

Glasgow Kelvin College

Asset and Fleet Management

Internal Audit report No: 2022/10

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.



Management Summary

Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.
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Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Glasgow Kelvin College ('the College') Risk Register:

- Risk 7: Poor Student Experience (Rating Very High), and
- Risk 8 The College failing to meet targets in relation to sustainability e.g., Net Zero (Rating: Very High).

Background

As part of the Internal Audit programme at the College for 2021/22 we carried out a review of the systems and procedures in place for asset and fleet management arrangements at the College. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Principal and the Audit and Risk Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The Estates and Sustainability Strategy 2022-2027 (December 2021) sets objectives under the strategic priorities:

- Develop campus buildings to create appropriate learning and teaching environments,
- Develop "Green Kelvin", and
- Grow and develop sustainable transportation.

The Estates and Sustainability Strategy and capital planning was previously audited in our Report 2022-05.

Underpinning the Estates and Sustainability Strategy is ensuring that its assets and fleet are utilised effectively and efficiently to maximise on their investment and ensure that value for money is achieved by the College.

The College should also comply with Scottish Funding Council guidance for colleges within its Estates Strategy Guidance (July 2007) (section titled Asset and Budget Management) and financial management arrangements within the Scottish Public Finance Manual (SPFM) - Management of Assets Property.

Scope, Objectives and Overall Findings

The scope of the audit was to review two areas:

- controls over the College's asset registers, covering:
 - ◆ capitalised items of equipment;
 - ◆ non-capitalised computer hardware and related equipment; and
 - ◆ other portable non-capitalised equipment where management is of the opinion that the nature and value of the items requires records to establish physical and financial control; and,



Scope, Objectives and Overall Findings (Continued)

- the arrangements in place within the College to manage its fleet of seven vehicles, inclusive of four leased minibuses, to identify any opportunities for cost or efficiency savings.

The table below notes each separate objective for this review and records the results:

Objective	Findings				
The specific objectives of this audit were to obtain reasonable assurance that:		1	2	3	Actions in Progress
		No. of Agreed Actions			
1. Assets are recorded with sufficient and appropriate information (e.g., unique identification numbers, quantity, description, age etc.) and are tagged;	Satisfactory	-	-	1	
2. There is a process to control additions to the asset registers;	Satisfactory	-	-	1	✓
3. Processes are in place to control and authorise the transfer of assets and the removal of assets from the registers;	Satisfactory	-	-	1	
4. Management processes are in place to ensure compliance and monitor the asset registers, including physical checks that recorded assets exist;	Good	-	-	-	
5. There is central control over the management of the fleet;	Satisfactory	-		2	✓
6. Vehicles in the fleet are being properly utilised and are necessary to meet the College’s mission;	Satisfactory	-	-	-	✓
7. There is adequate scrutiny of plans for the acquisition of new vehicles and the decision to purchase or lease;	Good	-	-	-	
8. Procurement arrangements and the level of vehicle maintenance and fuel spend are regularly reviewed to ensure value for money is being achieved.	Good	-	-	-	
Overall Level of Assurance	Satisfactory	-	-	5	
		System meets control objectives with some weaknesses present.			

Audit Approach

Staff within the Finance Department, Estates, ICT, Faculties, and other Support Teams were interviewed to determine current working practices and identify key controls within the systems. This consisted of physical walkthrough of 20 ICT and Estates assets at locations across the Springburn Campus, as recorded on the College Asset Register. This included a walk through of the Library digital loan services to provide assurance on asset management arrangements through the Koha Library Management System.

Three vehicles were sample tested for compliance for road worthiness, maintenance, and safety checks. All seven vehicles were tested to check MOT and tax arrangements. We also walked through drivers license compliance and fuel spend and invoicing.

Compliance with the College's Financial Regulations and the adequacy of these controls was considered.

