Carlisle City Council
Report to Audit Committee

Report details

Meeting Date:	8 December 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Fleet Management Strategy
Report of:	Corporate Director Finance & Resources
Report Number:	RD48/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2022/23 and considers the risk-based Internal Audit review of Fleet Management Strategy.

Recommendations:

The Committee is requested to

(i)   receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

1.1. An audit of the Fleet Management Strategy was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2022/23. The audit (Appendix A) provides reasonable assurances and includes 5 medium-graded recommendations.

2. Risks

2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

3.1 Not applicable

4. Conclusion and reasons for recommendations

4.1 The Committee is requested to

i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

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Appendices attached to report:

- **Internal Audit Report – Fleet Management Strategy– Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement
Property Services - None
Finance – Contained within report
Equality - None
Information Governance- None

Audit of Fleet Management Strategy

Audit Report Distribution

Client Lead:	Neighbourhood Services Manager Fleet and Depot Manager
Chief Officer:	Deputy Chief Executive Chief Executive
Others:	
Audit Committee:	The Audit Committee, which is due to be held on 8th December 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0   Background

1.1.   This report summarises the findings from the audit of Fleet Management Strategy. This was an internal audit review included in the 2022/23 risk-based audit plan agreed by the Audit Committee on 15th March 2022.

1.2.   The Fleet Management Strategy (published in September 2020) details that a safe, reliable, modern efficient and flexible fleet is essential to support staff to provide cost effective, good quality services for the people of Carlisle in support of the Carlisle Plan, its vision and priorities.

2.0   Audit Approach

Audit Objectives and Methodology

2.1   Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.

2.2   A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

2.3   The Client Leads for this review was the Head of Neighbourhoods and the Fleet and Depot Manager. The agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:

- Informed cost/ benefit decisions have not been taken on procuring fleet (including challenge on the need to purchase at all)
- Fleet strategy does not align to the Council's wider environmental objectives
- Safety of fleet, drivers and operators is not considered
- Compliance with the strategy is not monitored effectively
- Driver and Vehicle Services Agency (DVSA) guidance and legislation is not followed

2.4   There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0   Assurance Opinion

3.1   Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2   From the areas examined and tested as part of this audit review, we consider the current controls operating within Fleet Management Strategy provide **reasonable assurance**. *Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

4.0   Summary of Recommendations, Audit Findings and Report Distribution

4.1   There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. **Management** - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	1
2. **Regulatory** - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	3
3. **Information -** reliability and integrity of financial and operational information (N/A)		
4. **Security** - safeguarding of assets (N/A)	-	-
5. **Value** – effectiveness and efficiency of operations and programmes (see section 5.3)	-	1
Total Number of Recommendations	**-**	**5**

4.2   Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3   **Findings Summary (good practice / areas for improvement):**

A comprehensive Fleet Management Strategy is in place.

Fleet vehicles are maintained to a good standard in line with the planned servicing and inspection schedule.

Fleet Management pro-actively monitor driver behaviour (telematics).

Fleet is purchased in line with the Council's Procurement Strategy.

Operator tachographs are recorded by drivers and periodically reviewed by management to determine compliance with regulations.

Operators' Certificate of Professional Competency is managed effectively.

Positive outcomes of key strategic objectives can be further demonstrated through seeking regular, verifiable, documented evidence.

Compliance with all relevant legislation and DVSA general guidance may benefit from further review.

Increasing the regularity of random vehicle pre-journey safety checks will enhance the checks already undertaken by drivers.

A full review of the recording, timeliness and accuracy of driving assessments will be beneficial.

Oversight arrangements for vehicle licence checks may benefit from further review.

Documenting proportional supporting evidence for both fleet challenge and service fleet replacement reviews may be beneficial.

Comment from the Deputy Chief Executive:

Thank for this review of the Fleet Management Strategy implementation and future improvements. It is encouraging to see that the recommendations are already being acted upon and we are grateful to the Fleet and Depot Manager for such a timely response.

