

Board of Management

Meeting of the Audit and Assurance Committee

MINUTE OF 4th MEETING HELD ON TUESDAY 23 MAY 2023 AT 1500 HRS (AAC4)

Present	
Graham Mitchell (GM) Convener	Paul Hillard (PH)
Lorna Hamilton (LH)	
In attendance	
David Archibald (Henderson Loggie) (DA)	Mark Laird (Audit Scotland) (ML)
Mark Drummond (MD)	Paul Little (PL)
John Gribben (JFG)	Drew McGowan (DM)
Zoe Headridge (Audit Scotland) (ZH)	Ann Butcher (Minute)
Michael Kemp (Thorntons) (MK) (Remote)	
Apologies for absence	
None	

Item AAC4-1	Apologies for Absence	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	There were no apologies.	

Item AAC4-2	Declarations of Interest	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	There were no declarations of interest.	

Item AAC4-3	Items to be Discussed Privately with Auditors	
Paper No:	Lead: Convener	Action requested: Note
Decision/Noted	GM advised that discussion under item 5.2.4 – Financial Memorandum Breach would take place in a private session with members only and the College's internal auditors after the conclusion of the meeting. GM confirmed that an additional meeting of the Committee would be scheduled with members and the Executive to discuss the findings and recommendations of the internal audit report.	

Item AAC4-4.1	Minute of the Meeting held on 20 March 2023	
Paper No: AAC4-A	Lead: Convener	Action requested: Approve
Decision/Noted	The minute was approved.	

GM welcomed MK to the meeting.

Item AAC4-5.1	Ex-Employee Fraud Report Update	
Paper No: AAC4-B	Lead: J Gribben	Action requested: Discuss
Discussion	<p>JFG informed the Committee that the pursuit of recovering funds fraudulently obtained by a former employee had been extensively reviewed by the College solicitors (Thorntons). The solicitor's advice note outlined the prospects of success in obtaining an order.</p> <p>MK provided a summary of the College's position if it chose to proceed with civil action, including the potential litigation costs in the event of an undefended or defended case. It was acknowledged, however, that pursuing legal action served not only as a means of recovering funds but also as a deterrent as it demonstrated that not only had the person been convicted but further measures were being taken.</p> <p>The Committee discussed the feasibility of pursuing this case including the financial risks, merits, likely outcome and prospects of success. Recognising the College's current financial challenges and the associated costs of pursuing recovery, the Committee concluded that this strategy held little likelihood of success and would be of limited benefit.</p> <p>Considering the extensive efforts already undertaken, including the fraud investigation, reports on Finance and IT effectiveness, implemented actions and lessons learned, the Committee agreed that continuing to pursue this matter would achieve no additional gains and that no further action should be taken. This matter will be reported to the full Board at the next meeting June.</p> <p>ML confirmed that the decision not to pursue recovery would not be a material factor to be reported on by the College's external auditors.</p>	
Decision/Noted	<ul style="list-style-type: none"> • To agree that the Committee would not recommend to the Board that the College should take further action to recover funds from the ex-employee. • To agree that the outcome of the Committee's discussion be reported at the full Board meeting in June. 	

JFG and MK left the meeting.

Item AAC4-5.2	Internal Audit Review Report(s)	
Item AAC4-5.2.1	Environmental Sustainability	
Paper No: AAC4-C	Lead: D Archibald	Action requested: Discuss
Discussion	DA reported on the outcome of the review of the College's environmental sustainability arrangements. Following the review of the College Strategic Plan supported by the Sustainability Strategy and Action Plan, it was clear	

that the College has developed a detailed roadmap of ambitions, intended direction and objectives in relation to environmental sustainability.

A range of sustainable practices have been successfully implemented and clear evidence was found of embedding sustainability within courses and teaching practices. It was evident that the College remains committed to achieving net zero carbon emissions by 2045 in line with current legislation.

Although no significant weaknesses were found, the opportunity to identify a dedicated resource to assume operational responsibility for this area had been identified.

DA also reported that the College had complied with submitting Climate Change Actions Plans and annual reports on carbon emissions to the Scottish Government which had also been reported to the SMT, FPRC and Board on an annual basis. He emphasised the benefits of moving to quarterly reporting to improve the effectiveness of oversight and monitoring controls.

Decision/Noted

To note the overall level of assurance was Good.

Item 5.4 was taken at this time.

Item AAC4-5.2.2 Building Contract Management	
Paper No: AAC4-D	Lead: D Archibald Action requested: Discuss
Discussion	<p>DA informed on the recent audit review on the arrangements in place to monitor the performance of GLQ against contract terms (excluding planned maintenance), following on from the internal audit work carried out in 2017/18.</p> <p>The Committee were advised that the College Helpdesk system continues to provide a robust platform for reporting, classifying and allocating reactive repairs to College staff or FES FM in a timely manner. All reactive repair jobs selected for testing had been promptly completed by FES FM and all jobs were closed off on the same day. No concerns about the ability of the contractor to deliver were raised at that time. Minor recommendations were made to improve the job closure process and authorisation of low-value changes.</p> <p>The excellent level of service provided and seamless connection with the contractor was acknowledged and welcomed by the Committee.</p>
Decision/Noted	To note the overall level of assurance was Good.