Summary of Main Findings

Strengths

- The College's Financial Regulations set out the authorisations for capital and revenue spend, and the capitalisation of assets for account purposes, including instructions on disposals in line with the SPFM;
- It was evident from the interviews conducted, that the rules around capitalising fixed assets over £10,000 was well understood by management;
- The new Asset Register Database has allowed the collation of old asset databases pre-merger. Inspection noted its format is in line with the SPFM guidance for asset registers, including recording its value at the point of purchase (or donation) and its useful economic life;
- The Fixed Asset procedures (August 2022) have established new workflow for acquisitions, transfers, and disposals. These have been communicated to relevant faculty and departmental staff;
- The Estates team are completing a programme of tagging historical assets from the old campuses and estimating their values and update the register for obsolete items. There is also an annual programme of compliance monitoring of assets. Management have recently invested in handheld scanners to support the registering of items;
- ICT and the Library Services have established a system for the loan and monitoring of the location of portable digital assets to students. The Library System, KOHA, allows for efficient and effective monitoring and reporting of all libraries digital assets using Power BI. ICT monitor student attendance and disable digital assets where there is potential that a student is likely to withdraw. The Acceptable Use Policy states accountability for not returning digital devices such as failure to seek future funding at the College;
- ICT hardware are also tracked on the Asset Register Database when distributed or in use. Portable and at-risk items are asset tagged. All ICT assets are logged on a local inventory. Items are securely stored in dedicated Store Rooms when not in use;
- Drivers' licenses are monitored annually by Finance and there is a digital system through Celcat that allows minibuses to be booked by faculty and departmental staff. All new drivers undergo due diligence on their drivers' licence and the Health & Safety team ensure MiDAS training is up to date;
- Procurement arrangements are managed with support from APUC, and the capital planning arrangements are approved annually (the Capital Plan and Estates and Sustainability Strategy were previously reviewed as part of the previous internal audit report 2022/05 – Estates and Sustainability Strategy & Capital Projects); and
- There is a robust system for tracking fuel spend using Fuel Genie and spend approval through the P2P system.

Summary of Main Findings (continued)

Weaknesses

- The Fixed Asset Procedures should define the assets that should be tracked on the asset register and those that should not. It was evident that this lack of detail is currently leading to a lack of clarity for the Estates team. Guidance should also be provided on valuing donations and treatment of depreciation of non-purchased items;
- Assets received by the College can often by-pass the Stores where they are checked and tagged. Campus receptionists, purchasing staff and budget holders should be reminded of the new processes put in place to contact Estates on receiving assets (purchased or donated) with an estimated value over £250;
- Our checks on the location of assets logged on the Asset Register database noted several instances where the item could not be located and there was an absence of local inventories to confirm the actual location of recorded assets. Budget holders should be reminded of their roles and responsibilities as custodians of College equipment and assets and ensure that local inventories are developed to allow effective monitoring of the location of items of value. These inventories should be provided to Estates, at least annually, as part of their compliance checks on items and for reporting on disposals to the Finance and Resources Committee;
- The process for managing the fleet is currently a manual exercise, resulting in instances of human error. Digital management of the college fleet would allow for more effective tracking of vehicle roadworthiness. As a minibus operator, the College must make sure that the system used for record checks and maintenance schedules meets the requirements of their Schedule 19 permit. Minibuses should have additional safety inspections completed at least every 10 weeks in line with UK Government and DVSA requirements for Schedule 19 permit compliance; and
- Fleet utilisation in relation to mileage, electricity and fuel costs should be tracked and monitored through quarterly trend reporting.

Acknowledgments

We would like to take this opportunity to thank the staff at the College who helped us during the course of our audit and walkthroughs at the Springburn Campus.

Main Findings and Action Plan

Objective 1: Assets are recorded with sufficient and appropriate information (e.g. unique identification numbers, quantity, description, age etc.) and are tagged

The College's Financial Regulations (October 2021) set the basis for the treatment of fixed assets within Section 16. It also sets out guidance for the accounting of assets carrying value, including gains and disposals. The college tracks its fixed assets for several reasons:

- To allow the cost of the asset to be spread (in accounting terms) over its deemed working life.
- It is required by the College's Financial Regulations.
- Security - the Asset Register allows details of assets to be tracked and states its location and responsible employee.
- It provides an insurance listing.

The Head of Finance maintains a Fixed Asset Register for accounting purposes. It retains details of assets with a value of £10,000 or more, which are capitalised as fixed assets for accounting purposes. High area of spend or high volumes for spend are identified during Finance's preparation of non-staff detail reports for the faculties and departments. Any items identified are discussed with the Faculty or Departmental Lead, prior to being added to the main asset register managed by Finance.

