

Argyll and Bute Council

Internal Audit Report

February 2020

FINAL

Fleet Management

Audit Opinion: Reasonable

	High	Medium	Low	VFM
Number of Findings	0	2	2	2

Contents

1. Executive Summary	3
Introduction.....	3
Background.....	3
Scope	4
Risks	4
Audit Opinion	4
Recommendations	4
2. Objectives and Summary Assessment	5
3. Detailed Findings	5
Appendix 1 – Action Plan	11
Appendix 2 – Audit Opinion.....	15

Contact Details

Internal Auditor: **Moira Weatherstone**
 Telephone: **01546 604146**
 e-mail: **moira.weatherstone@argyll-bute.gov.uk**

www.argyll-bute.gov.uk

1. Executive Summary

Introduction

1. As part of the 2019/20 internal audit plan, approved by the Audit & Scrutiny Committee in March 2019 and amended in January 2020 to include this audit, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Fleet Management.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Fleet Services provide and maintain the fleet across all Council services. Vehicles and equipment are a critical corporate asset used in the delivery of frontline services. They are utilised for a variety of tasks e.g. vehicles for road repairs, waste management, road gritting and delivery of social work services. The Council currently have a fleet of 512 vehicles (HGVs/ trailers/ diggers etc.), 23 pool cars and 73 leased cars.
5. In order to operate any goods vehicle exceeding 3.5 tonnes Gross Vehicle Weight (GVW) the Council must hold an Operators' Licence which is granted by the Traffic Commissioner on the understanding that the Council will meet certain conditions. Failure to comply with these conditions could result in the loss, suspension or curtailment of the licence following attendance at a public inquiry.
6. Driving at work is regulated by the Drivers and Vehicles Standards Agency (DVSA), the Health and Safety Executive (HSE) and the Department for Transport (DfT).
7. The DVSA is responsible for enforcing applicable European and domestic requirements for driving as part of employment which specify daily allowable and working hour limits. These include specific requirements for continuous driving, length of working day, daily and fortnightly rest periods.
8. The Council has a significant number of employees who are required to drive as part of their employment. In addition to permanent and temporary Council staff, the Council also uses temporary (contractors) staff from external agencies. In 2018/19, 1,450 employees were reimbursed for approximately three million miles of business journeys. The total cost of the mileage claims to the Council exceeded £1m.
9. Roads & Infrastructure Services 'inherited' the fleet of pool cars in July last year and have been focusing on some minor procedural improvements. There are currently 23 pool cars available for all staff to use for the purposes of business travel. The Council's pool car policy states that

all services should actively promote alternative ways of carrying out business to minimise travel requirements, not simply on the basis of cost but in the interest of reducing pollution, saving time and minimising risk. Where travel is unavoidable the use of pool cars should be promoted ensuring all employees are aware of the appropriate booking procedures.

Scope

10. The scope of the audit is to review the key controls in place to ensure compliance with driver hour legislation, the procedures for driving licence checks and review the effectiveness of the use of pool cars as outlined in the Terms of Reference agreed with the Head of Roads and Infrastructure Services on 25 November 2019.

Risks

11. The risks considered throughout the audit were:
 - **Audit Risk 1:** The Council does not meet its legal responsibilities
 - **Audit Risk 2:** Breach in legislation resulting in financial penalties or loss of operator's licence
 - **Audit Risk 3:** Business journeys are not carried out in a manner which delivers best value for money

Audit Opinion

12. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
13. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.

Recommendations

14. We have highlighted two medium priority recommendations, two low priority recommendation and two value for money recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
 - key policies and procedures should be subject to periodic review and approval
 - infringements should be followed up in a timely manner
 - driving hours for all fleet drivers should be recorded using electronic driver cards
 - driver license checks for fleet drivers should be carried out in compliance with established policy
 - consideration should be given to the cost and benefit of introducing electric/hydrogen vehicles to the pool car fleet
 - management of the pool car fleet should be reviewed to deliver revenue savings to the Council via more efficient use of pool cars.

15. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

16. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	Procedures are in place to ensure compliance with driver hour legislation	Audit Risk 1 Audit Risk 2	Reasonable	Existing procedures facilitate compliance with legislative requirements however they require review and updating to ensure they are still fit for purpose. Driver hour infringements need to be followed up in a timelier manner and efficiency savings could possibly be made by introducing electronic driver cards for all fleet drivers.
2	Procedures are in place and operating effectively to ensure driving licence checks are complete	Audit Risk 1	Reasonable	Driving licence record checks are in place within the fleet service, including licence check procedures for the use of pool cars and, more widely for all staff through their annual performance reviews. We did however identify that driver licence checks for fleet drivers were not always carried out in compliance with established policy.
3	Usage of pool cars is delivering value for money	Audit Risk 3	Limited	The Council are not currently maximising the value that can be obtained from the pool car fleet. Furthermore, there is merit in exploring the potential benefit of introducing electric and/or hydrogen cars into the pool car fleet.

17. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

Procedures are in place to ensure compliance with driver hour legislation

18. The Council has policies and procedures to record and review driver hours to facilitate compliance with relevant legislation. The Fleet Inspector/Procurement Officer, is added to the Operators Licence for the Council and is responsible for ensuring that procedures are adhered to. The Drivers Handbook has not been reviewed since 2016 and the pool car protocol contained within the handbook has not been updated since 2014.

Action Plan 1

19. Drivers are provided with information and booklets regarding driving, including drivers hour regulations when they commence working for the Council. Driver's handbooks are reissued as part of the follow up process when driver hour infringements are identified. Information on '*driving at work*' is available on the HUB.
20. There are also procedures to ensure fleet drivers record their driving and work activities. Depending on the size, type and operations of the vehicle there is legislation governing the amount of time you can legally drive the vehicle and limits on your duty time. This legislation will be set out in either 'Domestic Rules' or 'EU Rules'.
21. Drivers of goods vehicles or combinations of vehicle and trailers of more than 3.5 tonnes, unless covered by a specific EU-wide exemption or a national derogation, are required to comply with EU drivers' hours rules and the working time directive. The Council have three fleet drivers who are subject to EU driving rules; most other fleet drivers are subject to domestic hour legislation.
22. The Council, consistent with a legal requirement, fit tachographs on all fleet vehicles over 3.5 tonnes Digital tachographs store journey information in their memory and on the driver's smart card. Driver's working under EU regulations are required to use tachographs and driver cards to record their journeys. We confirmed that the three drivers working under EU rules are complying with this requirement.
23. The Council require drivers to download their driver cards on a weekly basis, although legally they are only required to do this every 28 days. The Council are members of the Freight Transport Association (FTA) and pay an additional fee to access reports from the FTA regarding driver activities. Monthly reports detail driver hours and work activity and include details of any infringements (EU driver hours). Reports are analysed by the Fleet Inspector/Procurement Officer who follow up on any reported infringements.
24. We reviewed four driver infringements highlighted on the FTA reports for October 2019, November 2019, December 2019 and January 2020. There was evidence of appropriate action being taken for the October and November infringements. However, at the time of the audit fieldwork (February 2020) follow up of the December and January infringements was outstanding by the service user

Action Plan 2

25. Fleet drivers not subject to EU driver rules fall under domestic rules. This allows for driving records to be maintained manually in record books. The Council issue two part driver record books and drivers are required to record their driving hours and work activity on a daily basis. The books are handed to supervisors on a weekly basis to check and sign. The top copy is retained and filed for a period of 12 months. This manual system is resource intensive and can be subject to human error. There would be clear process efficiency gains and less risk of error if driver cards were used for all drivers, not just those requiring to comply with EU regulations.

