"> • Monitor achievement of financial targets, including achievement of student credit targets. • Assessment of the College's revised Financial Strategy. • Review of the College's Financial Forecast Return for 2021/22-2023/24.

 Audit Risk	Source of management assurance	Planned audit work
<p>8 Estates plans</p> <p>The College approved a five-year estate strategy covering the period 2019/20 to 2023/24 in March 2019.</p> <p>Since the strategy was created, the College has had to adapt to new ways of working in response to Covid-19 restrictions. More courses have been taught online and College staff have been primarily working from home.</p> <p>The Covid-19 pandemic may lead to more permanent changes in the College's working and learning environment which will need to be reflected in the College's estate requirements.</p> <p>Since the start of the pandemic, the financial environment has also changed and funding for estate developments may look different to that planned in the original strategy.</p> <p>There is a risk that the existing estate plans do not reflect the potential changes in the College's estate requirements and funding opportunities in a post-Covid world.</p>	<ul style="list-style-type: none"> Estates strategy review. 	<ul style="list-style-type: none"> Ongoing assessment of the College's five-year estate strategy, including any revisions. Monitor progress of Kingsway redevelopment works. Monitor progress of outline business case for the planned STEM centre and any other funding applications.

Source: Audit Scotland

Reporting arrangements

8. This audit plan, the outputs set out at [exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

9. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy, prior to the issue and publication of final reports.

10. We will provide an independent auditor's report (i.e., audit certificate) to the College and the Auditor General for Scotland setting out our opinions on the annual report and financial statements. We will also provide the Board of Management and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2020/21 Audit outputs

Audit Output	Target date	Board / Audit and Risk Committee Date
Management Letter <i>(This will only be required where reportable issues are identified during our interim testing)</i>	31 July	21 September
Annual Audit Report including ISA 260 requirements	31 December	7 December
Signed Independent Auditor's Report	31 December	14 December

Source: The target dates included are those specified in Audit Scotland's Planning Guidance 2020/21, but all audit outputs will be issued in time for inclusion in the papers for the relevant Board / Audit and Risk Committee meetings shown.

Audit fee

11. The agreed audit fee for the 2020/21 audit of the College is £24,990 (£24,370 in 2019/20). In determining the audit fee, we have taken account of the risk exposure of the College, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual report and financial statements, with a complete working papers package on 4 October.

12. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual report and financial statements or inadequate working papers, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit and Risk Committee and Board of Management

13. Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

14. The audit of the financial statements does not relieve management or the Audit and Risk Committee, as those charged with governance, of their responsibilities.

Appointed auditor

15. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including supplementary guidance) and are guided by the auditing professions ethical guidance.

16. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts.

Audit scope and timing

Financial statements

17. The annual report and financial statements will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing further education and the wider public sector. Our audit approach includes:

- understanding the business of the College and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the College will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

18. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the state of affairs of Dundee and Angus College and its group as at 31 July 2021 and of its income and expenditure for the year then ended
- whether they have been properly prepared in accordance with relevant legislation and the applicable financial reporting framework
- the regularity of income and expenditure.

Other information in the annual report

19. We also review and report on the performance report, governance statement and remuneration and staff report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and guidance. We also read and consider the other information within the annual report and are required to report any material inconsistencies.

Materiality

20. We apply the concept of materiality in planning and performing our audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements.

21. We calculate materiality at different levels as described below. The calculated materiality values for Dundee and Angus College are set out in [exhibit 3](#).



Exhibit 3

Materiality values

Materiality	Amount
Planning materiality – This is the figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 July 2020 based on the latest audited accounts.	£0.735 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 65% of planning materiality.	£0.475 million
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£0.035 million

Source: Audit Scotland

Timetable

22. An agreed audit timetable is included at [exhibit 4](#) which takes account of submission requirements and planned Audit and Risk Committee meeting dates. While we will do our best to meet the target dates below, the dates will be subject to change if further issues arise from Covid-19 that impact on the College or the audit team.

Exhibit 4

Annual report and financial statements audit timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts with complete working papers package	4 October
Latest date for final clearance meeting with management	19 November
Agreement of audited unsigned annual report and financial statements Issue of Annual Audit Report including ISA 260 report to those charged with governance	26 November
Independent auditor's report signed	By 31 December

Internal audit

23. 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 planning process we carry out an assessment of the internal audit function at audited bodies.

24. The College's internal audit function is provided by Henderson Loggie. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Using the work of internal audit

25. We do not plan to place formal reliance on the work of internal audit for the audit of the financial statements. However, we will review the internal audit reports produced during the financial year and presented to the Audit and Risk Committee.

26. To support our wider dimension audit responsibilities, we plan to consider the internal audit reports on the following areas:

- Budgetary control
- National Fraud Initiative (NFI)
- Economic recovery
- Systems development / implementation

Audit dimensions

27. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

Financial management

28. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude, and report on:

- whether arrangements are in place to ensure systems of internal control are operating effectively
- Whether the effectiveness of budgetary control systems in communicating accurate and timely financial performance can be demonstrated
- whether there are appropriate and effective arrangements in place for the prevention and detection of fraud and corruption.

Financial sustainability

29. We consider the appropriateness of the use of the going concern basis of accounting as part of the audit of the financial statements. We also comment on the College's financial sustainability. We will carry out work and report on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Governance and transparency

30. 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. We will assess:

- whether governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

31. Value for money refers to using resources efficiently and effectively. We will review, conclude, and report on whether the College can provide evidence that it is demonstrating value for money in the use of its resources.

Impact of Covid-19

32. Throughout the course of the audit we will consider the continuing impact of the Covid-19 pandemic on the College's operations. We will report on this within our 2020/21 Annual Audit Report.

Independence and objectivity

33. Auditors appointed by the Auditor General for Scotland must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

34. The appointed auditor for Dundee and Angus College is Richard Smith, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the College.

Quality control

35. International Standard on Quality Control 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

36. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code

of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) is commissioned to carry out an annual programme of external quality reviews.

37. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the appointed auditor or to Audit Scotland's Audit Quality and Appointments group.

Dundee and Angus College

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