

Denbighshire Internal Audit Services
Caledfryn, Smithfield Road, Denbigh LL16 3RJ

Corporate Fleet Management

October 2015



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Purpose & Scope of Review

We carried out this review to provide assurance for the Annual Internal Audit Report, Annual Governance Statement and Head of Service.

The review covered the following areas:

- Strategy
- Procurement
- Maintenance
- Running of fleet
- Disposal

Assurance Rating (Based on areas reviewed)

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|  | High Assurance | Risks and controls well managed |
|  | Medium Assurance | Risks identified but are containable at service level |
|  | Low Assurance | Risks identified that require meeting with Corporate Director/Lead Member |
|  | No Assurance | Significant risks identified that require member / officer case conference |

Audit Opinion

Fleet Services strives to make sure that the Council maintains its Operator's Licence, which is critical for delivering the majority of customer-facing services e.g. winter maintenance and refuse collection. While we have found several areas where the service is managed well, the nature and number of issues that we have raised has resulted in our low assurance rating.

Communication between Fleet and its key service users has improved in recent years and it accepts that there is scope for further improvement, e.g. by finalising the Transport Policy and communicating it to all relevant employees throughout the Council.

Procurement of vehicles is managed well, applying Contract Procedure Rules and using framework agreements to comply with EU Regulations; however, Fleet and service users must work together to arrange for the timely replacement of vehicles using the most economic means.

Fleet Services administers and delivers the repair and maintenance of the Council's vehicles within the timeframe agreed with the Traffic Commissioner. It has a high MOT pass rate and low risk rating from the Driver and Vehicle Standards Agency (DVSA).

A programme of driver training is in place; however, insurance claims for incidents and near misses involving Council vehicles in certain services were not reviewed to identify training needs and reduce the risk of recurrence. In addition, sample testing shows that services are not evidencing driver licence checks at the time of staff recruitment, despite this being a requirement of the Recruitment Procedure. Licence checks do occur before employees are permitted to drive a Council vehicle.

Management and control of fuel needs strengthening to minimise loss, theft or waste. Also, recharging of fuel overhead costs is not reflective of the actual costs and is resulting in some services being charged excessively.

The Fleet Management System (Fleetmaster) records all relevant vehicle details. Despite this, Fleet Services has outgrown the system, a particular issue being that the vendor no longer supports the system. There are opportunities to streamline fleet maintenance processes, improve management information and automate recharges to services by using a more modern fleet management system.

Action Plan

Audit Review of: Fleet Management

Date: October 2015

Corporate Risk/Issue Severity Key

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|--|--|
| | Critical - Significant CET and Cabinet intervention |
| | Major - intervention by SLT and/or CET with Cabinet involvement |
| | Moderate - Containable at service level. Senior management and SLT may need to be kept informed |

| Risk/Issue No. | Risk/Issue | Action | Who | When |
|----------------|---|---|---|---------------|
| 1. | The Transport Policy is out of date and was removed from the intranet for this reason. Without effective communication of each driver's responsibility and acceptable use of Council vehicles, there is a risk that non-compliance is not taken seriously. Communication is needed at all levels of the organisation, supported by the Senior Leadership Team (SLT) to ensure that it is read and applied by all employees. | The Waste & Transport Manager will present the revised Transport Policy at a SLT meeting to promote staff awareness and get senior management buy-in. | Waste & Transport Manager | December 2015 |
| 2. | Ineffective identification of vehicles reaching the end of their economic life can lead to unnecessary costs e.g. extra maintenance work needed and leasing to replace vehicles that are no longer serviceable. | Lists of vehicles will be reviewed at Fleet & Service Review meetings to identify vehicles that are reaching an end of their economic life. An assessment on the continued use or replacement will be identified and recorded. (Meetings with Street Scene, Building Services, Street Lighting and Housing Services have taken place, with Waste Services, Countryside Services and Social Services left to do). Service users will be trained on how to interpret and use the monthly management information report, which will help them to understand which vehicles are no longer economical to maintain. | Waste & Transport Manager / Fleet Performance Manager | January 2016 |