Action Plan 3

Procedures are in place and operating effectively to ensure driving licence checks are complete

26. The Council has procedures to ensure driving licence checks are carried out. We reviewed procedures within fleet management, pool car use and across the wider Council in respect of employees who are required to drive in the course of their duties.
27. Fleet Services check driving licences of fleet drivers prior to staff commencing work in line with VOSA guidelines. The Council has a policy of performing further checks on fleet driver licences every six months. The Fleet Inspector/Procurement Officer sends reminder emails to the area supervisors asking them to complete the checks. The area supervisors have access to the gov.uk (DVLA) website where, with the permission of the driver, they can access driving licence information. This provides a comprehensive view of the driving licence record. Completed checks are recorded on Tranman (the fleet management data base). A review of records held on Tranman for six ground maintenance staff (covering all of the four Council administrative areas) highlighted that four out of the six had not had their driving licence checks completed within the agreed timeframe.

Action Plan 4

28. For pool car users driving licence checks are undertaken by area pool car administrators prior to a member of staff using a pool car. Staff are required to log on to the gov.uk-view driving licence website which allows sharing of driving licence information with their employer on production of a unique driving licence check code. Staff print a copy of the information including status of licence, vehicles permitted to drive and endorsements and provide this to the pool car administrator along with their driving licence photo card when collecting the pool car for the first time and every six months thereafter. Completed driving licence checks are recorded on Tranman.
29. On an annual basis all staff are required to provide a copy of their driving licence during their Performance, Review and Development (PRD) meeting with their line manager.

Usage of pool cars is delivering value for money

30. Pool car information, including the pool car protocol is available on the HUB, however does not have a prominent position or significant profile. The Stopford Facility Booking System is used to book all Council meeting rooms, pool cars and hot desks for staff, and for council minibuses, grass pitches and publically available meeting rooms for customers. Pool car booking information is found within the meeting room booking facility and there are several stages/links/clicks required before you access the pool car availability calendar. You then need to contact a member of staff to finalise the booking. We concluded that the pool car booking system is not particularly user friendly and possibly discourages people from considering using them.
31. Pool cars are located in, and their administration decentralised to, the four Council administrative areas. Administration is predominantly done by social work staff and written comments in the staff survey, referenced at paragraph 40 below, indicated a perception that social work staff were prioritised when allocating pool cars. There is no central control of pool car use and, whilst Fleet Services are responsible for pool cars, they do not have a record of who the area administrators are.
32. We reviewed pool car usage for the 17 pool cars in use and fitted with a tracker and staff mileage claims for the period April 2019 to September 2019. In addition a pool car survey was

undertaken to gather feedback on staff awareness of pool car protocols, staff use of pool cars and any perceived barriers to the use of pool cars. The following paragraphs set out they key messages from this work.

33. Our analysis of pool car usage strongly suggests they could be delivering better value for money for the Council. Over the period reviewed the total mileage travelled and journeys undertaken by all pool cars fitted with a tracker was 139,409 miles for 12,794 journeys. This is an average of 10.9 miles per journey. This is broken down in Exhibit 2.

Exhibit 2 – Pool Car Usage – April to September 2019

Area	No of Cars	Miles	Journeys	Miles per Journey
Campbeltown	2	19,848	3,542	5.6
Dunoon	6	40,166	3,468	11.58
Helensburgh	2	25,727	1,170	21.98
Lochgilthead	4	37,960	3,146	12.06
Oban	1	4,247	289	14.69
Rothesay	2	11,461	1,179	9.72
Totals	17	139,409	12,794	10.9

34. Exhibit 2 highlights that, on average, pool cars are used for relatively short journeys. This suggests there may be benefit in introducing electric and/or hydrogen vehicles to the pool car fleet. Not only might this deliver savings to the Council it would also reduce the Council's carbon footprint and would be a venture aligned to the need for all public service bodies to be aware of the climate challenge emergency. There are organisations who can assist with projects to examine the cost and benefit of introducing electric/hydrogen vehicles to the pool car fleet (for example the Energy Savings Trust) and it is recommended that the Fleet Service give consideration to this. There are also strong indications from the Scottish Government that grant funding may be available to support projects of this nature and it would be beneficial for the Council to be well prepared to apply for them should the opportunity arise.

