B

AUDIT COMMITTEE

BORDERS COLLEGE REGIONAL BOARD

Subject: Internal Audit Assignment – Estates Management	**Purpose:** **For Approval** ☒ **For Discussion** ☐ **For Information** ☐
Prepared by: Kirsty Robb – VP Finance and Corporate Services	**Date of Committee:** 11 May 2023

Purpose: To present to the Committee the findings of the Estates Management audit undertaken by Wylie Bisset, the Colleges Internal Auditors.

Executive Summary:
The audit of Estates Management forms part of the approved internal audit plan for 2022/23.

The Auditors report states "We can provide the College with a strong level of assurance surrounding the controls in place for Estates Management".

The report identified one low grade recommendation and raised 2 observations for consideration. The report also identified eight areas of good practice.

Key items:
The full report is attached in appendix A and the recommendation raised is shown below

"We recommend that the Estates Team create a separate spreadsheet or tab for other equipment that is no longer used.

This equipment should be disposed of and steps taken to ensure untested equipment is not used in the interim."

The agreed action has been fully completed.

The two observations have been reviewed and required changes fully actioned.

Questions that Members should ask themselves when reading the paper:
Is the Committee content with the findings of the report, the recommendations and agreed management response?

Linked to Strategic Ambition(s):
Create high quality learning and training opportunities which are relevant, enabling and flexible
Take a leading role in enabling an inclusive, resilient and sustainable Scotland

Performance Measures:
Student, staff & employer satisfaction in top quartile nationally
Recognised as national leaders in sustainable practice

Linked to Strategic Risk Register: 4b - Governance Choose an item.	
Recommendation: The Committee approve the contents of the report	
Previous Committee Approvals:	
For publication ☒	**Not for publication** ☐ **If not, why not?**

Wylie + Bisset
Accountants, Business & Tax Advisers

Borders College
Internal Audit 2022-23

Estates Management
March 2023

Overall Conclusion
Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Borders College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 EXECUTIVE SUMMARY

Overview

Purpose of review

The purpose of this assignment was to review the strategic and operational arrangements in place in respect of estates management at the College. We also reviewed the maintenance of the assets, the safety of the estate and the processes to ensure compliance with safety legislation.

This review formed part of the agreed 2022/23 Internal Audit Plan.

Scope of review

Our objectives for this review were to ensure:

- The College's Asset Management Strategy supports the College objectives.
- The College has appropriate arrangements in place to ensure that its Estates are managed effectively.
- There are robust procedures in place for ongoing maintenance and repair within the College.
- Estates planning takes due consideration of the College's future plans for the curriculum.
- The College is meeting its statutory obligations in relation to Estates Management.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

1 EXECUTIVE SUMMARY

Limitation of scope

There was no limitation of scope.

1 EXECUTIVE SUMMARY

Background

Facilities Team

The College has a Facilities Team whose function is to manage the estate. This is overseen by the College Facilities Manager. The Team can be summarised as follows:

- Director of Estates & Facilities
- Assistant Facilities Manager;
- Health and Safety Manager;
- Asset Management Coordinator;
- Events Coordinator;
- Facilities Team Leader;
- Facilities Assistants;
- Facilities Handyman;
- Facilities Cleaning Team leader;
- Cleaners and Evening Security.

Asset Management Strategy

The College's Asset Management Strategy outlines the approach to Estates Management for the period 2021-2026.

Specifically, the College identifies the following aims of the Asset Management Strategy with regard to the future development of College sites, where these should:

- Respond to the regional and national socio-economic priorities as the leading provider for skills development in the Borders and beyond;
- Continue to play a critical role in advancing an inclusive economy for Scotland.
- Use advances in technology, data capture and digital connectivity to provide increased potential to adopt new practice and be regionally focused, globally engaged, and competitive.

1 EXECUTIVE SUMMARY

The Asset Management Strategy has been developed to ensure that the College are able to use the significant resources available to them to enable the achievement of their Strategic Ambition and Curriculum Strategy.

Reporting
The Director of Estates and Facilities reports quarterly to the Campus Management Committee around the current performance of the College's Estates. This report covers KPI performance, spend to date vs budget, Estates future plans and any major issues in the previous quarter.

KPIs
The College moved over to a new Estates Management System called Halo in October 2022. This system allows for repairs to be logged, measured, allocated and monitored. Repairs are logged and responded to, based on the College's urgency scale:

- Priority 1 – Immediate;
- Priority 2 – Within 8 hours;
- Priority 3 – Within 3 days;
- Priority 4 – Within 1 month; and
- Priority 5 – Within 3 months .

