City of Glasgow College

Board of Management

Audit and Assurance Committee

Date of Meeting	**Wednesday 16 September 2020**
Paper No.	**AAC1-K**
Agenda Item	**5.3.5**
Subject of Paper	**Internal Audit Report – Asset Management**
FOISA Status	**Disclosable**
Primary Contact	**Henderson Loggie**
Date of production	**September 2020**
Action	**For Discussion and Decision**

Recommendations

The Committee is asked to consider and discuss the report and the management responses to the internal audit recommendations.

1. **Purpose of report**

    The purpose of this review is to provide management and the Audit and Assurance Committee with assurance on key controls relating to the curriculum and financial plans in place for City of Glasgow College and their alignment with the regional plan for Glasgow and the college student number targets.

2. **Context and Discussion**

    This internal audit of Asset Management provides an outline of the objectives, scope, findings and graded recommendations as appropriate, together with management responses. This constitutes an action plan for improvement.

    The Report includes a number of audit findings which are assessed and graded to denote the overall level of assurance that can be taken from the Report. The 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.

3. **Impact and implications**

    Refer to internal audit report.

City of Glasgow College

**Asset Management
2019/20**

Internal Audit Report No: 2020/10

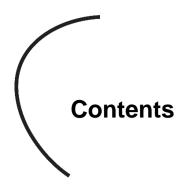**Draft issued:** 11 September 2020
2nd Draft issued: 14 September 2020

Final issued: 14 September 2020

LEVEL OF ASSURANCE	Satisfactory

Now, for tomorrow

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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 the Audit and Assurance Committee
Priority 2	Issue subjecting the College 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.

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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 risk on the City of Glasgow College ('the College') Risk Register:

- Failure of Corporate Governance (risk rating: high).
- Failure to achieve operating surplus via control of costs and achievement of income targets. (risk rating: high).

Background

As part of the Internal Audit programme at the College for 2019/20 we carried out a review of the systems in place for budgetary control. The Audit Needs Assessment, completed in September 2016, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board of Management and the Principal that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College has an Asset Policy which sets out how assets are to be treated, including new assets; transfer of assets (where locations have changed); and asset disposals. The College uses an Excel spreadsheet-based approach to record the details of all assets with a purchase value in excess of £100 and these are tagged for physical verification and identification purposes. The College also has a fixed asset register for financial accounting and reporting purposes. This includes all items over the College's capitalisation threshold, which is currently set at £10,000.

Weaknesses in the College arrangements around asset management were highlighted within the forensic audit report produced in November 2019, following a significant fraud perpetrated in the College in relation to computer equipment. There was clear evidence that a significant amount of work has been undertaken to improve the systems in place to manage assets within the College. Our testing confirmed that for the majority of the College's key risks around asset management key, effective controls are in place and are operating effectively.

The overall rating for the report reflects the need to invest in an asset management system to replace the current interim approach, which relies on the use of Excel spreadsheets. It is our view that until this approach is agreed and implemented, the full scope of the agreed Asset Policy cannot be fully implemented. In addition, there is an identified need to improve the process around recording of software licences and also the process for the recovery of damaged and loaned student computer equipment.

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Asset Management

Scope, Objectives and Overall Findings

Our audit reviewed controls over the College's asset registers, covering:

- capitalised items of equipment;
- non-capitalised computer hardware and related equipment; and
- the 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.

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

Objective	Findings				Actions Already planned
The objectives of the audit were to gain reasonable assurance that:		**1**	**2**	**3**	
		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**	0	0	3	
2. There is a process to control additions to the asset registers.	**Good**	0	0	0	
3. Processes are in place to control and authorise the transfer of assets and the removal of assets from the registers.	**Requires Improvement**	0	1	1	
4. Management processes are in place to ensure compliance and monitor the asset registers, including physical checks that recorded assets exist.	**Good**	0	0	0	
		0	**1**	**4**	
Overall Level of Assurance	**Satisfactory**	System meets control objectives with some weaknesses present.			

Audit Approach

Staff within the Finance Department, Estates and IT, were interviewed to determine the current working practices and to identify key controls within the current systems. Compliance with the Asset Management policies and the adequacy of these controls were identified, tested and assessed as part of the audit.