5.0   Audit Findings & Recommendations

5.1   Management – Achievement of the organisation's strategic objectives

5.1.1   The Fleet Management Strategy is a comprehensive document. There is an increased risk with a strategy of this size that key service objectives will become lost in the detail. For example, there is a key objective to ensure all fleet vehicles are fit for purpose and roadworthy. Significant detail on servicing and testing frequencies for each class of vehicle is also provided, although this may be too much information for the target audience. When the strategy is next reviewed, it is advised that management may wish to consider streamlining the content with an increased focus on positive outcomes for a reduced number of <u>key</u> service objectives.

5.1.2   The Strategy directs management to carry out an annual review, although the copy provided for audit purposes is version 01, dated September 2020. It is advised that management carry out an annual review or change the review period stated in the strategy to reflect current practise.

5.1.3   There are a significant number of objectives in the Fleet Management Strategy with assigned roles and responsibilities. The Strategy details that Fleet Management carry out secondary checking to ensure robust compliance to meet Operator Licence and sector best practice. To further increase accountability and transparency of secondary checking, it is recommended that Fleet Management put an arrangement in place to demonstrate positive outcomes of <u>key</u> strategic objectives through seeking regular, verifiable, documented evidence.

5.1.4   Management may wish to consider developing an action plan to track <u>key</u> strategic objectives, using specific, measurable, assigned, realistic and time-bound (SMART) criteria.

Recommendation 1 – Put an arrangement in place to demonstrate positive outcomes of <u>key</u> strategic objectives through seeking regular, verifiable, documented evidence.

5.2   Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1   The Fleet Management Strategy refers to legislation and Driver and Vehicle Services Agency (DVSA) general guidance on fleet operations and maintenance, in relation to the individual driver's responsibilities as well as those of the operator. Guidance on maintaining roadworthiness for commercial goods and passenger carrying vehicles was provided,

although Audit were not able to establish the full extent of legislation and guidance alluded to in the Strategy.

Recommendation 2 – Put an arrangement in place to verify compliance with relevant legislation and DVSA general guidance.

5.2.2   The Fleet Management Strategy and Carlisle City Council 'Drive Safely Handbook' require that there is an annual driving licence check, helping to ensure staff are suitably licenced to drive the category of vehicle in question and that there is no history of motoring offences. Service managers are regularly requested by Fleet Management to submit licence checks for their staff, although oversight arrangements require further development to verify the level of compliance.

5.2.3   An arrangement is in place to verify licence checks prior to pool car use and use of a small number of vehicles hired from Gates travel. There is also an arrangement in place to regularly sample a small number of licence checks where staff use cars on Council business. Results of the sample tested identified that some licence checks had not been undertaken.

5.2.4   It is recommended that management review the oversight arrangements in place to confirm through seeking regular, verifiable, documented evidence that service managers are undertaking all required staff licence checks.

Recommendation 3 – Review oversight arrangements for vehicle licence checks.

5.2.5   All HGV drivers have a statutory duty to carry out pre-journey safety checks on vehicles and this is reiterated in Council induction training. The driver pre-journey checks for refuse vehicles over 3.5 tons are recorded electronically by the driver, from the cab. Pre-journey checks for other vehicle classes are manually recorded by the driver and retained by Fleet Management.

5.2.6   The comprehensive Fleet Management approach to vehicle safety includes a further layer of focused management vehicle checks, alternating weekly between street cleaning/ grounds vehicles and refuse vehicles.

5.2.7   Driver pre-journey checks were found to have been carried out for four of the five vehicles tested. The vehicle found not to have undertaken a vehicle check was a tractor. It is advised that management may wish to consider if the level of pre-journey checks carried out on this class of vehicle is of concern.

5.2.8 Six focused management vehicle checks were found to have been carried out for the month tested. The checks were found to be operating effectively, identifying where further guidance and training for driver pre-journey checks is required.