When moving to this new system, there was an issue that meant the KPI performance of reactive maintenance could not be monitored and reported on, please see Section 4: Observations for more information. This issue has now been resolved. See below for the College KPI performance in respect of reactive maintenance for December – February 2023:

1 EXECUTIVE SUMMARY

Month	Total Repairs Logged	Repairs Closed in Timeframe	Priority 1	Priority 2	Priority 3	Priority 4	Priority 5	% Repairs Closed in Timeframe
December 22	86	84	0	4	0	62	18	97.72%
January 23	99	99	0	1	0	90	8	100%
February 23	89	89	0	6	1	75	7	100%

As can be seen from the above table, the Facilities Team is appropriately responding to and closing reactive repairs within agreed timeframes.

Budget
The College Repairs and Maintenance budget for 2022/23 and their performance against this is reported on during the quarterly Facilities Service Report. The last budget update, from January 2023, is outlined below:

Annual Budget	*Year to Date Budget*	*Year to Date Spend*	*Variance*
£134,000	£44,666	£82,874	(£38,208)

As can be seen, the College Repairs and Maintenance spend is currently £38,208 over budget. The main contributing factors for this includes:

- Upfront annual planned contract costs;
- Lifts;
- Increase in costs across all sectors due to inflation.

1 EXECUTIVE SUMMARY

Work Undertaken

Our work for this review included the following:

Objective 1. The College's Asset Management Strategy supports the College objectives.

- We reviewed the Asset Management Strategy and benchmarked this alongside a similar College.
- We reviewed the College's budget for Estates as of January 2023.
- We reviewed the Sustainability Strategy to ensure this supports the Asset Management Strategy.
- We reviewed the College's Strategic Ambition to ensure this supports the Asset Management Strategy.

Objective 2. The College has appropriate arrangements in place to ensure that its Estates are managed effectively.

- We ensured that the current roles and responsibilities within the Facilities Team were appropriate with regards estates, and we considered whether these are fit for purpose.
- We reviewed the reporting arrangements in place to ensure Senior Management and the Regional Board are kept informed.

Objective 3. There are robust procedures in place for ongoing maintenance and repair within the College.

- We reviewed the College's processes to ensure that planned maintenance was appropriately planned, monitored, and recorded.
- We reviewed the College's procedures and controls in place for preventive maintenance, such as servicing to ensure all areas of buildings are attended to in a timely manner.
- We reviewed the College's 2022/23 master spreadsheet that includes their planned and preventative works for the academic year.
- We reviewed the College's process for reactive maintenance by reviewing controls and the monitoring processes in place to ensure all repairs are completed in a timely manner.
- We completed sample testing for a total of 5 reactive repairs (December 2022 – February 2023) to ensure policies and procedures were followed and that these were logged efficiently through the Halo System.
- We completed walkthrough testing of the College's Halo System to ensure that this is functioning effectively.

Objective 4. Estates planning takes due consideration of the College's future plans for the curriculum.

- We reviewed the College's arrangements to ensure that estates planning is driven by the overall curriculum plans of the College. This included reviewing the 'Dragons Den' development planning currently being undertaken by the College.
- We discussed estates planning regarding the curriculum with the Facilities Manager.

Objective 5. The College is meeting its statutory obligations in relation to Estates Management.

- We reviewed the processes in place to ensure that the College meets its statutory obligations in relation to its estates management.
- As part of our sample testing, we tested 10 statutory safety inspections covering the following areas:
  - Fire;
  - Legionella;
  - Lifts;
  - Boilers;
  - Gas; and
  - Electricity.

1 EXECUTIVE SUMMARY

Conclusion

Overall conclusion

Overall Conclusion: Strong
We can provide the College with a strong level of assurance surrounding the controls in place for Estates Management. We have raised several good practice points and 1 low grade recommendation for improvement. Please see **Section 3: Detailed Recommendations** for further information. We have also raised 2 observations for consideration.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Estates Management	0	0	1	1

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.	
1.	The planned maintenance programme was initially developed using the life cycle model in 2008/09 to identify long term maintenance whilst ensuring appropriate funding was available over a 30-year period. The planned maintenance master spreadsheet is updated every year, considering any sector changes or inspection/visit recommendations the College has received. The Assistant Facilities Manager monitors the College planned maintenance master spreadsheet to ensure progress is on track, and the Director of Estates and Facilities updates the Campus Management Committee every quarter on progress.
2.	Reactive repairs will be logged and monitored via the College's Helpdesk system. This allows repairs to be quantified on an urgency scale from Priority 1 (Emergency) to Priority 5 (Routine), by the Facilities Manager and Assistant Facilities Manager. We completed walkthrough testing of the system where we were able to confirm that this was working effectively.
3.	We were able to confirm that the College have strong controls surrounding preventative maintenance.
4.	We sample tested 5 reactive repairs from December 2022 - February 2023 and found that all 5 had been appropriately allocated, logged and completed within timeframe.
5.	The College has a robust Asset Management Strategy in place that covers the period 2021-2026. This Strategy outlines the approach, action plans and performance measures in place for achieving the College's objectives.
6.	We benchmarked the College's Asset Management Strategy alongside a similar College and found no issues where the information identified is in line with good practice.
7.	The College has a dedicated and experienced team who work across the College and its campuses to provide a comprehensive estates management function.

