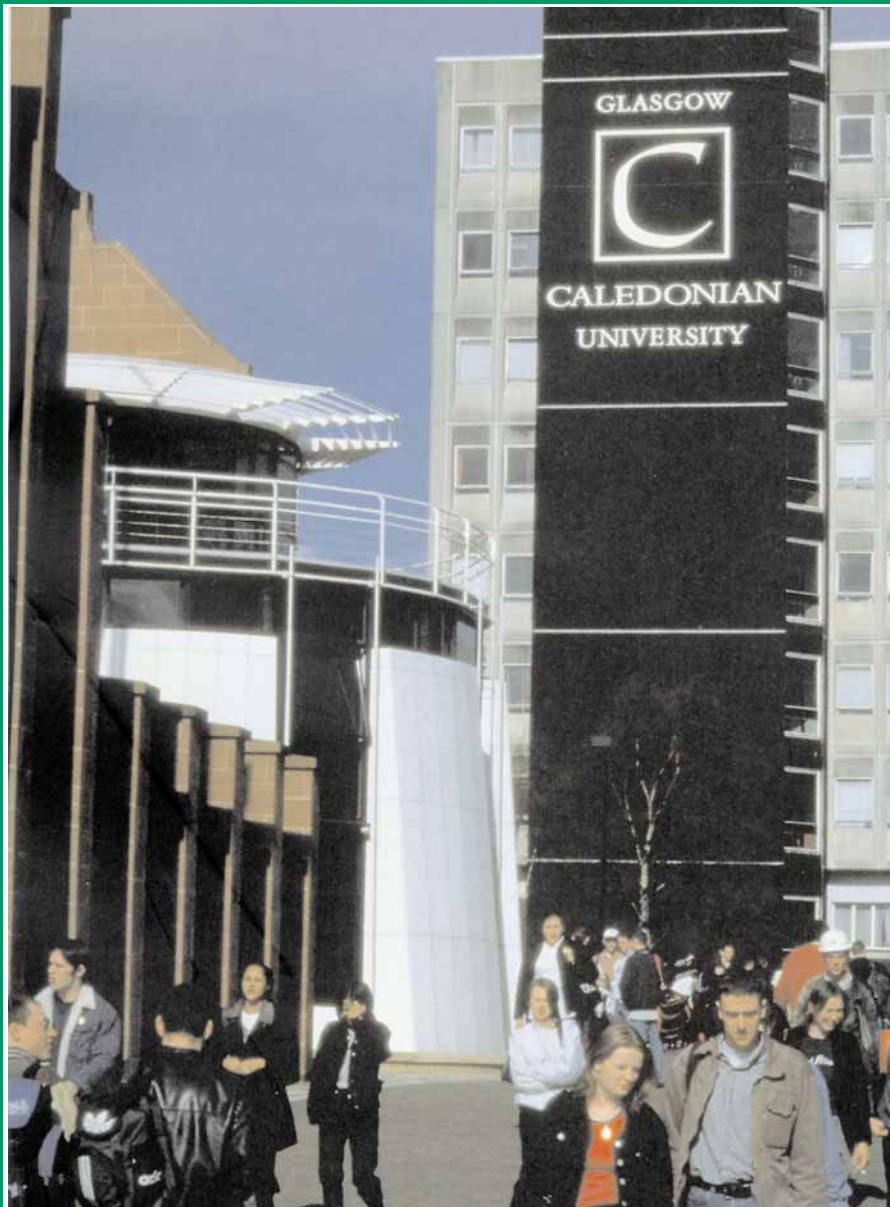


Investigation of Misconduct at Glasgow Caledonian University



This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

John Bourn
Comptroller and Auditor General

National Audit Office
3 April 1998

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Executive summary

1 In February 1997 a member of my staff in Edinburgh and the Chief Executive of the Scottish Higher Education Funding Council (the Council¹) received anonymous allegations by letter about the conduct of the principal and other members of the senior management of Glasgow Caledonian University (the University).

2 In response, and in consultation with us, the Council completed an investigation into the allegations which showed serious misconduct within the institution. This report describes the outcomes of this work and the actions now in hand to reinforce governance within the University and within the higher education sector in Scotland.

Glasgow Caledonian University

3 The University was established on 1 April 1993 from the merger of Glasgow Polytechnic (prior to December 1990, Glasgow College of Technology) and The Queen's College Glasgow. It is one of the 13 Scottish higher education institutions designated under the Further and Higher Education (Scotland) Act 1992 as eligible to receive funding from the Council, one of 21 institutions of higher education in Scotland, and will receive some £35 million grant aid from the Council in 1997-98.

4 As well as the University's position within higher education in Scotland, and the allegations made in February 1997, Part 1 of this report describes the wider background to our work and the Council's investigation. In particular we summarise recent conclusions of the Committee of Public Accounts and the conclusions of recent major independent reviews affecting governance in the sector, including reviews by the National Committee of Inquiry into Higher Education (Chairman Lord Dearing) published in July 1997 and by the Committee of Standards in Public Life (Chairman Lord Nolan) in November 1997. Part 1 also notes the Government's response made in February 1998 to the report of the Dearing Committee.

¹ Unless otherwise stated, references in this report to the Council refer to the Chief Executive as Accounting Officer and to the staff of the Council and not to the members of the Council's governing body.

The conduct and outcome of the initial investigations into allegations of misconduct at the University

5 Part 2 shows that the Council acted promptly in response to the allegations, completing an initial investigation in April 1997.

6 The findings of this initial investigation were sufficient to cause the University to seek the principal's early departure in May 1997. In September 1997, following their own review of aspects of the allegations concerning employment matters, the University dismissed their principal Professor Mason for gross misconduct with no compensation. In doing so the University had regard to recommendations of the Committee of Public Accounts, which the Council had drawn to their attention, that there should be no financial compensation for those responsible for cases of serious misconduct.

7 Professor Mason rejects the findings of the University's review which led to his dismissal. He intends to take a case for unfair dismissal to an industrial tribunal, the outcome of which is not yet known. Professor Mason has also rejected the allegations of wrong doing which caused the Council's investigation, and to the findings of this investigation concerning his conduct.

The completion of the investigations and action to reinforce governance standards within the University and within the higher education sector in Scotland

8 Part 3 of this report concerns the substance of the University's and the Council's detailed investigations, which they finalised in September 1997 and February 1998 respectively. These investigations found evidence of serious wrong-doing, irregularities and control weaknesses within the University in respect of the use of vehicles, overseas travel, the employment of staff and the oversight of subsidiary companies which raise concerns about the governance of the institution and the management culture in operation.

9 As a result the Council recommended a range of actions to reinforce proper conduct and systems within the University, and in most areas the University are responding positively to implement these. In two areas the University do not fully accept the Council's conclusions. In the case of the University's decision not to pursue disciplinary action against one member of staff in the light of the findings of

the University's review of employment matters, the University consider that they had acted reasonably and in the best interests of the University overall. In the case of the scope of the University's internal audit work, the University wish to discuss aspects of the Council's conclusions with the Council.

10 In Part 4, we record the results of a brief survey we and the Council undertook of governance procedures across the sector in Scotland in Autumn 1997, in the light of circumstances at Glasgow Caledonian University.

Conclusions and recommendations

11 Taking into account the findings of the investigation in this case, and wider developments in Scotland on governance questions, our conclusions and recommendations for further action by the Council and institutions in Scotland are as follows.

The investigation of the allegations and corrective action

- 1** This is a disturbing case, but the Council acted promptly to investigate the allegations, and they and the University have initiated action to reinforce proper conduct within the University as a result of their findings.

Whistleblowing procedures

- 2** There is clearly a need to establish whistleblowing procedures for the sector and to publicise these to staff as recommended in the fourth report of the Nolan Committee. The authors of the anonymous allegations which led to the Council's investigation in this case stated that because of a climate of fear and intimidation this was almost the only way to make their concerns known. Yet the Council's investigation confirmed that some of the problems were of long standing. A well defined procedure enabling staff to raise their concerns in a responsible way, and to have them examined objectively, could have helped to deter misconduct within the University. We therefore welcome the Council's recent decision that they should issue guidance to institutions on whistleblowing procedures.
- 3** In considering whistleblowing procedures the Council and institutions need to ensure that those who use them responsibly will not suffer recriminations as a result, that any concerns will be properly examined and that corrective action found to be needed will be properly pursued. In preparing their guidance the Council should consider reserving a right to monitor and evaluate the operation of procedures in individual

cases, so as to reinforce their effectiveness. They should also take into account that Parliament are considering the Public Interest Disclosure Bill, a private member's bill which has attracted Government support, proposing new measures to protect individuals who blow the whistle on malpractice at work.

Severance terms in disciplinary cases

- 4 We welcome the Council's commitment, made in response to the previous recommendations of the Committee of Public Accounts, that they would wish to examine routinely any severance payments made to senior staff of any institution, and to follow up any issues emerging. Their actions in this case are evidence of their strong commitment to respond to the Committee's guidance in this area.
- 5 We recommend that, when an institution considers disciplinary action against a member of staff for severe misconduct, they should make no commitment relating to the departure of the staff member before completing the necessary disciplinary procedures. In determining any terms for the severance of staff following such procedures, institutions should satisfy themselves that if necessary they could defend in public the terms of any settlement taking account of the findings of any disciplinary procedures.

Provision of vehicles at public expense

- 6 We recommend that where institutions make available vehicles to senior staff or members of the governing body they should ensure that there are sound business reasons for doing so; and they should ensure that the remuneration committee of the governing body is fully informed and endorses such provision.

Monitoring and control of overseas activity

- 7 The Council are preparing their response to the recent recommendations of the Committee of Public Accounts on monitoring and control of institutions' overseas activity. Taking into account any further guidance which the Council may provide as a result, individual institutions should evaluate whether their policies governing visits overseas ensure that expenditure is no higher than necessary and provides value for money.

Oversight and control of subsidiary companies

- 8 The Council issued clear and carefully researched advice to institutions on the oversight and control of subsidiary companies in 1996, though only one institution has implemented the recommended procedures in full. We therefore welcome the Council's recent intention to follow this up with institutions to help ensure that institutions achieve best practice in this area.

The effectiveness of governance procedures

- 9 We welcome the Council's undertaking to require institutions to review and report formally on the effectiveness of their governance, as recommended by the Dearing Committee in July 1997 and the Nolan Committee in November 1997, and to issue further guidance for the sector in Scotland.
- 10 We note that the Government's response to the report of the Dearing Committee is that they wish funding bodies to monitor progress on governance in the hope that it will not be necessary to make satisfactory performance in this area a condition of grant for institutions. The Council will therefore need to consider carefully the extent to which they should monitor institutions' compliance with their guidance on good practice, and what sanctions they should apply in the event of non-compliance.

Part 1: Introduction

Higher education in Scotland

1.1 Higher education institutions in Scotland and the rest of the United Kingdom are legally independent corporate bodies with charitable status which have a common purpose of providing education and undertaking research. Various statutes or in some cases royal charters establish the diverse constitutions and powers of the 21 institutions in Scotland.

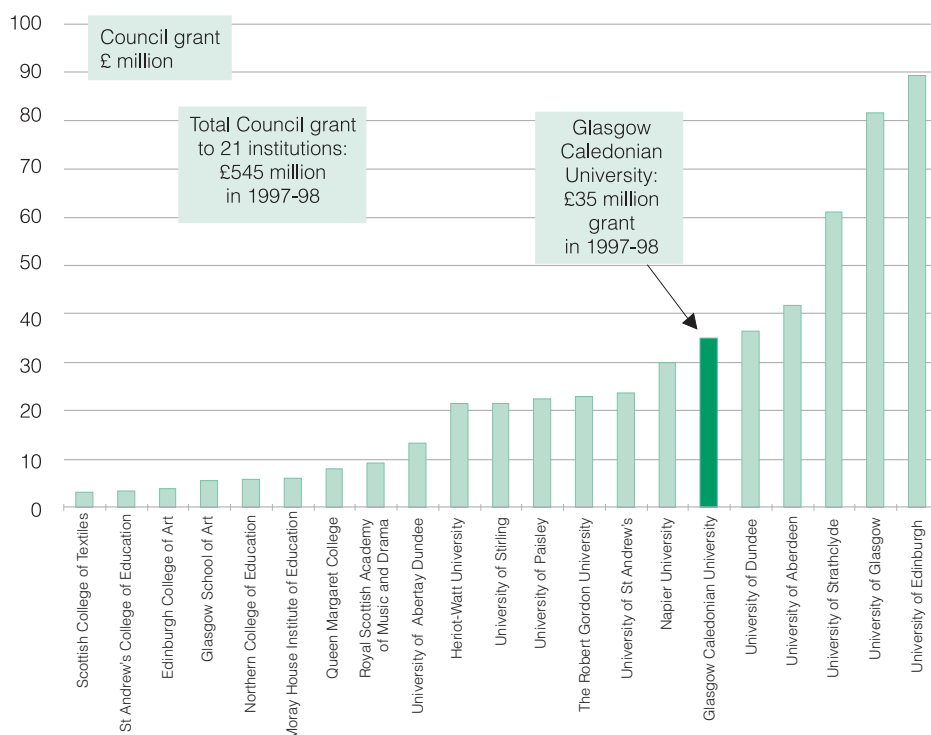
1.2 The Council distribute significant public funds to support teaching and research in Scottish higher education institutions. In 1997-98, the Council will have provided some £545 million in grant aid to the 21 institutions (Figure 1). The Council's other main functions are to secure that provision is made for assessing the quality of education provided in institutions for whose activities they provide financial support; and to provide the Secretary of State with information and advice relating to all aspects of higher education in Scotland, including the financial needs of the sector.

1.3 For each institution there is a standard financial memorandum agreed with the Council governing the use of Council funds and specifying the general conditions under which funding is provided. Subject to this the governing body of each institution has discretion over the specific use of much of the public funds it receives, and is ultimately responsible for the proper stewardship of those funds, for ensuring that they are used for the purposes intended and for delivering value for money for public funds (Figure 2 on page 8).

1.4 The financial memorandum for each governing body requires them to designate, subject to the acceptance of the Council, a principal officer who will be responsible for satisfying the governing body that there is compliance with all conditions concerning financial management and the accounting for and application of funds. The designated officer may be required to appear before the Committee of Public Accounts alongside the Chief Executive of the Council on any matters relating to grant to the institution which arise before that Committee.

**Council funding
of Scottish higher
education institutions
in 1997-98**

Figure 1



Note: Institutions also have other significant sources of income, including tuition fees, research grants and contracts, endowment income and other operating income. The Council estimate that such sources provided more than half of Scottish institutions' total income in academic year 1996-97.

Source: The Council

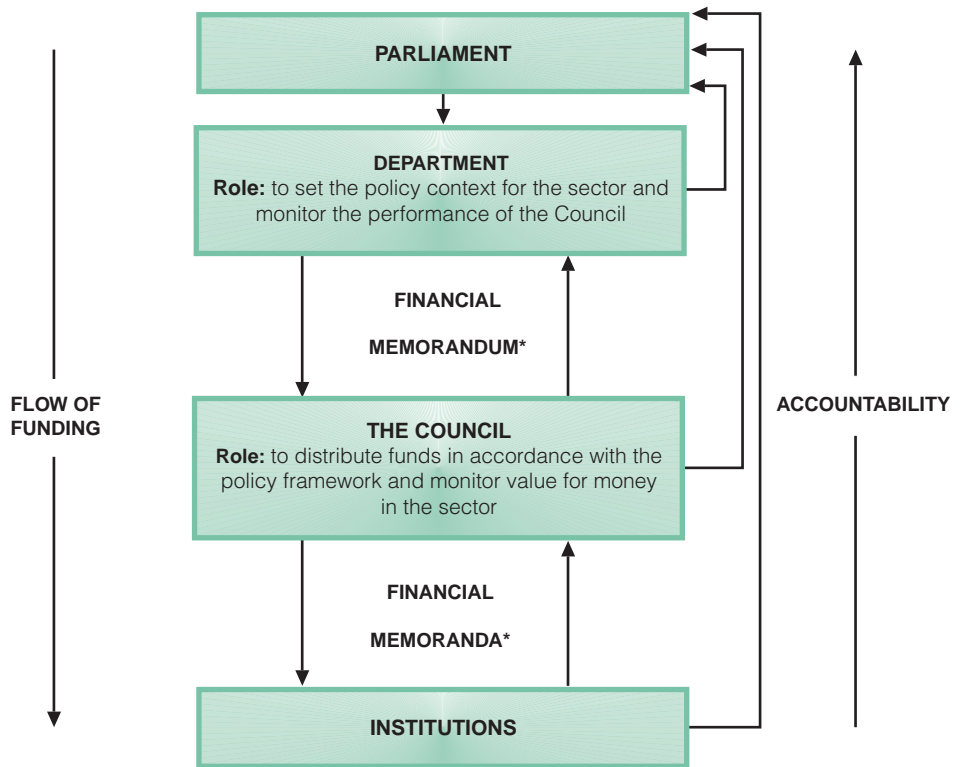
Glasgow Caledonian University

1.5 Glasgow Caledonian University was established on 1 April 1993 from the merger of Glasgow Polytechnic (prior to December 1990, Glasgow College of Technology) and The Queen's College Glasgow. It is one of the 13 Scottish higher education institutions designated under the Further and Higher Education (Scotland) Act 1992 as eligible to receive funding from the Council, one of 21 institutions of higher education in Scotland, and will receive some £35 million grant aid from the Council in 1997-98.

1.6 There are a number of significant achievements which the University can claim since their inception: excellent financial health; a very positive report from the Higher Education Quality Council on the effectiveness of their systems and procedures; confirmation from the Council's quality assessments on the

Responsibilities and accountabilities in higher education in Scotland

Figure 2



Note: * **Financial memoranda** govern the financial relationships between the body making the grant and the recipient. They specify the terms and conditions of funding. They require recipients to have in place sound financial control. Each funding body monitors compliance with the memoranda.

Source: National Audit Office

effectiveness of their teaching; being recognised as amongst the best new universities in Scotland in assessments of research quality; and wider very positive achievements in relation to serving high numbers of part-time students and mature students, wider access generally and the employability of their graduates.

Allegations concerning Glasgow Caledonian University

1.7 On 25 February 1997 a member of my staff in Edinburgh and Professor John Sizer, the Chief Executive and Accounting Officer of the Council, received anonymous allegations by letter about the conduct of the principal, Professor Stan Mason, and other members of the senior management of the University. The

allegations (Figure 3) appear to have been prompted partly by publicity which had followed publication of my report on “The Governance and the Management of Overseas Courses at the Swansea Institute of Higher Education” (HC222 of Session 1996-97).

Summary of allegations received in February 1997

Figure 3

Employment aspects. The allegations suggested instances of favouritism involving the employment of the principal's family and others within the University.

Vehicles. The allegations stated that senior staff used the University vehicles and drivers for personal purposes; and that the principal's wife had sole use of a University company vehicle.

Overseas visits. The allegations stated that senior staff had been on a number of trips to the Far East, South Africa and Oman, that their partners accompanied them, and that there were holiday elements to these and other trips.

Caledonian College of Engineering, Oman. The allegations indicated that the financial viability and value for money of the University's development of this overseas college was unclear.

The University's subsidiary companies. There were allegations regarding the financial performance, accountability and control of two subsidiary companies of the University.

Management. The allegations indicated that there was dissatisfaction and disquiet within the University regarding insufficient checks and balances over senior management, with no avenue for staff to voice concerns without unfair recrimination.

Source: National Audit Office

1.8 My staff and the Council agreed that the allegations were sufficiently serious to warrant investigation and that the nature of the allegations meant that the investigation would need to be independent of the senior management of the University. The Council were concerned that the allegations concerned the regularity and propriety of the use of public funds, for which matters their accounting officer has personal responsibility. Accordingly in March 1997 the Council launched a special investigation into the allegations, with the concurrence of my staff and of the Scottish Office Education and Industry Department (the Department).

1.9 Part 2 of my report considers how the Council and the University conducted their initial investigations of these allegations, leading to the dismissal of the University's principal. Part 3 records the final outcome of their detailed examination of the issues and the actions taken by the Council and the University. In Part 4, we record the results of a brief survey we undertook jointly with the Council across the sector in Scotland in Autumn 1997 in the light of circumstances at Glasgow Caledonian University.

Separate allegations about academic matters

1.10 In July 1997, the Council received separate allegations about academic matters at the University. The author of these allegations, a former member of the academic staff of the University, also raised them with his MP, Dr John Reid who in turn passed them on to Mr Brian Wilson, Minister for Education and Industry at The Scottish Office, for his attention. The Department and the Council subsequently welcomed the University's decision that they should establish an inquiry panel under the Chairmanship of Professor John Darby, a former Assistant Principal of Napier University, to investigate and report on the allegations.

1.11 When completed, the University have agreed that they will make available the inquiry panel's report to the Council and the Department. This inquiry is still progressing, and is not covered in this Report.

Methodology

1.12 Our report is based on a review of relevant papers of the Council and of the University, and our discussions of findings with key staff of both organisations. We have not separately examined the misconduct allegations, and we have instead relied on the findings of the Council and the University in these areas. Additionally, as detailed in Part 4 and Appendix 4, we and the Council issued a questionnaire to the 21 higher education institutions in Scotland on governance arrangements, to which all institutions responded.

1.13 In assessing the action taken, we also took into account our previous work on governance issues, and relevant recommendations made by the Committee of Public Accounts.

Previous work by the National Audit Office and the Committee of Public Accounts

1.14 Issues raised directly with the National Audit Office by Members of Parliament and others have, since 1995, led to three National Audit Office reports on governance issues in the higher education sector (Figure 4).

**Recent National Audit
Office reports on
governance issues in the
higher education sector**

Figure 4

Severance Payments to Senior Staff in the Publicly Funded Education Sector (HC 202 Session 1994-95, published February 1995). This dealt with concerns particularly about a proposed severance package to the Vice-Chancellor of the University of Huddersfield, which was settled at a reduced sum of some £200,000, and related governance matters at this and other institutions in the UK.

Governance and the Management of Overseas Courses at the Swansea Institute of Higher Education (HC 222 Session 1996-97, published January 1997). This dealt with concerns about the governance and management of that institute, and the resignation of their former principal with a severance package which cost the institute £127,000.