| Risk/ Issue No. | Risk/Issue | Action | Who | When |
|-----------------|---|--|---|------------------------------|
| 3. | Although it has improved, communication between Fleet Services and service users (and vice versa) is causing avoidable service downtime. Fleet Services has recently started to meet key service user representatives to discuss performance and recurring issues. Periodic meetings should be arranged with all fleet user services, with a set agenda and a record kept of the agreed actions for both parties. | Fleet & Service Review meetings are scheduled, a standard agenda is defined (although additional agenda items can be added), and minutes are now formally recorded. | Waste & Transport Manager / Fleet Performance Manager | December 2015 |
| 4. | Few formal agreements are in place with Fleet Services' external customers to protect its cash flow and contractual position by stipulating a cooling off period for ending a maintenance arrangement. | A trigger of £15,000 will be introduced, whereby when an external customer's work exceeds this defined value, a service level agreement will be issued (to include provision for 30-day notice of service break). | Fleet Performance Manager | December 2015 |
| 5. | Fleet Services has limited policies and procedures in place to guide consistent practices, support business continuity, and health and safety or fraud investigation. This includes, but is not limited to: <ul style="list-style-type: none"> • guidance for new workshop employees; and • disposal of vehicles i.e. redeployment, available methods for disposal, treatment of proceeds from sales, and capture the reason and approval for the disposal. | Current policies and procedures in place include: <ul style="list-style-type: none"> • Health and safety – risk assessments, safe working procedures are in place. • Toolbox talks are regularly provided to staff (and recorded. • New employees are inducted via use of the corporate induction form. This will be supplemented by: <ul style="list-style-type: none"> • As part of the induction process, new employees will be required to read health and safety procedures and sign to evidence this. This will incorporate emergency procedures, accident reporting and first aid. • Disposal of vehicles will be incorporated into the Transport Policy (see Risk/Issue 1). | Waste & Transport Manager / Fleet Performance Manager / Fleet Maintenance Manager | October 2015 |
| 6. | The Fleetmaster system is a legacy system with limited vendor support and its reporting function is weak. There is an opportunity to streamline the workshop's paper-heavy processes and reduce non-productive time through using a more modern fleet management system. | A business case for a new system will be developed (ICT to be part of any subsequent procurement). Funding streams e.g. Modernisation Board will be investigated to cover the purchase cost. If agreed, a new fleet management system will be implemented to replace the existing Fleetmaster system. | Waste & Transport Manager / Fleet Performance Manager / ICT | April 2016 April 2017 |

| Risk/ Issue No. | Risk/Issue | Action | Who | When |
|-----------------------|---|---|---|---|
| 7. | Although two thirds of the employees that drive a Council vehicle have completed a form (D796) allowing Fleet Services to check their driving licence validity, there is no evidence that managers check driver licences as part of the recruitment and selection process for a post that involves driving. This is necessary to show that the Council only employs individuals who are competent to carry out their roles. | As per Risk/Issue 1, the Transport Policy will be updated to clarify roles and responsibilities for carrying out driver licence checks. Online driving licence checks will be introduced as part of the recruitment process. All new members of staff will be asked to complete the D796 form at the time of appointment i.e. when other checks are carried out on work references and eligibility to work in the UK. | Waste & Transport Manager/Fleet Performance Manager / Head of Legal, HR & Democratic Services | December 2015 In place (HR process introduced) |
| 8. | Details of incidents and near misses captured in insurance claims are not always reviewed to prevent recurrence. This would help the Council to take action to reduce the risk of such incidents recurring and safeguard the public and employees from potential harm. This issue was raised in our previous audit 2010/11. | As per Risk/Issue 1, the Transport Policy will be updated to include the requirement for drivers of corporate vehicles to report incidents in such a way that it will trigger a review and remedial action where necessary. Employees and line managers will be reminded that the Incident Management Database (on the intranet) should be completed following an incident involving a Council vehicle. The accident management procedure will be set out at each Fleet & Service Review meeting. The Corporate Road Risk Advisor will review insurance claim forms relating to road traffic incidents to ensure that all are captured on the Incident Management Database. If any are missed, Health and Safety will escalate with the relevant line manager and, if it is a recurring problem, the Head of Service. | Waste & Transport Manager/ Fleet Performance Manager Waste & Transport Manager / Services Corporate Road Risk Advisor | December 2015 In place October 2015 |
| 9. | Council vehicles over 12 years of age are not being maintained in line with the VOSA Guide to Maintaining Roadworthiness. This states that vehicles over 12 years of age should have safety checks every 6 weeks, as they are more prone to defects. The Council must notify the Traffic Commissioner if maintenance is done less often, giving the reason. | The Council has spoken with the Traffic Commissioner regarding this point and he is satisfied with the inspection frequency regime currently in place (given the Council's excellent maintenance procedures and records). | Fleet Performance Manager | Complete |

