



Internal Audit Report
The Environment Service
13-18 Fleet Management
April 2014

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This assignment forms part of the Internal Audit plan for 2013/14, as approved by the Audit Committee on 27 March 2013.

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 Environment Service, based at Friarton depot. As well as the activities within the scope of this audit, Fleet is also responsible for the Council's accident management; fuel and stores management; management of drivers' records and organising the maintenance of specialist vehicles by external firms.

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.

The respective responsibilities of Fleet, Services, line managers, and employees and members, are set out in the Council's Corporate Fleet and Transport Policy and Procedure Arrangements (CFTPPA) as approved by the Strategic Policy and Resources (SP&R) Committee in September 2011.

Acknowledgements

Internal Audit thanks the staff and management of the Fleet Management Service, officers in Corporate Asset Management, Housing and Community Care's Building Services and Chief Executive's Finance division and Democratic Services for their co-operation during this audit.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that Fleet Management operation is subject to/employs the principles of sound asset management as regards procurement, deployment and disposal, thereby achieving Value for Money
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Auditor's Comments:

Internal Audit Report

The audit found that Fleet plans, acquires and deploys vehicles and related plant and equipment in accordance with sound asset management principles.

The Council's Fleet Asset Register system (Key2) is an integrated database which enables the recording of assets, workshop job details and stores. Some of the written procedures for the operation of Key2 are yet to be approved. Key2 is not used for calculating depreciation as this is calculated on all assets by Finance Division.

The Council's Asset Management Plan for Fleet and Mechanical Equipment is in the process of being updated to reflect SP&R's approval of the Council's CFTPPA, and to ensure that current practices and planned improvements are documented, including a policy on the disposal of assets.

Strength of Internal Controls:

Moderately Strong

Control Objective: To ensure that fleet is appropriately licensed, maintained and safe, in accordance with the Operator's Licence.

Auditor's Comments:

All use by the Council of motor vehicles is governed by its Operator's Licence. Any withdrawal of that licence, or imposition by Vehicle and Operator Services Agency (VOSA) of restrictions upon it, may impact on the Council's ability to deliver services. Therefore it is essential that procedures ensure the requirements of the Operator's Licence are satisfied.

Audit found that the key personnel have an excellent appreciation of VOSA's requirements. The Service has sought assurance on the effectiveness of the Council's vehicle safety procedures and on the standards and management of drivers' licences, working hours and tachograph records, from an objective and independent source, the Freight Transport Association (FTA). Fleet is currently implementing an action plan based on the FTA's findings.

However, the timeliness of the six-weekly vehicle safety inspection checks which are required by VOSA needs to be improved; and drivers' daily safety checks of vehicles, also required by VOSA, are failing to identify all defects. The Fleet Manager is aware of and is acting on these issues.

Strength of Internal Controls:

Moderate

Control Objective: To ensure that a set of rules and procedures govern the activities of the fleet, which are applied by drivers and operatives and whose controls are implemented by managers.

Auditor's Comments:

The CFTPPA are available on the Council's intranet site. Employees were

Internal Audit Report

informed of these in a Delayed Office Opening presentation in July 2013. However during the audit, it became apparent that some officers who are not directly involved in Fleet were unaware of the existence of the policy and procedures.

The CFTPPA also requires line managers to check, every six months, the driving licences of those employees who drive a Council owned, leased or hired vehicle and/or who submit more than six mileage claims per annum. Fleet maintain records of such checks for all drivers from Direct Services (Operations) within TES, which is responsible for most of the Council's heavy vehicles; however, there are no controls in place to ensure licence checks are carried out in other Services.

Documentation is in place to support procedures, however travel and subsistence forms require to be updated to reflect current policy.

Strength of Internal Controls:	Moderate
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Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point. Appendix 3 details a minor point noted during the audit. This finding does not form part of the Action Plan and is considered to be attached to very low risk. It was drawn to the attention of management during the audit, and will only be followed up as part of a subsequent audit.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Valentine, Executive Director, The Environment Service

K McNamara, Head of Environmental and Consumer Services

W Young, Acting Head of Environmental and Consumer Services

S MacKenzie, Head of Performance & Resources

J Symon, Head of Finance

B Morton, Fleet Manager

S Terras, Corporate Asset Management Team Leader

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditors for this assignment were A Gallacher and D Watt. The supervising auditor was M Morrison.

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date: 11 April 2014

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1.	Fleet Asset Management Plan	Medium
2.	Fleet Asset Register Procedures	Low
3.	Key2 Development	Medium
4.	Operator's Licence: frequency of safety inspections	High
5.	Late safety inspections: impact on efficiency	Medium
6.	Operator's Licence: availability of records	Low
7.	Operator's Licence: outsourcing arrangements	Low
8.	Operator's Licence: Key Person Dependency	Low
9.	Random Vehicle Checks	Medium
10.	Service Level Agreement	Low
11.	Embedding the Policy and Procedures	Low

Appendix 2: Action Plan

Action Point 1 - Fleet Asset Management Plan

The Asset Management Plan for Fleet and Mechanical Equipment was written in 2008 and therefore does not reflect the later CFTPPA approved by SP&R in 2011. The Plan does not currently include any guidance on the disposal of Fleet assets.

