

Glasgow Kelvin College

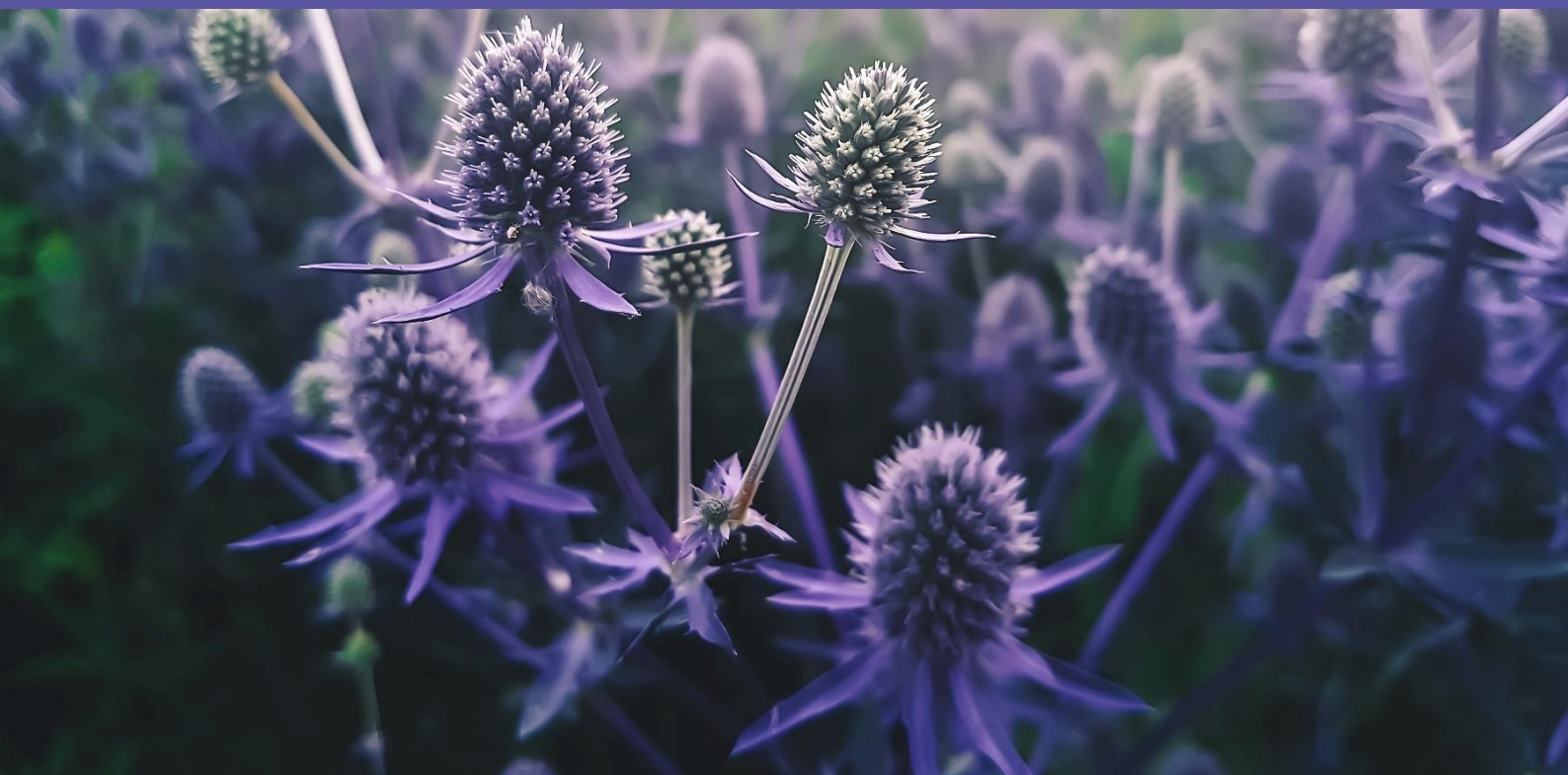
Estates Strategy & Capital Projects

Internal Audit report No: 2022/05

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Contents

	Page
Section 1	
Management Summary	
• Overall Level of Assurance	1
• Risk Assessment	1
• Background	1
• Scope, Objectives and Overall Findings	2
• Audit Approach	3
• Summary of Main Findings	3 - 4
• Acknowledgements	4
Section 2	
Main Findings and Action Plan	5 - 12

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.