5.2.9 The Fleet Management strategy details a schedule for vehicle servicing, inspection and testing which is recorded either electronically on R2C for vehicles >3.5 tonnes or manually on job cards for other vehicles. Recording of servicing, inspection and testing confirmed that fleet vehicles are maintained to a good standard. Electronic recording was comprehensive, timely and certified by the mechanic and Fleet Manager. Manual recording of servicing inspection and testing is less detailed. For example, the visual inspection job card confirms that an inspection has been carried out but does not detail what has been inspected, unlike R2C.

5.2.10 It is advised that management consider if job cards for inspections provide sufficient detail to verify the quality of inspection. It is also advised that management may wish to consider regular, proportionate sample checking of Job cards to verify accuracy and completeness.

5.2.11 The Fleet Management strategy and Council Drive Safely Handbook detail that formal driving assessments will be undertaken. Audit were not able to give assurance over the accuracy, timeliness and recording of driving assessments because the relevant manager was unavailable to be interviewed.

Recommendation 4 – Fleet Management to carry out a thorough review of driving assessment management.

5.2.12 In February, Fleet Management pro-actively requested that key information should be collated for all drivers, including for driving assessments. At the time of the audit (August), a proforma had been drafted but not populated. It is advised that Fleet Management investigate the reasons why the requested information has not been provided.

5.2.13 Fleet Management pro-actively monitor driver behaviour (telematics) to compare driver performance and challenge wasteful practice and poor driving standards. An example of screen shots from vehicles were provided. It was explained that due to PC constraints, demonstrating a job list for telematics to verify regularity of checking and recording was not possible. It is advised that management verify that there is an arrangement in place to demonstrate regular telematics checking and recording.

5.2.14 The Council's Procurement Strategy 2021-23 aims to ensure that the Council obtains optimum value for money in all its procurement and commissioning activities. Fleet purchases tested were found to have been procured in line with the Strategy. One sample

used a separate competitive procurement process and the other was purchased from an existing supplier framework using a procurement agency.

5.2.15 Digital tachograph data is periodically reviewed by fleet management to determine compliance with regulation driving hours and rest periods. Due to the nature of the work undertaken at the Council, this is not considered a high-risk area by Fleet Management.

5.2.16 The Strategy details that Fleet Management carry out secondary checking on compliance to performance standards, although Audit could not establish the full extent of the performance standards alluded to. It is advised that when the Strategy is next reviewed, management consider if reference to performance standards should be removed.

5.3 Value – effectiveness and efficiency of operations and programmes

5.3.1 The Council's Local Environment (Climate Change) Strategy (LECCS) was agreed by Executive in February 2021 with the aim of reducing carbon emissions at Carlisle City Council and the Carlisle District which it serves, to net zero by 2037. There is a pro-active Fleet Management LECCS action to consult with the Energy Saving Trust with a planned outcome to receive advice and recommendations on improving energy efficiency. The Energy Saving Trust report was received in April 2022.

5.3.2 The report assesses the efficiency of Council fleet in terms of green-house gas (GHG) emissions, energy consumption and operating cost, as well as considering opportunities for and implications of implementing low-emission vehicles. Section 2 of the report includes a summary of 9 recommendations. It is advised that management further consider how the report recommendations can be used to improve energy efficiency. It is also advised that carbon emissions data provided is utilised to quantify current and predicted reduction in Fleet carbon emissions through to 2037.

5.3.3 When services request vehicle purchases, management pro-actively conduct a 'fleet challenge', helping to determine genuine business need in support all fleet decisions and reduce the size of fleet. The challenge also forms part of the LECCS actions to reduce carbon emissions.

5.3.4 There is also a LECCS action to carry out regular vehicle replacement reviews for each service area as part of the wider fleet replacement programme, although the planned outcome focuses on cost rather than carbon reduction.

5.3.5 Neither the fleet challenge nor service reviews are documented which increases the difficulty in verifying positive outcomes.

5.3.6 Documenting proportional supporting evidence for both the fleet challenge and service review will further demonstrate their positive impact on fleet, cost and carbon emission reduction.

Recommendation 5 – Proportional supporting evidence to be documented for fleet challenge and service reviews.