University of Portsmouth (HC 4 Session 1997-98, published May 1997). This dealt with the subsequent departure of both the Vice-Chancellor and the Deputy Vice-Chancellor with severance packages which cost the University some £252,500.

Source: National Audit Office

1.15 The first two of these reports resulted in hearings of the Committee of Public Accounts. The Committee's concerns on these matters, their related recommendations and, where available², the Government's response to these points are detailed in Appendix 1 of this report. In summary the key issues for the Committee have been:

- The need for high standards of financial management and control of institutions' overseas activities.
- Similarly, the need for quality assurance arrangements for overseas activities to meet the high standards expected of British higher education.
- Where problems have occurred, the benefits from identifying them quickly and learning the lessons.
- The need to reinforce the position of clerks or secretaries of governing bodies within institutions, to ensure objective advice to governors.
- The need to avoid cases where individuals responsible for serious mis-management may receive generous severance settlements.

² The Committee published their report concerning the Swansea Institute of Higher Education on 18 January 1998 and the Government had not published their response when this report was finalised.

- The need to monitor institutions' compliance with best practice procedures for governance, which the Committee have recommended the funding councils should consider making a condition of grant.

Other major reports on structures and governance in the higher education sector

1.16 We also took into account the outcome of three major independent reviews of structures and procedures affecting governance in the higher education sector.

1.17 The second report of the Nolan Committee in 1996³, the report of the Dearing Committee of Inquiry into Higher Education in 1997⁴ and the fourth report of the Nolan Committee in 1997⁵ have each included examination of the standards and expectations governing the accountability of higher education institutions.

1.18 Important issues arising from these reports relevant to the governance of the higher education sector have been:

The second report of the Nolan Committee, May 1996

- The need for institutions to review their practices and procedures for governance in the light of best practice recommendations which the Committee made, to help ensure institutions may conduct their business so as to satisfy the Committee's seven principles of public life (Figure 5).

The report of the Dearing Committee, July 1997

- The responsibility of higher education institutions generally to ensure that they satisfy best practice on governance.

3 Local Public Spending Bodies: Second Report of the Committee of Standards in Public Life (Cm 3270) May 1996.

4 The National Committee of Inquiry into Higher Education: Higher Education in the Learning Society July 1997.

5 Review of Standards of Conduct in Executive NDPBs, NHS Trusts and Local Public Spendind Bodies: Fourth Report of the Committee of Standards in Public Life, November 1997.

**The Nolan Committee's
Seven Principles of
Public Life**

Figure 5

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Source: First Report of the
Committee of Standards in
Public Life (Cm2850-1)
May 1995

- The Committee recommended that the governing body of each institution should systematically review, at least once every five years, their effectiveness including the effectiveness of their management and governance arrangements; and that funding bodies should reinforce this by requiring the institutions, as a condition of funding, to publish the results of their reviews in their annual reports.

The fourth report of the Nolan Committee, November 1997

- The Committee examined the progress institutions had made in response to the earlier recommendations of the Committee, including those concerning governance within the higher education sector. They concluded that while the sector had had some success in applying the Committee's previous recommendations there was still much to be done.

- While the Committee found that there is in the higher education sector an abundance of guidance on governance matters, they emphasised the need for funding bodies to monitor formally how far institutions have implemented such voluntary codes.
- The Committee also emphasised the need to establish whistleblowing procedures and to publicise these to staff. They found few institutions had reviewed their procedures or adopted a suitable mechanism in this area.

1.19 The Government's response to the report of the Dearing Committee was published on 25 February 1998. In respect of the Committee's recommendations concerning institutional governance generally, the Government agrees that governance and accountability to the public for performance and responsiveness will continue to be very important. On the specific recommendations concerning systematic review by governing bodies and reporting of their performance and effectiveness, the Government supports these recommendations and wishes the funding bodies to encourage review and reporting and to monitor progress in the hope that these matters need not be made a condition of public funding.

Part 2: How the Council and the University conducted their initial investigations, leading to the dismissal of the University's principal

The Council acted promptly after allegations of misconduct were made in February 1997, and completed their initial work in April 1997

2.1 After the receipt of the allegations in late February 1997 (Part 1), the Council notified the University authorities and Professor Mason of the allegations and the decision to investigate them in early March. The allegations concerned Professor Mason, the principal and designated officer of the University. The Council's main contact with the University was with Mr Malcolm Campbell, the Chairman of the University's governing body - the University Court. The Chairman confirmed the University's full co-operation and detailed inquiries commenced on 17 March.

2.2 At this early stage the Chairman was satisfied that Professor Mason should continue to exercise his duties as principal, notwithstanding that the allegations against him were serious ones. The Chairman took the view that the allegations at that stage, though serious, were unsubstantiated and Professor Mason had stated he was confident that they would be refuted.

2.3 The Council considered that the allegations concerned mostly matters of fact and as such should be capable of either being substantiated or refuted. Accordingly they directed their initial inquiries towards confirming or otherwise the basic factual accuracy of the specific allegations. The Council drew their initial investigation to a close in April 1997.

The findings of the Council's initial investigation caused the University to seek the principal's early departure in May 1997

2.4 On 1 May 1997 the Council conveyed the findings and conclusions of the initial phase of the investigation to the Chairman of the University Court who was accompanied by the Chairmen of the Court's Audit and Finance Committees. In summary, the findings indicated that there was a sufficient basis in fact to warrant further more thorough investigation of most of the allegations, and to consider more widely the governance and management of the University. The findings of the Council's initial investigation as they were presented to the Chairman of the University are at Appendix 2 of this report.

2.5 The Chairman was gravely concerned with the Council's initial findings. In consultation with the Chairmen of the University's Audit and Finance Committees he decided to approach Professor Mason as soon as possible, and inform him that his current position was untenable. He also arranged for a special meeting of the University Court on 16 May to consider these matters.

2.6 On 11 May the Chairman of the Court and the Chairman of its Finance Committee duly met Professor Mason on his return from leave, and advised him that the Council's interim findings, even though containing a number of issues requiring clarification, were sufficiently severe to warrant action by the Court. The Chairman also highlighted to Professor Mason the impact on his ability to manage the University given the extent of further investigation of the allegations likely to be undertaken.

2.7 The outcome of this meeting was a request from Professor Mason that the Court be asked to approve in principle his early retirement from the University subject to terms being agreed. Professor Mason did not subsequently return to duty at the University, though he remained on the University's staff and payroll while the University considered the terms on which he should depart.

2.8 On 16 May the main conclusions of the University Court's meeting to consider these matters were as follows:

- The Court endorsed the approach of the Chairman concerning Professor Mason's position.

- The Court resolved to accept in principle Professor Mason’s request for early retirement, subject to terms being agreed which were capable of meeting all relevant regulations and guidelines on such matters. They noted advice from the Chairman that no member of University staff would be allowed to benefit financially from improper use of public funds and that full recovery would be sought if evidence of such impropriety was uncovered.
- The Court recognised the very serious implications of the Council’s interim findings for governance within the University, and that the highest possible priority must be given to obtaining and examining information which had led to these findings. They authorised the Chairman to establish such ad hoc groups as were needed to progress matters, and they requested their Audit Committee to consider the interim findings of the Council and take whatever actions necessary in relation to matters within its remit.
- The Court noted that the Council had advised the Chairman that the matters being investigated did not raise any doubts concerning the financial health of the University, nor did there appear to be a major loss to public funds.
- The Court resolved that the Chairman should inform the Council of their actions in response to their interim findings, and should ask them to consider the advantages of conducting the next stage of the investigation in co-operation with the Court’s initiatives in this respect.

Following the Council’s initial investigation the Council and the University continued to co-operate with the University concentrating on employment aspects

2.9 Shortly after the Court meeting of 16 May the Chairman agreed the Council’s proposal to investigate further matters relating to the allegations. Also the Council agreed to the Chairman’s request that he should appoint a separate panel of the Court to investigate aspects of the University’s employment procedures, because of the Court’s serious concerns in that area.

2.10 The Council also agreed that their investigation team should co-operate with Deloitte & Touche, the University’s internal auditors, whom the University commissioned to help verify the facts relevant to the investigation.

2.11 On 20 May 1997 the Chairman invited three lay members of the Court under the leadership of one who was also a partner in a firm of solicitors to form a panel to investigate employment aspects arising from the Council's initial investigation. The Secretary to the Court assisted the panel. The Chairman agreed the panel's detailed terms of reference and consulted the Council, who were satisfied that the panel would adopt an independent and rigorous approach.

The Council ensured that the University took account of the views of the Committee of Public Accounts on disciplinary aspects in considering the principal's departure

2.12 Also on 20 May 1997 the Chairman confirmed to the Council the decision to accept subject to terms Professor Mason's request for early retirement. In response on 23 May the Council sought clarification on several points concerning these terms, indicating that they would wish to assess their acceptability. The Chairman confirmed that he would provide details of terms as soon as these were available, having meanwhile instructed the University's solicitors to commence the negotiation with solicitors acting for Professor Mason.

2.13 On 30 May 1997 the Council wrote again to the Chairman drawing to his attention my report on the University of Portsmouth (HC 4, Session 1997-98 published the previous week), in particular to my conclusions about the effectiveness of the University of Portsmouth's investigations into irregularities involving their Vice Chancellor. They also referred the Chairman to the section of my report where I had highlighted the departure from the recommendations of the Committee of Public Accounts in their January 1994 Report on the Proper Conduct of Public Business, in that the University of Portsmouth had decided to enter into an agreement relating to the departure of a senior member of staff which cost some £200,000 as an alternative to disciplinary proceedings⁶.

⁶ In their Report (HC154 Session 1993-94) the Committee of Public Accounts objected to ex gratia payments made without authority on termination of employment, particularly where disciplinary action might be more appropriate.

2.14 In subsequent exchanges between the Council and the Chairman in June 1997 the Chairman indicated that he and others concerned were giving due consideration to the matters raised by my report about the University of Portsmouth. He also indicated that no terms had been agreed with Professor Mason and that the University were considering all options concerning Professor Mason's current employment status, including dismissal.

2.15 On July 8 the Council wrote to the Chairman indicating concern that no significant progress appeared to have been made about the position of Professor Mason, who was continuing to be paid his salary of some £10,000 a month. The Council emphasised to the Chairman that, once agreement had been reached on Professor Mason's severance, my staff would wish to examine and evaluate the terms to establish whether they were a defensible use of public money.

2.16 The Council also referred to the question raised by the Chairman of the University's Audit Committee of whether there was any further information that the Council's investigation team could provide to inform the Court's deliberations in relation to Professor Mason's severance. They indicated that:

- Their letter to the Chairman of 1 May 1997 (Appendix 2) contained findings which were individually severe, and when viewed collectively the combined impact of the findings was more significant and might also reflect a pattern of behaviour or a particular style of management.
- The Council were satisfied that their inquiries were largely complete in relation to the provision of cars to Professor Mason, to the payment to Professor Mason of £2,400 "garaging fees" and to the holiday elements in relation to his trips to Malaysia in 1993 and 1995.
- Though there were certain other specific matters that were being pursued further, concerning employment matters the Council intended to rely wherever possible on the work of the panel of lay governors; and the remainder of their investigation was to be concerned mainly with the underlying systems and practices and less with specific matters about which allegations had been made.

2.17 In response to the Council's letter of 8 July the Chairman advised that he too was most concerned that no significant progress had been made concerning Professor Mason. The Chairman indicated, though, that it was necessary to take into account the need to be fair and for the allegations to be proved as fact or otherwise. Despite the tremendous amount of work already undertaken by the lay members of the Court responsible, the Court's own investigation regarding employment aspects was only then starting to draw its conclusions.

2.18 Later in July 1997 the Chairman advised the Council that in the light of the emerging findings of the Court's inquiry panel on employment aspects, and in the interests of fairness, it would be necessary to interview Professor Mason. In the meantime, though Professor Mason remained on the University's payroll, the University's solicitors had been instructed to advise Professor Mason's solicitors that any offers that may have been tentatively discussed regarding early retirement had been withdrawn.

The University completed an inquiry on employment aspects in September 1997 which found evidence of serious wrong doing

2.19 The University inquiry panel's remit was to examine employment and recruitment procedures generally within the University, and whether there had been a lack of proper prudence, conduct or control in the administration of three employment cases where questions arose from the Council's investigation. The panel's inquiry excluded, though, two other cases also linked to the Council's initial investigation. These concerned the employment of Professor Mason's two sons within the University. The Council's initial inquiry had been unable to ascertain whether these cases were properly conducted because available records within the University were insufficient for this purpose, and the Court panel's inquiry excluded these cases for the same reason.

2.20 The University's inquiry panel completed their inquiry and submitted their detailed written report on 12 September. In summary their report⁷ gave evidence of serious wrong doing in relation to the three cases which they examined.

⁷ The findings and conclusions of the inquiry panel on employment are described more fully in Part 2 of the Council's inquiry report at Appendix 3.

2.21 The panel concluded that Professor Mason's conduct in relation to the three cases demonstrated a fundamental breach of trust placed in him by the Court, and an inexcusable abuse of his authority as principal. Professor Mason knew personally all the appointees, including in one case his daughter-in-law, and the panel found that his actions showed that he had improperly intervened in and sought to influence all three cases.

2.22 The panel also criticised strongly the conduct of two other University staff involved in these cases. These were the senior assistant principal responsible for staffing policy and procedures, and the head of personnel who reported to him. The panel rejected as a defence an assertion from these staff that their actions were the result of pressure from Professor Mason. The panel considered that both of these staff, whose conduct they concluded demonstrated a lack of proper regard for professional standards, for proper conduct and for the public interest, could have done more to have prevented Professor Mason's improper conduct. In the case of the senior assistant principal the panel concluded his conduct was likely to damage the reputation of the University.

2.23 Finally the panel concluded that the University required new arrangements to provide a properly formulated framework of policies and procedures for employment and recruitment. They found some existing procedures were not properly codified or developed. They recommended that new arrangements should be based on transparency and fairness with clearly defined safeguards against abuse, and should make adequate provision for accountability to and oversight by the University Court. The panel welcomed the Court's proposal made in June 1997 to establish a standing Staff Affairs Committee of the Court.

Once the University had completed their examination of employment aspects they acted decisively and dismissed Professor Mason for gross misconduct in September 1997

2.24 At their meeting of 12 September the Chairman of the University Court and the Court's Salaries Committee considered that the findings and conclusions of the panel on employment matters represented overwhelming evidence against the conduct of Professor Mason in relation to the three cases examined. The Chairman and the Salaries Committee considered that unless Professor Mason could produce evidence of something material having been overlooked by the panel, and subject to the authority of the entire Court, Professor Mason should be dismissed summarily.

2.25 The Chairman therefore decided that he should contact each member of the Court and provide them with an opportunity to read the panel report and to decide on the action to be taken in the case of Professor Mason. He made arrangements accordingly during the period 15 to 18 September. The great majority of Court members contacted the Chairman after reading the report and confirmed that, in the light of overwhelming evidence of serious misconduct, Professor Mason's connection with the University must be severed without delay in the best interests of the University.

2.26 Consequently the Chairman, the Chairman of the Court's Finance Committee and the University's solicitor met Professor Mason and his solicitor during the morning of 19 September. After Professor Mason and his solicitor had accepted the opportunity to read the panel's report there was a brief discussion which ended with the Chairman dismissing summarily Professor Mason.

2.27 Because the University had dismissed Professor Mason for misconduct they were not required to give notice, nor pay salary in place of notice, and Professor Mason's salary ceased with effect from the day of his dismissal. The University gave no pension enhancement to Professor Mason.

2.28 Professor Mason rejects the panel's conclusions in relation to his conduct, and he intends taking his case for unfair dismissal to an industrial tribunal. The outcome is not yet known.

Part 3: The completion of the investigations, and how the University are taking action to reinforce proper conduct within the University

The Council completed the second phase of their investigation in February 1998, disclosing many irregularities

3.1 The Council's initial investigation, completed in April 1997, had concluded that there was a sufficient basis in fact to warrant further, more thorough investigation of the allegations of misconduct within the University. With the agreement of the University, the Council's team therefore proceeded with a more detailed second phase investigation of the allegations.

3.2 The Council prepared an initial report on the outcome of their investigation in December 1997. The Council invited comments on the accuracy and completeness of the findings and conclusions from the University and from Professor Mason and other parties identified by name in the initial report on 29 December 1997. The Council's Chief Executive presented a final report to the members of the Council's governing body on 20 February 1998. The governing body accepted and endorsed the investigation's findings and the conclusions and recommendations addressed to them, and referred the report to the Council's Audit Committee to consider what advice and guidance should be given to institutions in the light of the findings.

3.3 The following sections of this part of my report summarise the findings and recommendations of the Chief Executive's report, and the corrective action the University authorities have in most cases already taken to reinforce proper conduct within the institution, in each major area of the inquiry:

- Vehicles
- Overseas visits
- The Caledonian College of Engineering, Oman

- The University's subsidiary companies
- Employment aspects
- Governance and management

I have reproduced the Chief Executive of the Council's final report in full as Appendix 3 to this report.

Vehicles

The principal had the use of two cars at the same time, a University car and a University company car; neither car was properly authorised for this purpose

3.4 The Council's investigation found that between May 1990 and May 1996 Professor Mason benefited from various fully expensed cars provided by the University, by a subsidiary company of the University, and by predecessor institutions of the University ie Glasgow Polytechnic and before it Glasgow College of Technology and their subsidiary companies. In particular, the investigation found that between August 1994 and December 1995 Professor Mason had improperly accepted more or less exclusive use of two cars at the same time. These were a 1994 Saab 900 V6 SE provided by a subsidiary company and a 1994 Jaguar XJ6 provided by the University. Professor Mason's wife, who was not employed by the University or its subsidiaries or predecessors, also had use of the Saab.

3.5 Professor Mason stated that the subsidiary companies had provided him with a car since 1990 as a remuneration for his role as their chairman, but the Council's investigation found nothing in the companies' records authorising such provision.

3.6 The intention of the University and its predecessors was that the Jaguar car which they had provided since 1991 should be a pool car available to members of the governing body and senior management including the principal. However the investigation team found that in 1995 the University had audited the returns they are required to make to the Inland Revenue declaring benefits in kind their staff receive as employees, and had concluded that Professor Mason's use of the car was such that it could no longer be considered a pool car. Professor Mason has stated that a later assessment by the Inland Revenue was that he had a liability in relation to the benefit from the car for the period April 1994 to April 1996.

3.7 Professor Mason had not informed the governing body of Glasgow Polytechnic that he already had a car from a subsidiary company when, in 1991, it approved purchase of a Jaguar as a pool car. Nor did he make any such declaration when the University Court authorised a new model to replace the pool car in 1994.

3.8 In 1996 Professor Mason sought recompense from the University in respect of the additional tax liabilities he incurred as a result of his use of the Jaguar. The University's Salaries Committee initially resisted recompense, but in April 1996, after a period of negotiation, approved a retrospective payment to Professor Mason of £2,400 as "a form of compensation, a garaging fee" in recognition of the fact that Professor Mason had garaged the car at his home for the previous two years. The Council concluded that the University's decision to make this payment was inappropriate, particularly given that by garaging the car at his home Professor Mason had acted contrary to the Court's intention that the vehicle should be a pool car.

The subsequent sale of the cars, in one case to the principal, risked a loss to public funds

3.9 The subsidiary company of the University and the University Court decided to cease provision of the Saab and the Jaguar in December 1995 and May 1996 respectively. The company sold the Saab to Professor Mason in December 1995, without obtaining a prior independent valuation, for £12,428 which was lower than the £14,675 valuation⁸ the Council later obtained. Professor Mason administered personally the sale of the University Jaguar on behalf of the University in May 1996, at a price of £20,500, again without independent valuation and lower than the valuation the Council subsequently obtained of £24,225. The Council did not accept Professor Mason's assertion that he had achieved a fair market price in both cases, and they concluded that these sales provided a significant risk of loss to public funds.

8 The indicated trade price in Glass's Guide for a car of the same make, model and year of first registration.

The University have accepted the need to seek to recover certain vehicle costs from the principal and are implementing improvements in the control of University vehicles

3.10 As a result of the findings of the investigation the Council recommended that:

- The University recover for public funds from Professor Mason all costs related to the provision of the company vehicle during the period May 1990 to December 1995 which the University have since estimated total £51,121. The Council indicated that they would recover an equivalent sum from the University if they are not satisfied with the University's actions in this respect.
- The Council should recover £2,400 from the University in respect of the garaging fees paid to Professor Mason which the Council considered inappropriate.
- The University should develop a comprehensive transport policy including procedures for the acquisition, use and disposal of all vehicles.

3.11 In February 1998 the Council agreed the recommendation addressed to it to recover £2,400 from the University. The University have accepted the recommendations addressed to them, subject to advice from their lawyers on recovery. They expect the Court's Finance Committee will approve new transport policy guidelines in May 1998.

Overseas visits

Senior staff visits to the Far East in 1993 and 1995 were reasonably well targeted and provided some positive results

3.12 The Council's investigation concentrated on two visits by four senior staff and the partners who accompanied them to the Far East in 1993 and 1995.

3.13 The Council found that the visits to the Far East took place within a reasonably well focused strategy, both academically and geographically, for overseas development. The University intend that visits abroad should generate income for the University, either from franchises overseas or from fees etc for courses from overseas students who have been encouraged to enrol for study at the University in the UK. Although the University made no formal cost benefit analysis of overseas activity, visits have been successful in achieving these aims.

3.14 The 1993 and 1995 visits to the Far East by the principal and other senior members of the University staff and their partners involved travel and expense costs met by the University of some £48,000. The expenses included graduation ceremonies and official entertainment as well as personal expenses. The University told the Council that both visits provided positive results. For example the University stated that, as a result of one agreement ratified with an overseas institution during the visits, fees from some 50 students enrolling with them in Scotland since 1994 have exceeded £270,000.

The investigation found grounds to question the propriety of aspects of both the Far East visits

3.15 On both visits to the Far East all members of the party travelled business class at a total cost of more than £25,000. The Council considers it necessary to justify the need for such expenditure in advance, and this did not happen in these cases.

