

## Board of Management

### Meeting of the Audit and Assurance Committee

MINUTE OF 5<sup>th</sup> MEETING HELD ON MONDAY 12 JUNE 2023 AT 1000 HRS (AAC5)

Present	
Graham Mitchell (GM) Convener	Paul Hillard (PH)
Lorna Hamilton (LH)	
In attendance	
David Archibald (Henderson Loggie) (DA) (Remote)	Drew McGowan (DM)
Roy Gardner (RG)	
Paul Little (PL)	Ann Butcher (Minute)
Apologies for absence	
Alisdair Barron (AB)	

Item AAC5-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	Apologies were received from AB.	

Item AAC5-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	There were no declarations of interest.	

Item AAC5-3	Items to be Discussed Privately with Auditors	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AAC5-4.1	Minute of the Meeting held on 23 May 2023	
Paper No: AAC5-A	Lead: Convener	Action requested: Approve
Decision/Noted	The minute was approved.	

Item AAC5-5.1	Internal Audit Report – Breach of Financial Memorandum	
Paper No: AAC5-B	Lead: D Archibald	Action requested: Discuss
Discussion	<p>The internal audit report on the breach of the Financial Memorandum (FM), previously considered by the Committee in a private session with auditors, was tabled for discussion with members of the Executive. The report covered the timeline for the negotiation and agreement of the contractual arrangements with Qobolak, identified breaches of the FM and outlined several recommendations. At the outset, PL and RG confirmed that there was no additional accuracy related feedback to provide and that the report was factually accurate.</p> <p>RG told the Committee that the breach of the FM put the College in an unsatisfactory position. While highlighting the significant pressure the College faced to quickly resolve matters for the pilot phase, he acknowledged to members that things should have been done differently. RG confirmed that the recommendations outlined in the report, and the valuable lessons learned, were duly acknowledged and had been taken into account for Phase 2 of the project. The Committee noted that the necessary approvals for this Phase are currently under review by the Glasgow Colleges’ Regional Board (GCRB) and the Scottish Funding Council (SFC).</p> <p>PL thanked DA for the thorough report and confirmed that Executive had fully accepted the recommendations outlined within it. He expressed his frustration that any breaches had taken place, emphasising that this was the first instance of its kind in the 13 years since the College’s inauguration. PL recognised the processes and decision-making had been suboptimal in this instance. He told members that the College’s funding and financial challenges, which were not of the College’s making, had created a sense of urgency to secure commercial funding. While this was the context, he said, it was of course important that the College do the right thing and do things right at all times.</p> <p>As the Principal is the College’s Accountable Officer, PL recognised the significance of following appropriate guidance and governance procedures and assumed full responsibility for the situation. PL sincerely apologised to the Committee for the College’s shortcomings in this matter and confirmed that lessons would be learned, and the recommendations would be implemented.</p> <p>GM expressed his appreciation for PL’s apology. He said it was important to gain a comprehensive understanding of the events that transpired and seek assurance that such incidents would not reoccur in the future.</p> <p>PH further highlighted the importance of clearly communicating the College’s business practices and values when engaging with private sector organisations from diverse cultures and countries. LH added that the work of the Development Committee includes assessment of the safety and acceptability of conducting business and establishing partnerships in different countries and cultures.</p> <p>PL confirmed to the Committee that he would personally write to both the GCRB and SFC, including a copy of the report, affirming that all</p>	

recommendations have been accepted. He would emphasise that the lessons learned, and actions made would prevent any similar recurrences. Additional meetings would also be offered to address any further queries or provide clarification if required.

PL added that additional training would be provided to the Corporate Development and Finance teams to enhance awareness of public sector regulations and the potential challenges associated with engaging in business with international organisations from diverse cultures. He emphasised that the College would not undertake the planning or delivery of education and training if the relevant approvals were not in place.

GM sought further assurance that the Convener of the Finance & Physical Resources (FPRC) had been adequately informed about the background details of the project and business case in advance of the request to approve the purchase order. PL assured members that the FPRC had been made fully aware of the breach and that the Convener would have been provided with the necessary information by the Vice Principal Corporate Services in advance of approval being sought.