5.3.7 Drivers with operator licences are required to keep their certificate of professional competence (CPC) up to date by carrying out 35 hours of training every 5 years. For permanent staff, this process is monitored by Organisational Development (OD) and all training was found to be current. Monthly licence checks confirm that Agency drivers have also maintained their CPC. It is advised that Fleet Management may wish to consider further alignment with OD on the CPC process, to increase their influence on the type of training undertaken.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 1 – Put an arrangement in place to demonstrate positive outcomes of key strategic objectives through seeking regular, verifiable, documented evidence.	M	Key service objectives are not being achieved and management are unaware.	Fleet Management Strategy to be refreshed. Core KPI to be identified. Quarterly internal reporting of performance against core KPI to be established.	Fleet + Depot Manager Fleet + Depot Manager Fleet + Depot Manager	**Actioned:** 21 Oct' 2022 31 Dec' 2022 31 March 2023
Recommendation 2 – Put an arrangement in place to verify compliance with relevant legislation and DVSA general guidance.	M	Possible sanctions through non-compliance with relevant legislation.	Monthly check-sheet to be developed. Wider reporting of performance to be picked up as part of quarterly internal reporting above.	Fleet + Depot Manager	31 Dec' 2022 31 March 2023

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 3 – Review oversight arrangements for driving licence checks.	M	Possible sanctions through non-compliance with relevant legislation.	Reminder to be sent to all managers to reinforce their responsibilities for managing road risk for their staff in line with current policy, and to reference further information and advice eg Driver Handbook. Driving licence checks is identified on the delivery / risk plan for LGR.	Fleet + Depot Manager LGR work theme (Fleet / HR)	**Actioned:** 21 October 2022 31 March 2023

Summary of Recommendations and agreed actions					
Recommendations	**Priority**	**Risk Exposure**	**Agreed Action**	**Responsible Manager**	**Implementation Date**
Recommendation 4 – Fleet Management to carry out a full review of driving assessment management.	M	Staff or member of the public suffers loss due to driver not operating Council vehicle effectively.	Trained assessors conduct driving assessments and document their findings. Upon completion, such documents are delivered to the Fleet Office within 24 hours for evaluation. Fleet engage with the relevant service manager to confirm a successful assessment or discuss further action, if required.	Fleet + Depot Manager	**Closed**
Recommendation 5 – Proportional supporting evidence to be documented for fleet challenge and service reviews.	M	Financial loss and reputation damage to the Council because management are unable to demonstrate fleet, cost and carbon reduction in line with the planned Strategy.	Template issued to client / user department in relation to fleet replacement.	Fleet + Depot Manager	**Closed:** September 2022

Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.1	Management may wish to consider streamlining the Strategy content with an increased focus on key service objectives.
5.1.2	Carry out an annual review of the Strategy or change the review period stated to reflect current practise.
5.2.7	Management may wish to consider if the level of pre-journey checks carried out on vehicle class which includes tractors, is of concern.
5.2.10	Consider if job cards for inspections provide sufficient detail to verify the quality of inspection. Consider regular, proportionate sample checking of Job cards to verify accuracy and completeness.
5.2.12	Investigate why Officers have been unable to collate the information requested.
5.2.13	Verify that there is an arrangement in place to demonstrate regular telematics checking and recording.
5.2.16	When the Strategy is next reviewed, consider if reference to performance standards should be removed.
5.3.2	Consider how the Energy Saving Trust report recommendations can be used to improve energy efficiency. Utilise carbon emissions data provided to quantify current and predicted reduction in Fleet carbon emissions through to 2037.
5.3.7	Consider further alignment with OD on the CPC process, to increase influence on the type of training undertaken.

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	The control framework tested are suitable and complete are being consistently applied. Recommendations made relate to minor improvements or tightening of embedded control frameworks.
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded. Any high graded recommendations would only relate to a limited aspect of the control framework.
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified. High graded recommendations have been made that cover wide ranging aspects of the control environment.
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist.

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).