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 the College's Estate Strategy and Capital Projects. 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 College's Strategy 2022-2027 sets ambitions that include provision of an 'outstanding physical and virtual learning environment' and 'address the climate emergency – Act, Educate and Engage.' Along with prioritising investment in their campus estates and physical resources, 'Green Kelvin' has also been a long-term initiative of the College. It focuses on sustainability and implementing sustainability throughout all areas of the College. This includes activities relating to the College reducing carbon emissions, appointing an Environmental Sustainability Manager during 2022, and making use of green spaces at each campus.

Scope, Objectives and Overall Findings

The scope of the audit was to review and test the policies and procedures in place for the planning, control and monitoring of capital projects relating to the College estate.

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

Objective	Findings				
The specific objectives were to ensure that the policies and procedures are in line with Scottish Funding Council and other good practice guidance in relation to:		1	2	3	Actions in Progress
		No. of Agreed Actions			
1. The Estates Strategy has been developed and aligned with key strategic priorities and takes cognisance of supporting strategies and plans (such as the financial plan, curriculum planning, digital strategy and people strategy);	Good	-	-	-	✓
2. The capital project identification and appraisal process, including the information provided to management and the Board of Management and its committees for decision making purposes;	Good	-	-	-	
3. Risk management and contingency planning on capital projects;	Good	-	-	-	✓
4. The selection and management of consultants and contractors, including the tendering process and performance management;	Satisfactory	-	-	2	
5. The monitoring of progress made on projects and expenditure against budget, by management and Board committees.	Good	-	-	-	✓
Overall Level of Assurance	Satisfactory	-	-	2	
		System meets control objectives with some weaknesses present.			

Audit Approach

We reviewed relevant documentation including, the Estates and Sustainability Strategy, policies, procedures, capital project appraisal documents etc. relating to capital projects and discussed the procedures adopted with staff.

We considered whether the policies and procedures were in line with good practice in relation to planning, control and monitoring of capital projects, including that noted in the Scottish Funding Council's Guidance for Capital Funding and Projects and the Scottish Government Public Sector Procurement requirements. We reviewed arrangements for the procurement of suppliers and management of five capital projects for the following:

- Capital Reinvestment Project;
- Ventilation repair - Renew Air Handling Unit Number 2 and 6;
- Domestic hot water boilers;
- Removal Biomass Boiler; and
- Easterhouse Campus – essential replacement of old classroom desks and chairs.

Summary of Main Findings

Strengths

- The Estates and Sustainability Strategy links the estate needs and priorities from the College's Strategic Plan and other sub-strategies, such as People, Digital, Learning and Teaching and Assessment, and Financial Strategy;
- Backlog is based on the Scottish Funding Council's 'College Sector Estates Condition Survey' reported in December 2017. High priority backlog maintenance creates the plan for the year ahead, together with capacity allocations for lifecycle maintenance;
- The list of Estates Capital Projects and estimated costs are also provided by the Director of Corporate Services to the Senior Management Team for review in May each year before its review by the Finance and Resources Committee and submission to the Glasgow College Regional Board (GCRB) who review and provide funding in May each year. The College's annual budget planning process supports the appraisal of capital projects and timely submission to the GCRB;
- Residual funding gaps for the estates work can also be met by the College's Arm's Length Foundation (ALF). While funding submissions are highlighted to the Executive Committee (July 2021), management will use the funding as a last resort. This year, the planned funding from the ALF will not be required;
- Costs associated with the Capital Reinvestment Project have been reviewed and approved by the Board of Management in December 2021;
- The College has established and documented its Risk Management Framework (December 2021). It sets out the Risk Management Committee as the main management group with responsibility for discussing operational risks and issues. The committee meets four times per year. It is Chaired by the Director of Corporate Services and is attended by members of the Senior Management Team. Within its standing agenda, updates are provided from Estates in relation to the Capital and Sustainability Updates;
- The College has established its College Risk Register that captures risks to it achieving its strategy. The Corporate Services Risk Register is also established to capture key strategic risks to the directorate. Several risks documented on these risk registers identify the Estates and Sustainability Strategy as a key control to risk mitigation, such as failure to improve the student experience;
- Procurement standards, delegated authority expenditure limits, and tender limits are documented within the College's Financial Regulations (October 2021). The College has also established its Procurement Procedures (January 2022) to detail how the College is to meet its legal obligations;