To track all remaining fixed assets, the new Inventory 4000 Database was introduced during 2022. The new Asset Register System is used by the Estates and ICT teams to log items of value i.e. items with a value of £250 or more at the point of purchase or donation. Access to the Asset Register System is restricted.

Our inspection of the format of the Asset Register System noted it is in line with the SPFM information requirements. Guidance documents for the use of the system were in the process of being documented by Estates Management. Management are also in the process of updating asset tags on items which predate the College merger. Our walkthrough of the system noted that it is actively used and being updated as assets are identified.

To support asset management, the College refreshed its Fixed Asset Procedures (August 2022). These were communicated to all necessary Estates and ICT staff, and Budget Holders and faculty administrative staff who are responsible for purchasing new equipment. Procedures are located on the staff intranet.

ICT hold a separate inventory of digital equipment with item serial numbers and their location. Only at the point of distribution (such as for laptops) are items tagged and logged on the Asset Register. Our walkthrough of recently purchased laptops noted no issues and item locations were recorded appropriately.

In relation to digital item loans to students, Library Services utilise the Library Management System, KOHA. The items have an Asset Tag and a Library Tag, which are both logged on KOHA, which allows Library Services to align loan items with the student who has the item on loan. Our sample testing of items logged on KOHA noted alignment with the details held on the Asset Register.

Objective 1: Assets are recorded with sufficient and appropriate information (e.g., unique identification numbers, quantity, description, age etc.) and are tagged (Continued)

Observation	Risk	Recommendation	Management Response
The Fixed Asset Procedures (August 2022) do not define which assets should be recorded and tracked on the Asset Register, such as: • Consumables e.g., furniture was identified as a consumable and not capitalised; However, tables, chairs and sofas are registered on the asset register; • Assets classified as consumables but are of value and should be tracked, such as laptops and mobile phones.	Inefficiencies in asset tracking items of value to the College.	R1 The Fixed Asset Procedures should be updated to define the assets that should be tracked on the asset register and those that should not. Consideration should be made to inclusion of detail on the two asset categories identified in the observation. Further guidance should also be provided on valuing donations and on the treatment of depreciation of non-purchased items.	Recommendation accepted. Fixed Asset procedures should be updated to clarify what should be recorded and tracked on the Asset Register. Further guidance on donated assets will also be provided. To be actioned by: Head of Finance/Director of Corporate Services No later than: March 2023
			Grade 3

Objective 2: There is a process to control additions to the asset registers (Continued)

Observation	Risk	Recommendation	Management Response	
Management cannot currently be assured that all assets have been tagged at the point of acquisition. All assets of value should be received by Stores or should be communicated to Estates. A process has been implemented which devolves responsibility to faculty level and administrative support has been deployed to ensure communication with Estates. However, management noted that this practice requires to be embedded and that items may be delivered directly to Faculty. Donations also can be made directly to faculty.	The location of assets of value is not fully ascertained.	R2 Campus receptionists, purchasing staff and budget holders should be reminded of the new processes to contact Estates on receiving assets (purchased or donated) with a value over £250.	Recommendation accepted. Workshops will be arranged to re-enforce the requirements of the Fixed Asset procedures. To be actioned by: Director of Corporate Services/Head of Finance No later than: March 2023	
			Grade	3

Objective 3: Processes are in place to control and authorise the transfer of assets and the removal of assets from the registers

The Financial Regulations state that Budget Holders along with the Estates Team have overall responsibility for the management and control of stocks and equipment. The Financial Regulations also state that the transfer of equipment between locations or departments must be informed and transacted through the Estates Team to ensure that the inventory records are updated to reflect the move where appropriate.

For larger assets, faculty and departmental staff raise a service ticket with the Estates Team, which details the item, its location and where it is to be moved to. This is tracked through a workflow.

Disposal of equipment, furniture, and motor vehicles must be in accordance with procedures agreed by Finance & Resources Committee. Plant and equipment assets which are surplus to requirements are normally sold by public auction or tender or donated to charities. Disposal reports following the Estates Team's annual audit or by ICT are provided to the Director of Corporate Services and significant disposals are reported to the Finance and Resources Committee. The last formal report on disposals submitted to the Finance & Resources Committee was noted to be in May 2022.

