

# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CHIEF EXECUTIVE'S UNIT
AUDIT DESCRIPTION	VALUE FOR MONEY AUDIT
AUDIT TITLE	INTERNAL AUDIT REVIEW OF TRAVEL & SUBSISTENCE – USE OF POOL CARS
AUDIT DATE	JANUARY 2017

2016/2017



## **1. BACKGROUND**

This report has been prepared as a result of the Internal Audit review of Travel and Subsistence – Use of Pool Cars as part of the 2016-17 Internal Audit programme.

Council policies actively promote alternative ways of working to minimise the need to travel thus saving time, costs and pollution as well as reducing risks, however, it is not always possible to avoid the need to travel. Argyll and Bute Council currently operates 20 pool cars across all areas through the use of a booking system. As per the data on the Council's performance management system, for financial year 2015/16 the total pool car mileage amounted to 251k. This is an average mileage of 13k per pool car.

Pool cars are available for use by any staff member who can demonstrate that they are licensed to drive a car. A pool car protocol has been documented and where travel is essential it states that, "the use of pool cars should be promoted where possible, with services making all employees who may use their cars on council business aware of the appropriate booking procedures for pool vehicles and, any other essential procedures including vehicle check lists and standard logging of vehicle use."

## **2. AUDIT SCOPE AND OBJECTIVES**

The objective of the audit is to provide detail on the pool car utilisation and general controls in place.

Policies and procedures in place were reviewed to assess compliance with relevant legislation and good practice, a sample of journeys was selected for review to check that controls were in place and operating effectively, additionally a sample of pool car users and administrators were issued questionnaires and feedback reviewed.

## **3. RISKS CONSIDERED**

- Failure to utilise pool car facility in an efficient and effective manner.

#### 4. AUDIT OPINION

The level of assurance given for this report is Substantial.

<b>Level of Assurance</b>	<b>Reason for the level of Assurance given</b>
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
<b>Substantial</b>	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
<b>Limited</b>	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 5. FINDINGS

The following findings were generated by the audit:

### Pool Car Protocol

The Council has developed a Drivers' Handbook as a guide to ensure that users are aware of the issues relating to the operation of Council Vehicles, the impact on the Council, responsibilities as a driver of a Council vehicle and ability to promote good practice. We were advised that a copy of the Drivers' Handbook is available within each of the pool cars. A Pool Car Protocol has also been developed and is included as an appendix within the Drivers' handbook and is also available on the Council's intranet website (HUB). It was, however, noted that the Pool Car Protocol has not been evidenced as reviewed since November 2014 and contains outdated information in respect of driving licence checks.

The protocol shows that a licence check should be carried out annually, however, following advice from the Traffic Commissioner, the pool car administrators have been instructed to carry out these checks every six months. The information received from these checks is held inconsistently, with some administrators updating the Tranman fleet management system and others maintaining spreadsheets. There is no alert from either system to advise an administrator that a user is due for licence review, thus, leaving administrators to improvise with other means such as Outlook task reminders. It was noted at the time of the report that there is an ongoing exercise being carried out by Integrated Transport and Fleet Management to arrange access and training for TRANMAN to all pool car administrators where user's licence check information will be stored in a central repository.

The protocol states “In situations where two bookings are being made at the same time longer journeys should have priority over shorter journeys”. This statement provided some confusion and concern among administrators and users and may require some clarification to ensure consistent and fair practice whilst promoting best value for the Council.

### HUB List of Pool Cars and administrators

The booking system includes an online diary on the HUB that shows the make, model and registration of the pool cars and users can make a booking through one of the listed administrators on the HUB. Although the Booking System on the HUB was found to be up to date an additional, document listing cars and administrators was found to be outdated. A review of this list noted that it included 2 former employees and one employee that had moved to another post. The view area of the pool car booking system also offers a contact telephone number for staff to call and make a booking; however, in 4 instances the information provided on the booking system was inconsistent with the aforementioned HUB listing.

All pool car administrators contacted during the course of the audit were able to arrange bookings and were clear as regards to their roles and responsibilities.

### Test Bookings – Walk-through Testing

Four test bookings were undertaken; in each case an original booking was placed with the relevant pool car administrator and then a secondary booking placed thereafter, for the same day at the same time but for a longer journey distance in order to test booking priority. An additional test booking was attempted for a non-member of staff.

Walkthrough testing generated the undernoted findings

- Each test booking was placed successfully however the listed pool car administrators were not always available and in 2 instances did not operate the team call group facility available within the corporate Lync system. Answerphone messages were left in these instances and bookings were confirmed at a later time.