Summary of Main Findings (Continued)

Strengths (continued)

- A schedule of anticipated future procurement exercises is presented to Procurement to enable active engagement with Estates and the timely project management of procurement activity; and
- There is robust governance and reporting around the status of capital spend and progress of key projects. For example, Capital and Sustainability Progress reports are supplied by the Director of Corporate Services to the Estates and Sustainability Working Group, the regular operational Risk Management Committee, and the Finance and Resource Committee, and to the Board of Management as part of its standing agenda. Externally, progress reports are provided to the GCRB.

Weaknesses

- The Procurement Procedures and Financial Regulations should be updated to reflect current management, approvals, and legislation in relation to considering VAT in whole life contractual costs. They should also mirror each other to ensure guidance is consistent. The Procurement Procedures are also not explicit on the reporting requirements to the committees and in line with the College's Financial Regulations.
- SSJ Forms should only be used in exceptional circumstances and should not be adopted as the norm. Estates management should ensure that good practice procurement processes are consistently applied based on the estimated cost of goods, services or works as described in the Procurement Procedures.

Acknowledgment

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

Main Findings and Action Plan

Objective 1: The Estates Strategy has been developed and aligned with key strategic priorities and takes cognisance of supporting strategies and plans (such as the financial plan, curriculum planning, digital strategy, and people strategy).

Several sub-strategies underpin the College's Strategy 2022-2027 for which each have set their priorities in relation to the College's estate. These are as follows:

- Learning, Teaching and Assessment Strategy 2021- 2024 (not dated) – digital transformation of College services;
- Access & Inclusion Strategy 2020-2023 (December 2020) – improve access and equality of opportunity both through physical access to College buildings and digital learning resources;
- People Strategy 2021-2026 (not dated) - create and maintain a progressive, collaborative, and healthy working environment;
- Digital Transformation Strategy 2020- 2025 (not dated)–sets two priorities in relation to enriching learning experience by delivering services through technology and high-quality digital architecture and platforms; and
- Financial Strategy 2022-2027 (December 2021) – invest in the campuses to improve student experience.

To drive forward priorities and the vision for the College's estate, there is also the Estates and Sustainability Strategy 2022 - 2027 (November 2021). The strategy has three priorities, supported by 16 Strategic Objectives. The Three Strategic Priorities are as follows:

- Develop campus buildings to create appropriate learning and teaching environments;
- Development of 'Green Kelvin'; and
- Grow and develop sustainable transportation.

Our review of the Estates and Sustainability Strategy noted alignment with the ambitions laid out in the College Strategy 2022-2027. For example, activities relating to 'Ensuring that all campuses are, modern, vibrant and inspiring' links to the Capital Reinvestment Project and work underway by management to provide welcoming and engaging environments which enable and inspire students and staff to work, study, socialise on campus.

The strategy is underpinned by five success measures as follows:

- Reduce their carbon emissions in line with Scottish Government guidelines;
- Develop modern, vibrant, and inspiring green campus buildings, garden, and estates;
- Replace all diesel vehicles with electric vehicles;
- Develop walkways and cycle paths for student, staff, and community use;
- Maintain and upgrade Faculty equipment to the highest level; and
- Drive the initiatives relating to reducing the overall carbon footprint.

Objective 1: The Estates and Sustainability Strategy has been developed and aligned with key strategic priorities and takes cognisance of supporting strategies and plans (such as the financial plan, curriculum planning, digital strategy, and people strategy) (Continued).

Delivery of the Estates and Sustainability Strategy is supported by the Campus Reinvestment Project and Capital Project plans that are monitored by the Director of Corporate Services. The Estates and Sustainability Working Group also acts as the central operational group for reviewing progress of planning and risks associated with delivery of the Estates and Sustainability Strategy. The Group meet three times per year and is Chaired by the Director of Corporate Services. It is attended by the Head of Facilities and Environmental Sustainability, the Senior Estates and Faculties Coordinator, Health and Safety and the Procurement Manager, members from Finance, ICT, and Supply Chain subject matter experts, where necessary.

