

## Board of Management

### Meeting of the Audit and Assurance Committee

MINUTE OF 1<sup>st</sup> MEETING HELD ON TUESDAY 12 SEPTEMBER 2023 AT 1500 HRS (AAC1)

Present	
Paul Hillard (Acting Convener)	Lorna Hamilton
In attendance	
Karen Acheson	Mark Laird (Audit Scotland)
David Archibald (Henderson Loggie)	Sheila Lodge
Roy Gardner	Drew McGowan
Zoe Headridge (Audit Scotland)	Ann Butcher (Minute)
Apologies for absence	
Dave Anderson	Charandeep Singh
Paul Little	

Item AAC1-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	Apologies were received from D Anderson, P Little and C Singh.	

Item AAC1-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	There were no declarations of interest.	

Item AAC1-3	Items to be Discussed Privately with Auditors	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	None.	

Item AAC1-4.1	Minute of the Meeting held on 12 June 2023	
Paper No: AAC1-A	Lead: Convener	Action requested: Approve
Decision/Noted	Subject to one minor amendment, the minute was approved.	
	<b>Matters Arising</b> D McGowan confirmed that P Little has written to the Scottish Funding Council (SFC) regarding the Financial Memorandum (FM) Breach. A	

positive response has since been received, and a copy of the Internal Audit Procurement and Creditors/Purchasing report will now be shared with the SFC and Glasgow Colleges' Regional Board (GCRB). P Hillard has been copied into all correspondence and confirmed that the relationship with the SFC continues to remain positive.

Item AAC1-4.2		Appointment of Convener	
Paper No: Verbal	Lead: D McGowan	Action requested: Approve	
Decision/Noted	Due to the absence of D Anderson and C Singh, this item was deferred until the next meeting of the Committee. P Hillard will continue as Acting Convener in the meantime.		

Item AAC1-4.3		Committee Schedule of Business AY 2023-24	
Paper No: AAC1-B	Lead: D McGowan	Action requested: Approve	
Discussion	The AAC Schedule of Business for 2023-24 was submitted for review. The overview of planned business and associated papers were reviewed with attention given to the inclusion of a quarterly Data Protection (DP) Report as recommended by Internal Audit (IA). It was noted that any significant issues arising from the DP Reports would be escalated to the full Board by the Convener of the Committee.		
Decision/Noted	<ul style="list-style-type: none"> <li>That the Schedule of Business for AY 2023-24 was approved.</li> <li>That the Data Protection Annual Report will be submitted for noting at the next meeting of the Board on 4 October 2023.</li> </ul>		

Item AAC1-4.4		Committee Annual Report AY 2022-23	
Paper No: AAC1-C	Lead: D McGowan	Action requested: Approve	
Discussion	The Committee Annual Report for AY 2022-23 which provides a high-level overview of the Committee's deliberations and decision-making was submitted. P Hillard referenced the key recommendations outlined in the External Audit (EA) Annual Report 2021-22 and suggested that corresponding responses should be provided within the Report. M Laird reassured that EA would follow up on these recommendations as part of the EA Annual Report which will be presented at the December meeting. It was agreed to include an additional sentence affirming that the recommendations will be followed up by EA as a matter of course. P Hillard expressed satisfaction with the increase in attendance recorded for 2022-23.		
Decision/Noted	<ul style="list-style-type: none"> <li>To approve the Committee Annual Report AY 2022-23.</li> <li>That the Report be submitted for noting at the October Board meeting.</li> </ul>		