The Asset Management Plan should describe asset management activities to ensure that the Council obtains best value from its vehicles and related plant and equipment. Updating the plan is part of the Corporate Asset Management team's current work programme.

Management Action Plan

The Asset Management Plan for Fleet will be updated to reflect current procedures and best practice to ensure the Council obtains optimum use of its Fleet assets.

Importance:	Medium
Responsible Officer:	S Terras, Team Leader, Corporate Asset Management team
Lead Service:	The Environment Service
Date for Completion (Month / Year):	October 2014
Required Evidence of Completion:	Updated Fleet Asset Management Plan

Auditor's Comments

Satisfactory

Action Point 2 - Fleet Asset Register Procedures

Procedures for the operation of the Fleet Asset Register (Key2) were found to be incomplete and of those which were available there was a lack of evidence of their having been properly reviewed, approved and/or authorised by management.

Whilst a number of written procedures were reviewed, approved and authorised during the audit some, including the policy on disposal of assets, remain outstanding.

Management Action Plan

Procedures for staff will be updated, reviewed, approved and authorised.

Importance:	Low
Responsible Officer:	S Terras, Team Leader, Corporate Asset Management team
Lead Service:	The Environment Service
Date for Completion (Month / Year):	May 2014
Required Evidence of Completion:	Updated Procedures Schedules

Auditor's Comments

Satisfactory

Action Point 3 - Key2 Development

Key2 is used to record and control each vehicle and item of associated plant and equipment throughout its lifecycle. However, whilst Key2 is capable of being used to schedule maintenance and servicing inspections, this capability is not being used. Scheduling is currently carried out by using Excel spreadsheets. The audit found that in practice this process is prone to error.

The functionality of Key2 is currently being developed by Asset Management to ensure it meets the requirements of the Council. The development of Key2 to include Servicing was discussed in the Fleet Monthly Management meeting of 5 February 2014. The use of the service scheduling module would enable the production of performance indicators for safety inspections.

Management Action Plan

Asset Management are developing Key2 functionality to include scheduling of maintenance and safety inspections and performance measures.

Importance:	Medium
Responsible Officer:	S Terras, Team Leader, Corporate Asset Management team
Lead Service:	The Environment Service
Date for Completion (Month / Year):	September 2014
Required Evidence of Completion:	Development of functionality of Key2 to include service scheduling and performance measures.

Auditor's Comments

Satisfactory

Action Point 4 - Operator's Licence: frequency of safety inspections

According to the terms of PKC's Operator's Licence granted by VOSA, the maximum interval between vehicle safety inspections is specified as six weeks.

PKC operates a fleet of 81 heavy goods vehicles and 10 trailers. The audit examined the six-weekly safety inspection records for a sample of eight vehicles. The sampled vehicles received a total of 65 inspections in 2013/14. Six of the eight vehicles sampled had at least one inspection which fell outwith the expected interval for safety inspections. Five inspections took place 8 weeks or more after the previous inspection, of which 1 inspection took place after an interval of more than 11 weeks.

These audit findings are consistent with those of a review of PKC's safety inspection arrangements which was commissioned by the Fleet Manager and carried out by FTA in 2012. Sample testing by FTA found, "on 3 occasions inspection intervals of 69, 53 and 53 days were noted. It is recommended that inspection intervals are strictly adhered to to satisfy 'O' licence requirements".

Management Action Plan

1. The Fleet Manager will review systems to ensure the frequency of inspections comply with Operator's Licence.
2. Following from the completion of the agreed action at Action Point 3, the Fleet Manager will provide performance information for presentation to The Environment Service's Senior Management Team.

Importance:	High
Responsible Officer:	B Morton, Fleet Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	1. April 2014 2. December 2014
Required Evidence of Completion:	1. Evidence of review of systems 2. Report to Senior Management Team

Auditor's Comments

Satisfactory

Action Point 5 - Late safety inspections: impact on efficiency

The Fleet Management team (TES Operations) carries out six-weekly vehicle inspections, while the Fleet Performance team (TES Performance & Resources) schedules inspection work. Scheduling of work is based on the date of the previous scheduled inspection, not on the actual date when the previous inspection was carried out. Consequently, when an inspection is late (in terms of the six-week requirement) the following inspection will be early. For example, SK07 CKE was inspected on 21.2.13 and 18.4.13 (56 days later) and again on 14.5.13 (26 days later).

Inspecting vehicles at such unnecessarily short intervals may not be an efficient use of Workshop resources.

Management Action Plan

The issues highlighted will be addressed by the Management Action Plan set out in Action Point 4.

Importance:	Medium
Responsible Officer:	B Morton, Fleet Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2014
Required Evidence of Completion:	Monitoring process documentation

Auditor's Comments

Satisfactory

Action Point 6 - Operator's Licence: availability of records

Operators are required to make records available for examination by VOSA. Such inspections may be unannounced.