The Director of Corporate Services and Head of Facilities and Environmental Sustainability also monitor progress of capital projects on the following documented plans established:

- ECP21 – This lists the high priority backlog maintenance works as individual Estates Capital Projects;
- EST21 – This lists the faculty works for the academic year; and
- Campus Reinvestment Project as Gantt Chart for the workstreams (see Objective 2).

There has also been a strong focus on ensuring the health and wellbeing of staff and students who are on site during the ongoing COVID-19 pandemic and the College has invested appropriately to ensure that it meets its Health and Safety Legislative requirements, e.g., enhanced ventilation and signage.

There is an intention for management to develop operational plans in Power BI that will be used to monitor the progress of key milestones in relation to the Estates and Sustainability Strategy. This will allow oversight of all activity and any interdependencies with work planned, such as resource, with other dependencies across other College plans.

Objective 2: There is an adequate capital project identification and appraisal process, including the information provided to management and the Board of Management and its committees for decision making purposes

The process for appraising capital projects is documented within the College's Financial Regulations (October 2021) Section 13.4. The procedure for the preparation annually of the financial plan captures proposed capital expenditure so as to conform with the Scottish Funding Council (SFC) and Scottish Public Finance Manual requirements.

Backlog maintenance requirements underpin the planned and reactive maintenance schedule and capital funding requirements from the SFC. Backlog is based on the SFC's 'College Sector Estates Condition Survey' reported in December 2017. High priority backlog maintenance creates the plan for the year ahead, together with capacity allocations for lifecycle maintenance. Costs are estimated by the Estates team based on supplier quotes (see Objective 4 for further details).

Estimated funding requirements on capital projects are reviewed by the Estates and Sustainability Working Group as noted in their minutes from December 2020 and June 2021. The list of Estates Capital Projects and estimated costs are also provided by the Director of Corporate Services to the Senior Management Team (SMT) for review in May each year. We were able to evidence the planning for 2021/22 as noted in the paper and SMT minutes from May 2021. Indicative capital funds were also presented to the Finance and Resources Committee in May 2021. Funding for capital projects is awarded annually in May by the Glasgow Colleges Regional Board (GCRB) during the annual budget planning process. Residual funding gaps for the estates work can also be met by the College's Arm's Length Foundation (ALF). Application for funding and monitoring of funding requirements is monitored by the Executive Committee.

In relation to 2021/22 planning, the Board of Management was provided with details to the funding achieved from GCRB, through the Director of Corporate Services' Capital Plan Update in June 2021 as follows:

- £569,743 for the lifecycle maintenance, and
- £499,000 for priority backlog maintenance.

We obtained documents which detailed the capital request from GCRB, and reviewed the minutes from the September 2021 GCRB meeting which set out the sums awarded to ensure that these reflected the figures reported to the Board of Management in June 2021.

Progress is monitored by the GCRB through Principals' meetings and the GCRB's Performance and Resources Committee. Expenditure is also monitored by the College through the Capital and Sustainability Reports provided to the SMT, Finance and Resource Committee, and the Board.

In relation to the delivery of the Estates and Sustainability Strategy, management agreed to create the Campus Reinvestment Project. A proposal for the project was submitted and approved by the Board of Management in December 2021. The proposed costs were also at a high level for each of the four sites. The total cost was estimated at c£850k –excluding Staff Space. Of the £850k, £250k is included in the College's 2021/22 Revenue Budget. It is not the intention of management that the College's ALF will require to fund any shortfall over 2022/23.

A Capital Reinvestment Project Risk Register is in development for implementation for the start of the new academic year 2022/23. It includes risks related directly to the Estates and Sustainability Strategy and the project. Risks associated with the estate are well understood by management interviewed.

Objective 3: There are adequate risk management and contingency planning on capital projects

A Capital Reinvestment Project Risk Register is in development for implementation for the start of the new academic year 2022/23. It includes risks related directly to the Estates and Sustainability Strategy and the project. Risks associated with the estate are well understood by management interviewed.