*Item 5.3 was taken at this time.*

Item AAC1-5.3	Status of Recommendations from Financial Memorandum Breach Internal Audit Report	
Paper No: AAC1-F	Lead: R Gardner	Action requested: Discuss
Discussion	<p>R Gardner provided an update on the outstanding actions from the AAC meeting on 12 June 2023 following the 6 recommendations made in the IA FM Breach Report. All actions have been implemented or are in progress.</p> <p>A comprehensive checklist and Partnership Agreement process are currently awaiting approval by the Procedure Review Board and will be implemented once approved. Refreshed training will be offered to all relevant staff in line with the approved process. Uniform referencing of all titles has been established within the procurement process and the Corporate Development team has collaborated closely with the Faculty to develop the Business Case for Phase 2 of the programme with Qobalak.</p> <p>A financial outturn report for the pilot Phase 1 Tourism Training Programme and details of activity for Phase 2 were submitted. The Committee acknowledged SFC's approval of the procurement of Phase 2 (via GCRB) on 11 July 2023. R Gardner clarified that no student groups will be accepted without advance notice.</p> <p>The Committee inquired about the application of Lessons Learned in all future international projects. R Gardner confirmed that this practice would be applied and provided an update on a potential reengagement with Sonangol in Angola to train Merchant Navy Deck and Engineering students. He assured the Committee that the agreed process and quality checks will be adhered to.</p> <p>The Committee acknowledged the seriousness with which this matter had been handled by senior management. Given that SFC approval had been granted and members had expressed satisfaction with the handling of the recommendations along with the comprehensive IA Procurement Report, it was agreed that ongoing review by this Committee was unnecessary, and the matter was considered closed. L Hamilton offered to bring any other pertinent issues raised in the Development Committee meeting to the attention of the AAC if necessary. D McGowan will provide L Hamilton with a copy of the SFC letter for information.</p>	
Decision/Noted	<ul style="list-style-type: none"> <li>• To note the update report and implementation of all recommendations.</li> <li>• That the matter was now considered closed.</li> <li>• That D McGowan provide L Hamilton with a copy of the correspondence with the SFC.</li> </ul>	

*R Gardner left the meeting.*

Item AAC1-5.1	Data Protection Officer Report	
Paper No: AAC1-D	Lead: S Lodge	Action requested: Discuss
Discussion	<p>S Lodge reported that the Data Protection Officer (DPO) report is aligned with the 10 areas of the Information Commissioner's Office (ICO) accountability framework which are used to measure compliance rates and identify gaps. Progress has been made in several areas since the last report including implementation of controls for regular Board reporting;</p>	

development of 10 new departmental ROPAs; design and implementation of a new mandatory data protection e-learning module and a policy review and update with additional policies drafted for review.

Areas where compliance is being achieved, areas that need improvement or are currently in the process of being addressed, and instances of non-conformity that require attention were noted. Progress is under way in implementing controls to mitigate compliance risks.

The DPO has developed a data protection health check questionnaire. This questionnaire is designed to be completed by College business areas to assess compliance at local level and to determine whether policies and procedures are consistently followed across the College.

P Hillard referred to the process for providing feedback to the Committee on the Information Security and Record Management section within the Gap Analysis report and indicated that he would have a separate discussion on this matter with S Lodge.

**Decision/Noted**

- To note the update report.
- To consider the provision of feedback on the Information Security and Record Management section within the Gap Analysis report.

**Item AAC1-5.2 Data Breaches 2022-23**

<b>Paper No: AAC1-E</b>	Lead: S Lodge	Action requested: Discuss
-----------------------------	---------------	---------------------------

**Discussion**

S Lodge reported that the College suffered 8 data breaches, 2 more than the previous year. These breaches primarily resulted from poor email security or unintentional disclosure of personal data which were attributed to either human error or technical issues. None of these breaches were deemed serious enough to report to the ICO. To address this, staff members involved have been reminded of their obligations and were reminded of the importance of email security.

A new mandatory GDPR training module has been introduced, which all staff are required to complete by 31 October 2023. Staff members are continually encouraged to report breaches as these are viewed as opportunities for learning and improvement.

**Decision/Noted**

To note the update report.

**Item AAC1-5.4 Internal Audit Reports**

**Item AAC1-5.4.1 Procurement and Creditors/Purchasing**

<b>Paper No: AAC1-G</b>	Lead: D Archibald	Action requested: Discuss
-----------------------------	-------------------	---------------------------

**Discussion**

D Archibald reported that in previous years, procurement audits were conducted separately from the Creditors/Purchasing audits. However, it has now been recognised that a single exercise is more effective. The results of the combined audit were positive, indicating strong procurement performance.

The audit found that the Procurement Policy and Procedures were comprehensive and up to date. High spending areas are closely monitored and any instances of non-compliance are identified and reported to the Finance & Physical Resources Committee.

