

Title of Report:	Fleet Management Internal Audit 2020 - 21
Committee Report Submitted To:	Audit Committee
Date of Meeting:	9th June 2021
For Decision or For Information	For Information

Linkage to Council Strategy (2019-23)	
Strategic Theme	Improvement and Innovation
Outcome	Satisfactory
Lead Officer	Audit, Risk & Governance Officer
Cost: (If applicable)	n/a

Budgetary Considerations	
Cost of Proposal	n/a
Included in Current Year Estimates	YES/NO
Capital/Revenue	Revenue
Code	n/a
Staffing Costs	Internal Staffing Cost to Complete

Screening Requirements	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes/No	Date:
	EQIA Required and Completed:	Yes/No	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No	Date:
	RNA Required and Completed:	Yes/No	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No	Date:
	DPIA Required and Completed:	Yes/No	Date:

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Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2020/21. This report summarises the findings arising from a review of Fleet Management which was allocated 8 days. The area of Fleet Management was previously audited in 2017/18 receiving an overall level of assurance of satisfactory.

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

- Council's fleet is adequately tracked and maintained through the use of the R2C fleet management software system. Both Operations and Estates vehicles are on it, the R2C allows for the proper maintenance checks to be recorded and flagged when due.
- All vehicles tested have been registered to Council and taxed appropriately.

A number of areas have been highlighted in this report where controls could be enhanced. 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 and its drivers may not hold or comply with the appropriate licences leading to non-compliance with legislation resulting in potential legal issues or accidents.	1	2	
The Council's fleet of vehicles may be inadequately maintained leading to operational problems due to substandard fleet quality and instances of non-compliance with legislation resulting in potential legal issues.			
The Council may not have appropriate fleet insurance or road tax covering all Council vehicles leading to non-compliance with legislation resulting in potential legal issues or accidents.	-	-	1
Total recommendations made	1	2	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.

The weaknesses identified during the course of our audit have been brought to the attention of Management. The weaknesses outlined are those, which have come to our attention during the normal audit work and are not necessarily all of the weaknesses, which may exist. The content of this report has been discussed with the Chief Officer to confirm factual accuracy. The assistance and cooperation received during the course of our review is gratefully acknowledged.

Objective

The main objective of the audit was to review the key systems and controls in relation to the Fleet Management, mainly the Operator's Licence, Drivers Licence and Maintenance of Fleet.

This report has been prepared for the Members of Causeway Coast and Glens Borough Council and should not be disclosed to any third party, quoted or referred to without prior written consent of the author.

Background

The responsibility for Fleet Management currently sits across two service areas being Operations and Estates. A Memorandum of Understanding has been drawn up dealing with estates vehicles/plant etc. The Memorandum of Understanding details responsibility for the purchase/hire/lease of vehicles, responsibilities in respect of operator's licence, insurance, maintenance and inspection schedule.

The Council is required to hold an operator's licence under the Goods Vehicles (Licensing of Operators) Act (Northern Ireland) 2010 (the Act). The conditions and undertakings recorded in the licence have been given by the licence holder and are considered to be material to the grant of the licence. A traffic commissioner is responsible for issuing these licences in each traffic area. They will consider and grant a licence on the basis of the undertakings given by the applicant and they are entitled to expect the operator to comply with those undertakings during the life of the licence. Traffic commissioners may take regulatory action against an operator – where they may revoke, suspend or curtail an operator's licence.

Council uses fleet management software called R2C to manage and track the maintenance of Council's vehicles. Vehicles deemed to be Agricultural on the V5 log book are not recorded on the R2C system, i.e. tractors, mowers etc. Both Operations and Estates vehicles are recorded onto the system. LGVs are tested every 13 weeks and HGVs are tested every 6 weeks. All tests are carried out by external garages with the exception of new vehicles which are currently tested in house. To ensure proper maintenance management it is important that R2C is complete and accurate to ensure that all items of fleet are registered and accounted for and being maintained to a safe operating standard. The R2C system also has the capacity to control the daily checks via an app on a handheld device, instead of using our paper books. This is something the Council are currently considering and costing.

Risks

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

- The Council and its drivers may not hold or comply with the appropriate licences leading to non-compliance with legislation resulting in potential legal issues or accidents.
- The Council's fleet of vehicles may be inadequately maintained leading to operational problems due to substandard fleet quality and instances of non-compliance with legislation resulting in potential legal issues.