Objective 4: There is a robust process for the selection and management of consultants and contractors, including the tendering process and performance management

All public sector bodies in Scotland must advertise and award contracts on Public Contracts Scotland (PCS) where the value of the contract meets certain thresholds. The threshold for a regulated procurement is £50,000 for goods and services and £2 million for works. There are additional requirements for procurements above the World Trade Organisation Government Procurement Agreement (GPA) thresholds. Anything below these thresholds are considered as low value and individual contracting authorities, such as the College, should have their own tendering thresholds in place.

Procurement standards, delegated authority expenditure limits, and tender limits are documented within the College's Financial Regulations (October 2021). The College has also established its Procurement Procedures (January 2022) to detail how the College is to meet its legal obligations concerning the Procurement Reform (Scotland) Act 2014, Procurement (Scotland) Regulations 2016, Public Contracts (Scotland) Regulations 2015 and other statutory guidance. It is obtained by staff via the Staff Intranet.

The College is supported by a Procurement Manager from Advanced Procurement for Universities and Colleges (APUC) who receives a copy of the capital plan as part of the annual budget planning process. The Procurement Manager attends the Estates and Sustainability Working Group and Capital Reinvestment Project Steering Group to advise on any procurement considerations.

Works procurements up to £2,000, and all procurements over £2,000 should be reviewed and signed-off by the Procurement Manager, together with the budget holder as set in the College's Scheme of Delegation and Financial Regulations. This is to ensure that value for money is achieved on procurements for goods and services.

Our discussions noted frameworks are frequently used, or contracts already established such as the Heating, ventilation and air conditioning contract that has been made jointly with Glasgow Clyde College, and the supplier for Chillers. Existing suppliers on College systems are also utilised with expenditure then approved through the P2P system by budget holders.

The College's Procurement Procedures detail that single source suppliers may be used as exception. Delegated Purchasing Officers should complete a Single Source Justification (SSJ) Form. For procurements between £2,001 and £25,000 (Good and Services) or £5,001 and £25,000 (works), the SSJ Form should be authorised by the Budget Holder and approved by the Procurement Manager. This is to ensure that value for money is being achieved for the College and that other supplier sources, such as through existing frameworks, have been accessed and reviewed.

The Procurement Manager also regularly reviews all supplier expenditure to ensure that appropriate procurement arrangements have been adopted. Contractor performance management arrangements are documented within Procurement Procedures. Any contractor issues are managed by the contract manager. Specifications for projects sample tested were noted to be established and when goods and services do not meet expectations then management liaise directly with the contractors. Our review of the Annual Procurement Reports presented to the Finance and Resources Committee in February 2021 and February 2022 noted that the number of regulated tenders was identified, however the number of SSJ's approved by the Procurement Team and management were not identified. We also did not identify any separate reporting of SSJs to the Committee from our review of papers, minutes and agendas published online. It has been agreed with management that discussion with APUC will take place to ensure that this information is reflected in future reporting. Since action is already planned on this issue, we have not raised a separate recommendation.

Objective 4: There is a robust process for the selection and management of consultants and contractors, including the tendering process and performance management (Continued)

Observation	Risk	Recommendation	Management Response
Review of the College's Procurement Procedures and Financial Regulations noted that they have not been updated to reflect the new procurement thresholds introduced across the UK on 1 January 2022 to include VAT. We also noted the following inconsistencies: - Responsibilities for ensuring statutory records associated with the procedure, that was identified as the VP Finance and Corporate Services which is a role that is no longer in place; - It states that all orders over £2,000 should be authorised by a member of the SMT, however, the College's Financial Regulations (October 2021) state that expenditure over £1,000 should be approved by a member of the SMT; - The Financial Regulations refer to tender thresholds of £25,000 for new works and £30,000 for alteration works. The procedures only refer to a threshold of £25,000 for works; and - Arrangements for the approval of SSJ over £25,000 or identified as higher risk. Currently procedures (section 1.7.1.2) detail the Procurement Manager will advise on single tender procedures. However, they do not the additional authorisation required e.g., Head of Finance, that would be in good practice. Section 13.3.6.2 of the College's Financial Regulations requires that Single Tender Actions should be reported to the Finance and Resources Committee (or to the Board). But this is not explicit in the Procurement Procedures.	Staff do not adopt optimal procurement practices.	R1 The College's Financial Regulations and Procurement Procedures should be updated to reflect current management, approval levels, and the recent change in legislation in relation to considering VAT in whole life contractual costs. The arrangements for the approval of SSJ over the £25,000 threshold (or identified as higher risk) should be made clearer in the Procurement Procedures. Currently procedures (section 1.7.1.2) state that the Procurement Manager will advise on single tender procedures, however, the procedure is not explicit on the additional authorisation required. Good practice would ensure the Director or Head of Finance signs off higher risk exceptions where a procurement exercise is not conducted. Also the Procurement Procedures should be explicit on the reporting arrangements to the Finance and Resources Committee (or to the Board), including reporting on SSJs, to mirror the arrangements already described in the College's Financial Regulations.	The College's Financial Regulations and Procurement Procedures will be updated as recommended. To be actioned by: Vice Principal Operations Procurement Manager No later than: 30 September 2022 Grade 3