Action Plan 5

35. Analysis of mileage claims submitted by staff (for journeys using their own vehicles) over the same period highlighted that 986,517 miles were claimed (approximately £390,000) for 15,836 journeys – an average of 62.30 miles per journey.
36. To identify examples of where staff could be making more effective use of pool cars we reviewed pool car use against a limited number of staff travel claims over a period of six randomly selected dates. This highlighted a number of examples where multiple staff members claimed mileage to travel to the same location on the same day when a pool car was available and examples where staff members were claiming for journeys in their own cars when people in their own service were making the same journey in a pool car. These examples and others like them provide an indication that better communication regarding travelling plans and a clearer pool car diary could result in more effective use of pool cars.
37. Whilst this analysis is relatively high level it would suggest that the Council could generate considerable savings through more efficient use of pool cars. The service should explore this further via a more detailed review which should consider the potential benefits of:
- a more centralised approach to the administration and booking of pool cars

- better promotion of the use of pool cars
- providing greater visibility of bookings and destinations to encourage pool car sharing
- implementing or developing a pool car booking system (Dumfries and Galloway Council did this effectively using the Tranman system)
- identifying ways of transferring the balance of pool car usage from shorter journeys to longer ones

Action Plan 6

38. In order to try and identify some of the possible reasons why pool cars are not being used more effectively we issued a survey to the 183 staff who had submitted mileage claims in excess of 3,000 miles in the 2018/19 financial year. We received 60 responses (33% response rate). Exhibit 3 summarises the results.
39. A key point noted was that, despite being heavy business mileage users, 38% of the respondents would not consider using a pool car and 45% have never checked the availability of pool cars before making a business journey. This despite 80% of respondents seeming to be aware of the pool car option.

Exhibit 3 – Pool Car Survey Responses

Question	Yes	No
Have you used a council pool car?	43 (72%)	17 (28%)
Are you aware of the Council's pool car protocol?	48 (80%)	12 (20%)
When required to travel in the course of your duties, do you consider the alternative options to travel? (for example; telephone/video conferencing or car sharing)	57 (95%)	3 (5%)
When required to travel in the course of your duties, do you consider the use of a council pool car?	37 (62%)	23 (38%)
When required to travel in the course of your duties, do you check the availability of pool cars?	33 (55%)	27 (45%)

40. To explore some of the potential barriers to pool car use the survey also asked staff to identify the reason why they don't wouldn't use pool cars. Exhibit 4 summarises the responses received into three overarching themes.

Exhibit 4 – Pool Car Survey – Barriers to Use

Theme	Examples of Comments
Collecting and returning pool car	<ul style="list-style-type: none"> • Adds additional time, distance and stress to an already busy day • For overnight stays I would not be happy leaving my car at office • Too restrictive about where the car needs to be parked overnight

	<ul style="list-style-type: none"> • Difficulty accessing car keys due to early starts or returning them after office hours
Pool car availability	<ul style="list-style-type: none"> • General experience that cars are not available • No priority over demand (long v short distances) • Cars can be booked too far in advance (i.e. a certain day every week for six months) • Social work staff are prioritised and tend to block book even if unsure of need • Often issues require immediate attendance so advance booking not practical
Pool car condition	<p>There were a number of comments about the general condition that cars are left in making them an unattractive option. There were references to lack of cleanliness, mould, dampness, odours, litter, poor state of repair and cars left with very limited fuel in the tank.</p> <p>There was also come comments about the quality, suitability and general comfort of the pool cars.</p>