During the audit testing, some areas of weakness were identified, including one instance of procedure non-compliance, five cases of purchase orders being raised and approved retrospectively and a potential issue in identifying changes in supplier bank details. Two recommendations for improvement have been made and are being actioned.

P Hillard expressed concern about the instances of retrospective approval of purchase orders which were not dissimilar to issues raised following the recent FM breach. In response, D Archibald explained that while there had been some random sampling, efforts were focused on higher-risk areas where issues were more likely to be identified. The purchasing system (PECOS) does have built-in controls for correct processing but there is a degree of reliance on staff to adhere to these procedures. While the finance and procurement staff remain vigilant, there is a recognised need to address certain behaviours and targeted training has been identified as a solution.

P Hillard considered that there are still some areas where further reassurance should be sought and highlighted the importance of ongoing analysis to ensure that the correct procurement routes are being followed.

**Decision/Noted**

To note the report and overall level of assurance as Satisfactory.

<b>Item AAC1-5.4.2</b>	<b>Budgetary Control (incl Scenario Planning)</b>	
<b>Paper No: AAC1-H</b>	Lead: D Archibald	Action requested: Discuss
<b>Discussion</b>	<p>D Archibald reported that the College has appropriate financial regulations in place that outline the requirements and responsibilities for budget setting and monitoring. Improvements in budget performance in annual expenditure were identified with regular reporting and discussion on progress against budgets made at Executive Leadership Team (ELT) and Finance &amp; Physical Resources Committee meetings. The review did not uncover any significant weaknesses in the College's processes for budget setting, forecasting or monitoring.</p> <p>It was however noted that in line with the sector, the College continues to face significant financial challenges arising from persistent pressure of inflationary costs, flat cash funding from the SFC and uncertainty surrounding future staff pay settlements. While the College has proactively conducted scenario planning and sensitivity analysis to assess potential budget impacts and measures have been implemented to enhance future budget outcomes, it is crucial to emphasise the need for ongoing vigilance, involving a review process to monitor the financial position.</p>	
<b>Decision/Noted</b>	To note the report and the overall level of assurance as Good.	

<b>Item AAC1-5.4.3</b>		<b>Staff/Organisational Development</b>
<b>Paper No:</b> AAC1-I	Lead: D Archibald	Action requested: Discuss
<b>Discussion</b>	<p>D Archibald presented positive findings from the audit which assessed the Colleges best use of staff resources including a review of workforce planning; training; the personal development plan system; and succession planning. The comprehensive People and Culture Strategy in place outlines a roadmap and the introduction of the new learning platform for all staff learning enhances the user experience while providing data and functionality to increase opportunities and efficiencies.</p> <p>An opportunity for development and one recommendation was made around the area of succession planning, to explore the development of a future leader programme. The aim of this programme would be to establish a robust talent pipeline to ensure that staff are equipped with the necessary skills, knowledge and experience required to apply for key leadership positions as they become available.</p> <p>The Committee were reassured by the introduction of the new platform but recognised the importance of turning plans into actions over the long term. S Lodge highlighted the challenge of encouraging staff engagement recognising the current challenging circumstances. The Committee noted that the importance of engagement and opportunities for development will be further communicated to staff early next year.</p>	
<b>Decision/Noted</b>	To note the report and the overall level of assurance as Good.	

<b>Item AAC1-5.4.4</b>		<b>Cash and Bank/Treasury Management</b>
<b>Paper No:</b> AAC1-J	Lead: D Archibald	Action requested: Discuss
<b>Discussion</b>	<p>D Archibald reported on the favourable audit results concerning the recording of payments onto the finance system using various methods received from students, commercial customers and staff. While robust controls were identified within the cash and banking processes, a recommendation was made to implement a procedure for the independent review of all bank reconciliations, with the requirement for sign off as evidence of this review. A Stewart confirmed that this procedure has now been implemented and has been applied for the August bank reconciliations.</p> <p>A high-level review of the treasury management arrangements was also undertaken. A Treasury Management Policy is in place, and it was established that the procedures around both cash flow and treasury management were both comprehensive and in line with good practice.</p>	
<b>Decision/Noted</b>	To note the report and the overall level of assurance as Satisfactory.	