- On one occasion the pool car administrator identified another user attending the same destination and a possible opportunity to car share was offered.
- For one of the 4 test bookings preference was given to the user requiring to travel the furthest distance (having enquired at similar time to original booking).
- One journey was booked without recording destination or request of driving licence information from the user who had not used a pool car in over 3 years.
- Attempt to book pool car for a non-employee was appropriately refused.

### Tracking System

Pool cars are fitted with tracking devices where driving information is recorded on a system, speeding reports are generated and reviewed by staff and where relevant the driver is contacted to highlight inappropriate driving behaviour. The driver is contacted directly twice, thereafter management is informed to ensue formal discussion. Future refusal of the use of pool cars may be a consequence of repeat instances of inappropriate driving.

The business cases include a usage target whereby pool cars should be utilised for 60% of the available annual working days. All Council pool cars have achieved the 60% target, however, this is an historic target and there is no evidence that this has been recently reviewed.

Integrated Transport undertake analysis of pool car mileage, per each of the Council's 4 main areas (Bute & Cowal (B&C), Oban, Lorn and the Isles (OLI), Mid-Argyll, Kintyre and Islay (MAKI) and Helensburgh and Lomond (H&L)), this is recorded on the Council's Performance Management System, Pyramid. Pool cars are replaced on a like for like basis when the 60% usage target has been met. There is no evidence that the mileage information is analysed further to establish the office locations which have the highest pool car usage, therefore, providing limited assurance that pool cars are deployed to promote optimum usage and ensure best value.

### Pool Car Log Books

Currently pool cars contain a log book for completion by users to record usage and journey details. Copies from these log books were requested for the period of January to March 2016 for analysis. The following findings were generated.

- Log books for 10 out of the 20 pool cars were received, this was due to some log books being destroyed following disposal of pool cars
- The records for one pool car were retained in a previous document format that did not detail timing information
- Log books were inconsistently completed i.e. description field was not sufficiently completed in many instances and in some cases the mileage and time fields were left blank
- Some entries were missing entirely

At the time of audit it was noted that Integrated Transport are removing log books from vehicles as their function is now obsolete, and has been replaced by the online booking system, for naming drivers, and the tracking system for journey information.

### Fuelling of Pool Cars

Council pool cars may be re-fuelled using the following options:

- Fuel Cards
- Garage Accounts, and
- Fuel pumps at Council Depots

Users are requested to refuel pool cars at council depots, however, this is not always possible should the user not have a fuel tag or require refuelling after the depot is closed. Garage accounts are replacing fuel cards as the alternative option. All charges are allocated to the pool cars via their registration numbers on the VECTEC fuel management system and fed into the Tranman Fleet Management system via electronic transfer.

The VECTEC system has electronic controls in place to restrict excess fueling per car and per user at the depot pumps. Fleet management review all garage accounts prior to payment to ensure that a Council vehicle has been fuelled by checking that a valid registration number has been entered on the account. The control in relation to verification and authorisation of fuel purchases is deemed weak with no evidence of any cross checking or independent test being in place.

### Mileage Claim Analysis

Staff travel claims are processed through the Council's Resourcelink Human Resources system. A report was run from the system to identify claims made for mileage on selected dates during the period of January to March 2016. The following testing was undertaken:

- A sample of 4 dates was selected when the pool cars were fully utilised as per the Council's booking system. Information was then extracted from the log books provided and compared with mileage claims submitted by casual users for the same days. The following findings were generated:
  - For each of the locations, Campbeltown, Helensburgh, Dunoon, Lochgilphead and Oban, it was found that mileage claims were submitted for journeys longer than that for which the pool cars were utilised on each occasion
  - Analysis of the sample suggests that for every journey undertaken by a pool car, 6 claims are made for longer distances, indicating that potential efficiencies can be realised through improved journey management
  - The cost of mileage claims for these dates was in excess of £14k
  - Travel needs exceeded the availability of pool cars
  
- A sample of 8 dates was selected from the pool car booking system for when pool cars were available and then compared to mileage claims submitted by casual users for the same dates. The following findings were generated:
  - Mileage claims were processed where pool cars were available
  - The cost of mileage claims for these dates was in excess of £25k



- As mileage claims have been processed when pool cars are available, this does not give assurance that the pool car protocol is being followed in all cases. It also indicates that potential efficiencies could be realised through maximising pool car usage.

During financial year 2015-16 2.5 million casual user miles were claimed at a cost in excess of £1 million.