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Asset Management

Summary of Main Findings

Strengths

Our audit confirmed that a significant amount of work has been undertaken in developing a more robust approach to managing the College's assets with the following strengths now evident:

- The College has updated its approach to the management of assets, with a new policy and approach to asset management implemented from October 2019;
- There are now robust registers in place for both the physical equipment in use and the IT equipment which are both maintained on Excel spreadsheets;
- Defined procedures are now in place to control the addition, loan and disposal of items on the asset registers;
- Asset tags are placed on the physical assets (including IT equipment) with the details recorded on the asset registers;
- IT equipment is also bar coded and the details recorded on the IT asset register;
- There are now quarterly checks in place to reconcile the College purchases against the details held on the asset register to ensure that it is correctly updated and to allow any discrepancies identified to be investigated;
- There is a consistent approach in place for managing staff equipment loans;
- There is an annual audit of physical assets undertaken by the Estates team to check the accuracy of the details held on the physical asset register. The physical asset register is updated when this check is completed;
- There are more robust security measures in place for the receipt, tracking and recording of IT equipment delivered to the College; and
- Physical security controls and measures are also in place including barrier controls and extensive CCTV covering key locations to further protect the College's assets.

Weaknesses

While it was evident from the audit that significant progress has been made to safeguard the College's assets, these measures would be further enhanced by the following:

- The College should develop a long-term software solution for managing its assets in a devolved manner across the College, as outlined in the approved policy. The current approach is an interim solution based on the use of Excel spreadsheets and this restricts the scope for further development due to the limitations of the software used;
- The College should develop a single repository to record all software licences for the IT systems in use across the College (particularly those which are business critical);
- Realistic targets should be set for the recovery of loaned devices and a proportionate approach should be implemented which will allow the College to strike the right balance between enforcement, in order to manage the cost of repairing damage or funding replacement equipment, and meeting Scottish Government expectations around the issue of devices to allow students in 'digital poverty' to continue to engage in their studies; and
- Identify and rectify data mismatches between the asset registers in place and the physical assets held by the College.

Acknowledgment

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

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Action Plan

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

In October 2019, the College introduced a new approach to asset management. The new policy guidance issued required all College assets with a value over £100 to be recorded in the asset register. The policy states that management of the asset register is devolved to each faculty/section within the College. However, to date the asset register has not been disseminated across all areas of the College because the current approach relies on the use of Excel spreadsheets. It is our view that until the College develops a long-term software solution to the management and monitoring of its assets the devolution of responsibilities to individual faculties and sections across the College is not practical. The College is currently considering the available options around a long-term software solution for asset management, but the approach has not yet been agreed. Currently the College asset registers are maintained by Estates - for the physical equipment in use across the college, while the IT team maintains the IT equipment including laptops on the IT asset register. Finance overseas the registers to ensure the integrity of information with an administrator in place who oversees all addition and removals from the registers. They also undertake a quarterly reconciliation of new purchases to ensure the registers are accurately updated. The asset registers hold the following information for all recorded assets:

- All additions;
- Records of the asset including description and location;
- Removals/loans of college equipment;
- Transfers; and
- Disposals.

The guidance outlines the process for adding new items and the security of all items with the following requirements also in place:

- For the equipment- all have an assets tag; and
- For IT equipment, they are also asset tagged and a bar code is also placed on the item.

As part of our review we conducted sample checking of items recorded on the asset register to assess the level of compliance with the required procedures; to verify their physical existence; and were correctly recorded with the asset register description matching the actual item. Our testing confirmed that all the items sampled from the register were held in the recorded location, with the IT assets sampled containing the required asset tag and a bar code.

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Asset Management

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

Observation	Risk	Recommendation	Management Response
At present the College is utilising an interim solution based on the use of Excel spreadsheets to manage its asset registers. While this approach does provide a good degree of centralised control, it is a fairly bureaucratic approach which is dependent on a number of key individuals within the College accurately maintaining the relevant asset registers. It is our view that the stated policy aim of devolving the management of assets down to faculties and divisions, cannot be progressed until a suitable software platform for asset management is implemented across the College. There have been ongoing discussions within the College on options to improve the current approach, but to date there has been no agreement on how and when to provide a long-term solution to the management of the College's assets.	The current approach to asset management is not cost effective, does not make best use of automated approaches, and is reliant on key individuals across the College to manage this process.	**R1** A formal evaluation is required on a long-term approach for managing assets, ideally based around a complete IT solution to move the process forward to achieve alignment with the business needs and policy aims of the College for managing its assets.	Agreed Tight controls are currently in place to manage the College asset register. We recognise the requirement for a specific asset management software to streamline to current process and enable devolved management of the assets. **To be actioned by:** Vice Principal Corporate Services **No later than:** 31 March 2021 **Grade** 3

Asset Management

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

Software Asset register

In addition to the physical asset register, a software register is also maintained by the IT team containing the following information:

- Publisher;
- Product Title;
- Operating System;
- Version; and
- Number of licences.