| Risk/ Issue No. | Risk/Issue | Action | Who | When |
|-----------------------|---|--|---|--|
| 10. | Fuel management costs recharged to services are not an accurate reflection of the actual costs. | There is a fuel management on-cost of 6%, which does not go to Fleet, it goes to stores. The 6% charge for stores is excessive. A 2% on-cost (1% to fleet, 1% to stores) would be fairer. This will be discussed with Head of Street Scene (who covers Stores). | Waste & Transport Manager/ Head of Street Scene/ Chief Finance Officer | November 2015 |
| 11. | The Council spends nearly £1m a year on fuel, yet there is no campaign to promote efficient use e.g. through altering driver style, inflating tyres correctly. Although the information is available through the tracker system and fuel reports, these are not currently sufficient to take effective action to reduce fuel use. | <p>An updated fuel management procedure will be implemented to include:</p> <ul style="list-style-type: none"> the statement that fuel cards are to be used for business purposes only; and a requirement to enter accurate odometer readings. Members of staff will have to read and sign the updated issue form before a fuel card or tracker fob is handed over. <p>Investigate potential to introduce driver behaviour equipment in Council vehicles (Building Services and Street Scene) to highlight to drivers audibly when they are driving inefficiently.</p> <p>Contact Gwynedd County Council Fleet Services to gain their feedback on the viability of the system.</p> | Fleet Performance Manager Waste & Transport Manager/ Fleet Performance Manager | In place Initial assessment by December 2015. If viable, implement by March 2016 |
| 12. | No stock checks are carried out to ensure that fuel is accounted for and to aid detection of any loss, waste or theft. | <p>Fleet Services will investigate the cost of installing a fuel tank gauge, which will provide:</p> <ul style="list-style-type: none"> accurate record of tank contents accurate reading of fuel deliveries warnings of any tank leakages <p>If an electronic system is not deemed as financially viable, a manual system will be introduced and a stock check performed periodically.</p> | Fleet Performance Manager | Either electronic or manual system in place by December 2015 |

| Risk/ Issue No. | Risk/Issue | Action | Who | When |
|-----------------------|--|--|---------------------------|----------|
| 13. | Controls over fuel cards needs strengthening to reduce the Council's risk of fuel cards being misused. Fuel Card Acceptance forms should clearly state that fuel purchased using the fuel card is solely for business reasons. | As per Risk/Issue 11, a fuel management procedure will be implemented and all members of staff will be required to sign a declaration that they have read it and agree to its contents. This will be rolled out to new employees and existing employees when fuel cards are renewed. | Fleet Performance Manager | In place |

Background & Context

The Council's Fleet Services is responsible for the procurement, maintenance, disposal and legal administration of all Council vehicles. The service deals with approximately 360 vehicles ranging from small vans and cars to 32 tonne refuse trucks, ensuring that all are roadworthy and in a safe condition. The Council is required to hold an Operator's Licence ('O' Licence), which the Traffic Commissioners regulate and imposes strict legal requirements on the way the Council operates and manages its fleet of vehicles.

The Waste & Transport Manager is responsible for the management of Fleet Services and is supported by the Assistant Fleet Manager (named person on the 'O' Licence). The day-to-day management of the vehicle workshop is the responsibility of the Fleet Maintenance Manager with nine mechanics and three other personnel employed to undertake the servicing and maintenance of all the Council's fleet.

We undertook our previous audit review in March 2011, also covering grey fleet. We identified 18 significant weaknesses in the systems of internal control. Despite our follow up reviews of agreed actions, two issues from our previous audit remain outstanding and we highlight these instances in our report.