41. The feedback from the survey should be used to inform the detailed review suggested at paragraph 37.

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Policies and Procedures</p> <p>Policies and procedures are in place to facilitate compliance with legislation, however the Drivers Handbook has not been reviewed and updated since 2016 and the pool car protocol was last updated in 2014.</p>	Policies, procedures and working practices may not be aligning to current legislation.	Policies and procedures will be reviewed and updated.	Procurement/ Technical Officer 31 December 2020
Medium	2	<p>Infringements</p> <p>Appropriate action has been taken for the October and November infringements however, at the time of the audit fieldwork (February 2020) follow up of the December and January infringements was outstanding.</p>	Failure to follow up infringements on a timely basis increases the risk of investigation and fines.	Infringements will continue to be monitored. Designated officer will liaise with service users to ensure compliance with requirements. Communications will be incorporated into the process.	Procurement/ Technical Officer 31 December 2020
Low	3	<p>Driving Hours Compliance</p> <p>Fleet drivers not subject to EU legislation maintain manual driving records which are handed to supervisors on a weekly basis to check and sign. This is a resource intensive process which is subject to human error. There would be clear process efficiency gains and less risk of error if the Council adopted the system already in place for fleet drivers subject to EU legislation and rolled out electronic driver cards to all fleet drivers.</p>	Errors in recording driving hours may result in breaches of driver hour legislation.	The key officer will ensure that all drivers hold and use tachograph cards to move away from the paper book records.	Procurement/ Technical Officer 31 December 2020

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	4	<p>Driving Licence Checks</p> <p>Fleet Services check driving licences of fleet drivers prior to staff commencing work in line with DVSA guidelines. The Council has a policy of performing further checks on fleet driver licenses every six months. A review of records held on Tranman for six ground maintenance staff highlighted that four out of the six had not had their driving licence checks completed within the agreed timeframe.</p>	The Council may not be aware of the current status of licences for drivers using their fleet.	The key officer will ensure a review takes place relating to the driver licence checks. Measures will then be implemented to ensure that all checks take place.	Procurement/ Technical Officer 31 December 2020
VFM	4	<p>Electric and/or Hydrogen Vehicles</p> <p>Analysis shows that pool cars are generally used for short journeys which suggests there may be benefit in introducing electric and/or hydrogen vehicles to the pool car fleet. This could benefit the Council by delivering revenue savings and reducing the Council's carbon footprint at a time when public service bodies are expected to be aware of, and react to, the climate challenge emergency.</p> <p>There are also strong indications from the Scottish Government that grant funding may be available to support projects of this nature and it would be beneficial for the Council to be well prepared to apply for these funds should the opportunity arise.</p> <p>Fleet Services should give consideration to the cost and benefit of introducing electric/hydrogen vehicles to the pool car fleet.</p>	The pool car fleet may not deliver best value and could be detrimental to the Council's ambition to reduce its carbon footprint.	The Council currently have electric vehicles within the fleet. Further investigation will take place in relation to hydrogen vehicles. Transport Scotland will be approached to access funding to increase the electric fleet further.	Procurement/ Technical Officer 31 December 2021

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
VFM	5	<p>Management of Pool Cars</p> <p>A high level analysis of the use of pool cars suggests the Council could generate considerable savings through more efficient use of pool cars. Fleet Services should explore this further via a more detailed review which should consider the potential benefits of:</p> <ul style="list-style-type: none"> • a more centralised approach to the administration and booking of pool cars • better promotion of the use of pool cars • providing greater visibility of bookings and destinations to encourage pool car sharing • implementing or developing a pool car booking system • identifying ways of transferring the balance of pool car usage from shorter journeys to longer ones 	The pool car fleet may not deliver best value for money.	The pool car module will be released through Tranman. The pool car module offers a centralised approach to bookings and visibility. The Council's internal communications department will be contacted to highlight the use of the pool cars. Work will be undertaken to increase usage.	Procurement/ Technical Officer 30 September 2020

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the Council to achieve better value for money.

Appendix 2 – Audit Opinion

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