Observation	Risk	Recommendation	Management Response
Our review of the College's software register, and subsequent discussion with the IT team, highlighted that the current software register is not complete. There is no single repository within the College to hold full details of all the software licences in place (including the number of permitted users). While some compensating controls do exist to prevent the unauthorised use of computer software, the absence of complete records should be addressed.	The College is unaware of all of the software licences in use and their restrictions, with a corresponding impact on the ability of the IT team to readily manage these effectively.	**R2** The College should develop an approach to identify and maintain central records of all software licenses in use across the College and their requirements (including numbers of authorised users).	Agreed. Improvements will be made to the current software licence register to enable more effective management of the licences by the IT team. The new specific asset management software will also improve the management of software licences. **To be actioned by:** Director of IT **No later than:** 31 December 2020
			Grade 3

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Asset Management

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

Observation	Risk	Recommendation	Management Response	
While overall our testing confirmed the accuracy of the records held on the register for assets and their locations, it also highlighted some issues regarding the information held. Our testing identified the following issues: • Nine of the laptops sampled were correctly recorded by type and location and while all of these devices had a bar code, the bar code number had not been recorded on the asset register; and • For one laptop the bar code had not been accurately recorded on the asset register.	Records held within the register are not accurate or complete and this could result in the financial loss of an asset to the College.	**R3** The periodic spot checks by the IT team should be expanded beyond physical verification in order to ensure that the asset tag and bar code on IT equipment agrees with the relevant entry in the asset register to ensure accuracy and to allow any discrepancies to be investigated and rectified.	Agreed. Additional training will delivered to all staff issuing laptops to staff or students to ensure accurate and consistent recording of information. **To be actioned by:** Director of IT **No later than:** 30 November 2020	
			Grade	3

Asset Management

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

The updated policy requires all college purchase orders for items with a value over £100 to be added to the asset register immediately and the entry should contain the following information:

- All IT equipment will have a College unique bar code label and this number is recorded in the asset register and
- A detail description, order and invoice numbers and location must be entered for all assets.

To maintain the accuracy of the asset register, Finance staff undertake a regular reconciliation between the purchases over £100 and the asset registers to ensure all new items are added in line with the policy. As a minimum this reconciliation between new purchases and the asset register is undertaken on a quarterly basis with any identified discrepancies investigated.

As part of our audit we reviewed the quarterly reconciliation process and confirmed that it is being completed, with identified discrepancies investigated and resolved. This approach provides positive assurance that an effective approach is in place to ensure that new college purchases are identified and added to the asset register as required by the policy.

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Asset Management

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

Staff loans

Staff can request the loan of IT equipment from the College, including laptops. To manage this process the IT team has developed an approach on the Nintex platform which records the details of the laptop and who it was loaned to. This system enables effective ongoing tracking of who has been loaned IT equipment. Once the loan is agreed, the relevant line manager is requested by email to validate the approval of the loan and the IT asset register is updated with the laptop recorded as a 'loaned item'.

Our review of the IT equipment loan process, and testing of the documented controls, confirmed that the controls are in place and are operating effectively.

Sale of Surplus Inventory Items

The College's Asset Policy outlines the processes to be followed when surplus items have been identified and sold. The policy does provide an adequate framework for the sale and accurate recording of assets within the register. However, as no sales have been recorded in the past 12 months no testing was undertaken in this area.

Disposals of Items

Both physical and IT equipment identified for disposal are removed by a recycling company and are either recycled or disposed of. For the IT equipment the memory is "wiped clean" as part of the disposal process. Confirmation of the collected items are received by both the Estates and IT teams along with validation that the memory deletion has taken place. Once the confirmation inventory has been received from the recycling company, the asset register is updated with the disposal details.

Testing of the recorded items disposed of in the last 12 months confirmed that the register had been accurately updated with these disposal details.

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Asset Management

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

Students loans

At present loans to students of IT equipment, including laptops, are overseen by Library Services and Student Services, who maintain their own spreadsheets and in order manage this process. At present there is no College-wide approach to the issue and tracking of IT equipment loaned to students. For the 2020/21 academic year the College has purchased an additional 2,000 laptops to loan to students in order to support them through the academic process as Covid-19 restrictions will reduce or prevent the amount of time in College and will therefore impact on the amount of face to face teaching.

To support this volume of IT equipment loans, and to mitigate the associated increase risk of loss or damage to the loaned IT equipment, the functionality currently in use for staff loans will be extended across the College to facilitate IT equipment loans for students. This will enable a College-wide approach to be put in place for the loan of their equipment and will enable any loan to be recorded to capture the details of the student (including their home address). The new process will require the student to sign for the IT device with a copy of their signature recorded on the loan system before the device is issued to them.