3.16 Both the 1993 and 1995 visits included debriefing sessions after the official business had been concluded, which took place at holiday resorts and which were followed by holiday periods of between two and six days for most of the delegation and their partners.

3.17 The Council recognised that delegations working overseas often work long and unconventional hours and that modest breaks and leisure periods can be important. However in the cases of these two visits the delegation had travelled some considerable distance to the resorts, the University met most or all of the costs involved, the need for the arrangements had not been demonstrated, and those who led the visits approved them without obtaining the prior approval of the Court.

3.18 Professor Mason has asserted that because of the intensity of his work he was entitled to a holiday, and that consequently the time spent in this way at the resorts was justified. The Council rejected that assertion on the grounds that it is unacceptable for employees of a publicly funded body and their spouses to take holiday at that body's expense.

3.19 The Council also identified further weaknesses in the arrangements for the visits:

- Members of the delegation stated that the involvement of wives and partners had contributed to making the official business a success, but the Council noted that partners' involvement at public expense had not been explicitly justified nor sanctioned before or after the visits.
- The party had not satisfactorily accounted at the time of the commencement of the investigation to the University for cash advances they received for the 1993 visit.
- There was a need for the University to investigate what appeared to be duplicate payments for some expenses of the 1993 visit.

The University have accepted the need for tighter control of overseas travel and for the recovery of certain costs from those involved in the visits

3.20 As a result of the findings of the investigation the Council recommended that:

- The University Court should establish clear and written procedures for overseas travel, including policies governing circumstances where spouses and partners accompany staff on official University business. The University should revise guidance to staff on travel and subsistence accordingly, and ensure that as far as practical detailed receipts support all claims for reimbursement of out of pocket expenses.
- The University should recover from members of the delegation and their partners, the cost of travelling to the holiday resorts and the costs of all other expenses incurred in these locations beyond the two days spent debriefing. The Court should also investigate further some financial details of the 1993 visit, and should evaluate the contribution of partners on both visits and

how far it was necessary and reasonable to involve each of the partners on each of the visits taking into account the costs involved. The Council indicated that they would recover an equivalent sum from the University if not satisfied with their actions in this respect.

- The University Court should invite their internal auditors to examine other overseas visits and to take any appropriate action as required.

3.21 The University have accepted these recommendations, subject to advice from their lawyers on recoveries. They have since estimated that the costs to be recovered from the four delegation members total £4,654. They expect to approve new travel guidelines in May 1998.

The Caledonian College of Engineering, Oman

The Council were not satisfied that the University had effectively controlled their contribution to the development of the College

3.22 The Caledonian College of Engineering, Oman is an Omani owned company registered and incorporated in Oman. The owners of the company established the College in Oman with assistance from the University under agreements made between the parties in 1995 and 1996. The College accepted its first students in 1996, and the University provide academic services to the College.

3.23 The Council found that the development of the College was a significant overseas commitment for the University. As principal of the University, Professor Mason had notified the Court verbally of progress with the development of the College during 1995 and early 1996. However he had not obtained the approval of the Court before he signed, on behalf of the University, key agreements with representatives of the College in September 1995 and in March 1996, albeit the Court did approve these agreements retrospectively later in 1996. Nor did the Court approve the development costs of the project prior to the principal making these agreements.

3.24 The University expected to recover over five years their estimated development costs of £295,000 in connection with the College. However this assumed a student population for the College of 240 in each year, the maximum it can accommodate, while in its first two years the College attracted only 40 students (1996-97) and 174 students (1997-98). The Council accordingly doubted whether the University's expectation to recover the costs within five years was realistic.

They noted, though, that because the University drew on their existing course material to provide the content of the curriculum for the new College, they had already incurred some of these costs irrespective of whether the College proceeded.

3.25 The Council found that, though other parties in the project have financed the College's deficit in its first year, it was unclear whether the College would be required to fund any future losses. Because the agreements entered into by the principal in 1995 and 1996 did not deal with the question of losses by the College, they do not explicitly protect the University against any additional commitment as a result of any such loss. The Council were concerned that the University did not appear to have obtained professional legal advice before entering into these agreements.

3.26 The Council also noted that the University's academic standards committee approved the College to offer diploma programmes in engineering in July 1997. The Committee had found that the college had recruited some well-qualified staff, and had provided an environment with well-designed laboratories and excellent computing facilities. However, the Committee had noted concerns in other areas such as inadequate library provision, lack of teaching aids, lack of technical staff, poor record keeping and administration and the lack of English of some staff, which they required the College to address as a condition of their accreditation.

The University have accepted the need to regularise their commitment to the College project and to confirm financial viability

3.27 As a result of the investigation the Council recommended that:

- The University should, as a matter of urgency: clarify the nature of their commitments to the College and their status; evaluate the financial viability of the College and the University's financial exposure; identify, and record, and where appropriate recover, expenses incurred by the University on behalf of the College; and address the areas of weakness at the College highlighted during its accreditation.

- More widely the Court should consider the extent of the principal's delegated authority to commit the University, and the formal reporting mechanism arising from the use of that Court authority. And the Court should ensure that they formally approve and authorise the signing of contracts and agreements with overseas partners on the basis of detailed proposals and suitable professional advice.

3.28 The University have accepted these recommendations to regularise their commitment to the College project. They will progress the other points within a wider review of governance which they are making in response to the Council's other recommendations.

The University's subsidiary companies

The Council's investigation focused on two subsidiary companies of Glasgow Caledonian University, initially established by predecessor institutions

3.29 Universities are charities and cannot provide services with a view to profit without jeopardising their charitable status. In such cases the establishment of companies to undertake commercial opportunities is not uncommon, and profits from such companies may be covenanted to allow a university to benefit from such activity without paying tax.

3.30 The Council examined the affairs of two of the University's subsidiary companies.

Glasgow Caledonian University Company Limited (which grew out of Glasgow Polytechnic Enterprise Ltd and Queen's College Glasgow Enterprises Ltd)

3.31 This company first traded in 1989 and is a private company limited by share capital owned by the University. The Council established that its financial performance was sound and that the company had covenanted income in excess of £1 million to the University.

GPE (Bulk Solids Handling) Limited (previously trading as GCE (Bulk Solids Handling) Limited)

3.32 The company was established in 1988 as a private company limited by guarantee whose two members were the Scottish Development Agency (now Scottish Enterprise) and Glasgow College of Technology (now the University). The Scottish Development Agency also provided the company with a £150,000 start-up grant.

3.33 The Company was established to exploit commercial activities associated with the research and teaching work of the Centre for Industrial Bulk Solids Handling. This Centre had been established in September 1988 at the then Glasgow College of Technology (subsequently part of Glasgow Caledonian University) under the direction of Professor Mason, then Deputy Director of the College. The aim was to create a centre of excellence specialising in the theory and practice of the storage and handling of materials in loose bulk form. This developed from Professor Mason's previous work at Thames Polytechnic.

The Council were dissatisfied with the accountability of GPE (Bulk Solids Handling) Limited to the University Court

3.34 The financial performance of GPE (Bulk Solids Handling) Limited was not good, with losses reported in most years. Since 1991 the Company had traded as a going concern only on the strength of a letter of comfort each year from the University to the Company's auditors signed by Professor Mason. The Company's latest accounts showed an accumulated deficit of £49,000 at July 1997, with net liabilities of £24,000 including £68,000 owed to the University.

3.35 The Council's investigation accordingly concentrated on the accountability and control of this Company and its predecessors. They found that changes in the ownership of the Company had not been fully reflected by changes in the Company's board of directors. In particular the Company's two non-executive directors, whom the owners nominated on formation, were: a lay governor of the Glasgow College of Technology, who was not appointed to the University Court on its establishment in 1993; and an employee of the Scottish Development Agency later Scottish Enterprise, who left their employment in 1992, though Scottish Enterprise later confirmed he continued to act as their nominee director.

3.36 The Council were concerned that since 1993, therefore, the only representative of the University Court on the Company's board was Professor Mason who had a close professional and career interest in the Company.

3.37 The Council concluded that the governance arrangements for the Company were adequate but had not in practice provided satisfactorily for member representation on the board. They also found that there was inadequate or incomplete documentation detailing the relationship between the University and the Company, which they concluded was unacceptable.

3.38 In 1992 Glasgow Polytechnic's academic board approved the merger of the Centre for Industrial Bulk Solids Handling with the existing Department of Physical Sciences as a single unit within the Polytechnic. At the same time, four of the Company's six staff were transferred to the Polytechnic's payroll. The Council concluded that, whilst the merger may have carried academic benefits for the Polytechnic, in financial terms the effect was to transfer operating costs from the Company to the Polytechnic, and subsequently the University. However, the Polytechnic's governing body had not been notified of this staff transfer, nor did they approve it.

3.39 Prior to the Council's investigation neither the Company nor the University had analysed the resource flows between the two entities; nor had the University's internal auditors examined any aspect of the Company's activity. Accordingly, in response to the Council's work, the University's internal auditors, Deloitte & Touche, made detailed costings of the resource flows between the two entities. They found no significant subsidy from the University to the Company in recent years, though they suggested the University should consider whether to charge interest in respect of the significant working capital provided to the Company.

The Council questioned whether certain bonus payments in 1996 by GPE (Bulk Solids Handling) Limited were proper

3.40 The Council found that in 1996 the Company paid bonuses of £28,000 to nine people, with related employer's costs of a further £3,000. The beneficiaries were the managing director and two staff of the Company, and six members of the University staff.

3.41 The company's board which approved the bonus payments included its managing director, who received a bonus and who made his interest clear. Professor Mason was also a member of the Board and made no recorded declaration of interest, although his two sons each received a bonus. The Council concluded that in the absence of representation from a lay member of the

University Court, the Company board would have been prudent to have sought the prior approval of the Court. They were not satisfied that the Court would have endorsed the bonus payments had they been so consulted and advised of the full facts concerning the Company's governance and financial position.

The University have accepted the need to review control of the company, and to evaluate the bonus payments by GPE (Bulk Solids Handling) Limited

3.42 In the light of these findings, the Council recommended that:

- The University Court should clarify the relationship between the Company and the University, and in doing so implement a clear delineation of financial responsibilities and an explicit full cost charging policy between the two. The Court should also review the financial performance of the Company and their continuing financial support to it, and satisfy itself public funds are not being misused.
- If the relationship with the Company is to continue the Court should take steps to appoint one or more of their lay members to the board of the Company at the earliest opportunity. They should also ensure that internal controls are reviewed and that resource flows between the University and the Company are quantified and properly accounted for and that appropriate information is available for costing and pricing purposes and to quantify the extent of any subsidy.
- Finally the Council required the Court to investigate the issue of the bonus payments, and report their assessment of whether they can be considered a fair and proper use of public funds. The Council indicated that, depending on the conclusions, they might subsequently seek recovery from the University of the sums involved.

3.43 The University have accepted these recommendations. They appointed a lay governor of the Court to the Company board in October 1997. The Court's Finance Committee will consider a review of the financial performance of the Company in June 1998, together with the option of moving the Company's activities to within the Glasgow Caledonian University Company Limited, which has made a stronger financial performance. The Court's Finance Committee will evaluate the need for the bonus payments at the same time.

Employment aspects

The Council were dissatisfied that the University permitted early retirement of one member of staff as an alternative to possible disciplinary action

3.44 As noted in Part 2 of this report, a University panel investigated aspects of their employment procedures. Following the completion of the panel's enquiry, the Chairman of the Court, with the approval of the Court, dismissed Professor Mason for gross misconduct on 19 September 1997.

3.45 Subsequently, in October 1997, the University provided the Council with a copy of the panel's report and the Council made no further examination of employment cases. The Council concluded that the Court had acted timeously in establishing an inquiry panel and, on the basis of that panel's conclusions, had acted decisively and appropriately in the case of Professor Mason and in the case of the University's head of personnel, who received a formal final written warning as a consequence of the panel's criticism of her conduct.

3.46 The panel had criticised very strongly the conduct of a third member of staff, Dr Brian Fraser, the University's senior assistant principal responsible for staffing policy and procedures. The panel concluded his conduct demonstrated a lack of regard for professional standards, for proper conduct and for the public interest. The Council noted that Dr Fraser did not accept the panel's conclusion.

3.47 In this case the Council were concerned that in August 1997 the University had permitted Dr Fraser's early retirement with no pension enhancement and with compensation to him costing £36,400 in place of notice, before the Court had the chance to consider the findings of the enquiry panel which criticised his conduct.

3.48 The Council were concerned that the University's approach appeared to have been that early retirement was a suitable alternative to possible disciplinary action, which course subsequently the findings of the panel suggested should have been considered, and which was pursued in respect of Professor Mason and the head of personnel. The Council considered that this approach was not consistent with previous conclusions of the Committee of Public Accounts and the National Audit Office in this area which they had drawn to the attention of the Chairman of

the Court in May 1997. In particular the Committee of Public Accounts had criticised earlier failures by public bodies to consider disciplinary action against staff as an alternative to permitting retirement with financial compensation for termination of employment (paragraph 2.13).

3.49 The Council concluded that the University had acted prematurely in the case of Dr Fraser by not explicitly addressing the need to consider disciplinary action against him and by permitting his early retirement before the Court had considered the outcome of the enquiry panel's work. Accordingly the Council were not satisfied that the financial compensation provided to Dr Fraser in place of notice was necessary, appropriate or a good use of public funds.

The Council are not prepared to meet the costs of the early retirement settlement, and will recover these from the University

3.50 In the light of these findings, the Council concluded that:

- The Council should recover from the University the £36,400 cost of settlement paid by the University to Dr Fraser in place of notice.
- Because of insufficient records neither the Council nor the University determined whether the employment of Professor Mason's two sons within the University was fair, justified and appropriate. In the interests of natural justice and to eliminate any uncertainty arising, the University should make an independent review of the posts presently occupied by Professor Mason's sons, and whether the post holders' skills and qualifications are sufficient and appropriate for these positions.

3.51 In response to the Council's conclusions the University stated that they believed that they had acted reasonably and in the best interests of the University over the position of Dr Fraser. In considering Dr Fraser's departure in August 1997 the University recognised that early retirement might be construed as favourable treatment of an individual in advance of possible disciplinary action. But they were also concerned about the expense and the disruption to the University both of disciplinary proceedings and of any possible industrial tribunal if they dismissed Dr Fraser, and while the Court's inquiry panel into employment aspects was drawing to a conclusion it did not do so definitively until September 1997. The University had also anticipated that changes to pension regulations which took place on 1 September 1997 might increase the cost of any early retirement settlement made after that date, to an estimated £140,000, far greater than the six month's salary in place of notice which in the event they gave.

3.52 The University have accepted the recommendation to review the posts occupied by Professor Mason's sons. They will establish a review panel for this which they expect will include a human resource specialist from another higher education institution in Scotland.

Governance and management

The Council concluded that the structures of the Court and the interaction with the University senior management were not fully effective

3.53 In examining the University's arrangements for governance and management the Council had particular regard to the interaction between the University's senior management and the Court and its committees (Figure 6).

The Court's Audit Committee

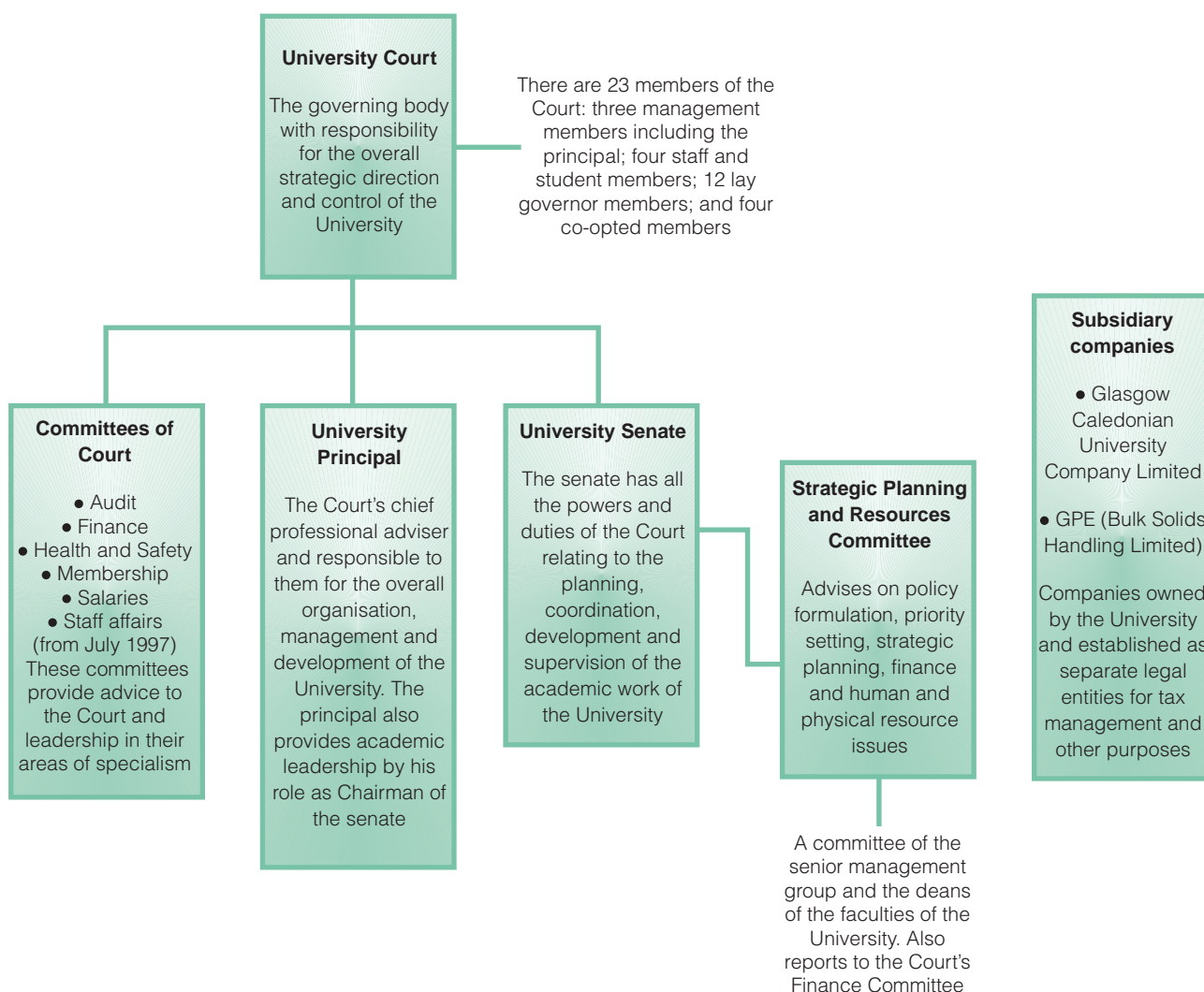
3.54 The Council concluded that, while more broadly based coverage by the University's internal audit could not have guaranteed detection of some of the difficulties found in the areas that were subject to the Council's investigation, the scope of audit work had been inadequate. Audit resources were low when compared to other similar higher education institutions in Scotland, and the Council were not satisfied that the Audit Committee had established an adequate programme of work given their responsibilities. Though the Council confirmed that the quality of the work which the University's internal audit had carried out was generally satisfactory, the Council had identified significant weaknesses in and departures from some financial procedures and controls within the University.

The Court's Finance Committee

3.55 The Finance Committee's role is to ensure that the University's finances are managed and regulated in accordance with the policies approved by the Court and in accordance with best practice. The Council's investigation showed, though, that the roles of Court, its Committees and the principal and senior officers were in some instances confusing and misleading, while the Committee's monitoring of GPE (Bulk Solids Handling) Limited was defective in some important respects. They also concluded that the University's financial regulations were poorly drafted and not in accordance with best practice.

Figure 6

Governance and management of Glasgow Caledonian University



Source: National Audit Office

Strategic Planning and Resources Committee

3.56 The Strategic Planning and Resources Committee is a key committee of the University. The Council were dissatisfied that, though this Committee is at the core of decision making within the institution, it was a Committee of the Senate with consequently no lay member representation, and the principal's reporting of its deliberations to the court was inadequate. Similarly the Council were concerned that there was also an informal advisory group to the principal and the senior

management of the University, which was closely associated with the formal committee structure, but with no formal reporting or accountabilities, and which the Council concluded risked undermining the Court's position as the University's governing body.

The University Court

3.57 Despite the sound financial health and significant achievements of the University, the Council were not satisfied that the Court had fulfilled its role and met its obligations effectively within the framework of accountability between the University and the Council. They concluded that the Court's defined remit did not distinguish properly the relationship with management and with other groups with responsibilities for governance. They found also that the principal's delegated authority from the Court and the mechanism for reporting back on its use was unclear. There were several instances where the principal acted for the Court without reference to it when he might reasonably have sought their prior approval.

3.58 The Council were concerned that, where lay governors are greatly dependent on the executive for information, there is a danger of creating a culture in which the governing body place too much reliance on such information without being in a position to critically evaluate it. In such cases senior management may effectively control the form and content of how issues are presented and limit and restrict any challenge from lay governors. The Council concluded that in a number of instances at the University the Court did not receive adequate information.

3.59 The Council noted that the management structure of the University does not provide for a Secretary to the Court with fully defined responsibilities in respect of that body.

3.60 Overall the Council concluded that whilst the Court included a good balance of experience and expertise, and had a successful strategic approach, it had not on occasions satisfied its duty to oversee and monitor the executive and to ensure that operating systems and procedures in the institution were effective.

The principal and designated officer

3.61 Concerning the principal, Professor Mason, the Council concluded that on the evidence of the investigation the principal had failed to discharge his designated officer responsibilities under the financial memorandum between the Council and the University (see paragraphs 1.3 and 1.4). Also on the evidence, the Council concluded that the principal had failed to discharge his responsibilities as one of the prime custodians of the University's integrity, and he acted in ways that were contrary to the proper conduct of public business.

The Court have accepted the need for a fundamental review of their structures and operations to ensure that they meet the best standards available in the sector

3.62 In the light of these findings the Council recommended that:

- The University Court should review its fundamental structures and operating procedures and practices in order to ensure it meets the best standards available in the sector.
- The Court should satisfy itself as to the adequacy of the Audit Committee's programme of audit coverage.
- The Court's Audit and Finance Committees should jointly conduct a comprehensive review of its financial regulations and procedures.
- The Court should establish clear procedures for delegating its authority to the principal.
- The Court should review the terms of reference, remit and membership of the strategic planning and resources committee, and other committees as it considers appropriate and should review the role and remit of the University management group.