Objective 3: Processes are in place to control and authorise the transfer of assets and the removal of assets from the registers (Continued)

Observation	Risk	Recommendation	Management Response
Faculties staff do not inform the Estates team when portable assets have been moved or disposed. Consequently, several items on the Estates assets register were not present in the location described on the Asset Register. These included: - An air conditioning unit – only after searching was it confirmed by local staff as being disposed of; - A JCB Tractor – discussion with local management noted that it had been disposed of; - A Roland electric piano; and - A Bush Cutter – discussion with local management identified that they think it was being used on another campus. There is also absence of local inventories within faculties that would support Estates in the management of assets and identify any items that have been disposed for reporting to the Finance and Resources Committee in line with the Financial Regulations.	The Asset Register may not be entirely accurate.	R3 Budget holders should be reminded of their roles and responsibilities as custodians of College equipment and assets and ensure that local inventories are developed for monitoring the location of items of value. These inventories should be provided to Estates, at least annually, as part of their compliance checks on items and for reporting on disposals to the Finance and Resources Committee.	Recommendation accepted. Workshops will be arranged with Budget Holders and relevant staff to re-enforce the procedures. To be actioned by: Director of Corporate Services/Head of Finance/ Head of Facilities and Environmental Sustainability No later than: March 2023
			Grade 3

Objective 4: Management processes are in place to ensure compliance and monitor the asset registers, including physical checks that recorded assets exist

There is an ongoing programme of retagging historical items and auditing their location during periods when the College is quiet, such as the summer recess. Management noted that 75% of historical items have been retagged. As raised previously noted, the absence of local departmental and faculty inventories impacts on the efficiency of tracking item location.

Laptops provided to staff are continuously tracked by ICT, through IP location and usage. ICT staff can use this mechanism to monitor the precise location of the hardware in the College campuses. There are regular stock checks of store rooms against their inventory.

Digital devices provided to students are also tracked in real time by ICT through IP and usage reports. Student attendance is also tracked and trends that identify a student is likely to withdraw trigger ICT to disable the device.

Library Services have automated reminders to students to return devices at the end of their due date and future funding can be affected if the items are not returned. Management are in discussion on billing students on items that are damaged or not returned.

Objective 5: There is central control over the management of the fleet

The College has seven vehicles in its fleet: two electric vans (one leased and one owned), an electric car (on lease), and four mini buses (each are owned by the College). The College also has a box trailer and a canoe trailer.

These assets are listed on the Vehicle Control Board, a white board within the Stock Room, that is used by the Senior Stock Room Manager to monitor the next date for their MOTs and vehicle safety inspections.

Vehicle documents, such as safety inspection certifications, MOT results, and logbooks with spare keys, are stored securely in a locked filing cabinet within the Store Room. Digital copies of certifications are logged in the Estates share drive folders. It was noted that tachographs were also stored for mini buses; however, under Schedule 19 permits this is not required.

As an operator of not-for-profit transport via minibuses, the College must retain a Schedule 19 Permit for each mini bus in operation at any one time. The UK Government via the DVSA has set guidance for Schedule 19 permit operators. In summary, this includes ensuring that permit discs are in the front windscreen of the minibuses and are not damaged or faded; that daily safety checks are completed by each driver of the vehicle; and that independent vehicle safety inspections are completed in line with owner's manuals or at a minimum of every 10 weeks on top of services and MOTs. There is also requirements for drivers to be over 18 years and hold relevant mini bus training (MiDAS) or exemptions.