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.	
8.	The Director of Estates and Facilities provides the Campus Management Committee with a quarterly update on the Estate's activity. This report provides updates on KPI performance, relevant project/campus issues, future plans and spend to date versus budget.

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Estates Management

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	1	2
Number of recommendations at Borders College	0	0	1	1

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Statutory Inspections Spreadsheet			
Ref.	Finding and Risk	Grade	Recommendation
1.	The College will utilise their Master Spreadsheet schedule to log all statutory safety inspections, ranging from Gas Safety Inspections to Fire Risk Assessments. From our review of the College's statutory inspections master spreadsheet, we found that this contains equipment/items that the College no longer use. Due to the formatting of the spreadsheet, it appears that lots of inspections are overdue, however from discussions with the Facilities Team we found this is due to the equipment listed which is no longer used. We sample tested 5 current equipment/items that are due for inspections and found that 4 of the 5 have been inspected in line with statutory requirements. The remaining sample referred to a lift inspection, which is due to be inspected every six months. This was last inspected on 30 August 2022 and next due for inspection by 28 February 2023. There was no evidence on file to confirm this	**Low**	We recommend that the Estates Team create a separate spreadsheet or tab for other equipment that is no longer used. This equipment should be disposed of and steps taken to ensure untested equipment is not used in the interim.

	inspection had been undertaken. We expanded the sample by a further 5 and found no further issues. The current method of recording can be misleading and as a result College staff may not easily be able to differentiate between what inspections are overdue or needed.		
Management response			Responsibility and implementation date
Agree separate tab to be created			*Responsible Officer: Director of Estates & Facilities* *Implementation Date:* 31 March 2023

4 OBSERVATIONS

The following is a list of observations from our review	
1.	The College moved over to the Halo system for logging, managing and monitoring repair requests. There was a migration glitch and therefore the College were not able to report on their reactive repair KPI's for a period following October 2022. We can confirm that the College have now resolved this issue. The Director of Estates and Facilities should consider reporting retrospectively on the missing data October – December 2022.
2.	The College are currently planning their estates management costs/plans alongside the curriculum needs of the College.

5 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit Committee meeting.

Audit stage	Date
Fieldwork start	6 March 2023
Closing meeting	10 March 2023
Draft report issued	24 March 2023
Receipt of management responses	29 March 2023
Final report issued	30 March 2023
Audit Committee	11 May 2023
Number of audit days	3

6 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Internal Audit Manager	Sue Brook	Senior Internal Audit Manager	susan.brook@wyliebisset.com
Auditor	Andrew Thomson	Internal Auditor	andrew.thomson@wyliebisset.com

Borders College			
Key Contact	Robert Hewitt	Director of Estates and Facilities	rhewi@borderscollege.ac.uk
Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

APPENDICES

A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

B ASSIGNMENT PLAN

Purpose of review

The purpose of this assignment is to review the strategic and operational arrangements in place in respect of estates management at the College. We will also review the maintenance of the assets, the safety of the estate and the processes to ensure compliance with safety legislation.

Scope of review

Our objectives for this review are to ensure:

- The College's Asset Management Strategy supports the College objectives.
- The College has appropriate arrangements in place to ensure that its Estates are managed effectively.
- There are robust procedures in place for ongoing maintenance and repair within the College.
- Estates planning takes due consideration of the College's future plans for the curriculum.
- The College is meeting its statutory obligations in relation to Estates Management.

Our approach to this assignment will take the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussion with key personnel to ascertain the current arrangements in place for the management of the College Estates.
- Assessment of the arrangements to consider whether these are fit for purpose and ensure effective management of the College Estates.
- Discussion with relevant management, staff, and budget holders to establish the operational control arrangements and their involvement in this process.
- A review of the maintenance controls for re-active and preventative maintenance.
- An assessment of how contractors are procured for, organised, and monitored.
- Review of documentation to confirm that policies and procedures are in place and that current arrangements comply with good practice.
- Appraisal of the adequacy of information and reporting provided to senior management for decision making.
- An overall review of the internal control environment to ensure all relevant controls are evident and being complied with.
- Review of whether the College is attaining value for money with their Estates Management Activities.
- Confirming that the College's estates works are in line with their Strategy.

Potential key risks

The potential key risks associated with the area under review are:

- The College's Asset Management Strategy is inadequate and is not consistent with the College's Strategic Plans.
- Current arrangements are inadequate and do not allow effective management of the College's Estates.
- Ongoing maintenance and repair is not planned (i.e. re-active rather than pro-active) leading to potential health and safety risks and/or the College's estate not being fit for purpose.
- The curriculum is not considered when the College is planning its Asset Management strategy.

- The College does not meet its statutory obligations in respect of Estates Management.