These additional laptops are being bar coded by the supplier before they are received by the College. This information will be input into the Nintex system and will also be recorded on the IT asset register. This new approach for student loans will enable effective ongoing monitoring of the College issued loaned laptops. In line with the staff loans approach adopted, the information held on the loan system for students will be replicated in the IT asset register as a loaned item.

Procedures and processes are currently being developed to support this approach and to ensure its consistent application across all areas of the College. At the time of the audit, these procedures had not yet been fully developed and implemented so we were unable to test the student loan process.

Asset Management

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
At the time of our review, the College was preparing an approach to loan out some 2,000 laptops for the use of students during the next academic year to deal with the restrictions for the College and the delivery of curriculum during the current Covid-19 pandemic. This is a sector-wide issue taken in response to Scottish Government expectations that Colleges will be issue IT devices to students in 'digital poverty' to ensure that students from all socio-economic backgrounds can continue to effectively engage in their studies. This volume of loaned IT equipment being issued in a short timeframe carries a significant risk to the College around potential loss or damage of the loaned equipment. At present loans are managed within both Student Services and Library Services with both areas managing this process independently. The College intends to implement a consistent approach for the loaning out of these new laptops, which will be based on the current Nintex platform which is utilised to manage loans of IT equipment to staff. The College is also investigating the use of apps and other technology to support the management of this process. However, we noted that the average loss rate of laptops loaned to students is between 10% and 12% of the current population of 140 devices managed through Student Services. From our perspective this demonstrates the absence of a robust process to recover lost or damaged IT equipment loaned to students and this level of damage/loss is not sustainable.	There is a risk of significant financial loss to the College if the enforcement approach on recovery of devices or costs to repair damaged devices is not managed effectively in line with agreed parameters.	**R4** With the planned increased level of IT equipment loans to students, there is an urgent need for the College to strike the right balance between enforcement, in order to manage the financial impact of loss or damage to loaned equipment, and meeting Scottish Government expectations around the issue of 'digital poverty'. Therefore, we would recommend that realistic recovery rates are discussed and costed in order to inform the development of a proportionate process which will manage the losses to the College, arising from damage to loaned devices or failure to recover the loaned equipment from students, to manageable levels**.**	Agreed. The College recognises the potential substantial risk of high volumes of laptops being issued to students. Unfortunately there will be some laptops we fail to recover. A fully documented and agreed recovery process will be implemented balancing the financial impact of non-recovery and the potential reputational risk from negative publicity. **To be actioned by:** Vice Principal Corporate Services **No later than:** 31 October 2020
			Grade 2

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Asset Management

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
Our testing of the disposal process for recorded assets confirmed that in general the controls were working as intended. However, as part of our audit testing, we reviewed the disposal notification for Room R.00.070 within the City Campus. For the disposal notification for this specific location, only four of the 27 items reported as disposed of were recorded as disposed on the Equipment Asset Register. While these particular items were obsolete, and retained little value to the College, it does indicate that the recording of disposals is not being consistently carried out and therefore the records contained within the Equipment Asset register may not be completely accurate.	Disposals of assets are not captured and therefore the records held within the asset register are not accurate or complete and loss of assets could result in financial loss to the College.	**R5** The disposal process should be updated to include a physical check of the number of similar items remaining in the specific location against the number of similar assets recorded in that location on the asset register.	Agreed. The disposal process will be updated ensuring no assets are removed from the register, only the status will change. The new asset management software will provide a more robust enforcement of disposed assets. **To be actioned by:** Vice Principal Corporate Services **No later than:** 30 November 2020 **Grade** 3

Asset Management

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

Security of assets - new assets

As part of our testing, we reviewed the security arrangements in place for the delivery and recording of IT equipment. This testing confirmed that the following security controls are in place:

- Secure handling and storage of new IT equipment in locked cages;
- Access to these locations is restricted through the use of physical locks, controlled by keys and limiting access to these areas to staff with a valid reason to access with the use of electronic card secure locks; and
- In all areas CCTV is in place covering these secure areas and the movement of IT equipment.

Random Asset Checks

There is an annual physical check and validation of the asset records by the Estates Team. While the IT team do not currently have a set frequency for conducting physical verification of IT equipment against the asset register, this is mitigated by the annual imaging and update on all IT equipment enabling the records to be checked and updated at this point.

Due to the current Covid-19 lockdown these annual physical checks had not been finalised at the time of our fieldwork but we have received management assurances that these checks have now been conducted.

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