Objective 5: There is central control over the management of the fleet (Continued)

Observation	Risk	Recommendation	Management Response
There is absence of a digital system for logging safety checks completed (whether faults are detected or not). As a result of the manual process, human error, and a breakdown of processes previously established by management prior to the pandemic, we noted the following: - The four minibus Schedule 19 permits had expired (May 2022 and renewed on the 10 October 2022); - Two minibuses sample tested had not had safety checks completed for over 30 weeks (SE17YCH in January 2022 and YD65OYT in February 2022) although it was noted that this had been a conscious decision given the impact of the COVID pandemic which meant that the vehicles were not being used; and, - Daily checks on minibuses have also not been consistent or logged and in line with the permit requirements. Management worked swiftly during the audit to reinstate tax and permit status of the vehicles. New compensating controls have now been developed to ensure that there is no single point of failure. Tax and permit information is now tracked on governance schedules monitored by Finance and the Director of Corporate Services.	The College cannot demonstrate that vehicles it owns are roadworthy impacting reputationally on the College and financially should permits or driving licences be revoked.	R4 An electronic process for recording the status of vehicle roadworthiness should be created in order to highlight any red flags or trends. For example, to track the results of safety inspections to determine any trends or cost savings. As a minibus operator, the College must make sure that the system used for recording daily and 10 weekly safety checks, as well as maintenance schedules, meets the requirements of their permit. Minibuses should have additional safety inspections completed at least every 10 weeks in line with UK Government and DVSA requirements for Schedule 19 permit compliance.	There was a digital system in place, but this was not being used. A new electronic system has been established involving various staff members to ensure there is no single point of failure. This will be closely monitored with records kept in line with guidance provided by auditors. A comprehensive vehicle process is currently being written and refresher training will be provided to vehicle users. To be actioned by: Director of Corporate Services/Head of Facilities and Environmental Sustainability No later than: March 2023
			Grade 3

Objective 5: There is central control over the management of the fleet (Continued)

Observation	Risk	Recommendation	Management Response	
We noted the absence of frequent trend reporting to support management on assurance around fleet utilisation review, including mileage against fuel utilisation and number of trips. We were unable to evidence that mileage is being consistently recorded to allow effective tracking against trips and fuel utilisation.	Cost savings in the fleet cannot be realised.	R5 Mileage should be tracked as part of the daily safety check on minibuses. Good practice would dictate that as well as minibuses the other three vehicles are also checked.	Recommendation accepted. A refresher is required for everyone who uses the College vehicles. A comprehensive step by step vehicle process has been drafted which will have a flowchart attached too for ease with relevant links. To be actioned by: Director of Corporate Services/Head of Facilities and Environmental Sustainability No later than: March 2023	
			Grade	3

Objective 6: Vehicles in the fleet are being properly utilised and are necessary to meet the College's mission

All minibuses are booked by faculty and estates staff through the Celcat System that is managed by the Timetabling Officer. Finance monitor driver licence compliance and our inspection of arrangements noted this was in good practice. A list of drivers is provided to the Timetabling Officer annually so to review as part of the booking process.

Utilisation is mainly monitored through budget holder monthly finance reports on fuel / electricity spend and repair/maintenance costs.

New Fleet Management procedures are currently being developed and the scope of these procedures will cover the following:

- Vehicle maintenance, taxation and insurance
- Driver safety and compliance
- MIDAS Training
- Fleet tracking and monitoring
- Fuel consumption
- Fixed Asset Procedure

Objective 7: There is adequate scrutiny of plans for the acquisition of new vehicles and the decision to purchase or lease

The Financial Regulations set out a Scheme of Delegated Budget Authority thresholds which apply to all non-pay expenditure, including capital and revenue. This ensures effective oversight of plans for the acquisition of vehicles through either lease or purchase.

All vehicles are purchased through the approved procurement framework for University and Colleges (APUC).

An example of recent vehicle acquisition was the procurement of one electric vehicle that was previously leased by the College. We evidence the business case that reviewed fuel costs against electric costs. The electric vehicles were fully funded through the Transport Scotland 'Switched On Fleets' programme for investment in electric vehicles and infrastructure. This funding stopped during 2022 and management are reviewing future funding sources.

Objective 8: Procurement arrangements and the level of vehicle maintenance and fuel spend are regularly reviewed to ensure value for money is being achieved

The level of expenditure incurred on fuel spend and maintenance costs is monitored via the monthly financial reports, with separate budget cost centres for planned and unplanned maintenance costs.

We were able to evidence robust systems for tracking fuel spend using Fuel Genie and spend approval through the P2P system.

However, as highlighted above this does not allow for monitoring at individual vehicle level to determine whether a vehicle has reached the end of its viable economic life or whether the fuel or maintenance costs are outliers in comparison with anticipated costs or similar vehicles within the fleet.

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