<b>Item AAC1-5.4.5</b>		<b>Follow Up Reviews</b>
<b>Paper No:</b> AAC1-K	Lead: D McGowan	Action requested: Discuss
<b>Discussion</b>	D Archibald reported that the College has made some progress in implementing the recommendations followed-up as part of the review with	

12 (43%) of the 28 recommendations followed-up being categorised as 'fully implemented'. 14 recommendations (50%) were assessed as 'partially implemented' and two (7%) as showing 'little or no progress made'.

**Decision/Noted**

To note the update report.

*Item 5.6 was taken.*

<b>Item AAC1-5.6</b>		<b>Internal Audit Overview</b>	
<b>Paper No: AAC1-M</b>	Lead: K Acheson	Action requested: Discuss	
<b>Discussion</b>	<p>K Acheson presented an update on outstanding actions from Internal Audits completed up until the end of May 2023. The Committee noted that the comprehensive overview of compliance with previously agreed actions eliminates the necessity for the Committee to wait until the IA follow-up report. A full review of all outstanding actions associated with IA reports dating as far back as 2018 has been undertaken which shows twenty-four outstanding actions, with several of the older actions having undergone multiple revisions to their completion dates.</p> <p>K Acheson informed the Committee that, particularly in the case of older actions, action dates have been modified and progress has been delayed primarily due to system changes or financial constraints. She confirmed that revised dates are approved by relevant senior managers and the Depute Principal. K Acheson assured that ongoing monitoring and control over audit actions will help ensure their completion within the agreed timeframes.</p> <p>P Hillard suggested that implementation of performance measures should be considered in future to facilitate the closure of these actions and expressed his intent to conduct a follow-up discussion with K Acheson on this matter.</p>		
<b>Decision/Noted</b>	<ul style="list-style-type: none"> <li>To note the update report.</li> <li>To consider implementation of performance measures.</li> </ul>		

<b>Item AAC1-5.5</b>		<b>Internal Audit Progress Report 2022-23</b>	
<b>Paper No: AAC1-L</b>	Lead: D Archibald	Action requested: Discuss	
<b>Discussion</b>	<p>D Archibald provided an update on the status of the IA Annual Plan 2022/23 delivery. Fieldwork for the Fraud Prevention, Detection and Response audit is complete, and the findings will be presented at the next meeting. Fieldwork for Student Funding will also commence in October. A change in work undertaken by external auditors, has resulted in both the Credit and Student Support Fund audits being undertaken by IA. These reports will be provided at the November meeting.</p> <p>The College Subsidiary Company audit has been deferred due to ongoing developments in governance, decision making and legal matters which are still in the early stages. The Committee considered this was a strong rationale to support the decision to postpone the audit this year.</p> <p>P Hillard expressed some concern about suggested challenges in recruiting and retaining auditors which may potentially impact on performance.</p>		

	D Archibald acknowledged industry pressure in recruiting and retaining quality auditors both in the public and private sectors highlighting the absence of a steady pipeline of talent and the importance of retaining skilled professionals. P Hillard emphasised that currently there were no service concerns but suggested that auditors should engage with the College senior management team if such issues arise.
Decision/Noted	To note the progress made.

<b>Item AAC1-5.7</b>	<b>Draft Internal Audit Plan 2023-24</b>	
Paper No: AAC1-N	Lead: D Archibald	Action requested: Discuss
Discussion	<p>D Archibald informed the Committee that presenting the Internal Audit Plan 2023-24 at an early stage was to ensure the Committee’s comfort with audit topics and assist in planning fieldwork ahead of time. He stressed the importance of early engagement with management for more efficient planning and to start audits promptly, especially for extensive audit agendas and to help avoid time constraints.</p> <p>Several changes to the original 3-year programme outlined in the Strategic Plan were advised including the inclusion of the previously deferred Cleaning Management audit, an additional review of the Severance Scheme and the incorporation of the Student Support Fund audits. An updated Plan along with outline scopes and objectives were submitted for review and approval.</p>	
Decision/Noted	That the draft Internal Audit Plan 2023-24 was approved.	