Review Outcomes & Risks Arising

Strategy, Policies & Procedures

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| Opinion | Although there have been some improvements, communication between Fleet Services and service users lacks direction to steer effective working practices. |
| Key Area Managed Well | Although not documented, the Council's strategy is to maintain its stock of fleet in accordance with the Operator's Licence, while reducing the costs associated with fleet e.g. by rationalising existing vehicle stock. This formed part of an external consultant review (through a profit share arrangement), which achieved £200k in savings. Further work to make savings through fuel management has yet to be determined. |
| Key Area Managed Well | Fleet provision is mainly funded through prudential borrowing or through revenue or grant if available. Very few services make use of a recent framework agreement for hiring vehicles, which may be more efficient where vehicles are used infrequently. (See Risk / Issue 2) |
| Key Area Managed Well | Fleet Services has increased its level of external work in recent years to offset the reduction in Council fleet size, so costs are maintained as low as possible. |
| Risk/Issue 1 Major | <p>The Transport Policy is a key document for setting responsibilities and outlining requirements to comply with driving legislation (UK & EU) and the Operator's Licence. The policy, dated 2006, is out of date and, as it was removed from the intranet, it is not available for employees who are required to read it, despite the fact that they are required to sign a declaration that they have read the Policy.</p> <p>Communication is needed at all levels throughout the Council with the backing of SLT to make sure that non-compliance is taken seriously.</p> |
| Risk/Issue 2 Major | There are inconsistent arrangements within Council services for replacing fleet vehicles. Ineffective identification of the vehicles that are reaching the end of their economic life may lead to unnecessary costs e.g. additional repair and maintenance, and short-term leasing. Individual services are responsible for deciding which vehicles to procure and dispose of, and Fleet Services facilitates this process. (See Appendix 1 for "Age Profile of Council Fleet Vehicles") |
| Risk/Issue 3 Moderate | Although there is evidence of better communication between Fleet Services and service users, there is still negative feedback from both sides about lack of notification, which causes avoidable service downtime. Fleet Services has started to meet key service user representatives to discuss performance and recurring issues. Periodic meetings should be arranged with all fleet user services, with a set agenda and a record kept of the agreed actions. |
| Risk/Issue 4 Moderate | Few formal agreements are in place with the Fleet Services' external customers. Where an external customer's work is above a certain value, the Council should seek to formalise the agreement to protect its cash flow and contractual position by specifying a cool off period, e.g. 30 days' notice, to terminate the maintenance arrangement. |
| Risk/Issue | Fleet Services has few written procedures in place to guide consistent |

5
Moderate

working practices, support business continuity and assist health and safety and fraud investigations. For example, at the time of our review, a new employee was due to start in the workshop; however, little written guidance is available to support induction training to ensure that they are sufficiently aware of relevant health and safety precautions (e.g. HSG 261: Health & Safety in Motor Vehicle Repair and Associated Industries) before being allowed into the workshop.

Procurement & Disposal

Opinion Procurement is managed well overall. The disposal procedure should be documented to aid transparency and provide a proper audit trail.

Key Area Managed Well The Assistant Fleet Manager facilitates the procurement of vehicles on behalf of all Council services, which ensures that it is done consistently. Each procurement exercise involves an evaluation of suitability and involves the users to gain their views.

Key Area Managed Well Our testing of recent purchases confirmed that tendering is applied in line with the Council’s Contract Procedure Rules and EU Procurement Regulations. Various central contracts are available to purchase vehicles using nationally agreed prices, thus benefiting from economies of scale.

Key Area Managed Well Various options are available to services for financing vehicle purchases. Prudential borrowing is the most popular option, with a few purchased using revenue and grants. A framework agreement for hired vehicles has recently been established, which could offer a more cost-effective option for short-term fleet requirements e.g. school minibuses. We suggest that Fleet Services reviews how the Council could make better use of this.

Key Area Managed Well Fleet Services is a member of the Freight Transport Association, the Association of Care Fleet Officers and Institute of Road Traffic Engineers – Accredited Workshop. This enables sharing of good practice.