Referring to the lessons learned, GM stressed the need for a comprehensive checklist to serve as a guide for all departments, outlining respective responsibilities and required approvals (including necessary consent from GCRB and the SFC). PL agreed and spoke of the importance of developing and implementing a checklist and processes in response to the breach of the FM. He informed the Committee that the new Chief Financial Officer, Operational Effectiveness Manager, Compliance Auditor and Project Management Office will have a role to play in this work.

GM further enquired if the partner organisation had been informed that conducting business without the required approvals would not be possible. RG confirmed that this communication had taken place.

GM considered that the Committee should be informed of the financial benefits and outcomes of the contract, emphasising the importance of providing a comprehensive breakdown to ensure full awareness. It was agreed that the Committee be provided with an outturn report, offering a clear understanding of the overall financial outcome. LH added that while individual projects and their financial outcomes are communicated to the Development Committee, presenting this information has been challenging due to projects spanning across academic years. Various improvements in reporting have been implemented and continue to be refined as part of an ongoing journey to enhance the reporting process.

RG provided an update on the changes made since the arrival of the initial cohort of students from Saudi Arabia. He reassured the Committee that based on the experience gained from the Pilot, effective curriculum planning and management programmes have been put in place. RG further confirmed that approval from GCRB for Phase 2 is anticipated to be completed within the next two weeks. The Committee noted that approving this contract would safeguard 2.8 FTE jobs, that would have otherwise been at risk of compulsory redundancy.

The 5 recommendations were each reviewed in detail and referencing earlier discussions, various actions were agreed.

DA reminded that the SFC's objective was to encourage the development of commercial income streams, emphasising that this would involve exploring new markets and accepting an increased level of risk. He acknowledged the interconnected nature of timing issues and the influence exerted by external parties and stressed the importance of maintaining some level of control.

DA further added that while due diligence was exercised, involving the Project Management Office (PMO), obtaining approval from the Development Committee, developing the SSJ and Business Case, the timing of these process had not been appropriate. DA emphasised the necessity of having these elements and appropriate approvals in place well ahead of students' arrival, which have been addressed for Phase 2 and stated that the recommendations made within the report were not intended to prevent the College's ability to generate commercial income streams in the future.

The Committee fully supported the pursuit of commercial activities however emphasised that the development of these activities must be done in an appropriate and diligent manner. While business growth should not be stifled and recognising the pressure to increase external income, it was acknowledged that a delicate balance had to be maintained between generating revenue and following the correct procedures.

**Decision/Noted**

- That PL will write to the GCRB and SFC, sharing the Internal Audit Report.
- That PL will seek clarification on whether a request from the Scottish Government has been received regarding the clawback of the overage payment.
- To note that all future business cases which exceed the delegated authority levels as set out in the FM (including Phase 2 of this project) will be subject to the appropriate approval processes.
- That a comprehensive checklist be implemented to serve as a guide for all departments.
- That training be provided to relevant staff to enhance awareness of the challenges associated with engaging in business with international organisations.
- That the Committee be provided with a financial outturn report for Phase 1 and subsequently Phase 2 of the project.
- That appropriate management arrangements for student cohorts arriving in the UK will be established well in advance of delivery.
- That when formulating business cases, the Corporate Development team will enhance the involvement with Faculties to develop relevant programmes and curriculum content.
- That consistency be maintained throughout the procurement process by ensuring that all partnership titles are uniformly referenced.
- To note that a review of procurement arrangements will be undertaken as part of the agreed internal audit programme and a report will be provided at the next meeting.
- That a report be presented at the 1<sup>st</sup> meeting of the AAC in the next session (2023-24).

