Internal Audit & Corporate Fraud Services

FLEET MANAGEMENT

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FINAL

1.0   EXECUTIVE SUMMARY

1.1.1   Introduction

Internal Audit & Corporate Fraud Services acts in accordance with the Accounts and Audit Regulations (2015), Public Sector Internal Audit Standards and Local Government Application Note (2013). This audit has been prepared in accordance with our Audit Charter.

This audit is one of the reviews contained in the Audit Plan for the period 1st April 2018 to 31st March 2019 as approved by the Audit & Governance Committee on 27th February 2018. It involves a compliance review of the arrangements in place for Fleet Management drawing on evidence from a sample taken in June 2018.

The Transport Manager, working to the Waste & Fleet Operations Manager, is responsible for a sizeable fleet of 220 vehicles to support a number of service areas across the Council. Service Aim 6 within the Waste & Fleet Operational Plan is to provide a cost effective and efficient corporate fleet management service.

Fundamental to the work of Fleet Services is the holding of an Operator's Licence, which is required by the Goods Vehicle (Licensing of Operators) Act 1995 and subsequent regulations. The legislation aims to ensure the safe use of vehicles by establishing requirements on the competency and integrity of the licence-holder's designated Transport Manager, and by specifying the records which Operators should keep on the competence of drivers, their working hours and on the inspection and maintenance of vehicles (carried out via a contract with a Third Party).

Fleet Services are also responsible for carrying out Driver Licence checks for all Council staff, as well as assessing and settling insurance claims involving Council-owned vehicles.

This report sets out our findings and raises recommendations to address areas of weakness and/or non-compliance with existing controls, as set out in the action plan.

1.1.2   Audit Scope & Objectives

In planning this audit, a risk assessment has been undertaken, with the following considered to represent the potential key risks relating to Fleet Management which could impact on the Council's ability to deliver relevant Council Priorities and service objectives:

Statutory and regulatory compliance
- Vehicles are inadequately maintained leading to a failure to meet statutory obligations for the Operator's Licence and a substandard quality fleet with increased safety risks for staff and public, and a negative impact on service delivery.
- Driver hours are not monitored resulting in breaches of regulations and increased safety risks for staff and public with a negative impact on the reputation of the Council.
- Driver licence checks are not carried out thereby exposing the Council to financial, reputational and legal risks.

Asset information

- Incomplete and/or inaccurate fleet asset listings which could lead to the risk of non-compliance with statutory obligations for fleet maintenance.
- Incomplete and/or inaccurate fleet asset listings resulting in financial risks around proper recording of assets and gaps in insurance cover.
- Incomplete and/or inaccurate fleet asset listings creates the risk to operational performance of not being able to locate fleet assets.

Reporting arrangements

- Serious issues of non-compliance with statutory obligations in fleet management are not escalated and reported for the attention of senior management and Members.
- Key performance indicators have not been developed for Fleet Services to demonstrate that value for money is being achieved.

1.2   ASSURANCE STATEMENT

1.2.1   Overall Assurance Level**

Good	Adequate	Limited	Unsatisfactory
	✔		

** For definitions see Appendix A

1.2.2   Positive Audit Comments

We would like to draw management attention to the arrangements in operation over Fleet Management processes and procedures that were operating effectively and efficiently:

- Accurate and up to date asset records to confirm ownership of vehicles.
- Good procedures to ensure vehicles are properly taxed and insured.
- Up to date driver licence checking process in place.
- Strong focus by the Transport team, especially the Transport Manager, on achieving statutory and regulatory compliance.
- Effective arrangements for maintaining vehicles in accordance with Operator's Licence requirements.
- Regular and satisfactory Freight Transport Association audits on vehicle maintenance contractor
- Regular reporting against key performance indicators to demonstrate that service objectives are being met.
- Regular Operator Licence vehicle inspections and gate inspections by Transport Manager.

1.2.3   Audit Report Follow-up

We have not previously carried out an audit of this area.