Key Area Managed Well Our testing of recent vehicle disposals confirmed that all proceeds from sale were credited to the Fleet Services general ledger cost code. (See Risk / Issue 5 relating to recharging proceeds from sales)

Link with Risk/Issue 5 Moderate There is no clear policy or procedures in place for disposal of vehicles. This should consider:

- accounting for proceeds received from the sale of vehicles i.e. credit Fleet Services for offsetting its overhead costs, or refund the service that bought the vehicle;
- whether vehicles should be redeployed before disposal;
- which disposal methods are available to use and under which circumstances i.e. sale to other organisations, private sale to employees or sale by auction; and
- clarifying the reason why each vehicle was disposed of, and who gave authorisation for this.

Maintenance

Opinion Good maintenance arrangements are in place, and replacing the legacy fleet management system should streamline the service and reduce non-productive time of maintenance staff.

Key Area Managed Well Fleet Services schedules the maintenance programme for all Council vehicles in line with the requirements of the Operator’s Licence. There is clear notification and ample warning to the driver when vehicles are due for inspection.

Key Area Managed Well The Council maintains a valid Operator’s Licence. As per the Scheme of Delegation, the Head of Highways & Environmental Services has responsibility to hold the Operator’s Licence or delegate it to an appropriate officer. The Assistant Fleet Manager is the named licence holder, given that he is suitably qualified to undertake the role i.e. holds a Transport Manager Certificate of Professional Competence.

Key Area Managed Well Fleet Services is proud of its MOT first time pass rate, which at 97.18% is higher than the national average (85.15%). A good process is in place to ensure that all fleet vehicles have a current MOT and licence.

Key Area Managed Well The DVSA uses the Operator Compliance Risk Score system to decide which vehicles should be inspected during roadside checks. The Council has a low risk score and, as a result, its most recent report (27 May 2015) shows “no vehicle encounters were found for licence”.

Key Area Managed Well Mechanics receive regular training, either delivered by the supplier as part of the procurement of new vehicles, or internally through Toolbox Talks, which highlights current issues.

Key Area Managed Well The Fleet Management System (Fleetmaster) is an accurate record of the fleet assets that the Council owns. It retains a mechanical history of all vehicles, including safety inspections and servicing dates, and service repair costs.

Risk/Issue 6 Moderate The Fleetmaster system has several weaknesses that could be resolved with a more modern system:

- The supplier no longer supports the system and so there will be no further enhancements to it.
- It provides limited management information. For example, the system was unable to produce a report showing vehicles that did not make their scheduled safety inspection appointment. We also raised this issue as part of our previous audit of Fleet Services in 2010/11.
- There is an opportunity to streamline the fleet maintenance process, which is currently very paper-heavy and time-consuming to administer.
- There is poor integration with other Council IT Systems e.g. general ledger. Fleet Services must manually process recharges, and reports from service users suggest that this is often causing delays to budget monitoring information.

Running

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| Opinion | General running of vehicles is managed well; however, significant weaknesses surrounding driver competence and maintenance of older vehicles could potentially put the Council at risk of serious reputation damage. |
| Key Area Managed Well | Sample testing confirms that drivers and mechanics have the appropriate qualifications to undertake their roles. The Assistant Fleet Manager monitors driving licence endorsements of existing members of staff (who have completed the relevant consent form) using a dedicated system, 'LICENCECHECK'. (See Risk / Issue 7 relating to lack of driving licences checks during the recruitment and selection process). |
| Key Area Managed Well | Tachographs record drivers' hours and the Assistant Fleet Manager checks these to ensure that the drivers are taking sufficient breaks to adhere to EU rules and GB domestic rules. The Freight Transport Authority checks drivers' hours periodically. Any infringements, although rare, are discussed with the driver and supervisor. |
| Key Area Managed Well | A tracker system is installed into most fleet vehicles (with the exception of some older vehicles owned by schools), which enables prompt reporting of defects. It also acts as a useful tool for monitoring driving and to investigate complaints received. |
| Key Area Managed Well | A contract is in place for spare parts and tyres. The National Procurement Service is looking to set up a national framework agreement soon. |
| Key Area Managed Well | Suitable breakdown recovery arrangements are in place. |
| Key Area Managed Well | The Corporate Risk and Insurance Manager arranges insurance for fleet vehicles and the Council is good at recovering the cost of damage repair work from the insurer or third party. The Fleet Administration Officer updates the Motor Insurance Database with details of any vehicle that the Council uses for longer than two weeks to comply with the EU Motor Insurance Directive. |
| Risk/Issue 7 Major | <p>Despite it forming part of the Interview Assessment Form Checklist, there is no evidence that managers check driver licences as part of the recruitment and selection process for a post that involves driving.</p> <p>Once in post, Fleet Services check driving licences before handing over the driver's tracker fob and ask them to complete the D796 form so that the Council can check driving licence validity directly with the DVLA. At the time of our review, two thirds of drivers had given their consent to this.</p> <p>We suggest that consent is sought at the time of appointment along with other checks, such as references and eligibility to work in the UK. This is to ensure that the Council employs persons who are eligible to drive and are able to carry out their roles effectively.</p> |