<b>Item AAC5-5.2</b>		<b>Strategic Risk Review</b>	
<b>Paper No:</b> AAC5-C	Lead: D McGowan	Action requested: Discuss	
<b>Discussion</b>	DM referred to the recent decision of the Performance & Nominations Committee to increase the score of Risk 11, on the failure of corporate governance, from 6 (GREEN) to 10 (AMBER). He asked members if they were content with risk score currently set. After reviewing the Breach of the Financial Memorandum report and taking account of the pending feedback from the SFC, the Committee agreed to the maintain the score of 10 (AMBER). This will be subject to final approval by the Board on 14 June and further review at the next meeting of the Committee		
<b>Decision/Noted</b>	To agree the increased score of Risk 11 of 10 (AMBER).		

<b>Item AAC5-6</b>		<b>Any Other Notified Business</b>	
<b>Paper No:</b> Verbal	Lead:	Action requested: Note	
<b>Decision/Noted</b>	The Committee acknowledged that this would be GM's final meeting in attendance and expressed their gratitude for his dedicated convenorship of the Committee for over three years, recognising the challenges he had faced during his tenure. Representing the executive, PL endorsed this sentiment and extended his appreciation for GM's exceptional leadership and oversight.		

<b>Item AAC5-7</b>		<b>Disclosability of Papers</b>	
<b>Paper No:</b> Verbal	Lead: D McGowan	Action requested: Note	
<b>Decision/Noted</b>	To retain the disclosability status of papers as tabled.		

<b>Item AAC5-8</b>		<b>Date of Next Meeting</b>	
<b>Paper No:</b> Verbal	Lead: Convener	Action requested: Note	
<b>Decision/Noted</b>	Tuesday 12 September 2023		

*The meeting closed at 1120 hours.*

## ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AAC5-5.1 12 06 23	<b>IA Report – Breach of FM:</b>		
	• That PL will write to the GCRB and SFC, sharing the Internal Audit Report.	PL	ASAP
	• That PL will seek clarification on whether a request from the Scottish Government has been received regarding clawback of the overage payment.	PL	ASAP
	• To note that all future business cases which exceed the delegated authority levels as set out in the FM (including Phase 2 of this project) will be subject to the appropriate approval processes.	RG	Ongoing <b>Complete</b>
	• That a comprehensive checklist be implemented to serve as a guide for all departments.	RG	ASAP
	• That training be provided to relevant staff to enhance awareness of the challenges associated with engaging in business with international organisations.	RG	Ongoing <b>Complete</b>
	• That the Committee be provided with a financial outturn report for Phase 1 and subsequently Phase 2 of the project.	RG	ASAP
	• That appropriate management arrangements for student cohorts arriving in the UK will be established well in advance of delivery.	RG	Ongoing <b>Complete</b>
	• That when formulating business cases, the Corporate Development team will enhance the involvement with Faculties to develop relevant programmes and curriculum content.	RG	Ongoing <b>Complete</b>
	• That consistency be maintained throughout the procurement process by ensuring that all partnership titles are uniformly referenced.	RG	Ongoing <b>Complete</b>
• That a review of procurement arrangements will be undertaken as part of the agreed internal audit programme and a report will be provided at the next meeting.	DA	12 09 23	
• That a report will be presented at the 1 <sup>st</sup> meeting of the AAC next session (2023-24).	RG	12 09 23	
AAC5-5.2 12 06 23	<b>Strategic Risk Review:</b> To agree increased Risk Score for Risk 11.	DM	ASAP <b>Complete</b>

## ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item	Description	Owner	Target Date
AAC4-3 23 05 23	<b>Private Session:</b> Discussion on the Financial Memorandum Breach to be taken at the private session.	Members only	Closed Session 23 05 23 <b>Complete</b>
AAC4-5.1 23 05 23	<b>Ex-Employee Fraud Report Update:</b> To report on the outcome decision.	GM	Board 14 06 23 <b>Complete</b>
AAC4-5.5 23 05 23	<b>Strategic Risk Review:</b> Review of Risk 11 score after consideration of the internal audit report on the Financial Memorandum breach with the Committee and Executive.	DM	Following additional meeting of the Committee <b>Complete</b>
AAC2-5.6.3 29 11 22	<b>Data Protection:</b> Annual data protection report to be tabled at the Board for information.	SL	AY 2022-23