Objective 4: There is a robust process for the selection and management of consultants and contractors, including the tendering process and performance management (Continued)

Observation	Risk	Recommendation	Management Response
The College's Financial Regulations state that single source tenders will only be used where there is a requirement for urgent action or where there is believed to be only one specialist contractor. However, from the sample testing conducted, the College's Procurement Procedures and Financial Regulations have not been followed consistently by the Estates team in relation to sourcing suppliers and services over the last 12 months. Our sampling noted that issues with forward planning and external economic factors have resulted in management completing SSJs more regularly than the exceptional circumstances described. For example: - Chiller No 1 (£76,000) – the incumbent contractor quote and two further contractor quotes were obtained; - AHU works (£260,460) – three quotes were provided; - Hot water boiler (£73,000) – three quotes provided; - Biomass Boiler Removal (£7,000) – one quote evidenced; and - Furniture replacement (cost £60,718 across the three campuses) had four companies asked for quotes. The SSJ provided was not signed by the Procurement Manager. Although competitive tenders had not been conducted for the procurements above £25,000 in value, SSJs had been completed and alternative quotes had been obtained in each case, although not through PCS Quick Quote. The Procurement Procedures note that PCS Quick Quote should be used for higher value purchases and tenders advertised through PCS, in line with good practice. This would allow a centralised source of storing procurement quotes and tender information.	Although competitive quotations were obtained for the sampled contracts, which exceeded the value threshold, Estates cannot demonstrate that the most appropriate procurement route was followed in these cases, as described in legislation.	R2 Estates management should ensure that they fully adopt the College's Financial Regulations and Procurement Procedures in order to ensure that the College can evidence decision making around contractors' selection and confirm that variables such as quality, due diligence assessments, and sustainability considerations are also assessed, in addition to cost. SSJ Forms should be used as an exception with goods, works or services over £2,000 approved by the Procurement Manager, irrespective of timing of activity.	The main reason for not fully adhering with good practice was the lack of APUC support at a College and Regional level due to illness and bereavement. Should such circumstances occur again, then support will be sought from APUC nationally. Estates staff are aware of the Procurement Procedures, but they, and wider College staff, will be given refresher training. To be actioned by: Director of Corporate Services Head of Facilities (and Environmental Sustainability and Procurement Manager) No later than: Training - 31 October 2022
			Grade 3

Objective 5: There is adequate monitoring of progress made on projects and expenditure against budget, by management and Board committees

As noted under Objective 2, above, there is an operational and governance framework established for the appraisal of capital expenditure. Progress on spend and activity is monitored by the Head of Facilities and Environmental Sustainability, with oversight provided by the Director of Corporate Services. Spend is tracked locally by Estates management on spreadsheets entitled ECP21 (individual Estates Capital Projects) and EST21 (faculty works for the academic year) and through financial reports which detail the actual spend against the approved budget.

There is robust governance and reporting on the status of capital spend and progress of key projects, both internally within the College's governance structure and also externally to GCRB. For example, Capital and Sustainability Progress reports are supplied by the Director of Corporate Services to the Estates and Sustainability Working Group (the terms of reference for the group are under development), the monthly operational Risk Management Committee, and the Finance and Resources Committee, and to the Board of Management as part of the standing agenda items. Externally, progress reports are also provided to GCRB via its Performance and Resources Committee.

Our review of the reports to the local tracked plans noted alignment and transparency on arrangements. Issues with supply chain were also reported. Our review of arrangements noted a robust governance framework is established and is operating effectively.

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