3.63 The University have said that they will respond positively to these recommendations for their future governance and management, which they consider should be set alongside the many achievements of the University over a period of less than five years since their incorporation.

3.64 Concerning the Council's conclusions on the Audit Committee, the University Court has agreed that it should satisfy itself as to the adequacy of the Audit Committee's programme of audit coverage, as the Council had recommended. However the University, in making their response to the Council's recommendations, have stated that they are concerned that the Council's report did not recognise the University's substantial progress since 1993 towards developing, under the management of professional accountants and advisors, a comprehensive framework of financial procedures and controls within the University. They also consider that many of the weaknesses which the Council's investigation had highlighted resulted from management override by the former principal rather than failures in systems which the audit process could have detected.

3.65 Nevertheless, the Court have begun the required review of structures and governance, including consideration of all the Council's recommended actions and the Audit and Finance Committees' review of financial regulations and procedures. The Court plan to receive an interim report of these reviews in June 1998.

Part 4: Governance in higher education in Scotland

Most institutions in Scotland have adopted governance procedures which are mostly consistent with the Council's suggested good practice in 1996

4.1 In the light of emerging findings on Glasgow Caledonian University, in September 1997 we and the Council completed a survey of governance in the higher education sector in Scotland. We looked at what features of the good practice institutions in Scotland had implemented.

4.2 Our survey took as its starting point guidance issued by the Council to governing bodies in October 1996 with 14 good practice suggestions about the conduct of their business. This added to earlier guidance the Council had issued in 1993 about audit procedures for institutions including audit committees and, in 1996, about the institutions' oversight of subsidiary companies. Our survey also took into account relevant recommendations of the second report of the Nolan Committee.

4.3 In summary, our survey confirmed that most institutions in Scotland had adopted practices which are mostly consistent with the Council's suggestions and with the recommendations of the Nolan Committee (Figure 7).

4.4 However there were two important areas - whistleblowing and the oversight of subsidiary companies of institutions - where many institutions had not implemented the suggested good practice.

4.5 It is good practice for institutions to provide a clear statement on whistleblowing in the form of a code of practice indicating that the institution takes malpractice seriously and will respond effectively. Only three institutions had prepared such a code of conduct as the second report of the Nolan Committee had recommended. On subsidiary companies, good practice is that institutions have implemented systematic procedures to control, monitor and review the formation and operation of such companies, applying recommended practice guidelines which the Council promulgated in March 1996. Of the 16 institutions who reported they had subsidiary companies in our survey, only one reported they had formally adopted the Council's guidelines in this area.

**Summary of findings
from the survey of
governance procedures
in higher education
institutions in Scotland**

Figure 7

All 21 Council funded higher education institutions in Scotland completed the survey questionnaire by September 1997.

Corporate Governance Statements and Codes. 14 institutions reported they had a code of conduct embodying the seven “Nolan” principles of public life. Of the remaining seven institutions six were preparing such a code.

20 institutions have included corporate governance statements in their latest annual accounts.

Whistleblowing. Only three institutions had prepared a code of practice on whistleblowing, as the second report of the Nolan Committee had recommended.

Governance structures. Institutions reported that they had between four and 11 sub-committees of the main governing body. In most cases committee membership was well balanced with a majority of lay members. Five institutions reported no formal nominations committee, while three institutions reported no separate remuneration committee.

Leadership of the institutions. 12 institutions reported that the Chairman's responsibilities and delegated authority were clearly codified, with eight institutions reporting work in progress on this.

19 institutions reported powers delegated to the principal/director were clearly defined, in 16 cases being established in statute.

Members' responsibilities and roles. All institutions reported effective induction procedures and regular briefing for members.

20 institutions reported a requirement for members to disclose pecuniary or other material interest, and 16 reported they had a formal register of interests.

20 institutions reported they had set maximum appointment periods and ages for members.

Subsidiary companies. Five institutions reported that they had no subsidiary companies. Of the remaining 16 only one had formally adopted the good practice guidance on related companies provided by the Council in March 1996, while the others reported that they considered procedures in place were sufficient.

Source: Joint National Audit
Office and Council survey
September 1997

4.6 There were also several suggestions and pointers from the survey concerning how good governance might be further reinforced. These included:

- ensuring that lay members were represented on all main committees of the governing body;
- measures to reinforce the authority and responsibility of the Secretary or Clerk to the Governing Body to advise the governing body on the powers and responsibilities of the Principal;

- Court conferences every six months on major strategic issues; annual full day meetings away from the institution to review current position and consider future direction;
- governor involvement in informal activities within the institution to gain a better insight and wider contact with staff and students.

4.7 Appendix 4 records the results of our survey in more detail.

4.8 The members of the Council's Audit Committee considered the findings of the joint survey in February 1998. The Committee were concerned to note that institutions had been slow to respond to recommendations on whistleblowing in the second report of the Committee of Standards in Public Life (Chairman Lord Nolan). The Committee recommended to the Council that the Chief Executive should issue guidance to institutions on this matter. With regard to related companies the Committee were concerned to note that institutions had not implemented fully the Council's recommended practice guidelines of March 1996. On this aspect the Committee recommended that the Chief Executive should write to all institutions urging them of the need to comply with guidance in this area.

Important decisions on aspects of governance have yet to be made

4.9 Part 1 describes the conclusions of three recent major independent reviews affecting governance in the sector, the latest by the Dearing Committee of Inquiry into Higher Education published in July 1997 and by the Committee of Standards in Public Life (Chairman Lord Nolan) published in November 1997. Part 1 also describes the Government's response in February 1998 to the Dearing report which supports most of the Dearing Committee's recommendations concerning governance. The Government have said that they wish funding bodies to monitor institutions' progress in the hope, though, that it will not be necessary to make satisfactory performance in this area a condition of grant as the Dearing Committee had recommended.

4.10 The Council intend to require institutions to review and report formally on their governance as the Dearing Committee recommended. They are preparing further guidance for issue to governors of institutions later in 1998 which they intend will emphasise the importance of and better codify good governance procedures, and provide a firmer foundation for monitoring. This will take account

of the Council's final conclusions on the more recent recommendations of the Nolan Committee and of the Committee of Public Accounts, and other governance issues including the need for guidance on whistleblowing and other lessons from the matters at Glasgow Caledonian University.

Appendix 1: Summary of relevant PAC recommendations

PAC concern

PAC recommendation (sector wide in bold)

Treasury Minute response

Monitoring and control of overseas activities

Governance and the Management of Overseas Courses at the Swansea Institute of Higher Education (8th Report 1997-98, HC 393, Paras 4 (i), (iii), (iv),&(v))

- There was inadequate control over examination certificates in Malaysia which could undermine confidence in the Institute's qualifications.
- **The higher education institutions should apply the same high standards of management and control to overseas activities as they do to their other activities.**
- As a result of the many deficiencies in the Institute's financial controls relating to their overseas activities, the Institute may have received less income and incurred more expenditure than they should have done.
- **The Funding Council (for Wales) should use their Audit Service to confirm that institutions have adequate systems for costing and pricing such activities. We look to the Funding Councils in England and Scotland to take similar action in their audit of English and Scottish higher education institutions.**
- Where there are inadequate procedures for costing and pricing overseas courses, ... there is a risk that the Funding Council may inadvertently be financing such provision.
- **We recognise that a new Quality Assurance agency for higher education is being established and stress that the (Welsh) Funding Council should encourage this new agency to introduce some form of "kite mark" for courses which meet the high standards expected of British higher education.**
- Problems such as those at Swansea Institute may damage the reputation of courses provided overseas by other institutions in Great Britain.

Identifying problems quickly and learning lessons

Severance Payments to Senior Staff in the Publicly Funded Education Sector (28th Report 1994-95, HC 242, Para 3 (iii))

(28th Report 1994-95, CM3013, Para 35)

- We commend the Higher Education Funding Council for England on their swift action in getting the original severance package for the vice-chancellor of the University of Huddersfield set aside... had the University failed to set aside the original severance agreement... the Funding Council would have instigated a judicial review.
- The Funding Council (for England) acknowledges the Committee's commendation.

continued ...

PAC concern

PAC recommendation (sector wide in bold)

Treasury Minute response

Governance and the Management of Overseas Courses at the Swansea Institute of Higher Education (8th Report 1997-98, HC 393, paras 4 (vi), (vii) & (viii))

- | | |
|--|--|
| <ul style="list-style-type: none"> ■ The problems in the overseas activities of Swansea Institute had been of long standing ... they were not challenged earlier by the Institute's Director of Finance or auditors. We note that the (Welsh) Funding Council consider that the quality of internal audit in particular was not initially as high as might have been hoped for, but that it was improving. ■ The (Welsh) Funding Council did not recognise the seriousness of the problems in the governance and management of Swansea Institute at an earlier stage. We acknowledge, however, that the (Welsh) Funding Council acted promptly after the Comptroller and Auditor General received allegations from a Member of Parliament. | <ul style="list-style-type: none"> ■ The (Welsh) Funding Council should ensure that this improvement (in the quality of internal audit) will be maintained. ■ We welcome the effective way in which the (Welsh) Funding Council and the National Audit Office worked together on this issue, and the (Welsh) Funding Council's intention to circulate guidance on the management of overseas activities on the basis of what has emerged from the report. We look to the Funding Council's counterparts in England and Scotland to take similar action. |
|--|--|

The need for independent advice to the Governors, and the role of the Secretary or Clerk

Governance and the Management of Overseas Courses at the Swansea Institute of Higher Education (8th Report 1997-98, HC 393, paras 4 (ix), (x) & (xi))

- | | |
|--|---|
| <ul style="list-style-type: none"> ■ We note that the (Welsh) Funding Council consider that the problems at Swansea Institute arose from a combination of factors, including that the Principal and Vice-Principal had been in post some 18 to 20 years and had become possessive about affairs at the Institute; and that there was a desire to use independence to expand the Institute's activities, including those overseas, at a pace which was beyond due care. ■ We consider that the appointment of the Institute's Vice-Principal as Clerk to the Governors was inappropriate in that he had insufficient detachment from the day-to-day management of the Institute to be able to give the Governing Body independent advice. | <ul style="list-style-type: none"> ■ The (Welsh) Funding Council should ensure that institutions are aware of the importance of a properly constituted governing body. We note that, in conjunction with the Welsh Office, they have issued guidance on the role of clerks to governors of higher education corporations along the lines of guidance already existing for further education. |
|--|---|

continued ...

PAC concern

PAC recommendation (sector wide in bold)

Treasury Minute response

Over-generous severance terms

Severance Payments to Senior Staff in the Publicly Funded Education Sector
28th Report 1994-95, HC 242, paras 3 (iv), (xvii) (xviii) & (xxvi)

(28th Report 1994-95, CM3013, paras 36,
52 & 67)

■ Had the severance payment been made before it was uncovered, the Funding Council (for England) would have found it extremely difficult to recover the money from the individual although they could have subsequently withheld grant from the University of Huddersfield.

■ We note that the Higher Education Funding Councils have required institutions to disclose separately details of severance payments to senior staff in their annual accounts from 1994-95.

■ There may be circumstances where confidentiality clauses are used... in the short-term interests of the institution... where an individual might damage general confidence in the institutions. Nonetheless, we are opposed to such clauses.

■ **We welcome these actions but look to the funding bodies concerned to... analyse the data... and disseminate guidance to their sectors.**

■ **We recommend it be a condition of grant that there be no such clauses other than those relating to commercially sensitive information. We also recommend that the funding bodies be notified of any severance agreements containing confidentiality clauses.**

■ The Funding Council notes the Committee's concern. The recovery of funds from the individual concerned would ultimately have been a matter for the Courts to decide. The Funding Council intends to publish guidance on good practice in respect of severance payments which should minimise the risk of such payments being made.

■ SHEFC will follow up any issues emerging in their routine review of the financial settlements of institutions.

■ The Funding Councils share the Committee's view that they should be notified of any severance agreements containing confidentiality clauses. They agree in principle that there should be no confidentiality clauses other than for commercially sensitive information; they intend to consult their institutions on how best to implement the Committee's recommendation.

Governance and the Management of Overseas Courses at the Swansea Institute of Higher Education(8th Report 1997-98, HC 393, paras 4 (xii)-(xvi))

■ The Institute had agreed a contract with the former Principal which entitled him to three years' notice of termination of his contract and the enhancement of his pension upon termination by either party, and that this could have cost the Institute around £314,000, had the Principal not resigned voluntarily.

■ The Vice-Principal was still on full pay eight months after being suspended, and that the proceedings in this case had taken so long.

■ **We agree with the (Welsh) Funding Council that such terms were unsatisfactory and that the maximum period of notice should not exceed one year.**

■ The Institute should seek speedy resolution of this case.

continued ...

PAC concern

- The (Welsh) Funding Council's survey of institutions disclosed cases at two other institutions of inappropriate severance terms in the contracts of senior staff, and we are surprised that institutions have not learned the lessons arising from the Comptroller and Auditor General's previous examination of severance payments in the higher education sector.
- Once again, we have been presented with a case where an individual responsible for serious mis-management receives a generous settlement.

PAC recommendation (sector wide in bold)

- **The (Welsh) Funding Council should consider promulgating model terms of contract which would make it easier to dismiss those who have mis-used public money.**

Treasury Minute response

Compliance with best practice procedures for governance

Severance Payments to Senior Staff in the Publicly Funded Education Sector
(28th Report 1994-95, HC 242, paras 3 (xx))

(28th Report 1994-95, CM3013, Para 55)

- We welcome the Advice on University Governance issued by the Committee of University Chairmen in December 1994... SHEFC intend to undertake a survey on governance, and to disseminate good practice to their sector. We are concerned... that the Higher Education Funding Councils have no powers to enforce compliance.
 - **We encourage the Funding Councils to monitor compliance and consider making it a condition of grant for those institutions which do not comply.**
 - The Funding Councils note the Committee's concern and intend encouraging their respective sectors to follow the best practice set out in the guides for governing bodies.
-

Appendix 2: The findings of the Council's initial investigation

Letter of 1 May 1997 from the Chief Executive of the Council to the Chairman of the University

Strictly Private & Confidential



Scottish Higher Education
Funding Council

Dear Mr Campbell

I refer to our meeting of 11 March 1997 during which I informed you that I had received an anonymous letter detailing allegations against the Principal and senior management of Glasgow Caledonian University. I explained at that meeting that I, together with the National Audit Office and the Scottish Office Education and Industry Department, considered the allegations to be sufficiently serious that an investigation was warranted. I indicated that my initial enquiries would be directed towards confirming or otherwise the factual accuracy of specific allegations. I have now concluded my initial investigations and set out below my findings in respect of the allegations received.

Centre for Industrial Bulk Solids Handling

GPE (Bulk Solids Handling) Ltd

It is alleged that despite its status of as a self financing unit the Unit's staff costs have been transferred to the University payroll and that there may be a subsidy from public funds.

The Centre for Bulk Solids Handling is closely linked with GPE (Bulk Solids Handling) Ltd, a company limited by guarantee. This relationship continued after the Centre was merged with and became part of the Department of Physical Sciences within the University and the Company.

At the 31 July 1996, the Company's liabilities exceeded its assets by £40k and there was a deficit balance of £71k on its profit and loss account. The Company has a loan outstanding from Glasgow Development Association of £150k repayable at a rate of 20% of the surplus declared in the statutory accounts. It continues trading on the basis of a letter of comfort from the University as its parent undertaking. This letter of comfort is written by the Principal on behalf of the University Court. The Principal is a member of the Board of GPE Bulk Solids Handling.

There is evidence that University staff render services to the company but it is not clear whether the company is recharged in full for these services. In addition, the Company carries on its business from University premises but no charges for this accommodation appear to be made. While the Company is said to be covered by the University's financial control environment it does not appear to be subject to internal audit.

In 1995-96 the Company achieved a surplus of £8k after payments, described as bonuses, totalling £28k were made to nine individuals. Two of these were employees of the Company and seven, including a director and the Principal's two sons, were employees of the University.

I have decided that further enquiries are required to establish more fully the relationship between the University and its subsidiary company, GPE (Bulk Solids Handling) Ltd. The focus of the enquiry will be to establish whether the flow of resources from the University to the Company amounts to a subsidy from public funds.

International Activities

It is alleged that senior staff have been on a number of trips to Far East, South Africa and Oman, that they were accompanied by their wives and that there were holiday elements to these and other trips.

The Far East

In October 1993 and in October 1995 Professor Mason, Dr Fraser, Professor Dickson and Professor Carey visited Malaysia and Singapore. Each was accompanied by his wife or partner. In 1993 Professor and Mrs Mason and Professor Carey and partner remained for four days at the Golden Sands Hotel in Malaysia, after the rest of the delegation had left. In 1995 Professor and Mrs Mason, Dr and Mrs Fraser, Professor and Mrs Dickson and Professor Carey flew to the holiday resort of Kota Kanabalu, Penang, for four days before the final formal engagement of the trip, a dinner with the senior management of Nanyang Polytechnic in Singapore. The cost of the two trips was in the order of £50,000. The only reimbursement identified, for what appears to be a holiday element of this trip, to the University was £30.00 per day per partner in respect of the time spent at Kota Kanabalu.

We can find no evidence that the cost, composition of the group and itinerary for these visits were approved by the University Court.

I have decided the propriety and value for money of these visits requires further and fuller investigation.

Oman

The University entered into an “arrangement” with the Caledonian College of Oman based on a Memorandum of Understanding and Development Plan, signed by the Principal on behalf of the University on 9 March 1996. In essence, the parties agreed that the University would recover development costs and share in profits at 30%.

The University has incurred planning and development costs of approximately £295k. We can find no evidence of the Court approving this commitment in advance. The Court appears to have been formally informed of the project only after the Memorandum of Understanding had already been signed.

The University's exposure under the current arrangements is unclear. I have decided therefore that this requires further investigation as do the procedures determined by the Governing Body for approving such arrangements.

South Africa

A number of trips have been to South Africa. For the most part these appear to be connected to the award of an honorary degree of the University to President Mandela and potential developments in nursing and health care education. From the evidence available to us these visits appear to be in order.

In overall terms, the University's overseas activities raise issues of accountability, propriety and value for money. I have decided further investigation is required.

Employment policies

It is alleged that there have been instances of nepotism involving appointments and other employment practices.

David and Andrew Mason

Prior to 1993, the Principal's two sons, Andrew and David Mason, were employed within GPE Bulk Solids Handling.

On 1 January 1993 Andrew and David, together with other employees of the Company, were transferred to posts within the University.

From the evidence available we have not been able to ascertain at this time whether these particular appointments were properly conducted. I am advised that the difficulty in establishing an accurate picture of their career progression has been compounded by the absence of their files from the Company personnel records.

Sadie Mason

It is alleged that a post was created for Sadie Mason in the Student Services Department.

A temporary post of Sports Development Officer (Salary up to £16,800) was created to which Sadie Mason, Professor Mason's daughter-in-law, was appointed in June 1995. Professor Mason was involved in the job description and person specification for this post.

Previously, in November 1994 Dr Fraser (Senior Assistant Principal) had passed a copy of Ms Edward's, Professor Mason's prospective daughter-in-law, CV to the Head of Student Service. In January 1995 he had enquired of the Head of Student Services as to what action had been taken. Dr Fraser subsequently chaired the interview panel that appointed Ms Mason. It is understood that Ms Mason's salary was set by Dr Fraser at a level higher than that recommended by the Head of Personnel and the Head of Student Services.

Catering Contract

It is alleged that the catering contract for the University's Park Campus and Britannia Building was awarded without being subject to competitive tender.

From investigation the issue here is not whether a contract was let without tender but whether an appointment was made outwith the University's established recruitment and selection procedures.

It was not apparent that procedures exist for dealing with conflicts of interest in either the recruitment or promotion processes.

I am concerned to note that established procedures appear not to have been followed in all cases.

I have decided further work is required to establish whether recruitment and promotion procedures are adequate in scope and observance.

University vehicles

It is alleged that senior staff have used University vehicles and drivers for personal purposes, and that the Principal's wife had sole use of the vehicle owned by the University Company.

Professor Mason had the exclusive use of two cars (a Jaguar from the University, and a SAAB, and before that an Alfa Romeo, from GCUCL) for a period of over three years to December 1995, when the Company car was withdrawn.

No records detailing the use of these vehicles during this time are available.

In December 1995 the GCUCL decided to sell the SAAB to the Principal, without independent valuation, for £12,428 (at 5,500 miles). The book value to the Company was £13,800. The car is currently valued at £15,000 (at 30,000 miles).

The Salaries Committee authorised a retrospective payment of £2,400 to the Principal for “garaging” the University Jaguar over a two year period (24 x £100 per month).

From our investigations I have decided there are issues of propriety in, and accountability for, the use of public funds that require further investigation.

Glasgow Caledonian University Company (GCUCL)

As with GPE Bulk Solids Handling aspects of the relationship between the Company and the University are unclear. The investigation did not find any contract or memorandum documenting the financial arrangements between the University and the Company. Moreover, while the Company is covered by the University’s financial control environment it does not seem to be subject to internal audit.

I have decided these allegations require further investigation.

Further Investigations

From the evidence available to me I have concluded, after consulting with the National Audit Office, that there is sufficient basis in fact to the allegations to warrant further investigation. This investigation will address concerns arising from the initial investigation in respect of the governance of the institution in particular:

- 1 issues of propriety and accountability in and for the use of public funds;
- 2 the interaction between the University Court and its Standing Committees; the Principal; the Senior Management Team and the boards of its subsidiary companies;
- 3 whether recruitment and promotion procedures are adequate in scope and observance; and
- 4 issues of propriety, accountability and value for money in respect of the University’s activities overseas.

Subject to the outcome of this investigation, the results may be incorporated into a National Audit Office Report by the Comptroller and Auditor General which may be presented to Parliament and published. This could lead to an appearance of the relevant accounting officers and your designated officer before the Public Accounts Committee.

I am grateful to you for the full co-operation of your senior management during the first phase of our investigation and would request your continuing support and full co-operation.