### Administrator Questionnaires

A pool car administrator from each of the 5 main locations, being Lochgilphead, Dunoon, Helensburgh, Campbeltown and Oban, were asked to answer 8 questions with regards to the Pool car booking process. A summary of the questions and responses are attached at appendix 1. The main findings are as follows:

- Call forwarding and the use of team call group facility is not regularly used across the areas
- The operation of a cancellation list is not consistent across the areas
- Licence checks are not carried out consistently across the areas in accordance with Traffic Commissioner guidance
- One administrator would not advise callers if pool cars were already booked to attend the same location.

### Users Questionnaires

A pool car user questionnaire was sent to a sample of employees that had been identified as having used a pool car during the period January to March 2016. Of the 98 questionnaires issued, 54 responses were received. A summary of the questions and responses are attached at appendix 2. The main findings are as follows:

- Before booking a pool car all users would consider the alternative options to travel, such as telephone or video conferencing
- Approximately 80% of users agreed that when picking up a pool car, the car had been available at the agreed time and place
- Only 40% of users felt that pool cars were in a suitable condition (e.g. clean/suitably fuelled) when they picked them up for use
- More than 50% of users indicated that they did not feel that there are a sufficient number of pool cars available in their area

Procurement

The Council has purchased its current fleet of pool cars as opposed to leasing. This decision was made by Strategic Finance following analysis of purchase price and residual value against lease costs and associated potential penalties.

Integrated Transport provided a copy of business cases for 2 recent pool car purchases. These business cases are based on an annual mileage of 25k, in order to obtain an indicative lease rate; it was noted that this figure is not based on actual pool car mileage.

A break-even analysis spreadsheet was provided to establish the fixed and variable cost in providing a pool car. The fixed costs included the purchase price (one fifth purchase cost over 5 years), the annual maintenance charge (MOT, Safety Checks, Road Tax & Telematics) and annual insurance. The variable cost per mile is calculated using the current fuel cost divided by the published fuel consumption rates for the pool car model selected. It was noted that the variable costs of providing a pool car are not included in the business case.

The following analysis was undertaken:

Cost analysis based on 25,000 miles estimated use of pool car

<b>Mileage Type</b>	<b>Fixed Cost £</b>	<b>Variable cost per mile First 10,000 miles £</b>	<b>Cost of 25,000 miles £</b>	<b>Average Cost per mile £</b>
Pool Car	3,580.13	0.07	5,330.13	0.21
Casual	0.00	0.45	11,250.00	0.45
<b>Difference</b>			<b>5,919.87</b>	<b>0.24</b>

Subject to the methodology used in the table above the pool car average cost per mile is significantly less than the casual cost per mile and given that there are approx. 2.5 million casual miles claimed per annum, there is potential to reduce costs by promoting pool car usage. This could be achieved via maximising existing usage and/or increasing fleet.

## **6. CONCLUSION**

This audit has provided a substantial level of assurance as internal control, governance and management of risk is sound however there are minor elements of weakness which put some system objectives at risk. There are potential opportunities for savings to be achieved through maximising the utilisation of the current pool car fleet.

There were a number of findings identified as part of the audit and these, together with agreed management actions, are set out in the attached action plan. There were 4 actions that will be reported to the Audit Committee. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to Integrated Transportation staff and management, Resourcelink development team, pool car administrators and pool car users for their co-operation and assistance during the Audit and the preparation of the report and action plan.

**APPENDIX 1 - POOL CAR ADMINISTRATOR QUESTIONNAIRE SUMMARY**

A pool car administrator from each of the 5 main areas, being Lochgilphead, Dunoon, Helensburgh, Campbeltown and Oban, were asked to answer 8 questions with regards to the Pool car booking process. A summary of the questions and responses are noted below:

Question	Summary of response
What happens when someone calls to make booking?	This was standard across the 5 areas: <ul style="list-style-type: none"> <li>• Check booking system for car availability on requested day/time</li> <li>• Book if car available (licence checks may be requested at this stage if new user)</li> <li>• Details taken and input to booking system</li> <li>• Automatic email sent to requester to confirm booking</li> </ul>
What fields are entered within booking system – field names?	This was standard across the 5 areas: <ul style="list-style-type: none"> <li>• Name of person booking</li> <li>• Name of User (if person booking on their behalf)</li> <li>• Purpose (Destination)</li> <li>• Date and length of time required</li> </ul>
What happens when you are on leave, can someone else book this/these cars? Do you use call groups/forwarding on MS Lync and leave a text message on the system?	In each of the areas there are numerous contacts for booking pool cars; however this is not documented on the list available on the HUB. 3 areas operate a shared inbox where pool car requests can be sent. Call forwarding is used infrequently across the areas.
How is car allocated if multiple requests received?	2 administrators allocate on a ‘first come, first served’ basis, 3 would allocate depending on the length of journey – with the furthest journey given precedence.
Do you advise caller if other users are attending same destination?	4 of the 5 administrators would advise users of other users going to the same destination on the same day. Once advised, it is the responsibility of the requester to arrange for the car share. One administrator advised that they would not usually notify users when another pool car is going to the same destination.
If car is showing as booked on the system, do you get calls asking where they are going so that users may have opportunity to share travelling?	One area receive calls from staff travelling to training courses to check if any pool cars are booked for the same purpose. This does not usually happen in the 4 other areas.
Do you operate a cancellation list?	2 of the 5 administrators operate a cancellation list.
Are licence checks undertaken? How often? What prompts this?	3 administrators carry out licence checks every 6 months. One administrator undertakes licence checks on an annual basis and one undertakes licence checks on new users only.

