



INTERNAL AUDIT REPORT – FLEET MANAGEMENT

<u>Auditor:</u>	<u>Sharon Bradley</u>
<u>Distribution:</u>	Audit Committee Chief Executive Director of Performance Director of Environmental Services Head of Operations Fleet Manager
	<u>July 2017</u>

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

Table of Contents

1	Executive Summary.....	3
2	Objective	4
2	Background	4
3	Risks	4
4	Audit Approach.....	5
5	Findings and Recommendations	5-6
Appendix I:	Definition of Assurance Ratings and Hierarchy of Findings	7
Appendix II:	Points for the attention of management	8-9

Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2017/18. This report summarises the findings arising from a review of the Fleet Management which was allocated 10 days.

Through our audit we found the following examples of good practice:

- All employees who drive for Council including grey fleet complete an online driver audit on an annual basis to ensure they are effectively managing driver risk throughout Council.
- All drivers provide a copy of their insurance and driving licence to their line manager on an annual basis together with periodic checks being carried out.
- Detailed procedures such as driver's handbook, employee health and safety handbook and accident/incident investigation and reporting have been provided to all employees.
- Council are complying with their legal obligations in relation to Fleet Management.
- Council's fleet is adequately maintained through various daily vehicle checks, periodic safety inspections and repairs are completed in a timely manner.
- All vehicles are registered and taxed appropriately.

One area (Priority 2) where controls could be enhanced was noted during this review. The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
The Council's fleet of vehicles may be inadequately maintained leading to a substandard quality fleet, non-compliance with legislation, and increased safety risks for staff and the public	-	1	-
Licencing requirements for usage of vehicles may not be met leading to non-compliance with legislation resulting in potential legal issues or accidents	-	-	-
Total recommendations made	-	1	-

Based on our audit testing we are able to provide the following overall level of assurance:

Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Points for the attention of Management

In addition to the recommendations noted above we have identified a number of system enhancements during the course of the audit which do not form part of our formal findings, but may help enhance the existing controls. These are detailed at Appendix II.

Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and will consider the main risks in relation to Fleet Management and to review the key systems and controls in place to address these. The review focused on:

- Driver Licencing,
- Operator Licencing
- Fleet Maintenance
- Motor Insurance

Background

Fleet management involves the acquisition, maintenance and disposal of vehicles and related plant and equipment. The Council's Fleet Management Service (referred to as 'Fleet') is part of Direct Services (Operations) within The Environmental Service directorate.

Fundamental to the work of Fleet 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 seeks 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 (in particular, heavy goods and passenger carrying vehicles). Whilst Fleet has a responsibility for every vehicle operated by the Council, including employees' and elected members' own vehicles when these are used on Council business, each Service is responsible for the conduct of its own drivers.

Within Causeway Coast and Glens Borough Council there is a dedicated Fleet Manager who has overall responsibility for the procurement, management, maintenance, and disposal of an appropriate range of fleet assets in addition to other key functions. Vehicle fleets are a significant component of the cost of service delivery in Councils. Causeway Coast and Glens Borough Council operates a fleet of 214 registered vehicles, comprising a wide variety of types and makes, from small vans to specialist vehicles such as refuse vehicles and 398 non registered vehicles such as compactors, tractors and ride on mowers and trailers. The approximate replacement value of the current fleet if purchased new today would be in the region of £15.6m.

Risks

The risks identified relating to fleet management and agreed with management are as follows:

1. The Council's fleet of vehicles may be inadequately maintained leading to a substandard quality fleet, non-compliance with legislation, and increased safety risks for staff and the public.
2. Licencing requirements for usage of vehicles may not be met leading to non-compliance with legislation resulting in potential legal issues or accidents.

Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Fleet Manager
Head of Operations
Depot Administration Staff

Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations.

6.1 Risk 1 – Maintenance Management

a) Observation It was noted during the audit testing that records of all maintenance work carried out by the hire company for Limavady locality vehicles are not provided to the Fleet Manager on a timely basis.
b) Implication The fleet may not be appropriately maintained and safe, in accordance with the Operator's Licence.
c) Priority Rating 2
d) Recommendation Records of all maintenance work carried out by the hire company for Limavady locality vehicles should be provided to the Fleet Manager to provide assurance required under the Operator's Licence.

e) Management Response

Agreed. Council to devise a new contract reinforcing the need for appropriate documentation and seek legal advice on non compliance.

**f) Responsible Officer & Implementation Date -
Aidan Mullan/John McIlreavy – Dec 2017**

6.2 Risk 2 – Licensing Requirements

Audit has no findings or recommendations to make in relation to this risk area.

Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Appendix II: Points for the Attention of Management

Fleet Management Strategy
<p>Audit determined that the fleet manager had previously drafted a fleet management strategy in relation to written, comprehensive rules and regulations for the fleet management operations of the Council. This document has been updated to reflect changes as a result of the recent reform of Local Government for all significant issues concerning fleet operations and personnel for the Causeway Coast and Glens Council. The strategy document will enable the Fleet Manager to manage and maintain a wide range of vehicles and mechanical plant to enable the variety of services to operate efficiently while meeting regulatory requirements to hold an operator's licence. An effective fleet management strategy is important as it defines Council's approach to fleet management.</p> <p>Council should finalise and formally approve the fleet management strategy.</p>
<p>Management Response Council to formalise strategy during 17/18 financial year.</p>
Admin Support
<p>It was noted during the audit that that the fleet manager has one part time member of staff providing admin support. The Operator's Licence stipulates that 1 full time member of staff and additional assistance should be available to provide administration support to operators who hold above 50 HGV vehicles. The Fleet Manager currently has authorisation for 92 HGV vehicles and inadequate admin staff may restrict their ability to devote sufficient time to the duties of a fleet manager on any operator's licence.</p> <p>Council should consider reviewing the resourcing levels to ensure they are complying with legal requirements in relation to the Fleet Operator's Licence.</p>
<p>Management Response Review of staff to be undertaken to ensure compliance during 17/18 financial year</p>
Record Keeping/Insurance
<p>It was noted during the audit that that there is no accurate and reliable list of vehicles. The record keeping is diverse as the fleet manager holds a fleet asset register at the central maintenance garage in Coleraine which does not agree to the list of vehicles provided by other satellite garages located within the Borough.</p> <p>It was also noted that a number of vehicles which have been disposed of are still on Council's insurance. There appears to be a lack of communication through to the fleet</p>

manager in respect of adding and deleting hire vehicles from other locations. In addition the fleet manager does not receive any confirmation from the insurance officer in relation to changes made to vehicles on/off Council's insurance.

There is also a fixed asset register held centrally in finance which includes all vehicles plant and equipment. It was noted that there are also some discrepancies between the vehicles listed on this register and the insurance database.

Centralising all accountability for fleet management through the fleet manager would likely become counterproductive.

Management Response-

This item to be raised with SMT as it is a cross cutting responsibility. Other Heads of service and managers have knowledge and responsibility for vehicles/plant in their areas.