**Risk/Issue
8
Major**

The Corporate Road Risk Advisor reacts to road traffic incidents logged via the Health and Safety Incident Management Database by performing a post-incident driver assessment and driver training. However, several collisions resulting in insurance claims were not captured on the database and, as a result, there is no evidence that an assessment or training was provided to reduce the risk of recurrence. We raised a similar issue as part of our previous audit of Fleet Services in 2010/11.

**Risk/Issue
9
Moderate**

The VOSA Guide to Maintaining Roadworthiness states that vehicles and trailers over 12 years of age should have safety inspections every 6 weeks, as defects and annual MOT failure rate is more likely. (See Appendix 1 for a diagram showing VOSA's "Guide to Safety Inspection Intervals") Our sample testing confirmed that this interval has not been applied to the relevant Council fleet and, at the time of our review, the Traffic Commissioner has not been notified as such.

Fuel Management

Opinion There are several weaknesses surrounding the management of fuel.

Key Areas Managed Well Fleet Services receives fuel usage reports from bunkered fuel and fuel cards (used at garages), which enables monitoring.

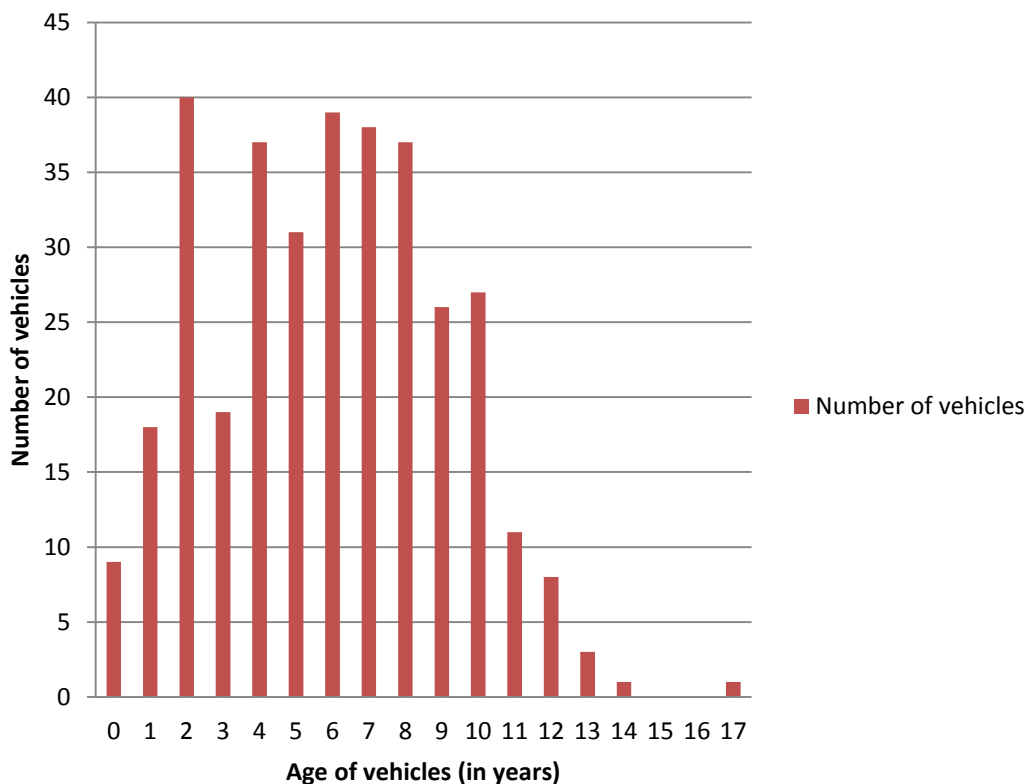
Risk/Issue 10 Moderate Recharge of fuel management cost seems excessive given that administration of fuel has been streamlined. This arrangement no longer reflects the costs of the process and services are being charged disproportionately.