1.2.4   Control Issues

This review has identified the following control areas where we consider that key improvements to current processes and procedures are needed or where there is the potential risk of fraud and corruption:

- Supervisor gate checks
- Supervisor drivers' hours checks

The following recommendation(s) arising from this work should be considered as part of the Annual Governance Statement.

- Supervisors have not been undertaking regular vehicle gate checks as required.
- Although the Transport Manager has been carrying out sample checks of drivers' hours records, and notifying supervisors of infringements, there is a lack of evidence to demonstrate that supervisors have been regularly checking driver hours or following up infringements where applicable.

1.2.5   Adequacy of Individual Control Areas

Control Area	Adequacy assessment **	Number of recommendations raised		
		High**	Medium**	Low**
Asset information	Good	0	0	0
Reporting arrangements	Good	0	0	0
Statutory and regulatory compliance	Adequate	2	0	0
Total recommendations raised	**2**	**2**	**0**	**0**

** For definitions see Appendix A

1.3   ACKNOWLEDGEMENTS

We would like to thank management and staff for their co-operation during the course of this audit.

2.0 ACTION PLAN

1.   CCS022 - Statutory and regulatory compliance

REC No.	RISK	FINDING	RECOMMENDATION	REC. PRIORITY**	RESPONSIBLE OFFICER	MANAGEMENT IMPLEMENTATION DATE	MANAGEMENT RESPONSE
1	R1 - Vehicles are inadequately maintained leading to a failure to meet statutory obligations and a substandard fleet with increased safety risks for staff and public, and a negative impact on service delivery.	Supervisors have not been undertaking regular vehicle gate checks as required.	Ensure that supervisors regularly undertake random gate checks on vehicles and retain evidence to demonstrate compliance.	High	Operations Manager, Waste & Fleet	Completed	Agreed. Supervisors to carry out weekly driver and vehicle checks incorporating best practice from Waste Industry Safety and Health guidance.
2	R2 - Driver hours are not monitored resulting in breaches of regulations and increased safety risks for staff and public with a negative impact on the reputation of the Council.	Although the Transport Manager has been carrying out sample checks of drivers' hours records, there is a lack of evidence to demonstrate that supervisors have been regularly checking driver hours or following up infringements where applicable.	Ensure that supervisors undertake regular checks of drivers' hours records, follow up infringements where applicable and evidence that checks have been done.	High	Transport Manager, Waste & Fleet	Completed	Agreed. Supervisors have been reminded of the need to undertake checks of drivers' hours records. Recording mechanism updated to ensure these checks have been done.

** For definitions see Appendix A

APPENDIX A

3.0   OVERALL ASSURANCE LEVEL

Control Adequacy Assessments
We have four categories by which we classify our overall level of assurance of the processes examined and, also, the adequacy of the individual key control areas. They are defined as follows:

Good	All controls are being applied consistently and effectively. This means that all the control areas in the audit are being properly managed and the associated risks are being mitigated.
Adequate	Controls exist but there is some inconsistency in their application. This means that a few of the risks in the audit may need attention.
Limited	Some controls do not exist. This means that a reasonable number of the risks in the audit need attention.
Unsatisfactory	A significant number of controls do not exist and/or there are major omissions in the application of controls. This means that a significant number of risks in the audit are not being properly managed.

4.0   RECOMMENDATION PRIORITIES
We have three categories by which we classify our recommendations. They are defined as follows:

High	A top priority due to the absence of or non-compliance with a fundamental control process, creating the risk that significant error or malpractice could go undetected. These recommendations should normally be implemented within 1 to 3 months.
Medium	An important issue, which is needed to bring the internal control system up to an adequate standard or eliminate a serious level of non-compliance with an existing control process. These recommendations should normally be implemented within 1 to 6 months.
Low	An issue, which, if addressed, would contribute towards raising the standard of internal control to a level higher than adequate or help to reduce a less serious level of non-compliance with an existing control process. These recommendations should normally be implemented within 12 months.