

Final Internal Audit Report

Transport Fleet Management

January 2018

Distribution: Executive Director of Resources (Final Only)
 Director of Commissioning and Improvement
 Head of SCC Independent Travel
 Croydon Transport Services Manager
 Risk & Insurance Manager

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	3
	Priority 3	0

Status of Our Reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars Public Sector Internal Audit Ltd. accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality

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1. Introduction

- 1.1. The Council is in possession of vehicles, which are procured through lease agreements and/or direct purchase, which are used in different departments within the Council. The 2016/17 Statement of Accounts included an amount of £2.5m as the net value for Vehicles, Plant, Furniture and Equipment.
- 1.2. The Fleet Management Working Group coordinates the transport fleet in the Council. It covers all activities relating to the Council's Fleet undertaken by Croydon Transport Services and Category Management for Travel and Transport on behalf of the Council's services.
- 1.3. The objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Issues
Procedures were not kept up to date. (Issue 1).
Vehicle mileage for leased vehicles was not being monitored or managed. (Issue 2).
Drivers Licenses were not being monitored, although the team was in the process of engaging an external company, Davis, to perform this service. (Issue 3).

3. Actions and Key Findings/Rationale

<u>Control Area 1: Legislative, Organisational and Management Requirements</u>	
Priority	Action Proposed by Management
2	All procedures will be reviewed and where necessary amended to ensure these are current.
	<p>Detailed Finding/Rational – Issue 1</p> <p>Procedure notes provide staff with guidance on the process for completing tasks, to ensure they abide by regulations as well as the requirements of the organisation and management. These should be regularly reviewed to ensure they fit current procedures and law.</p> <p>Examination of SharePoint confirmed that there were multiple procedures in place and available to staff members relating to transport fleet management; however, these procedures were all dated 11 April 2014, when these were uploaded to SharePoint and did not evidence subsequent review or update.</p> <p>Where procedure notes are not up-to-date, there is a risk that staff will not comply with the requirements expected by the organisation or legislation, which could lead to reputational damage where legislation is breached and inefficient processes.</p>
Responsible officer	Deadline
Croydon Transport Services Manager	May 2018

Control Area 2: Vehicle Acquisition and Disposal		Detailed Finding/Rational – Issue 2
Priority	Action Proposed by Management	<p>A set mileage is agreed for each vehicle leased, which is detailed in the respective vehicle lease contracts. Where the set mileage is exceeded, the Council incurs an excess mileage charge. While the rate of the excess mileage charge will vary between lease companies, this charge is normally higher than the rate for the set mileage.</p> <p>Discussion with the Croydon Transport Services Manager established that the Fleet Management team will review existing vehicle mileages when estimating future fleet mileage calculations for any lease quotes. It was explained that the team allow for a margin for error, whereby the potential service mileage for a particular vehicle is over estimated (unless a Service substantially changes what it does with its vehicle).</p> <p>However, the annual mileage for leased vehicles is not monitored or managed to minimise the risk of the set mileage being exceeded.</p> <p>Where vehicle mileage is not being monitored and managed, there is a risk that the Council would have to pay excess mileage charges which might otherwise be avoided.</p>
2	<p>The fleet department will conduct an audit of the existing vehicles on the fleet to ensure that set mileages as agreed under the contracts are not exceeded.</p> <p>Where there is risk of excess mileage being incurred, the service will be informed and a solution discussed.</p>	
Responsible officer	Deadline	
Croydon Transport Services Manager/Transport Officer	May 2018	

Control Area 3: Vehicle Licensing and Driver License		Detailed Finding/Rational – Issue 3
Priority	Action Proposed by Management	
2	Following discussions with Trade Unions and the Information Team, we are proceeding with this solution with a view to being implemented during March 2018.	Only staff with appropriate driving licences may drive Council vehicles. Discussion with the Transport Officer of Commissioning and Improvement established that driver's licenses were not being monitored, but that the Council was in the process of agreeing a service contract with a company, Davis, which provides a service to validate and verify driver's licenses. E-mail correspondence with Davis was sighted which confirmed this intent. Where drivers, who are not in possession of a valid driving license, are permitted to drive Council vehicles, there is a risk of road safety issues, reputation damage and financial loss due to fines arising. Insurance cover would also be invalidated.
Responsible officer	Deadline	
Croydon Transport Services Manager/Transport Officer	March 2018	

TERMS OF REFERENCE

Transport Fleet Management

1. INTRODUCTION

- 1.1 The Council is in possession of vehicles, which are procured through lease agreements and/or direct purchase. These vehicles are used in different departments of the Council. The 2016/17 Statement of Accounts includes an amount of £2.5m as the net value for Vehicles, Plant, Furniture and Equipment.
- 1.2 The Fleet Management Working Group coordinates the transport fleet in the Council. It covers all activities relating to the Council's Fleet undertaken by Croydon Transport Services and Category Management for Travel and Transport on behalf of the Council's services.
- 1.3 Effective fleet management would ensure compliance with regulatory framework and relevant legislation that achieves good value through procurement of vehicles for Council services.
- 1.4 As part of the agreed 2017/18 Internal Audit Plan, an internal audit in respect of Transport Fleet Management was identified to be undertaken.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements;	0	1	0
Vehicle Acquisition and Disposal	0	1	0
Vehicle Licensing and Driver Licences	0	1	0
Vehicle Inspections and Accident	0	0	0





Transport Fleet Management 2017/18

Management			
Fuel Usage and other reporting	0	0	0
Vehicle Maintenance (Regular and ad hoc)	0	0	0
Vehicle Insurance	0	0	0
Performance Review & Budgetary Control.	0	0	0
Management reporting	0	0	0
Total	0	3	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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