Risk/Issue 11 Moderate The Council spends nearly £1m a year on fuel yet there is little evidence of a campaign to promote efficient fuel use e.g. through altering driver style, inflating tyres correctly. Although information is available through the tracker system and fuel reports, these are not currently used to propel effective action to reduce fuel use.

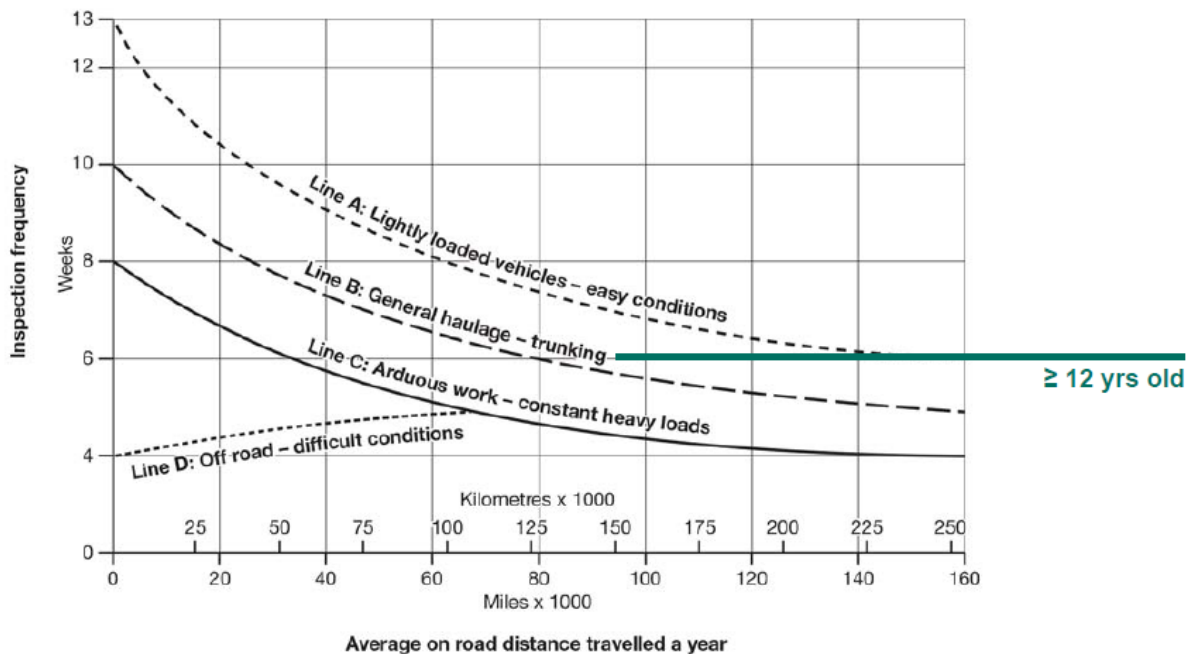
Risk/Issue 12 Moderate Stock checks are not carried out periodically to ensure that all fuel is accounted for and to identify any loss, waste or theft.

Risk/Issue 13 Moderate The Fuel Card Acceptance form does not clearly state that fuel purchased using the fuel card should be used solely for business reasons.

Age Profile of Council Vehicles



Guide to Safety Inspection Intervals



Source: VOSA Guide to Maintaining Roadworthiness.

Report Recipients

- Corporate Director: Economic and Community Ambition
- Head of Highways & Environmental Services
- Waste & Transport Manager
- Assistant Fleet Manager
- Fleet Maintenance Manager
- S151 Officer
- Lead Member for Public Realm
- Chair – Performance Scrutiny Committee
- Lead Member for Finance, Corporate Plan & Performance
- Corporate Governance Committee
- Scrutiny Coordinator
- Lead Officer, Destination, Marketing & Communication

Key Dates

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| Review commenced | June 2015 |
| Review completed | August 2015 |
| Reported to Corporate Governance Committee | 18 November 2015 |
| Proposed date for 1st follow up review | January 2016 |