I am copying this letter to Gerald Wilson, Secretary, Scottish Office Education and Industry Department, and to Arwel Roberts, Director, National Audit Office.

I expect you will wish to make this letter available to the University Court.

Yours sincerely

Professor John Sizer
Chief Executive

Appendix 4: Survey of the procedures for the conduct of governing bodies in Scottish higher education institutions

The National Audit Office and the Scottish Higher Education Funding Council (the Council) issued a questionnaire on the conduct of governing body business to all higher education institutions in Scotland in July 1997. The survey aimed to gauge progress institutions' governing bodies were making in adopting good practice on the conduct of their business, as recommended in the guidance provided by the Council in October 1996. This guidance itself had reflected a number of recommendations of the Second Report of the Nolan Committee.

Governing Body and Committees of the Governing Body

Membership of the governing body

Institutions reported the size of governing bodies ranging from 18 to 34 members, with the average being 25.

An illustration of the typical make-up of a governing body is given in the average membership:

Ex-officiis *	3
Institutional	5
Student members	2
Co-opted members	6
Other members	9
Total	25

* College Management

The co-opted and other lay governing body members have the majority of places.

Committees with Terms of Reference

Institutions reported a total of 37 different committees with Terms of Reference formally resolved by the Governing Body.

All institutions had committees specifically devoted to, or with formal terms of reference for:

- Audit
- Finance
- Remuneration of senior staff
- Nominations
- Estates

continued ...

Other committees mentioned were: Chairman's; Building & Establishments; Chaplaincy; Collections; Sport & exercise; Staffing; Consultative; Vacation; Student affairs; Safety; Treasury; Careers Advice; Planning & Resources; Appointments; External relations; Investments/Advisory; Information Services; Lay Advisory; Local Joint Establishments; Finance Property & Law; QMC Enterprises Ltd; QMC Properties Ltd; Trustees; Joint Policy & Resources; Joint Committee with Senate; University Management Group; Museums and galleries; Central & Academic Services; Honorary Awards; Policy & Resources.

Six institutions had plans to change the structure or membership of committees, while 15 had no changes planned.

Among reasons given for making changes were:

- the court requiring a review of structures
- business process reengineering
- simplification of structures
- improvement in information flow
- accountability for decisions
- reconsideration of the role of audit

Delegation of powers to committees

13 Institutions reported delegation of Governing Body powers to all of their committees. In others, some committees were formally delegated powers while others' decisions require homologation by the full governing body.

Reporting by committees to the Governing Body

14 institutions reported all committees being required to formally report to the Governing Body. In the seven other institutions, the Remuneration Committee was not required to formally report.

Membership of committees

All institutions reported committees having a spread of membership across the various categories.

However, points of note were:

- three institutions reported ex-officiis members on the audit committee;
- one institution reported the majority of members on the remuneration committee were ex-officiis;

Corporate Governance statements and codes

The Second Report of the Nolan Committee recommended that institutions should include a corporate governance statement in their annual accounts. (GPS 1)

20 institutions reported the inclusion of a statement in their annual accounts for the year to 31 July 1996, while the other is planning to do so next year.

The Second Report of the Nolan Committee recommended that institutions should consider preparing codes of conduct for their governing bodies embodying the seven general principles of conduct identified by the committee (GPS 2).

14 institutions reported preparing a code of conduct, six had not done so and one gave no response.

continued ...

<p>The Second Report of the Nolan Committee recommended that institutions should prepare a code of conduct on whistleblowing.</p>	<p>Only three institutions reported a policy on whistleblowing in line with the committee's recommendation.</p>
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Role of the Chairmen of the Governing Bodies

<p>The role and responsibilities of the chairman should be formally defined. Any authority delegated to the chairman should be clearly stated and when exercised should be formally reported to the subsequent meeting of the governing body for information or homologation. Parallel arrangements should be established to cover the delegation of authority from the Chairman to other lay Governors. (GPS 3).</p>	<p>12 of the institutions reported the role of the Chairman as formally defined and eight that it was not, with one institution providing no reply.</p> <p>Reporting back arrangements are reported in 12 institutions with seven reporting none operating and two institutions not providing a response.</p>
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<p>The role and responsibilities of Chairmen should be brought to the attention of potential Chairman and in the case of the ancient universities to the attention of Rectorial Candidates (GPS 4).</p>	<p>20 institutions reported roles and responsibilities being brought to the notice of potential Chairmen.</p>
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Role of the Principal/Director of the Institution

<p>In some institutions the extent of the delegation to the Principal is set out in the Institution's instruments of governance.</p>	<p>16 institutions reported that the extent of delegation of authority to the Principal is set out in the governing instruments.</p>
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<p>If however, there is any doubt as to the extent of the principal's delegated authority then this should be formally defined and approved by the governing body.....</p>	<p>Of the remaining five institutions, three have formally approved the extent of delegation of powers to the principal/director and two have not.</p>
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<p>.... and the principal should formally report on action taken in exercising delegated authority. (GPS 5).</p>	<p>16 institutions reported the principal/director as formally required to report on the exercise of delegated duties. Five reported reasons for lack of formal delegation which included:</p>
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- statute provides for general powers;
- delegation not provided for in the Act;
- Principal operates day-to-day authority;
- no financial expertise on Board.

Role of the Secretary to the Governing Bodies

<p>The role and responsibilities of the Secretary of the governing body should be clearly set out so that members of the are aware of the secretary's responsibilities relating to the legal obligations of the Institution. (GPS 6).</p>	<p>15 institutions reported the role and responsibilities of the Secretary as formally defined, so that the governing body members were aware of these.</p> <p>Four institutions reported not defining the role and responsibilities and two provided no response .</p>
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continued ...

Members of the Governing Bodies

New and potential members of governing bodies should be made familiar with their institutions Code of Conduct and should be asked to confirm that they understand their obligations in terms of the code (GPS 7).

At 14 institutions reporting a formal Code of conduct, new or potential members are asked to confirm they understand their obligations.

Governing bodies should provide an induction process for all new members and should ensure that they are regularly updated on developments within the Institution and the HE sector (GPS 8).

Institutions reported a number of mechanisms in use, to varying degrees, which included the following :

	Number of Cases
■ Briefing meetings with Chairman	20
■ Tour of Institution	17
■ Key documentation inc. Papers	21
■ Training events	13

Other mechanisms reported in use at individual institutions were: Regular governing body conferences; seminars with senior staff; annually updated guidelines.

Nominations Committee

Governing bodies should set up a Nominations committee to seek out and recommend new lay members (GPS 9).

16 institutions reported establishing a Nominations committee.

Reasons for not establishing a formal nominations committee were:

- appointment is by outside bodies;
- nominations handled by the Chairman's Committee;
- small institution;
- nominations handled through the Chair;
- currently being addressed.

Governing bodies should consider establishing a fixed term of appointment for lay members and the introduction of an upper age limit (GPS 10).

20 institutions reported considering establishment of a fixed term of appointment for lay members and setting an upper age limit, while one provided no response.

A variety of approaches to length of term and retirement age were reported including:

- maximum aggregate terms ranging from four to 12 years;
- a one year breaks before renomination;
- mandatory retirement at age 70.

continued ...

Related Companies

For related companies, established to conduct business at arms length from the institution, there should be procedures and controls in place which conform to guidance provided by SHEFC in March 1996.

Five institutions reported having no related companies. Of the 16 which had companies, one reported formal adoption of the guidance, while others reported the intention to formally adopt the guidance provided by SHEFC, or said that they believed that their own guidance already in place was appropriate.

Disclosure of interests

Members should be made aware of the need to disclose any pecuniary or other material interest, and should seek advice from the secretary of the Institution in the event of any doubt (GPS 11).

20 institutions reported making members aware of the need to disclose any pecuniary or other material interest concerning the business of the Institution. The main ways reported on the way in which this was done are:

- periodic requests for declarations of interest;
- requirement included in the formal code of conduct;
- formal registers of interests.

The establishment of a register of interests should be considered by governing bodies (GPS 12).

16 institutions reported establishing a register of members interests. In nine cases the register was reported as available for inspection on request and in the remainder the matter was under consideration.

Institutions' reported reasons for not establishing registers included:

- limited relevance;
- assumption that governors would declare;
- standing order statement was enough.

It is considered good practice for any member of a governing body only to accept appointment as a governor of another Institution in the higher education sector after satisfying herself/himself that no conflict of interest will arise, and after consulting the Chairmen of the two governing bodies concerned (GPS 13).

Only one institution reported making members aware of the need to consult the chairmen of both bodies where a member wished to take up membership of another institution in the sector.

Remuneration committee

Governors should establish a remuneration committee with a clearly defined remit. (GPS 14).

18 institutions reported that they had a separate remuneration committee, with the function included within a wider committee remit at the other three

continued ...

Other matters

Institutions should have an established written policy on health and safety, consistent with the terms of the Health and Safety at Work Act 1974, and should have arrangements in place for its implementation.

All institutions reported having a written policy and arrangements in place in respect of health and safety at work.

The Institution should have a code of practice setting out how the provisions of the Education Act 1994 are to be implemented and how this is to be brought to the attention of students.

20 institutions reported having a code of practice in place.

Suggested good practice features

Colleges were asked to report any additional good practice features which they felt their governing body exhibited in its operation.

Institutions reported a number of additional good practice features which included:

- lay members on all main committees;
 - emphasising the authority and responsibility of the Secretary or Clerk to the Governing Body to advise the governing body on the powers and responsibilities of the principal;
 - Court conferences every six months to discuss major strategic issues;
 - annual full day meetings away from the institution to review current position and consider future direction;
 - Governor involvement in non-formal activities within the institution to gain a better insight and wider contact with staff and students.
-

Appendix 3: The final report of the Council's investigation



Scottish Higher Education
Funding Council

Glasgow Caledonian University

A Report for

The Scottish Higher Education Funding Council

Professor John Sizer

Chief Executive and Accounting Officer

20th February 1998

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Section one: Introduction

Background

1 An anonymous letter was sent on 23 February 1997, jointly addressed to myself, as Chief Executive of the Scottish Higher Education Funding Council (the Council), and to Arwel Roberts, Director, National Audit Office (NAO), Scotland.

2 The letter contained a series of allegations relating to the conduct of Professor Mason, the Principal at Glasgow Caledonian University, and other members of the University's senior management.

Summary of allegations

3 The allegations contained in the anonymous letter were as follows:

- there had been instances of nepotism involving appointment and other employment practices. Catering contracts for the University's Park Campus and Britannia Building had been awarded without being put to competitive tender;
- senior staff had used University vehicles and drivers for personal purposes. The Principal's wife had had sole use of a university company vehicle;
- senior staff had been on a number of trips to the Far East, South Africa and Oman. Their partners had accompanied them, and that there had been holiday elements to these and other trips;
- concern was expressed about the financial viability of the Caledonian College of Engineering (CCE), Oman, and about the extent to which value for money had been achieved in developing this project;
- the relationship between the University and its subsidiary company GPE (Bulk Solids Handling) Ltd was unclear. The company might be in receipt of a subsidy from public funds; and
- Glasgow Caledonian University Company Limited (GCUCL) appeared to be poorly managed and was causing damage to the University's reputation.

Scope

4 Following consultation with the NAO and the Scottish Office Education and Industry Department (SOEID), I considered that the allegations were sufficiently serious to warrant further investigation and it was agreed that a two-stage approach would be adopted.

5 Firstly, initial enquiries would seek to establish whether or not there was a factual basis to the allegations. If that proved to be the case, then a second more detailed investigation would examine underlying systems and procedures.

6 I informed the Chairman of the University Court and the Principal of the allegations, of my intention to investigate them, and of the approach I intended to take to the investigation, in writing and at a formal meeting held on 11 March 1997. The Chairman of the University Court offered the University's full co-operation.

Stage 1: Initial investigation

7 I informed the Chairman of the University Court of the findings and conclusions of the initial investigation by letter and at a formal meeting on 1 May 1997. My initial investigation concluded that there was sufficient basis in fact to a number of the allegations to warrant further investigation.

Stage 2: Main investigation

- 8** The objectives of my main investigation were to examine:
- issues of propriety and accountability in and for the use of public funds;
 - the interaction between the University Court and its Standing Committees, the Principal, the senior management and the boards of its subsidiary companies;
 - whether recruitment and promotion procedures were adequate in scope and observance; and
 - issues of propriety, accountability and value for money in respect of the University's overseas activities.

9 The Council's Financial Appraisal and Monitoring Service (FAMS) conducted, under my direction, a detailed examination of governance and management arrangements in general terms and with specific regard to issues raised by the allegations. Specifically, FAMS investigated the use of the University's vehicles, the operation of University companies and overseas activities. Because of the Court's serious concern about the allegations and particularly issues raised in relation to employment policies, I agreed with the Chairman of Court's view that it would be appropriate that he set up a separate panel to investigate these aspects.

Format of report

10 This Report consists of an introduction, followed by six sections on the detailed findings, an analysis of governance and management arrangements and an Action Plan.

Clearance

11 The University and key persons named in the investigation have been given the opportunity to comment on the factual accuracy and balance of the Report and their views have been included when I considered it was appropriate to do so.

National Audit Office

12 Given the significance of the findings in this report, and their implications for higher education generally, the NAO may report to Parliament, drawing on the findings and conclusions set out in this report.

Section two: Detailed findings

Employment

Allegation

13 It was alleged that there had been instances of nepotism involving appointment and other employment practices. It was similarly alleged that the catering contracts for the University's Park Campus and Britannia Building had been awarded without being put to competitive tender.

Process

14 My initial investigation established a basis in fact to some of these allegations. In the case of the catering contracts, the point at issue related not to catering or contract letting but rather to employment policy and practice.

15 In June 1997, the Chairman of the University Court established a panel of three members of Court, assisted by the Secretary to the University Court, to consider more fully the employment issues arising out of my initial investigation. A senior partner in a firm of solicitors chaired the Inquiry Panel (the Panel). I was assured that the approach of the panel would be detailed, thorough and sufficiently independent of the senior management of the University. It was further agreed that the final report would be made available to me.

Findings

16 The initial allegation of nepotism had referred to Professor Mason's sons, Dr David Mason and Mr Andrew Mason, both of whom work in the Centre for Industrial Bulk Solids Handling at the University. Initially, both sons had been employed by GCE (Bulk Solids Handling) Ltd, then GPE (Bulk Solids Handling) Ltd, first a Glasgow College, then a Glasgow Polytechnic related company. However, both sons had later transferred, along with other employees of the Company, to become employees of the Polytechnic on 1 January 1993. The Panel took the view that the papers made available to it relating to Dr Mason and Mr Mason were insufficient for the Panel to pursue any inquiry. Similarly, my investigation is unable to corroborate or otherwise allegations of nepotism in this regard.

Inquiry Panel

17 The Panel's report considered the University's employment and recruitment procedures in respect of non-academic staff from the standpoint of three cases, two of which my initial investigation found grounds to question. With respect to these three cases, the Inquiry Panel's terms of reference were to investigate and report on:

- the existing employment and recruitment procedures of the University in respect of non-academic staff;
- whether there had been any lack of proper prudence, conduct or control in the administration of the University's employment policies and procedures, as they had been applied in the three cases;
- whether there had been a disclosure of activities which would be likely to damage the reputation of the University;
- whether there had been any non-compliance with general guidance or procedures;
- whether there had been possible dualities or conflicts of interest of the Principal or other members of staff; and
- whether, and to what extent, existing policies and procedures were appropriate.

18 The Panel conducted its investigation through a review of the relevant personnel files and associated correspondence and a series of formal interviews with key individuals.

Inquiry Panel findings and conclusions

19 The three cases concerned appointments to posts in catering and student services posts within the University. In one case, the appointee was Professor Mason's daughter-in-law. In the other two cases, the appointees, or their families, were known personally to Professor Mason prior to the appointments.

20 The main findings and conclusions of the Inquiry Panel are detailed in the following paragraphs.

21 The Panel’s report found that in two cases, Professor Mason had intervened in and sought to influence the selection process. In one of those cases, the Panel found evidence of “favour and partiality”. In its conclusion the report states that Professor Mason’s conduct, in relation to the three cases investigated, “...demonstrates a fundamental breach of the trust placed in him by the University Court, and an inexcusable abuse of his authority as Principal.” The Panel rejected Professor Mason’s assertion that his actions had been in the best interests of the University. Professor Mason rejects the Panel’s conclusion in this regard.

22 The Panel also considered the role and conduct of Dr Fraser, the Senior Assistant Principal, with responsibility for staffing policies and procedures, and Mrs Lysaght, Head of Personnel. In its conclusion the report states that “Dr Fraser was culpable in relation to the three cases investigated”. His conduct, the report concludes, “is likely to damage the reputation of the University and demonstrated a lack of proper regard for professional standards, for proper conduct, and for the public interest”. The report rejects Dr Fraser’s assertion that his actions were the result of pressure from Professor Mason. Dr Fraser does not accept the Panel’s conclusions.

23 The Panel’s report concluded that the conduct of Mrs Lysaght in relation to the three cases investigated “gives cause for serious concern and demonstrates a lack of proper regard for professional standards, for proper procedures, and for the public interest”. Mrs Lysaght, in response, is concerned that my report balances her “acknowledged shortcomings against a background of having to operate with an extremely powerful and determined Principal who deployed an authoritarian and interventional style of management”.

24 The Panel’s report concluded that, on the evidence of these cases, “procedures were not properly developed or codified nor do they have the robustness or clarity required to deal with staffing matters in a large organisation”. The panel commented “that it was deeply concerned that actions were taken in all three cases examined which struck at the very root of public trust in the University”.

25 The Panel found “a general approach characterised by expedience and inconsistency with so called flexibility being put forward as a justification for actions which cannot be reconciled with principles such as selflessness, integrity and objectivity”.

26 The Panel concluded “that the University required a properly formulated framework of policies and procedures based on transparency and fairness with clearly defined safeguards against abuse. In particular, ...[any]... new arrangements should make adequate provision for accountability to the University Court and for oversight by the University Court.”

Subsequent events

27 In May 1997 Professor Mason relinquished his duties as Principal and submitted a request for early retirement to the University Court. Mr William Laurie, a Senior Assistant Principal, was appointed Acting Principal.

28 The University Court, at its meeting on 26 June 1997, resolved to establish a Staff Affairs Committee as a Standing Committee of Court.

29 On 19 September 1997, after considering the Inquiry Panel's conclusions, the University Court dismissed Professor Mason for gross misconduct. I have been informed that Professor Mason is taking his case to an industrial tribunal.

30 I have also been informed that, as a result of the Panel's conclusions, Mrs Lysaght has been given a formal final written warning.

31 Dr Fraser took early retirement from the University on 31 August 1997, before the Inquiry Panel's report was considered by the University Court. Dr Fraser received six months' salary in lieu of notice (£31,500). When employer's costs are added to the salary, the cost rises to £36,399. His pension was not enhanced.

Conclusions

32 I am satisfied that the Court acted timeously in establishing an Inquiry Panel. On the basis of the Inquiry Panel's conclusions, I consider the Court acted decisively and appropriately. Moreover, in the case of Professor Mason, the Court's action was consistent with lessons drawn from earlier investigations by the National Audit Office and the Committee of Public Accounts (PAC), concerning irregularities and other aspects of governance in the higher education sector. These lessons included the need for balanced consideration of the requirement for disciplinary action against staff in cases of irregularity.

33 In the case of Dr Fraser, however, I am concerned that the University authorities permitted his early retirement with financial compensation in lieu of notice. I am not satisfied that the financial compensation provided to Dr Fraser was necessary, appropriate or a good use of public funds. The University authorities granted early retirement before the Court had considered the findings and conclusions of the Inquiry Panel's report. The approach of the University, in this case, appears to have been that Dr Fraser's early retirement was a suitable alternative to disciplinary action. The subsequent findings and conclusions of the Inquiry Panel report suggest that disciplinary action should have been considered.

34 The approach taken by the University is not consistent with previous conclusions of the PAC and the NAO in this area, which I had drawn to the attention of the Chairman of the Court in May 1997.

35 Concerning Professor Mason's sons, there is insufficient evidence to demonstrate conclusively whether or not their appointments were fair, justified and appropriate. In the absence of such evidence, it is not appropriate for me to comment further.

36 I welcome the University Court's decision to establish a Staff Affairs Committee.

Recommendations

37 The following recommendation is addressed to the Scottish Higher Education Funding Council:

- **The Council should recover from Glasgow Caledonian University an amount equivalent to the total cost to the University of Dr Fraser's early retirement.**

38 The following recommendation is addressed to the University Court:

- **In the interests of natural justice, and to eliminate any uncertainty arising, the University should undertake an independent review of the posts presently occupied by Dr David Mason and Mr Andrew Mason. This review should include the requirements for the posts, the remuneration levels needed and provided and whether the post-holders' skills and qualifications are sufficient and appropriate for these positions.**

Motor vehicles

Allegation

39 It was alleged that senior staff had used University vehicles and drivers for personal purposes. It was further alleged that the Principal's wife had sole use of a University company vehicle.

Process

40 The initial stage of my investigation concluded that there was a basis in fact to the allegations and that there were issues of propriety in, and accountability for, the use of public funds that required further investigation.

41 My investigation examined the allegations and reviewed underlying systems, controls and procedures in relation to the acquisition, usage and disposal of vehicles by the University and by the University company, Glasgow Caledonian University Company Limited (GCUCL) and its predecessors Glasgow Polytechnic Enterprise Ltd (GPEL) and Glasgow College Enterprise Ltd (GCEL). The Company is considered in more detail in Paragraphs 145 to 154 of my Report.

Findings

Company cars

42 In May 1990 GCEL provided an Alfa Romeo for its Chairman, Professor Mason. The purchase price of the car that was leased was £18,500. In 1994, the Alfa Romeo was replaced by a Saab. The purchase price of the Saab that was leased was £25,200.

43 Professor Mason has stated that the Board of Directors made the decision to provide him with remuneration in the form of a car. My investigation team could find no evidence to support this claim. The Company Board minutes do not record this decision.

