

REPORT TO: Audit and Governance Committee

MEETING DATE: 20 January 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Fleet Management

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Fleet Management.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Fleet Management was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the Council has appropriate arrangements in place for the management of its vehicle fleet.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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EAST LOTHIAN COUNCIL – INTERNAL AUDIT FLEET MANAGEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of Fleet Management was undertaken as part of the Audit Plan for 2014/15. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A fleet management system (Fleetmaster) is in use by Transportation for managing and maintaining the Council's fleet of vehicles.
- Adequate insurance arrangements are in place for all Council vehicles.

1.3 Areas with Scope for Improvement

- The Council's Vehicle Replacement Strategy has recently been reviewed and updated to reflect changes to vehicle retention periods; however it has not been formally approved. *Risk – strategic objectives may not be met.*
- The tender evaluation criteria applied as part of the procurement process requires review. *Risk – failure to achieve best value.*
- No clear guidance is available covering the disposal of vehicles – in two cases, used Council vehicles were sold to connected parties, while in a third case a Council vehicle was donated to support a social enterprise that had been set up by one of the Council's contractors, however no formal partnership agreement was in place between the Council and the social enterprise. *Risk – favouritism and bias may occur.*
- In a number of cases vehicle sale proceeds had been incorrectly coded in the Council's general ledger and there was a lack of a clear audit trail. *Risk – errors and irregularities may occur and remain undetected.*
- The Council's current Fleet Management arrangements require to be rationalised to ensure that all Council vehicles are procured, managed and maintained by Transportation. *Risk – failure to ensure a consistent approach is adopted throughout the Council.*
- For vehicle additions and disposals there was a lack of reconciliation between information held on the Council's general ledger and vehicles listed on the fleet management system. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of the Council's Fleet Management arrangements identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

January 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	<p>Management should ensure that the draft Vehicle Replacement Strategy is formalised.</p> <p>Management should ensure that a Fleet Asset Management Plan is developed to enable a consistent approach to the planning, procurement, maintenance and disposal of fleet assets.</p>	Medium	Service Manager – Transport	This proposal is accepted and the Strategy will be submitted in a report but this will depend on financial commitment to carry out this.		May 2015
3.2.2	Management should ensure that the fleet management system is a comprehensive record of all Council vehicles held – consideration should be given to rationalising the management of all Council vehicles under Transportation.	Medium	Head of Infrastructure	To be confirmed		
3.3.1	Management should review the evaluation criteria used to ensure that Value for Money is achieved in the procurement of all Council vehicles.	Medium	Service Manager – Transport	The evaluation requires to reflect the Scotland Excel contract and criteria should largely reflect this.		Future procurements will reflect this.

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.1	Management should ensure that the sale proceeds from all vehicle disposals are correctly coded in the Council's general ledger.	Medium	Service Manager – Transport	In future all sale proceeds will be given to Finance to process into the Council's general ledger.		January 2015
3.4.2	<p>Management should review the existing practice for disposing of used Council vehicles.</p> <p>Management should ensure that a consistent approach is adopted for disposing of used Council vehicles – vehicles should be sold at auction.</p> <p>Where used vehicles are considered to have scrap value only, the vehicles should be sold to a scrap dealer operating an authorised treatment facility.</p>	Medium	Service Manager – Transport	All future sales of vehicles will be via auction or sold to a registered scrap dealer.		January 2015
3.5.1	Regular reconciliations of all vehicle additions and disposals should be undertaken between the Council's general ledger and the fleet management system.	Medium	Service Manager – Transport	<p>Agreed</p> <p>Subject to rationalisation of all vehicles under Transportation (see 3.2.2).</p>		January 2015

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.1	Management should ensure that the Council's Insurance Section is promptly informed of all purchases and disposals of vehicles.	Medium	Service Manager – Transport	This is currently done for vehicles held on Fleetmaster but the date will now be noted in the vehicle file within Fleetmaster.		February 2015

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.