<b>Item AAC1-5.8</b>	<b>Strategic Risk Review</b>	
Paper No: AAC1-O	Lead: D McGowan	Action requested: Discuss
Discussion	<p>D McGowan advised the Committee that strategic risk reporting has been improved in preparation for the current academic year. The Strategic Risk Register has been updated and the MAPs have been condensed from 104 pages down to a more concise 13 pages.</p> <p>D McGowan informed members that the current risk appetite will be revisited during the upcoming November Strategic Planning Day. The Committee welcomed this initiative and discussed the importance of reviewing the relevance of existing risks to ensure their appropriateness and whether any new risks such as effective management and the impact of Artificial Intelligence on education, both positive and negative, should be considered for inclusion.</p> <p>A decrease in the score of SR15 – <i>Failure of Corporate Governance</i> from 10 (Amber) to 5 (Green) was proposed. Following the IA report on the FM Breach, together with the progress made on the recommendations and that retrospective approval had been received from the SFC, members agreed to a reduction in the risk score as proposed.</p>	
Decision/Noted	<ul style="list-style-type: none"> <li>• To note the refreshed Risk Report.</li> <li>• That the reduced risk score for SR15 to 5 (Green) was approved.</li> </ul>	



Item AAC1-6		Any Other Notified Business	
Paper No: Verbal	Lead: D McGowan	Action requested: Note/Approve	
Decision/Noted	<p><b>Public Interest Disclosure</b> D McGowan provided an update on a recent Public Interest Disclosure which is currently being investigated. A full report on the outcome will be provided at the next meeting.</p> <p><b>ELT Signatories</b> The Committee unanimously resolved that Andrew Dickson, new Chief Financial Officer be appointed as a signatory for the College.</p>		

Item AAC1-7		Disclosability of Papers	
Paper No: Verbal	Lead: D McGowan	Action requested: Note	
Decision/Noted	To retain the disclosability status of papers as tabled.		

Item AAC1-8		Date of Next Meeting	
Paper No: Verbal	Lead: Convener	Action requested: Note	
Decision/Noted	The next meeting scheduled for Tuesday 5 December 2023 will be held in person which was the preference of the Committee. This will be kept under review.		

*The meeting closed at 1630 hours.*

## ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AAC1-4.3 12 09 23	<b>Committee Schedule of Business:</b> That the DP Annual Report be submitted at the next Board meeting.	DM/SL	04 10 23
AAC1-4.4 12 09 23	<b>Committee Annual Report AY 22-23:</b> That the Report be submitted for noting at the next Board meeting.	DM	04 10 23
AAC1-5.3 12 09 23	<b>Status of Recommendations from the FM Breach IA Report:</b> Provide LH with a copy of the SFC letter.	DM	ASAP
AAC1-5.1 12 09 23	<b>DPO Report:</b> Consider provision of feedback on the Information Security & Record Management section.	SL	Ongoing
AAC1-5.6 12 09 23	<b>Internal Audit Overview:</b> Consider implementation of Performance measures.	KA/P Hillard	ASAP
AAC1-6 12 09 23	<b>AONB:</b> Provide a full report on Public Interest Disclosure.	KA/DM	05 12 23

## ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item	Description	Owner	Target Date
AAC5-5.1 12 06 23	<b>IA Report – Breach of FM:</b> <ul style="list-style-type: none"> <li>That PL will write to the GCRB and SFC, sharing the Internal Audit Report.</li> <li>That PL will seek clarification on whether a request from the Scottish Government has been received regarding clawback of the overage payment.</li> <li>That a comprehensive checklist be implemented to serve as a guide for all departments.</li> <li>That the Committee be provided with a financial outturn report for Phase 1 and subsequently Phase 2 of the project.</li> <li>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.</li> <li>That a report will be presented at the 1<sup>st</sup> meeting of the AAC next session (2023-24).</li> </ul>	PL PL RG RG DA RG	ASAP <b>Complete</b> ASAP ASAP <b>Complete</b> 12 09 23 <b>Complete</b> 12 09 23 <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 <b>Complete</b>