44 Professor Mason was Chairman of the Company at the same time as he was Principal of the Polytechnic and subsequently the University. The Company is in effect the trading arm of the University in place for tax management purposes. All income generated by the Company is from external sources and all profits from it are covenanted to the University. Any unnecessary or inappropriate expenditure would therefore adversely affect the amount covenanted to the University.

45 The allegations claimed that Professor Mason's wife had had sole use of a University company vehicle. Professor Mason has stated that his wife seldom used the Company car. In the absence of records I cannot determine the extent of Mrs Mason's use of the vehicles in question. A letter dated 12 December 1995 from Professor John Phillips, Vice-Principal of the University and the Chief Executive of GCUCL, to an insurance company confirms, however, that she did drive the cars over a period of five years.

46 In December 1995 the Company sold the Saab to Professor Mason's wife for £12,428 without inviting other offers. Deloitte and Touche, the University's Internal Auditors, have advised the University that the trade price per Glass's Guide for the car was £14,675. The book value of the car to the Company was £13,800.

University car

47 In August 1991, the Governing Body of the Polytechnic approved the acquisition of a chauffeur driven Jaguar Saloon. The Governing Body was not made aware at the time it approved the acquisition that Professor Mason already had a car from the Company, and there is no record of the fact that Professor Mason informed them of this.

48 My investigation was informed that the intention of the Governing Body was that the car would operate as a pool car available to the Principal, members of senior management at the Polytechnic, and members of the Governing Body. Indeed, the car was declared to and accepted by the Inland Revenue as such. My investigation could find no records detailing the use of the vehicle and it was not possible to identify the extent of use by individuals or any distinction between business and private mileage. In August 1994 the first Jaguar was replaced by a second Jaguar.

49 In May 1995, the University's Finance Office in conjunction with the internal auditors, concluded that the use of this vehicle by the Principal was such that it could no longer be considered a pool car. Professor Mason informed my investigation that a later assessment by the Inland Revenue established that he was adjudged to have a liability in relation to the benefit for the fiscal years 1994-95 and 1995-96.

50 My investigation was informed that Professor Mason sought recompense from the University, through its Salaries Committee, in respect of this liability. Initially this request was not approved. There followed a period of negotiation at the end of which, at a meeting held on 2 April 1996, the Committee resolved, in view of the fact that Professor Mason had garaged the car at his home, that ‘as a form of compensation, a garaging fee of £1,200 per annum to cover the rental of Professor Mason’s garage for the two years ended 5 April 1996, a total of £2,400 be paid retrospectively to Professor Mason during the tax year 1996-97’.

51 In May 1996, following an internal audit review of PAYE issues, the University decided to sell the car. Professor Mason personally conducted the sale. The Jaguar was advertised in the executive car section of a national newspaper and Professor Mason’s home telephone number was provided as the contact number. The car was sold to a garage. Professor Mason has stated that a Jaguar dealer in Glasgow made a no part-exchange cash offer of £17,000. However, my investigation could find no evidence of an independent valuation having been sought. The advertised price for the car of £21,500 was well below the trade price per Glass’s Guide of £24,225. In the event, the car was sold to a garage by Professor Mason for £20,500. This sum was subsequently paid by Professor Mason to the University.

Conclusions

52 If GCUCL and its predecessor Company did provide a car by way of “payment” to its chairman, I consider this provision to have been inappropriate and improper. The remuneration of the Principal is a matter for the Governing Body and its Salaries Committee. The failure of the Principal to inform either the Governing Body of the Polytechnic or the University Court of this additional remuneration from the Company was a serious and culpable omission on his part.

53 I have concluded that Professor Mason’s acceptance of two fully expensed prestige cars, one from the Company and one from the University, from August 1994 to December 1995 was improper. His use of these cars over the period was an improper use of public funds.

54 The payment by the University of £2,400 to Professor Mason in garaging fees, as “compensation” in part for an increase in his income tax liability arising from his use of the University car, was inappropriate. This is particularly so given that, by garaging the car at his home, the Principal was acting contrary to the Court’s intention that the vehicle should operate as a pool car.

55 The sale of a publicly funded asset, without due regard to appropriate procedures and the requirement to obtain an independent valuation and a fair market price, provides a significant risk of loss of public funds.

Recommendations

56 The following recommendations are addressed to the University Court:

- **The University should recover monies from Professor Mason in respect of costs related to the acquisition and use of vehicles supplied to him by GCUCL and its predecessor company.**

The precise amount should be determined by the University and reported to me, together with the Court's plan for recovering these monies. If I am not satisfied that the Court has taken appropriate action in this regard then I shall recommend to the Council that it recovers an equivalent sum from the University.

- **The University should develop a comprehensive transport policy. Such a policy should establish procedures in respect of the acquisition, use and disposal of University vehicles.**

57 The following recommendation is addressed to the Scottish Higher Education Funding Council:

- **The Council should recover from the University £2,400 in respect of the garaging fees it paid to Professor Mason.**

Overseas visits

Allegation

58 It was alleged that senior staff had been on a number of trips to the Far East, South Africa and Oman, that their partners accompanied them, and that there were holiday elements to these and other trips.

Process

59 My initial investigation concluded that there was a factual basis to the allegations concerning visits to the Far East and that the propriety and value for money of these visits required further and fuller investigation.

60 The University generally undertook no formal cost benefit analysis of overseas activities. It is intended that these activities should be profitable. Income may arise either from franchises overseas, which visits have helped to establish and maintain, or from fees and other income for courses from overseas students who have been encouraged to enrol for study at the University in the UK as a result of promotional work, including overseas visits. In the latter case, any such fees must themselves in turn be set against the University's costs in providing the tuition.

61 My subsequent investigation focussed on two visits to the Far East, one in 1993 and a second in 1995. It examined issues of propriety and probity but, given the difficulty in quantifying the net financial benefits of such visits in monetary terms, did not address their effectiveness.

62 My initial investigation also examined a number of visits made to South Africa and it concluded that these appeared to be in order. Visits to Oman were made in connection with the Caledonian College of Engineering and likewise appeared to be in order. The Caledonian College of Engineering is considered in more detail in paragraphs 99-115 of my report.

Findings

63 The University is seeking to develop further its strategy for international collaboration with appropriate overseas partners. It is intended that this will encompass programme-franchising activity and the development of academic links for the delivery of taught programmes. There are currently more than 400 students from over 60 countries outwith the UK studying at Glasgow Caledonian

University of whom approximately 100 come from Malaysia. The University has developed a range of partnerships and exchanges in targeted academic areas. The University aims to extend its range of international collaboration based on a focused, targeted strategy, both geographically and academically.

64 The main geographical area of overseas activity for the University is the Far East.

Visit to Kuala Lumpur, Singapore and Penang - October 1993

65 In October 1993 a delegation consisting of the Principal, Professor Mason, Senior Assistant Principal, Dr B Fraser, the Dean of Health, Professor G Dickson, and Director of International Office, Professor R Carey, visited Malaysia and Singapore.

66 The purpose of the visit was to 'launch' the University following the merger between The Queen's College Glasgow and Glasgow Polytechnic in April of that year, to "consolidate" the University's links in Singapore and Malaysia and to sign one agreement and formalise a second.

67 Professors Mason and Dickson and Dr Fraser were accompanied by their spouses. Professor Carey was accompanied by his partner. The University paid for the travel and subsistence costs for all eight members of the party.

68 This visit was largely organised and planned by Professor Dickson. Professor Dickson was not a member of the senior management team but had experience of, and contacts in, the Far East in his field of Risk Management. Professor Dickson prepared a proposal detailing the objectives of the visit, the role of each member of the delegation, and the estimated cost. This proposal made no mention of the involvement of partners. At this time International Activities were the responsibility of the Vice-Principal, Professor Phillips, who has stated that he was unaware of the proposed visit.

69 The visit was financed from a contingency fund established under the authority of Mr Finch, the Senior Assistant Principal then responsible for finance.

70 Each member of the delegation received a £400 advance. Each accompanying person received an advance of £100. On completion of the visit, however, none of the members of the delegation submitted claims of actual expenses incurred against which the advances were to have been offset. I have been informed that Professor Dickson has receipts and credit card statements

totalling £355. All other major expenses, except for travel and accommodation which had been invoiced in advance directly to the University, were met by Professor Carey who in turn recovered these from the University. In total these amounted to £3,100.

71 The party flew business class from Glasgow to Singapore and Kuala Lumpur via London at a cost of £12,768.

72 During a week of official business the delegation hosted two dinners to mark the inauguration of the University: One for approximately 40 guests in Singapore and the other for approximately 80 guests in Kuala Lumpur. The delegation also held a meeting with Malaysian graduates of the former Glasgow Polytechnic and visited a number of institutions.

73 After the official business the delegation flew, on Friday 22 October, to Batu Ferringhi Beach in Penang. Professor Dickson and Dr Fraser and their spouses stayed for two nights. Professors Carey and Mason and their partners remained in Penang for a further six and four nights respectively. Accommodation and subsistence expenses relating to each member of the party's stay in Batu Ferringhi Beach were paid for by the University. Travel costs to Batu Ferringhi Beach were included in the overall package price.

74 The investigation was informed that during the period at Batu Ferringhi Beach the delegation had had debriefing sessions on Friday evening, Saturday morning and evening and Sunday morning. The debriefing had been used to obtain feedback on the different aspects of the visit, to draft the report on the visit to Senate and to discuss the future role of the International Office.

75 A subsequent report to the University Senate commented on the success of inauguration dinners, the signing of Memoranda of Understanding with Nanyang Polytechnic, Singapore, and Institut Teknologi Mara, Kuala Lumpur, and the meeting with alumni. The report did not comment on partners' involvement nor did it include any indication of the costs involved. There was no report to the University Court.

Professor Carey's expenses

76 Professor Carey informed the investigation that he and his partner had had a holiday after the two debriefing sessions. Professor Carey claims to have paid the hotel direct for his accommodation during his holiday period. On his return from the Far East Professor Carey authorised the University to pay invoices for accommodation and other charges for the same period.

Visit to Kuala Lumpur, Singapore and Kota Kinabalu - October 1995

77 In October 1995 Professors Mason, Dickson and Carey and Dr Fraser again visited the Far East. Although no formal proposal was prepared, the visit's purpose, detailed in the subsequent report to Court, was 'to conduct a Graduation Ceremony in Kuala Lumpur, develop further the initiatives from two years previously in the same area and to consolidate a number of new links'. In addition, Professor Mason has informed me that the visit was used to launch the University's Diploma in Tourism Management in Singapore.

78 The 1995 travel authorisation was approved by Professor Carey from International Office funds and was countersigned by a Vice-Principal, Professor Bush, who was responsible for finance. Supplementary funding was later approved by Dr Fraser who, by then, had responsibility for international activities.

79 With the exception of Professor Carey, members of the delegation were accompanied by their respective spouses.

80 Each member of the delegation, but not their accompanying spouses, was paid an advance of £440. All four advances were subsequently accounted for by the submission of expense claim forms. A proportion of these claims were unreceipted. Most of the other expenses, excluding travel and accommodation, which had been invoiced in advance, were met by Professor Carey who in turn recovered these from the University. In total these amounted to £3,900.

81 The party flew from Glasgow to Singapore and then on to Kuala Lumpur. The return journey was also via Singapore. The party flew business class at a cost of £13,250.

82 Between 15 and 20 October, the delegation hosted an Alumni Inauguration for some 50 GCU graduates and their guests, a Graduation ceremony for approximately 50 Malaysian students and 250 guests, and three evening dinners, visited a number of institutions; and signed three agreements.

83 Following the official business the party flew to the holiday resort of Kota Kinabalu at a cost of £2,688. Professor Carey stayed for two nights whilst the other three members of the delegation and their spouses stayed for four. My investigation was told that approximately two days of the five days were debriefing with the remaining 'a leisure period'. Travel costs, accommodation and subsistence expenses for this period were paid for by the University. The University received a contribution of £120 per spouse, being £30 per day for the four days spent in Kota Kinabalu, from Professors Mason and Dickson and Dr Fraser.

84 Prior to the visit, Professor Bush, the Vice-Principal with responsibility for finance, had agreed with Professor Mason that the delegates would refund the University for expenses incurred for the leisure period spent at Kota Kinabalu. My investigation team found no evidence of reimbursement other than the £120 in respect of each spouse. Following the visit, Professor Bush wrote, on 3 November 1995, to the Director of the International Office, requesting sight of invoices and correspondence on the leisure period together with a detailed itinerary of the formal part of the visit. The memo was copied to Professor Mason and countersigned 'agreed' by him on 23 November 1995. It was not copied to the Finance Officer. Professor Bush followed up this memo with a further memo dated 14 November 1995 to the Director of the International Office and copied to the Finance Officer. These actions did not trigger recovery. No further action appears to have been taken in this matter. No refunds were made by any member of the delegation, other than the £120 in respect of their spouses.

85 Following the stay in Kota Kinabalu, the party travelled to Singapore where they were guests at a dinner hosted by Nanyang Polytechnic. The invitation to attend the dinner had not arrived until after the visit, including the period at Kota Kinabalu, had been arranged.

86 The subsequent report to the University Court described the visit as 'short and intensive'. The report included a detailed description of the business events that occurred from Monday 16 October to the graduation ceremony on Saturday 21 October. It made no mention of the involvement of partners or of the days spent at Kota Kinabalu.

Conclusions

Value for Money

87 I am advised by the University that these visits provided positive results. For example, during each visit the University ratified agreements with several overseas institutions; the University stated that as a result of one such agreement gross fee income has exceeded £270,000 from students enrolling with them in Scotland. Other benefits that the University attributes to the visits have been a flow of students to them from other overseas institutions with whom they signed agreements, a successful franchise programme at one institution and a consultancy commission.

88 My investigation did not seek to quantify the net financial benefits of these visits.

Propriety

89 On the 1993 and 1995 visits all members of the party travelled business class at a total cost in excess of £25,000. I consider that business class travel needs to be justified in such instances. This did not happen in these cases.

90 Both the 1993 and 1995 visits had debriefing sessions after the official business had been concluded. These debriefing sessions took place at holiday resorts in Penang and Kota Kinabalu. I consider that it was inappropriate to use public funds to fly to holiday resorts in order to debrief.

91 My investigation was informed that there were debriefing sessions held over two days, on both the 1993 and the 1995 visits. I am satisfied that at least the time spent over and above this debriefing in Penang and Kota Kinabalu was a leisure or holiday period.

92 Professor Mason told my investigation that he considered that he was entitled to a holiday and that the time spent on holiday in Penang and Kota Kinabalu was justified. I reject that assertion. It is unacceptable for employees of a publicly funded body and their spouses to take holiday at that body's, and, therefore, at public expense.

93 I recognise that delegations working overseas often work long and unconventional hours and that modest breaks and leisure periods can be important. However, in these two cases, the delegation travelled some considerable distance at public expense to holiday resorts in order to do so. The need for such arrangements was not demonstrated. The University Court did not approve these arrangements. They were made and approved by those who took part. In the case of the 1993 visit, arrangements were made without the knowledge of the Vice-Principal responsible for international affairs. In the case of the 1995 visit, it was on the understanding of the Vice-Principal responsible for finance that the delegates would refund the University for expenses incurred for the leisure period.

94 My investigation was informed by those involved in the visits that the spouses and partner assisted in organising and hosting formal functions and were generally of 'invaluable assistance'. Whilst I acknowledge that, in some circumstances, the involvement of spouses and partners is appropriate, in these particular cases the need was not demonstrated. The proposal for the 1993 visit had outlined each delegate's specific remit and role but failed to mention spouses or partners. No proposal was prepared for the 1995 visit. For both visits, the subsequent reports omitted any mention of spouses' or partners' roles.

95 The uncertainty over Professor Carey's expenses on the 1993 visit requires further investigation.

The role of the University Court

96 Although the Court did not approve either the 1993 or 1995 visits, on each occasion the Chair of the University Court was aware of the visit prior to departure without necessarily being aware of the composition of the visiting party. A proposal was prepared for the 1993 visit but was only circulated amongst the delegation and some other members of senior management. I have been informed by Professor Mason, in a letter dated January 1998, that he has a recent letter from Professor Wood, a former Chairman of Court, in which he states that, as Principal, Professor Mason had delegated authority to arrange the visit in 1993. Notwithstanding this, I consider that, given the stated importance of these visits, the nature of the visits, the involvement of spouses and partners and the costs involved, it would have been at the very least prudent to have sought the approval of the Court in advance of both visits.

Financial control

97 The 1993 visit was funded from a contingency fund which was not part of the International Office budget. The 1995 visit was funded from International Office budgets supplemented by other funds. The University Management Group has a responsibility to operate within the limits of agreed budgets. Approval is required for any material departure from the budgets approved by the Finance Committee. Such approval was not sought in these cases. The University's established procedures require the Strategic Planning and Resources Committee (SPARC) to approve expenditure 'additional to annual budget out of contingency or other available funds'. This did not happen in these cases.

98 I am concerned that following the 1993 visit no member of the delegation accounted for his or her advances. This suggests to me an absence, at that time, of appropriate financial control. The failure of the University to recover expenses incurred by the delegation in respect of leisure periods on the 1995 visit raises similar, more serious, concerns.

Recommendations

99 The following recommendations are addressed to the University Court.

Procedures and authorisation

- **The Court should establish clear and written procedures for overseas travel.**

Spouses and partners

- **The Court should establish policies and procedures governing circumstances under which spouses and partners may accompany University staff on official University business.**

Advances

- **The Travel and Subsistence Scheme should be revised and should include detailed rules and guidelines in respect of overseas travel. In particular, the rates payable for subsistence should be investigated and appropriate provision should be made for the reimbursement of any out of pocket expenses. As far as practical, detailed receipts should support all claims.**

Far East visits 1993 and 1995

- **The Court should take steps to recover from members of the delegation and their spouses and partners:**
 - **the cost of travelling to Penang and Kota Kinabalu, and**
 - **the cost of all other expenses incurred in Penang and Kota Kinabalu beyond the two days spent debriefing.**

- **In addition, the Court should evaluate the contribution of spouses and partners on the visits and how far it was necessary and reasonable to involve each of the partners on each of the visits, taking into account the costs involved.**

The amount of these costs should be determined by the University and reported to me, together with the Court's plan to recover these monies. If I am not satisfied that the Court has taken appropriate action, I shall recommend to the Council that it recovers an equivalent sum from the University.

- **The Court should investigate the financial details of the 1993 visit. In particular, it should consider the expenses claims relating to the period spent in Penang.**

Other visits

- **The University Court should invite their internal auditors to examine other overseas visits and take appropriate action as required.**

Caledonian College of Engineering Oman

Allegations

100 The anonymous letter expressed concern about the financial viability of the Caledonian College of Engineering (CCE), Oman, and about the extent to which value for money had been achieved in developing this project.

Process

101 My initial investigation found that the University had entered into an arrangement with the Caledonian College of Engineering in Oman. The University had estimated that the planning and development costs of the project would be in the order of £295,000, comprising three elements: “off the shelf” opportunity cost, cost outlays with regard to travel, and other incidental costs. The University Court was only made aware of a ‘Memorandum of Understanding’ on which the arrangement was made after it had been signed by Professor Mason. My initial investigation concluded that the University’s financial exposure under these arrangements was unclear and that further investigation of the procedures determined by the governing body for approving such arrangements was required.

102 The investigation examined the nature and extent of the University’s arrangements with the CCE.

Findings

Background

103 My investigation was informed that the Omani Government is seeking to encourage the development of a diverse technology-based manufacturing industry to broaden its economic base. To support this development it requires appropriately trained staff and an educational infrastructure to train them.

104 The Caledonian College of Oman is a Company registered and incorporated in Oman. Glasgow Caledonian University provides academic services to that company.

Development phase

105 The University was first involved in the College before it was formally established and took part in its development. In September 1995 Professor Mason entered into a Memorandum of Co-operation with representatives of the proposed College. Under this memorandum the two parties agreed to develop a business plan to teach Glasgow Caledonian University diploma programmes in Civil and Building Services Engineering, Electrical/Electronic Engineering and Industrial Engineering Management. Successful students are entitled to join the third year of the relevant degree course at the University.

106 A Memorandum of Understanding and a Development Plan were signed in March 1996. It is envisaged the latter will form the basis of the final agreement between the University and the College, once the College is fully incorporated. The Memorandum grants the University a comprehensive remit in respect of academic and academic related matters. The University will select and appoint staff, it will set and maintain standards and advise on a range of academic and related matters.

107 The Memorandum describes the University's relationship to the College as that of 'academic contractor' to provide the College with services in accordance with the College's Business Plan. The College's Business Plan provides for the University to recover its developmental costs over a period of five years, and for it to take a 30% share of any profits. The Memorandum is unclear whether the University would share in any losses.

108 In order to operate, under Omani law, the College requires a 'No Objection Certificate' (NOC) from the Omani Government. The College has been trading on a preliminary certificate and it is not clear when or whether the full certificate will be granted. The University has informed me that all of the private Colleges in Oman are operating under preliminary approval from the Ministry of Higher Education.

Finance

109 The University expects to recover its developmental costs over a five year period. This calculation assumes a student population of 240 in each year – the maximum the College can accommodate. In 1996-97 the College attracted 40 students and 174 in 1997-98. It is doubtful whether the expectation to recover costs within the anticipated timescale is realistic.

110 The College has operated a deficit in its first year of operation due to a high level of fixed costs supported by the small student intake. The College has claimed that the low student numbers was due to a ‘slow start’ caused in part by the delay in securing the NOC from the Omani authorities. The University has not been required to assist in the funding of the deficit. It is unclear as to how any future losses would be funded.

Accreditation

111 In May 1997 an Accreditation Panel visited the College and recommended that the College be approved to offer the diploma programmes in engineering subjects listed in paragraph 104. The Panel’s report detailed a number of positive features including well-qualified staff, an excellent environment, well-designed laboratories with modern, high-quality equipment and excellent computing facilities. The Panel also reported a number of weaknesses about which it had concerns including inadequate library provision, lack of teaching aids, lack of technical staff, poor record keeping and administration and the lack of adequate English language skills of some members of staff. The Panel’s report was fully discussed by the University’s Academic Standards Committee on 2 July 1997. After a number of reservations were expressed by members of the Committee as to whether the college should be accredited at that stage, the Accreditation Panel’s recommendation was accepted by the Committee but with a series of conditions relating to the areas of weakness.