The audit found that for four vehicles from a sample of eight, the records for the most recent safety inspection (carried out three weeks or more prior to the audit) had yet to be included in the relevant vehicle files.

The records were made available for audit within a reasonable time; but should the Service be subject to an unannounced VOSA examination, there may be a risk of sanction if the Service cannot promptly evidence that all safety inspections were carried out and appropriately documented.

Management Action Plan

The Fleet Manager will establish performance monitoring to ensure that documents are filed appropriately.

Importance:	Low
Responsible Officer:	B Morton, Fleet Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	June 2014
Required Evidence of Completion:	Performance indicator information

Auditor's Comments

Satisfactory

Action Point 7 - Operator's Licence: Key Person Dependency

The Operator's Licence requires a competent, qualified person of good repute to be named as the Operator's Transport Manager. Historically, only one individual is named as the Transport Manager on the Council's Operator's Licence and the named individual is the Fleet Manager. The addition of the name of another suitably qualified officer on the Operator's Licence would ensure continuity in the event of the current named individual becoming unable to fulfil the role.

The Fleet Manager also noted that this would be consistent with current general position of VOSA.

Management Action Plan

An alternate Transport Manager will be included on the Operator's Licence.

Importance:	Low
Responsible Officer:	B Morton, Fleet Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	October 2014
Required Evidence of Completion:	Revised Operator's Licence identifying alternate Transport Manager

Auditor's Comments

Satisfactory

Action Point 8 - Random Vehicle Checks

Random vehicle checks operate as a management control to provide assurance on the effectiveness of drivers' daily checks. At Friarton, one vehicle is checked per week by Workshop staff.

Outwith Friarton, the only random vehicle checks have been carried out by the FTA on a periodic basis. The FTA reviews in 2012 and 2013/14 reported that driver daily checks are not being carried out to the required standard. For example, in June 2013 the FTA randomly reviewed five vehicles at the Blairgowrie depot and found eight faults, five of which related to one trailer. These faults had not been highlighted as part of the drivers' daily checks.

Management Action Plan

The Fleet Manager will ensure that random vehicle checks are undertaken in all areas by workshop staff. The random checks will be subject to greater monitoring and the Fleet Manager will establish a performance standard.

Importance:	Medium
Responsible Officer:	B Morton, Fleet Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	June 2014
Required Evidence of Completion:	Performance Indicators for random vehicle checks

Auditor's Comments

Satisfactory

Action Point 9 - Service Level Agreement

The Fleet and Transport Policy requires that those who drive on Council business must have their licences checked on a 6 monthly basis when they drive a Council owned, leased or hired vehicle or where they submit more than 6 mileage claims per annum. Fleet maintain records of licence checks for all drivers from Direct Services (Operations) within TES.

However, whilst there are procedures in place requiring Services to undertake these tasks, there are no controls in place within Fleet to ensure that these checks are carried out in other Council services. The Fleet Manager has advised that relevant processes are currently being developed with services.

Management Action Plan

Service level agreements will be finalised between Fleet and other Council services which detail the requirement to comply with the CFTPPA.

Importance:	Low
Responsible Officer:	B Morton, Fleet Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	September 2014
Required Evidence of Completion:	Copy of one service level agreement

Auditor's Comments

Satisfactory

Action Point 10 - Embedding the Policy and Procedures

The CFTPPA identifies the responsibilities of the Fleet Management Service, of Service Managers and of all personnel who drive on Council business. This covers the full range, from those who drive as their core responsibility through to those who drive as part of their duties on an incidental or occasional basis.

During the audit it became apparent that some officers who are not directly involved in Fleet are unaware of the existence of the CFTPPA.

In addition, the Council's forms for travel and subsistence claims for mileage make no reference to adherence to the CFTPPA on the part of claimants or to licence checking on the part of authorising managers.

Furthermore, the Employees Driving Particulars form, which should be used by all employees who use their own vehicles on Council business, is not easily accessible on the Council intranet.

Management Action Plan

1. E-learning modules will be developed on the CFTPPA, to inform staff and to provide guidance on the application of relevant procedures.
2. Travel and subsistence claim forms will make reference to adhering to the policy and to licence checking on the part of authorising managers.
3. The Employees Driving Particulars form will be made more easily accessible on ERIC.
4. The CFTPPA will be the subject of an Inside News Bulletin.

Importance:	Low
Responsible Officer:	B Morton, Fleet Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	December 2014
Required Evidence of Completion:	1. Roll out of e-learning module 2. Changes to Travel and Subsistence form 3. Employees driving particulars form to be made available on ERIC 4. Inside News Bulletin

Auditor's Comments

Satisfactory

Appendix 3: Minor Point Noted During the Audit

Action Point 11 - Operator's Licence: outsourcing arrangements

According to the Council's application for an Operator's Licence, upon which the granting of the licence is based, all Council vehicles listed on the licence will be inspected and maintained at the Friarton workshop.

Most inspection and servicing work is undertaken at Friarton, however, the Council also makes occasional use of outside commercial garages to carry out safety inspections and other work on Council vehicles, in order to deal with peaks of demand. This practice is not identified in PKC's application for an Operator's Licence.