- The Council may not have appropriate fleet insurance or road tax covering all Council vehicles 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
Director of Environmental Services
Head of Operations
Head of Estates
Operations Manager

Findings and Recommendations

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

6.1

Issue 1 – Vacancy of Fleet Manager	
a) Observation-	<p>An operator (the Council) applying for a standard national licence, will need to have at least one transport manager who satisfies the requirements of good repute and professional competence. The Transport Manager must be nominated on a standard licence and hold the Certificate of Professional Competence (CPC) examination.</p> <p>The Fleet Manager within Causeway Coast and Glens Borough Council left on 31/10/2020. Since then the roles and responsibilities have been divided out amongst the following officers: Head of Operations (who holds the CPC qualification), Operations Area Manager, Senior Mechanic and Business Support Staff.</p> <p>The Council's Goods Vehicle Operator's Licence is in force from 13/04/2015 and is issued in the name of the previous Fleet Manager. The operator's licence is issued under the Goods Vehicles (Licensing of Operators) Act (Northern Ireland) 2010 (the Act). The conditions and undertakings recorded in this licence have been given by the licence holder and are considered to be material to the grant of the licence.</p>
b) Implication-	<p>There is a risk that the Council is non-compliant with statutory obligations in relation to its fleet management and therefore the Council may be exposed to financial, reputational and legal risks arising from issues not being addressed.</p>
c) Priority Rating-	1
d) Recommendation-	<p>A clear governance framework is essential to ensure effective fleet management. Whilst audit appreciates that an organisation structural review is underway the position of fleet manager is statutory under the Operator's Licence requirements. Audit recommends that the position of Fleet Manager is advertised and filled at the earliest opportunity with a candidate that holds the required qualifications to allow the Council to fulfil its obligations.</p> <p>The Council's Goods Vehicle Operator's Licence should be updated with the Transport Regulation Unit within the Department for Infrastructure, to reflect 'the name of the person, company or partnership that is the 'user' of the vehicle'.</p>
e) Management Response-	Accepted

Responsible Officer & Implementation Date- Aidan Mullan Sept 2021

6.2

Issue 2 – Fleet Management Policy

a) Observation-

Audit notes that the management of the Council fleet rests between two service areas being Operations and Estates. A Memorandum of Understanding is in place between the two service areas detailing the responsibilities for the purchase/ hire/lease of vehicles, responsibilities in respect of operator's licence, insurance, maintenance and inspection schedule.

Normal practice would be that Council develop a Fleet Management policy so that officers are clear on their roles and responsibilities in relation to fleet management.

b) Implication-

In the absence of a fleet management policy for Council vehicles, there is a risk that the management and use of fleet across the Council may be inconsistently applied, therefore increasing the risk of unauthorised or inappropriate use of vehicles across Council.

c) Priority Rating-

2

d) Recommendation-

A fleet management policy should be developed that clearly documents Council policy in relation to responsibilities for the management of Council vehicles, drivers, other users, fleet manager, vehicle checks etc. As part of the policy Council should consider a fleet economic life plan detailing when vehicles are scheduled to be replaced.

e) Management Response- Agree. A policy will be developed to address this issue.

Responsible Officer & Implementation Date- Aidan McPeake Dec 2021

6.3

Issue 3 – SORN

a) Observation-

Council vehicles are sold/disposed of at Auctions. It was noted that on a small number of occasions the new owner of a vehicle did not register the vehicle immediately resulting in the Council receiving reminders for tax / PSV etc.

Whilst this is outside the control of Council Officers, this was discussed and the Auctions contracted for advice regarding the correct keeper to record on the SORN documentation once the vehicle is disposed of.
b) Implication- There is a risk that the Council may be exposed to a financial loss for motor tax/road fines etc.
c) Priority Rating- 3
d) Recommendation- When a vehicle is sold, the vehicle should be registered as off the road (SORN). The Operations Manager sought advice from an Auction centre and the proper procedure should be to mark the SORN application as 'Sold to Trade' therefore no further reminders will be issued to the Council. Audit recommends that this is implemented for the disposal of all vehicles with immediate effect.
e) Management Response- Agreed.
Responsible Officer & Implementation Date- Aidan Mullan - Immediately

6.4

Issue 4 – Previous points for the attention of management	
a) Observation- An internal audit of fleet management was undertaken in 2017/18, appendix II of the audit contained a number of points for the attention of managements. These recommendations included the need for Council to develop a Fleet Management Strategy, the requirement of the Operator's Licence to dedicate full time member of staff to provide administrative support to operators who hold above 50 HGV vehicles. These recommendations remain outstanding.	
b) Implication- There is a risk that the Council is non-compliant with statutory obligations in relation to its fleet management and therefore the Council may be exposed to financial, reputational and legal risks arising from issues not being addressed.	
c) Priority Rating- 2	
d) Recommendation- Audit recommends that all internal audit recommendations and points raised for the attention of management be implemented on a timely basis.	
e) Management Response- Accepted and Implemented	
Responsible Officer & Implementation Date- Aidan Mullan Dec 2021	

Conclusion

The internal control environment, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include but are not limited to the possibility of poor judgement in decision – making, human error, control processes being deliberately circumvented by employees and others, management overriding of controls and unforeseen circumstances arising.

The risk associated with the management of fleet is considered to be low. However, it is important that a clear and concise fleet management policy is in place and made available to all staff to ensure a consistent approach is adopted.

As a result of the audit, senior management have been reminded of their statutory obligations in relation to the management of fleet. Internal Audit has made four recommendations, one at high, two medium and one low. The recommendations have been accepted by management and procedures put in place to address the issues.

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:

There are no minor points for the attention of management.