**APPENDIX 2 – POOL CAR USERS QUESTIONNAIRE SUMMARY**

<b>Pool Car Protocol</b>	Yes	No	Other (no answer /both)
1. Are you aware of the Council's pool car protocol?	91%	7%	2%
2. Before booking a pool car do you consider the alternative options to travel? (for example; telephone/video conferencing or car sharing)	100%	0%	0%
3. Are you aware that employees must seek authority from the appropriate manager if they wish to use their own car when a pool car is available?	69%	31%	0%
4. Are you aware that in situation where two booking are being made for the same time, longer journeys should have priority over shorter journeys?	70%	30%	0%
<b>Booking of Pool Cars</b>			
1. Have you found the booking system calendar to be kept up to date?	87%	6%	7%
2. Are you asked to provide your destination when booking a pool car?	94%	4%	2%
3. When booking a pool car, has the opportunity to car share ever been identified? (e.g. multiple employees travelling to a training course)	65%	33%	2%
4. Would you request to be put on the cancellation list where pool car is unavailable for booking?	63%	33%	4%
5. Do you feel there are a sufficient number of pool cars available to meet demand in your area?	43%	54%	4%
<b>General Use of Pool Car</b>			
1. When picking up a pool car, has the pool car always been available at the agreed time and place?	81%	19%	0%
2. When using pool car(s), have you found the state of the pool car(s) to be in an acceptable condition? (E.g. clean, suitably fueled)	41%	59%	0%
3. Have you been asked to provide a driving licence check to your local pool car administrator?	96%	4%	0%

## APPENDIX 3 ACTION PLAN

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
<b>1. Pool Car Usage</b>		<b>High/ Medium or Low</b>		
Potential opportunities exist to maximise the use of pool cars.	Failure to generate savings leads to ineffective use of Council resources resulting in poor value for money and damage to reputation.	High	<b>Development of a business case to explore opportunities for efficiencies/ promote increased usage and issue appropriate guidance.</b>	<b>Transformation Board</b>  <b>30 June 2017</b>
<b>2. Driving Licence Checks</b>		<b>High/ Medium or Low</b>		
Driving licence checks were inconsistent across some areas.	Failure to verify licence validity may lead to issue of pool cars to unlicensed drivers increasing risk to other road users and Council property resulting in reputational damage.	High	<b>Management to issue instructions to all administrators with regards to licence checks.</b>	<b>Integrated Transport Manager</b>  <b>Complete</b>

<b>3. Management Information/Analysis</b>		<b>High/ Medium or Low</b>		
Limited analysis is undertaken in respect of usage, journey patterns and general management information.	Limited analysis of records may lead to ineffective decision making resulting in failure to achieve best value.	Medium	<b>Will be considered as part of the Business Case prepared for Action 1.</b>	<b>Transformation Board  30 June 2017</b>
<b>4. Fuel Charge verification</b>		<b>High/ Medium or Low</b>		
There is no verification between fuel charges applied to the Council and actual volume of fuel purchased.	Failure to perform verification may lead to charges being applied incorrectly resulting in financial loss.	Medium	<b>A verification or independent control check should be implemented to verify charge.</b>	<b>Fuel System Support Assistant  30 June 2017</b>



## Contact Details

Name Mhairi Weldon & Abbie Macalister

Address Whitegates, Lochgilphead, Argyll, PA31 8RT

Telephone 01546 604294 & 01546 604272

Email [Mhairi.weldon@argyll-bute.gov.uk](mailto:Mhairi.weldon@argyll-bute.gov.uk) & [abbie.macalister@argyll-bute.gov.uk](mailto:abbie.macalister@argyll-bute.gov.uk)

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