Conclusions

Court approval

112 It is not clear to me the nature of the commitments that the University has entered into, their status and the financial exposure that may flow from them.

113 I am concerned that the University does not appear to have obtained professional legal advice before entering into these agreements with an overseas third party.

114 There is no evidence of the Court having approved the development costs of the project prior to a commitment having been made. The Court only appear to have been informed formally of the project after the Memorandum of Co-operation had been signed in September 1995.

115 Although I am satisfied that the Court was kept informed of developments in Oman, the Principal's delegated authority on this matter is unclear. It would be reasonable to have expected the Principal to have sought prior Court approval for the project.

Recommendations

116 The following recommendations are addressed to the University Court.

Caledonian College of Engineering

- **The Court should, as a matter of urgency:**
 - **Satisfy itself that public funds are not being misused;**
 - **take steps to clarify the nature of its commitments and their status;**
 - **evaluate the financial viability of the College and the University's financial exposure;**
 - **identify, record and, where appropriate, recover expenses incurred by the University on behalf of the College; and**
 - **address areas of weakness identified by the Accreditation Panel.**

General

- **The Court should consider the extent of the Principal's delegated authority to commit the University to enter into agreements, and the formal reporting mechanism arising from use of that Court authority; and**
- **the Court should approve formally and only authorise the signing of contracts and agreements with overseas partners on the basis of detailed proposals and suitable professional advice.**

GPE (Bulk Solids Handling) Limited

Allegation

117 It was alleged that the relationship between the University and its subsidiary company GPE (Bulk Solids Handling) Limited was unclear and that the company might be in receipt of a subsidy from public funds.

Process

118 My initial investigation established a basis in fact to these allegations and concluded that further enquiries were required to establish more fully the relationship between the University and this subsidiary company.

119 The focus of my investigation was the relationship between the company and the University, and specifically whether the flow of resources from the University to the Company amounts to a subsidy from public funds.

120 A comprehensive investigation of the Company was carried out which included an examination of trading performance, operational matters, financing, management arrangements and the Board's accountability to the members.

Findings

121 The Centre for Industrial Bulk Solids Handling (the Centre) was established in September 1988 at the then Glasgow College (which subsequently became Glasgow Polytechnic before becoming a part of Glasgow Caledonian University) under the direction of Professor Mason, then Deputy Director of the College. The aim was to create a Centre of Excellence specialising in the theory and practice of the storage and handling of materials in a loose bulk form. This developed from Professor Mason's previous work at Thames Polytechnic.

122 Staff employed in the Centre are engaged in teaching, research and consultancy.

123 Universities are charities and cannot provide services with a view to profit without jeopardising that charitable status. In such cases the establishment of companies to exploit commercial opportunities is not uncommon, and profits from such companies may be covenanted to allow the University to benefit from such activity.

124 GCE (Bulk Solids Handling) Limited was established in 1988 to exploit commercial activities within the Centre. The Company was renamed GPE (Bulk Solids Handling) Limited in 1991 when the Glasgow College became a Polytechnic. It is a private company, limited by guarantee, whose members are Scottish Enterprise (formerly Scottish Development Agency) and Glasgow Caledonian University (formerly Glasgow College of Technology). The liability of the members is limited to £1 each.

125 The Scottish Development Agency provided the company with a £150,000 grant in December 1988 for start-up from its “Grant in Aid” funds. The grant included a clawback clause. If the company proved successful, the grant would be repayable by instalments equal to 20% of the preceding year’s trading profits.

The Board of Directors and their accountability to the University Court

126 The initial correspondence between the College and the Scottish Office Education Department indicated that the Board of the Company should include a lay member of the College’s Board of Governors with an “effective veto” over the activities of the company.

127 The Board has been chaired since 1989 by Dr Kinloch, formerly a lay member of the Governing Body of Glasgow College. The Managing Director is Professor John Pugh, Head of the Department of Physical Sciences at Glasgow Caledonian University. Professor Mason was also a member of the Board prior to his dismissal. Since 1993 there has been no lay governor representation from the University Court on the Board of the Company.

Performance

128 Table 1 provides an analysis of the performance of GPE (Bulk Solids Handling) Ltd taken from its audited financial statements.

129 I recognise that the establishment of a Company of this type represents more to the University than simply a vehicle from which to generate a financial return. However, Table 1 shows that GPE (Bulk Solids Handling) Ltd has reported losses in most years of its operation. Since 1991 it has traded as a going concern only on the strength of Letters of Comfort from the University. Professor Mason, as Principal, on behalf of the University Court, provided this assurance to the Company’s auditors each year. Members of Court were advised of the Letters of Comfort by letters to both the Finance Committee and the Audit Committee in

Table 1: GPE (Bulk Solids Handling) Limited - Analysis of financial statements

	Year end 31 March			Year end 31 July		
	1990/91 £000	1991/92 £000	1992/93 £000	1993/94 £000 (16mths)	1994/95 £000	1995/96 £000
Turnover	152	361	201	207	154	216
Staff Costs	88	122	102	49	27	29
Surplus / (Deficit)	(19)	10	(22)	(10)	(1)	8
P&L A/C Balance	(79)	(69)	(85)	(88)	(84)	(71)
Net Liabilities	(79)	(15)	(37)	(47)	(48)	(40)
No of Staff	5	6	5	2	2	2

1992, 1993 and 1994. Since 1994/95 references to the Letters of Comfort have featured in the Audit Highlights Memorandum. Some members of Court intimated to my investigation team that they were not fully aware of this situation and indeed of the financial status of the Company in general.

130 Annual budgets are approved by the Board, but are not submitted to the University Finance Committee for approval. Overall budget monitoring reports of the Company are included within the University's monthly monitoring reports which are considered by the Finance Committee.

Merger and relationship with University

131 In December 1992, the Polytechnic's Academic Board considered and approved a proposal to merge the Centre for Bulk Solids Handling with the Department of Physical Sciences, 'to encourage and further facilitate collaboration between the Centre and the Department of Physical Sciences'. It was envisaged that the Centre's reputation and expertise would support existing undergraduate degree programmes and research and consultancy opportunities. It was also envisaged that the Company's profits would be used to further the objectives of the enlarged Department.

132 At the same time four of the six staff employed by the Company were transferred to the payroll of the Polytechnic.

133 The Governing Body of the Polytechnic did not approve the merger nor did it have the opportunity to consider its financial implications.

134 Whilst the merger may have carried academic benefits for the Polytechnic, in financial terms it resulted in the transfer of operating costs from a Company that was in financial difficulty to the Polytechnic and subsequently the University.

The relationship of the Company to the University

135 The Company is a separate legal entity, created under the Companies Act 1985, and whose operations and dealings with the University should be transparent to avoid compromising the legal position of either party and also to ensure that the activities of the Company are not subsidised from public funds. There is no Memorandum of Understanding documenting the financial arrangements between the University and the Company, to ensure that all parties fully understand and agree on the purpose of the Company and its control framework. Such a document would provide a clear and unambiguous interface between the Company and the University, and would help ensure that the close relationship remains proper, by allowing the Directors to maximise the Company's performance and its contribution to the University while keeping within the bounds of good practice.

136 The merger between the Centre and the Department appears to have complicated the relationship between the Company and the University. The Company has access to University staff and resources but it is not clear whether a mechanism for appropriate recharging is in place. The Company has two staff, and relies on the University's consulting engineers to carry out contracting work on its behalf. The Centre does not maintain daily time sheets. The investigation therefore could not ascertain whether the recharge from the University to the Company includes all time spent on the Company's activities.

137 I have been informed by the University that recent reviews undertaken by its internal and external auditors in response to my concerns have indicated that, based on the Company's 1996-97 unaudited accounts, on an overall basis, there was no subsidy from the University to the Company.

138 The University policy requires that commercial activities are undertaken on a full cost recovery basis. Any subsidy from the University to the Company may result in underpricing. The beneficiaries from any underpricing by the Company would be its customers, who, for the most part, are commercial organisations. This would be an inappropriate use of public funds. Also in response to my concerns, the University's internal auditors have advised that there is no evidence of "underpricing" by the Company on its activities.

Internal Control Environment

139 Although the Company is covered by the University's financial control environment, it has never been subject to an independent investigation by the University's internal auditors. The University's internal auditors have confirmed that the Company's operations were included under the University's commercial activities. These had been assessed as being 'low risk' as part of the University's overall audit risk assessment for planning purposes, and were scheduled to be audited during 1998.

Research Performance

140 The initial allegation drew my attention to the fact that the Centre had been designated a Centre of Excellence by the University and as such had been awarded additional resources to its core funding by the University through its resource allocation process. This is a matter for the University and is outside the remit of my investigation.

Bonus Payments

141 In 1995-96 the Company paid bonuses totalling £28,000 plus employers' costs of £3,000. The bonus payments were made to nine people: two members of the Company's staff and seven members of University staff, including Professor Pugh and Dr Mason and Mr Mason. In the case of Professor Pugh, who is a member of the Board, I am satisfied that the Board was aware of his interest in this matter when it approved the bonus payments.

142 The Board approved the bonus payments in the absence of representation from a lay member of the University on the Board. I consider it would have been prudent for the Board to have sought the approval of the University in this matter. This is especially so given the Company's consistently poor financial performance. Furthermore, the payment of the bonus suppressed the company's profits, and with it the potential for a loan repayment to Scottish Enterprise.

Conclusions

143 I am concerned about the lack of clarity in the relationship between the University and the Company. In particular:

- whilst the governance arrangements for the Company are adequate, for a number of years their observance in practice has not provided for Court lay member representation on the Board;
- there is no documentation detailing the financial relationship between the University and the Company. This is an unacceptable situation for a publicly funded body;
- the company is in poor financial health and relies on a Letter of Comfort from the University to continue trading and there is a risk that the Company may be subsidised by the University;
- the transfer of company staff to the Polytechnic in 1993 was not approved by the Governing Body; and
- aspects of the internal control environment are weak.

144 I am not satisfied that the Court would have endorsed the bonus payments of £31,000 which the Company made in 1995-96, had they been consulted and advised of the full facts concerning the Company's governance and financial position.

Recommendations

145 The following recommendations are addressed to the University Court:

- **The Court should clarify the relationship between the Company and the University, and, as part of that process, should implement a clear delineation of financial responsibilities and an explicit full cost charging policy between the two. In doing so, the University should examine its practices and procedures in the context of guidance issued by the Funding Council on related companies.**
- **The Court should review the financial performance of the Company and the University's continuing financial support to it. It should satisfy itself that public funds are not being misused.**
- **If the relationship with the Company is to continue, the Court should take steps to appoint one or more of their lay members to the Board of the Company at the earliest opportunity.**

- **The system of internal control in place at the Company should be subject to a review by the University's Internal Auditors at the earliest opportunity.**
- **Resource flows between the University and Company should be quantified and properly accounted for, to ensure that appropriate information is available for costing and pricing purposes and to quantify the extent, if any, of subsidy.**
- **I require the Court to investigate the issue of bonus payments and report to me their assessment of whether they represented a fair and proper use of public funds. Depending on their conclusions, I may subsequently recommend to the Council that the sums involved should be recovered from the University.**

Glasgow Caledonian University Company Limited

Allegation

146 The initial anonymous letter had alleged that Glasgow Caledonian University Company Limited (GCUCL) appeared to be poorly managed and was causing damage to the University's reputation.

Process

147 My initial investigation established that the relationship between the Company and the University was sufficiently unclear to warrant further enquiries. The focus of the second stage of my investigation was concerned with the University's governance of the Company.

Findings

148 GCUCL grew out of the Glasgow College of Technology Local Enterprise Unit (LEDU) and The Queen's College, Glasgow Enterprise Ltd (QCGE). When The Queen's College Glasgow merged with the Glasgow Polytechnic, QCGE was absorbed by Glasgow Polytechnic Enterprise Limited (GPEL) and the new company was named GCUCL. The Company commenced trading in 1989. The original Board of Directors comprised the Principal, the Company's Chief Executive, the Deans of the College and two lay members of the College's Governing Body.

149 The Company was divided into four discrete divisions: Business, University, Science and Technology and Health. Each division was effectively a profit centre and each had a Chief Executive who reported directly to the Board. The Company provided training for people who had been unemployed for a period of time or who had been made redundant. It had one major client, namely the Glasgow Development Agency (GDA). The Company's income was based on the number of students enrolled.

150 My investigation had difficulty in obtaining company records relating to the period prior to the restructuring of the Company in 1995.

151 The performance of the Company and its predecessor companies was sound. The income covenanted to the University was in excess of £1,000,000. In 1995 the basis on which the Company received its income changed. Thereafter, income was to be based on the number of students completing a course and

obtaining a qualification. This change led to a sharp reduction in income and a radical reorganisation of the Company. A new chief executive was appointed, almost all of the staff were made redundant and the company's direction and focus were changed to support the mainstream work of the University. The performance of the restructured company has been good.

152 The initial stage of my investigation concluded that, as with GPE (Bulk Solids Handling) Limited, aspects of the relationship between the Company and the University were unclear. My investigation did not, for example, find any contract or memorandum documenting the financial relationship between the University and the Company.

153 Professor Mason, as Chairman of the Company, was provided with company cars between May 1990 and December 1995. This is investigated in more detail in paragraphs 39 – 57 of the Report.

Conclusions

154 The absence of records has made it difficult to substantiate or disprove the allegation that the company was poorly managed and was causing the University damage. The practices and procedures, prior to the 1995 restructuring, appear to have been loose and informal. Aspects of the relationship between the Company and the University are undocumented and unclear.

Recommendation

155 The following recommendation is addressed to the University Court:

- **The Court should examine its practices and procedures in the context of guidance issued by the Funding Council on related companies.**

Section three: Arrangements for Governance and Management

Introduction

156 This section examines the arrangements for governance and management at Glasgow Caledonian University, drawing upon the detailed findings of the investigation.

157 The section begins by describing the framework of accountability and the role of the National Audit Office, the Chief Executive of the Funding Council, and the Governing Body and Designated Officer of an institution within that framework. It goes on to examine structures, systems and procedures and the extent to which these were in place, were appropriate and operated effectively.

Framework of Accountability

Introduction

158 Higher Education institutions enjoy considerable autonomy within a broadly based framework of accountability. That framework of accountability places clear and specific duties, responsibilities and obligations on institutions, the funding councils and the Government.

159 In essence, the basic principle is that funds flow downwards from Parliament through Government departments and funding councils to institutions, while accountability flows upwards from the institutions to Parliament.

National Audit Office

160 On behalf of Parliament the National Audit Office has a pivotal role in securing accountability for public expenditure in the higher education sector. The NAO audits the Scottish Office and the Funding Council and has access, as the need arises, to individual institutions. In recent years it has published a number of reports detailing cases where aspects of financial management and governance in the higher education sector within the United Kingdom have failed.

The Chief Executive of the Funding Council

161 The Chief Executive of the Council is the Council's Accounting Officer, personally responsible and accountable to Parliament for ensuring that the uses to which the Council puts funds received from the Secretary of State are consistent with the purposes for which the funds were given and comply with the conditions attached to them. The Accounting Officer is also responsible for securing value for money in the use of these funds.

162 As Accounting Officer, I require to be satisfied: (a) that institutions have appropriate arrangements for financial management and accounting; and (b) that the uses to which the Council's payments to institutions are put are consistent with the purposes for which they were given.

Financial Memorandum

163 The overall framework of accountability is supported by various arrangements to ensure that responsibilities are defined clearly and procedures are in place so that accountability is fully and properly discharged. Chief among these measures is the Financial Memorandum.

164 The Financial Memorandum between the Council and an institution is the key mechanism through which the latter is accountable to the former. In Scotland there are 21 identical memoranda between Council and each institution. In effect, the memorandum is an agreement between the Council and an institution which sets out the terms and conditions under which the Council will make payments to institutions out of the funds made available by the Secretary of State.

The Role of the Governing Body

165 Under the Financial Memorandum the Governing Body has ultimate responsibility for the management and administration of the institution's revenue and the conduct of its affairs. For this reason, I request that copies of the Financial Memorandum and Guide for Members of Governing Bodies be made available to every member of each institution's Governing Body.

166 The Governing Body of the institution has discretion over the specific use of much of the public funds it receives. It is ultimately responsible for the proper stewardship of those funds, and for ensuring that they are used for the purposes intended. Therefore, it must ensure that in conducting its affairs it exercises discretion appropriately and gives due consideration to any relevant guidance on

accountability and propriety issued by the Council, the National Audit Office, or the Committee of Public Accounts. The Governing Body is also responsible for delivering value for money from public funds and it should keep under review its arrangements for managing all resources under its control.

167 Underpinning the framework of accountability is a definition of accountability in terms of economy in the acquisition and use of resources, efficiency in the use of resources and effectiveness in the implementation of strategies and action plans for the achievement of institutional objectives. Thus, it follows that not only must the appropriate structures be in place, the Governing Body must act in a way that secures and promotes economy, efficiency and effectiveness in the acquisition and use of resources. In short it must operate effectively; it can only be economical and efficient if it is effective.

168 The Council has consistently emphasised, the importance of governance and the role of the Governing Body most recently in its evidence to the National Committee of Inquiry into Higher Education. It has argued that as institutions face greater and greater demands Governing Bodies will have increased responsibilities for providing strategic direction, ensuring accountability of the executive, ensuring the effectiveness of key committees and providing specialist advice, particularly in non-academic aspects of institutional management.

169 The Council considers that the role of Governing Bodies is to form institutional strategic visions and plans within a broader strategy for higher education as a whole, so as to ensure that institutions maintain their academic vitality and financial viability and meet society's needs. The strategic survival of the institution is, in the Council's view, unequivocally the responsibility of the Governing Body, which ultimately has the responsibility for ensuring that the management of the institution is identifying and addressing the Governing Body's priorities effectively.

The Designated Officer

170 Under the Financial Memorandum the Designated Officer is the holder of the principal office of the institution designated by the Governing Body for the purpose of satisfying the Governing Body that funds from the Council are used only in accordance with the Further and Higher Education (Scotland) Act 1992, the Financial Memorandum and other conditions which the Council may prescribe.

171 Professor Mason was the Designated Officer at Glasgow Caledonian University.

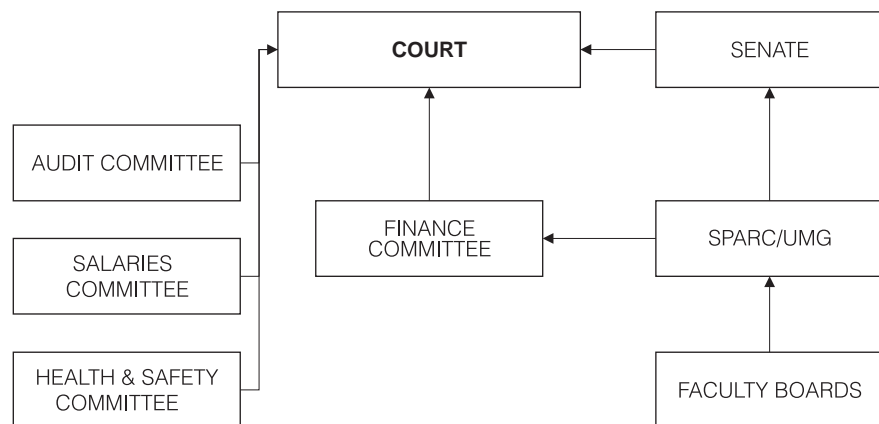
172 The Principal has responsibility to the Governing Body for undertaking strategic analysis, developing strategic plans to deliver the Governing Body’s strategic vision, as well as operational responsibility for delivery of approved strategic and operational plans. He or she cannot be expected, nor should be expected, to be the sole custodian of the autonomy, continuity and integrity of the institution. However, he or she is one of the principal custodians of the institution’s integrity.

Structure of Governance of Glasgow Caledonian University

173 The University was created by a Statutory Instrument, The Glasgow Caledonian University (Scotland) Order of Council 1993, issued by the Privy Council under sections 45 and 60 of the Further and Higher Education (Scotland) Act 1992. The Statutory Instrument outlines the general powers of the University Court and specifically its powers in relation to establishing financial arrangements and in making regulations for the administration of the University.

174 The structure of governance at Glasgow Caledonian University follows the “managerial model” typical of the newer universities. Figure 1, taken from the University’s Financial Regulations, details the main committee structure of the University.

Figure 1 Structure of Governance at Glasgow Caledonian



University Court

175 The role and remit of the University Court and the Governing Body is summarised in the University’s Financial Regulations as follows:

“The University Court shall oversee the University’s financial affairs and carry out and promote its objectives. It has power and duties conferred on it by statutes that are discharged through delegation to the Principal who has responsibility for the management and administration of the whole of the revenue and property of the University. The Court has ultimate control over the University and all its financial affairs, purposes and functions and has all such powers and duties as may be conferred upon it by statute or ordinance. It delegates to and/or consults with other relevant committees; in particular the Finance Committee, the Audit Committee, SPARC and Senate.”

176 Prior to the establishment of Glasgow Caledonian University in 1993, members of the governing bodies of Glasgow Polytechnic and the Queen’s College Glasgow, established a “Shadow Court” with five lay members from each institution. The Shadow Court agreed nominations to place before the Secretary of State who, by order, determined the inaugural membership of the University Court.

177 The composition of the Court is regulated by statutory instrument. The current membership comprises 23 members including three ex-officio members of the senior management group, the Principal and the two Vice Principals, and the President of the Students Association. The Court has a majority of lay members who, in common with members of governing bodies at other institutions of higher education, receive no remuneration.

178 A Membership Committee makes recommendations to Court on membership matters having regard to the balance of experience and expertise required by the University

Finance Committee

179 The Finance Committee is a committee of the University Court and is charged with ensuring that the University’s finances are managed and regulated in accordance with policies approved by the Court and in accordance with best financial practice. The Finance Committee receives reports, considers and acts

upon recommendations from the Strategic Planning and Resources Committee, the Finance Officer and from individual members of the University Management Group in their designated executive capacities. The Finance Committee reports to the University Court.

180 The Committee comprises six lay members of Court, the three most senior members of the University Management Group, a staff Governor and the President of the Students Association. A senior partner of a firm of international Chartered Accountants chairs the Committee.