Item AAC4-5.2.3 Planned Maintenance	
Paper No: AAC4-E	Lead: D Archibald Action requested: Discuss
Discussion	DA provided an overview of the internal audit of the planned preventative maintenance (PPM) framework for the College's assets. The Committee was informed that whilst suitable mechanisms are in place to oversee GLQ's work in terms of planned preventative maintenance (PPM), two

	recommendations were raised on the visibility of maintenance standards for assets and the regular update of PPM Planners.
Decision/Noted	To note the overall level of assurance was Good.

Item AAC4-5.3	Internal Audit Progress Report	
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Paper No: AAC4-G	Lead: D Archibald	Action requested: Discuss
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Discussion	<p>DA presented an update on the progress made in implementing the annual Internal Audit Plan for 2022/23. Fieldwork for several planned areas has been completed and the final reports will be submitted at the September meeting. The range of fieldwork that will be carried out during the summer recess was noted. Due to the additional work required for the Financial Memorandum breach, progress on certain areas had been temporarily put on hold and will now be progressed.</p> <p>The review of Credits is scheduled for September with reporting scheduled for the November meeting however the possibility of additional work on Student Support Funding may also be included due to the change in work undertaken by the external auditors (EA). This matter is currently being discussed with EA.</p>	
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Decision/Noted	To note the update report.	
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Item AAC4-5.4	External Audit Plan 2022-23	
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Paper No: AAC4-H	Lead:	Action requested: Discuss
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Discussion	<p>ML provided an overview of the framework and planned approach for review to be conducted by Audit Scotland, following their appointment as External Auditor for financial years 2022-23 to 2026-27 including materiality levels, significant risks related to material misstatement (including the risk of management override of controls; valuation of land and buildings and valuation of pension asset/liability).</p> <p>ML also advised on audit requirements for the Performance Report, Governance Statement, and Remuneration and Staff Report. The audit arrangements in place for the wider scope areas (which now include climate change and cyber security) were noted.</p> <p>The Committee were also advised of the reporting arrangements, timetable and audit fee. Members noted the high-level fee set for 2022-23 however they were advised that the appointment of Audit Scotland was made through a competitive procurement process, where the fee element was assessed as part of the evaluation, ensuring the best value for the College. DM provided an update on the revised AAC reporting schedule.</p> <p>The Committee welcomed Audit Scotland on board.</p>	
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Decision/Noted	To note the EA Plan 2022-23.	
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Item AAC4-5.5		Strategic Risk Review	
Paper No: AAC4-I	Lead: D McGowan	Action requested: Discuss	
Discussion	<p>The MAPs for the high-scoring risks (6, 15 and 16) and updated risks (11, 24 and 27) were submitted to the Committee for their consideration. DM informed members that the Performance & Nominations Committee had reviewed and approved a recommendation to increase the score of Risk 11, on the failure of corporate governance, from 6 (green) to 10 (amber) in light of the notification of a breach of the Financial Memorandum. The Committee agreed to review the score of Risk 11 after the internal audit report on the Financial Memorandum breach had been considered by the Committee and the Executive.</p> <p>DM also updated members on the planned refresh of the Strategic Risk Register and Risk MAPs, including the inclusion of an additional 'Black' risk category which would be tabled for the Board's approval in June.</p>		
Decision/Noted	<ul style="list-style-type: none"> • To note the MAPs under the Committee's remit. • To consider the score of Risk 11 following consideration of the internal audit report on the Financial Memorandum breach. 		

Item AAC4-6		Any Other Notified Business	
Paper No: Verbal	Lead: Convener	Action requested: Note	
Decision/Noted	DA highlighted the impact and associated risks relating to the utilisation of AI in academic areas within the College.		

Item AAC4-7		Disclosability of Papers	
Paper No: Verbal	Lead: D McGowan	Action requested: Note	
Decision/Noted	The disclosability status of all other papers described on the respective cover sheets were retained.		

Item AAC4-8		Date of Next Meeting	
Paper No: Verbal	Lead: Convener	Action requested: Note	
Decision/Noted	To be confirmed.		

The meeting closed at 1620 hours.

ACTION POINTS ARISING FROM THE MEETING

Item	Description	Owner	Target Date
AAC4-3 23 05 23	Private Session: Discussion on the Financial Memorandum Breach to be taken at the private session.	Members only	Closed Session 23 05 23
AAC4-5.1 23 05 23	Ex-Employee Fraud Report Update: To report on the outcome decision.	GM	Board 14 06 23
AAC4-5.5 23 05 23	Strategic Risk Review: 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

ACTION POINTS ARISING FROM PREVIOUS MEETINGS

Item	Description	Owner	Target Date
AAC3-6 20 03 23	AONB: Provide Internal Audit Report on breach of Financial Memorandum.	ST/MD/SI	23 05 23 Complete
AAC3-5.4 20 03 23	Ex-Employee Fraud Report Update: Seek additional advice from solicitors, including full cost analysis.	JFG	23 05 23 Complete
AAC2-5.6.3 29 11 22	Data Protection: Annual data protection report to be tabled at the Board for information.	SL	AY 2022-23