Audit Committee

181 The Audit Committee is a committee of the University Court responsible for keeping the University's financial procedures and controls under review, ensuring compliance and reporting to Court on such matters. The Committee is authorised to investigate any matter relating to the financial affairs of the University.

182 The Committee comprises three lay members of Court. The composition and Terms of Reference of the Committee, which are incorporated in the University's Financial Regulations, satisfy the requirements of the Council's Code of Audit Practice.

183 The internal audit plan, whilst based on a risk based assessment of audit need, is cash limited with a cap of £25,000 per annum on audit fees. The University has informed me that the £25,000 figure was a guideline which could be exceeded if it became necessary to do so. The focus of internal audit coverage to date has been on the University's core financial systems. The current arrangements do not allow for the systematic review of control procedures in place at departmental level.

184 The external auditors' opinion on the financial statements for the year ended 31 July 1997 is unqualified. Unqualified audit reports have been provided for the University and its subsidiaries since the University was established.

Strategic Planning and Resources Committee

185 The remit of the Strategic Planning and Resources Committee is extensive. It includes the preparation of “policy proposals for consideration by the University Court on the University budget, resource allocation priorities, estate development and staffing issues and on other matters within the remit of the University Court”. The Committee is also responsible for the “overall preparation of the University strategic plan for presentation to the Senate and the University Court”.

186 The Strategic Planning and Resources Committee is an ex-officio Committee of the Senate and reports directly to that body. It also reports to the University Court through the Finance Committee.

187 The Committee comprises the Principal, the Vice-Principals, the Senior Assistant Principals and the Deans of the Faculties.

University Management Group

188 The University Management Group (UMG), which comprises the Principal, Vice-Principal and Senior Assistant Principals, is advisory to the Principal. Although the UMG features within the University’s published financial regulations, its authority derives solely from the Principal and it has no formal status in university governance.

Conclusions

Finance Committee

189 The Finance Committee’s role is to ensure that the University’s finances are managed and regulated in accordance with the policies approved by the Court and in accordance with best financial practice. My investigation has shown that the University’s Financial Regulations are poorly drafted and are not in accordance with best practice. The roles of Court, committees of Court and the Principal and senior officers are, in some instances, confusing and misleading. The nature of the Principal’s delegated authority from the Court is undefined. The roles of committees and their relationship with each other, Senate and Court in some instances are confusing.

190 The Finance Committee is expected to monitor regularly the financial performance of the University's subsidiary companies and report to the Court. Whilst arrangements are in place for routine financial monitoring, my investigation has shown that in, for example, the case of GPE (Bulk Solids Handling) Limited, this was defective in some important respects. I am satisfied that in the case of GCUCL the Finance Committee monitored the Company's financial performance.

Audit Committee

191 From the work carried out by my investigation and that in a review by the Council's Audit Branch in 1995, I am satisfied that the quality of internal audit work that has been carried out at Glasgow Caledonian University is generally of a satisfactory standard. Nevertheless, my investigation has shown that there are some significant weaknesses in some of the financial procedures and controls and in the adherence to these procedures.

192 The current level of input into internal audit of around 70 days is relatively low when compared to other higher education institutions similar in size and complexity to Glasgow Caledonian University. I am concerned that the Audit Committee may not have satisfied itself that its programme of internal audit was adequate to fulfil its terms of reference and responsibilities to the Court.

193 Whilst a more broadly-based scope of internal audit coverage could not have guaranteed that all the deficiencies found in the areas that were subject to investigation would have been detected, the past scope of internal audit coverage has been inadequate.

194 I consider the Court should satisfy itself that the Audit Committee will in future fulfil its terms of reference and meet the Court's requirements.

Strategic Planning and Resources Committee

195 The Strategic Planning and Resources Committee is a key committee in the decision making and resource allocation processes of the University. It is of concern therefore that the Committee is an ex-officio Committee of the Senate which nevertheless reports through the Finance Committee to the Court rather than through the Senate. Given these relationships and its remit, it is surprising that it is not a joint Committee of Court and Senate containing external lay member representation from the Court.

University Management Group

196 I acknowledge the responsibility of management to manage and recognise the importance of a coherent and integrated senior management team. However, there is a danger that the existence of advisory groups to the Chief Executive, often informal and with no constitutional base, may undermine the Governing Body. This danger is heightened when, as at Glasgow Caledonian University, the University Management Group is closely associated with the formal committee structure.

Secretary to the Governing Body

197 The Management structure does not provide for a Secretary to the Court with fully defined responsibilities in respect of that body. There is no one member of senior management responsible for all administrative services. The heads of the appropriate departments are individually responsible and they, in turn, report to the designated members of senior management.

University Court

198 I consider that the Court has ensured that it has a good balance of experience and expertise within its membership. The Court understands its strategic role and since its establishment has addressed a range of strategic issues well. The University is in good financial health and my investigation did not reveal any material loss of public or other funds.

199 I am not satisfied, however, that the Governing Body has fulfilled its role and met all its obligations effectively within the framework of accountability and under the terms of the Financial Memorandum between the University and the Council.

200 The role and remit of the University Court, as described in the Financial Regulations, is ill defined. In particular, the description does not distinguish properly the Court's relationship with management and with other constitutional groups in the governance of the institution.

201 In some instances, the Court did not succeed in its duty to oversee and monitor the executive. There was also a failure to ensure that the appropriate structures were in place and to satisfy itself that systems and procedures operated effectively.

202 The limit and extent of the Principal's delegated authority from the Court is unclear, as is the mechanism for reporting to the Court on the exercise of that authority. The investigation revealed several instances where Professor Mason acted on behalf of Court without reference to it when the matter was sufficiently important or sensitive to suggest that he might reasonably have sought the prior approval of Court.

203 Effective governance requires the creation of relationships of confidence, trust and sharing information between principals, chairmen and members of governing bodies.

204 A post-merger evaluation, conducted by the Council in January 1995, commended the University for the progress that had been made. It also commented that "goodwill and enthusiasm among all interested parties – Court members, academic and non-academic staff, students and unions" was very much in evidence during the review visit.

205 However, over a number of years, Professor Mason acted on matters which were ultimately the responsibility of the Governing Body of Glasgow Polytechnic or the Court of Glasgow Caledonian University without the knowledge or explicit authority of the relevant body. Such behaviour is likely to give rise to an imbalance in the relationship between the governing body and the Principal. A deterioration in the relationship between the Court and the Principal coincided with attempts by the Court and its Chair to assert a greater measure of authority over the Principal to redress this imbalance.

206 Frequently lay governors are dependent almost entirely on the executive for information. There is a danger of creating a culture in which the executive decides what information it considers the governing body needs, rather than the Governing Body specifying what it requires in order to fulfil its responsibilities. In such circumstances the senior management may effectively control the form and content of how issues are presented and thus may limit and restrict any challenge from the lay governors.

207 My investigation found that at Glasgow Caledonian University, in a number of instances, the Court did not receive adequate or complete information. The operation of the Strategic Planning and Resource Committee (SPARC) provides further evidence of this. Professor Mason, its Chairman, routinely reported to Court orally on the Committee's deliberations. Court members interviewed as part

of the investigation commented on a lack of balance in some reports provided to Court. The emphasis was often on good and positive information with inadequate reporting of any information of a negative nature. In some instances, key issues that were rightly the business of Court were not considered by it.

Designated Officer

208 The evidence of my investigation leads me to conclude that there was a failure on the part of the authorised designated officer, Professor Mason, to fulfil his role and his obligations within the framework of accountability and under the terms of the Financial Memorandum between the University and the Council. I also conclude, on the basis of the evidence available to me, that Professor Mason failed to discharge his responsibility as one of the principal custodians of the University's integrity and acted in ways that were contrary to the proper conduct of public business.

Recommendations

209 The following recommendations are addressed to the University Court:

- **The Court should review its fundamental structures and operating procedures and practices in order to ensure it meets the best standards available in the sector.**
- **The Court should invite the Finance Committee and Audit Committee to conduct jointly a comprehensive review of its Financial Regulations and Procedures.**
- **The Court should satisfy itself that the Audit Committee's programme of audit coverage is adequate to fulfil the Audit Committee's terms of reference and responsibilities to the Court.**
- **The Court should establish clear procedures for delegating its authority to the Principal.**
- **The Court should review the status, terms of reference, remit and membership of the Strategy Policy and Resources Committee.**
- **The Court should review the terms of reference, remit and membership of other Committees, as it considers appropriate.**

- **The Court should review the role and remit of the University Management Group.**

Section four: Action plan

Section	Para. Ref.	Recommendation	Comments	Implementation Timetable	Responsible Officer
Employment	37	The following recommendation is addressed to the Scottish Higher Education Funding Council: The Council should recover from Glasgow Caledonian University an amount equivalent to the total cost to the University of Dr Fraser's early retirement.	The Council agreed this recommendation at its meeting held on the 20 February.	May 1998	David Wann
	38	The following recommendation is addressed to the University Court: In the interests of natural justice, and to eliminate any uncertainty arising, the University should undertake an independent review of the posts presently occupied by Dr David Mason and Mr Andrew Mason. This review should include the requirements for the posts, the remuneration levels needed and provided and whether the post-holders' skills and qualifications are sufficient and appropriate for these positions.	It is proposed to set up a Review Panel comprising a human resources manager from within the HE Sector, a Bulk Solids Handling specialist and an expert in the field of physical science. A senior administrator from the University will act as Secretary to the Panel. While paras 37 and 38 relate to specific outcomes from the Inquiry Panel set up by the Chair of the University Court, the Panel highlighted a number of issues of staffing policy. The Court has referred the entire Inquiry Panel's report to its Staff Affairs Committee in order that the University may benefit from the lessons learned.	Report to Staff Affairs Committee by 30 June 1998	Professor P W Bush
Motor Vehicles	56	The following recommendations are addressed to the University Court: The University should recover monies, from Professor Mason, in respect of costs related to the acquisition and use of vehicles supplied to him by GCUCL and its predecessor company. The precise amount should be determined by the University and reported to me, together with the Court's plan for recovering these monies.	The University or GCUCL will take action, subject to the advice of the University solicitors, to recover the figure of £51,121 determined by Finance Committee on the advice of our internal auditors.	As soon as practicable (subject to University solicitor's advice).	Mr J Boyle

continued...

Section	Para. Ref.	Recommendation	Comments	Implementation Timetable	Responsible Officer
Motor Vehicles continued...	56	If I am not satisfied that the Court has taken appropriate action in this regard, then I shall recommend to the Council that it recovers an equivalent sum from the University.			
		The University should develop a comprehensive transport policy. Such a policy should establish procedures in respect of the acquisition, use and disposal of University vehicles.	Policy guidelines on the acquisition, use and disposal of vehicles are being reviewed by the internal auditors and will be developed by the University.	Report to Finance Committee on 12 May 1998.	Mr W McMaster
	57	The following recommendation is addressed to the Scottish Higher Education Funding Council: The Council should recover from the University £2,400 in respect of the garaging fees it paid to Professor Mason.	The Council agreed this recommendation at its meeting held on the 20 February.	May 1998	David Wann
Overseas Visits	99	The following recommendations are addressed to the University Court. <i>Procedures and Authorisation</i>			
		The Court should establish clear and written procedures for overseas travel.	A paper addressing the issues of procedures and authorisation, spouses and partners, and travel and subsistence schemes is in preparation and will be presented for approval by the University Court.	Paper to be presented to the Audit Committee in April 1998 and the Finance Committee on 12 May 1998.	Mr J Boyle
		<i>Spouses and Partners</i> The Court should establish policies and procedures governing circumstances under which spouses and partners may accompany University staff on official University business.	(See above)		

Continued...

Section	Para. Ref.	Recommendation	Comments	Implementation Timetable	Responsible Officer																				
Overseas Visits continued...	99	<i>Advances</i>																							
		<p>The Travel and Subsistence Scheme should be revised and should include detailed rules and guidelines in respect of overseas travel. In particular, the rates payable for subsistence should be investigated and appropriate provision should be made for the reimbursement of any out of pocket expenses. As far as practical, detailed receipts should support all claims.</p> <p><i>Far East visits 1993 and 1995</i></p> <p>The Court should take steps to recover from members of the delegation and their spouses and partners:</p> <ul style="list-style-type: none"> ■ the cost of travelling to Penang and Kota , and ■ the cost Kinabalu of all other expenses incurred in Penang and Kota Kinabalu beyond the two days spent debriefing. <p>In addition, the Court should evaluate the contribution of spouses and partners on the visits and how far it was necessary and reasonable to involve each of the partners on each of the visits, taking into account the costs involved.</p>	(See above)																						
			<p>The University has commissioned its internal auditors to identify the costs of travelling to Penang and Kota Kinabalu, to calculate the expenses incurred beyond the two days of debriefing and to evaluate the contribution of the partners on the visits. The internal auditors have concluded and the Audit Committee has accepted that there was a "non-business" element in respect of the partners in 1993 but not in 1995. The proposed cost recovery which includes the evaluation of the costs of the 'non-business' element of the spouses and partners is as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>1993</th> <th>1995</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Dr Mason</td> <td>589</td> <td>864</td> <td>1453</td> </tr> <tr> <td>Prof Carey</td> <td>726</td> <td>275</td> <td>1001</td> </tr> <tr> <td>Dr Fraser</td> <td>236</td> <td>864</td> <td>1100</td> </tr> <tr> <td>Prof Dickson</td> <td>236</td> <td>864</td> <td>1100</td> </tr> </tbody> </table>		1993	1995	Total	Dr Mason	589	864	1453	Prof Carey	726	275	1001	Dr Fraser	236	864	1100	Prof Dickson	236	864	1100	On the formal approval of the Report	Mr J Boyle
	1993	1995	Total																						
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Dr Fraser	236	864	1100																						
Prof Dickson	236	864	1100																						
		<p>The amount of these costs should be determined by the University and reported to me, together with the Court's plan to recover these monies. If I am not satisfied that the Court has taken appropriate action, I shall recommend to the Council that it recovers an equivalent sum from the University.</p>	<p>Professors Carey and Dickson have already repaid the above costs and arrangements are in hand to recover Dr Fraser's costs from monies withheld. The University will take action, subject to the advice of the University's solicitors, to recover the costs from Dr Mason.</p>																						

continued...

Section	Para. Ref.	Recommendation	Comments	Implementation Timetable	Responsible Officer
Overseas Visits continued...	99		In line with the advice from its internal auditors, the Court is prepared to consider the refund of the flight costs of the partners in 1993 from its own funds, subject to the advice of the University solicitors.		
		The Court should investigate the financial details of the 1993 visit. In particular, it should consider the expenses claims relating to the period spent in Penang.	This investigation is underway.	Report to Audit Committee in April 1998.	Mr W J Laurie
		<i>Other Visits</i>			
		The University Court should invite their internal auditors to examine other overseas visits and take appropriate action as required.	The University understands that the SHEFC auditors carried out an examination of other overseas visits as part of their investigation. The University will ask its internal auditors to liaise with the SHEFC auditors to ascertain the extent of work already undertaken and whether that investigation disclosed any <i>prima facie</i> evidence of impropriety. The University is in any event conducting a series of internal departmental reviews which will include the International Office in the near future.	Departmental Review of the International Office by 31 May 1998. The internal auditors to report to Audit Committee by June 1998.	Mr W J Laurie Mr J Boyle
Caledonian College of Engineering Oman	116	The following recommendations are addressed to the University Court. <i>Caledonian College of Engineering</i> The Court should, as a matter of urgency: <ul style="list-style-type: none"> ■ satisfy itself that public funds are not being misused; ■ take steps to clarify the nature of its commitments and their status; ■ evaluate the financial viability of the College and the University's financial exposure; 	A detailed report on the financial viability of the Caledonian College of Engineering, Oman, the University's financial exposure and the cost recovery plan has been prepared – paying particular attention to the use of public funds.	The detailed report will be presented to the Finance Committee on 10 March 1998.	Mr P B Finch

continued...

Section	Para. Ref.	Recommendation	Comments	Implementation Timetable	Responsible Officer
Caledonian College of Engineering Oman continued...	116	<ul style="list-style-type: none"> ■ identify, record and, where appropriate, recover expenses incurred by the University on behalf of the College; and ■ address areas of weakness identified by the Accreditation Panel. 	<p>In order to avoid exposure for public funds, the Court has decided to underwrite up to £150,000 from its own funds to meet the direct costs incurred in the Oman project until 31 July 1998. The issue of standards and quality assurance has been monitored by the University since the Accreditation Visit on 19/20 May 1997 and the areas of weakness identified by the Accreditation Panel have now been fully addressed.</p>	Implemented	Mr W J Laurie
		<i>General</i>			
		<p>The Court should consider the extent of the Principal's delegated authority to commit the University to enter into agreements, and the formal reporting mechanism arising from use of that Court authority.</p>	<p>A document detailing the delegated authority of the Principal and other members of the Principal's Group will be prepared within the review of governance</p>	Interim report to University Court on 18 June 1998.	Prof P W Bush and Mr B M Murphy
		<p>The Court should approve formally and only authorise the signing of contracts and agreements with overseas partners on the basis of detailed proposals and suitable professional advice.</p>	<p>The Court accepts the principle of this recommendation but wishes to consider a threshold limit of exposure below which it will delegate approval and authorisation to the senior management. The Court will also consider extending such approval and authorisation to all contracts and agreements.</p>	Threshold limit to be considered by Finance Committee on 12 May 1998.	Professor P W Bush
GPE (Bulk Solids Handling) Limited	145	<p>The following recommendations are addressed to the University Court:</p>			
		<p>The Court should clarify the relationship between the Company and the University, and as part of that process should implement a clear delineation of financial responsibilities and an explicit full cost charging policy between the two. In doing so, the University should examine its practices and procedures in the context of guidance issued by the Funding Councils on related companies.</p>	<p>The Court has already commissioned its internal and external auditors to assist in determining the model of charging between the University and the Company. The Court will also invite the internal auditors to review the financial performance of the Company. The initial reports from the auditors show that there has been no material subsidy and that there is some evidence of a resource flow from the Company to the University.</p>	Final Report to the Finance Committee of 9 June 1998.	Prof J C Phillips

continued...

Section	Para. Ref.	Recommendation	Comments	Implementation Timetable	Responsible Officer
GPE (Bulk Solids Handling) Limited continued...	145	The Court should review the financial performance of the Company and the University's continuing financial support to it. It should satisfy itself that public funds are not being misused.	(As above)		
		If the relationship with the company is to continue, the Court should take steps to appoint one or more of their lay members to the Board of the company at the earliest opportunity.	The Court has already appointed a lay governor, Brigadier H Jordan and Professor J C Phillips to the Board.	Implemented	
			The University will explore the possibility of moving GPE (bulk Solids Handling) Ltd to within GCUCL.	Report to Finance Committee of 9 June 1998.	Prof J C Phillips
		The system of internal control in place at the Company should be subject to a review by the University's Internal Auditors at the earliest opportunity.	The Audit Committee will instruct the Internal Auditors to undertake a review of the internal controls of the Company and external audit to review their findings as soon as practicable.	Report to the Audit Committee in June 1998.	Prof J C Phillips
		Resource flows between the University and Company should be quantified and properly accounted for, to ensure that appropriate information is available for costing and pricing purposes and to quantify the extent, if any, of subsidy.	As stated previously, the Court has commissioned its internal and external auditors to examine the model prepared by the Company and there is some evidence that the resource flow is from the Company to the University in the 1995-97 period.	Final Report to Finance Committee of 9 June 1998.	Prof J C Phillips
		I require the Court to investigate the issue of bonus payments and report to me their assessment of whether they represented a fair and proper use of public funds. Depending on their conclusions, I may subsequently recommend to the Council that the sums involved should be recovered from the University.	The Court is investigating the issue of bonus payments.	Report to the Finance Committee of 9 June 1998.	Prof J C Phillips
Glasgow Caledonian University Company Limited		The following recommendation is addressed to the University Court:			
		The Court should examine its practices and procedures in the context of guidance issued by the Funding Councils on related companies.	The University will examine the appropriate practices and procedures.	Report to the Finance Committee of 9 June 1998.	Prof J C Phillips

continued...

Section	Para. Ref.	Recommendation	Comments	Implementation Timetable	Responsible Officer
Governance and Management	155	The following recommendations are addressed to the University Court:			
		The Court should review its fundamental structures and operating procedures and practices in order to ensure it meets the best standards available in the sector.	The Court has already begun a review.	Interim report to the meeting of Court on 18 June 1998.	Prof P W Bush and Mr B M Murphy.
		The Court should invite the Finance Committee and Audit Committee to conduct jointly a comprehensive review of its Financial Regulations and Procedures.	The Finance and Audit Committees will conduct such a joint review but emphasise that in compiling the current regulations they considered a number of examples from the sector in order to include best practice.	Court meeting of 18 June 1998.	Mr J Boyle
		The Court should satisfy itself that the Audit Committee's programme of audit coverage is adequate to fulfil the Audit Committee's terms of reference and responsibilities to the Court.	The University Court strongly takes issue with paras 191 – 194 in the Report as they include substantial changes from the draft which was made available to the Chairman of the University Court and his advisers for comment. The full details of the Court's extreme concerns are appended as Appendix 1 to the University Court Action Plan. [Appendix 1 is not reproduced in this Action Plan.]	Interim Report to Court meeting of 18 June 1998.	Prof P W Bush and Mr J Boyle
		The Court should establish clear procedures for delegating its authority to the Principal.	Agreed		Court meeting of 18 June 1998
	The Court should review the status, terms of reference, remit and membership of the Strategy Policy and Resources Committee.	Agreed		Court meeting of 18 June 1998	Mr W J Laurie

continued...

Section	Para. Ref.	Recommendation	Comments	Implementation Timetable	Responsible Officer
Governance and Management continued..	155	The Court should review the terms of reference, remit and membership of other committees, as it considers appropriate.	Agreed	Court meeting of 18 June 1998	Prof P W Bush and Mr B M Murphy
		The Court should review the role and remit of the University Management Group.	The University Management Group had an advisory role to the former Principal but is not part of the formal structure and no longer meets. The Court's review of governance will include the role of the senior management team	Court meeting of 18 June 1998	Prof P W Bush and Mr B M Murphy