

Audit, Resources and Performance Committee 20 January 2017 - Item 6 Appendix 2

Vehicles and Equipment 2016-17

Peak District National Park Authority

Internal Audit Report

Responsible Officer: Head of Finance (Philip Naylor)
 Service Manager: Area Manager (Andy Farmer)
 Date Issued: 11.01.17.
 Status: Final
 Reference: 69187/001

	P1	P2	P3
Actions	0	2	4
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

The Peak District National Park Authority (PDNPA) maintains a fleet of twenty seven operational vehicles assigned to dedicated drivers and a special fleet of eleven agricultural and heavy duty vehicles for the maintenance of the park. Operational equipment, including trailers, chainsaws and angle grinders, is also stored at fourteen sites for the specific use of authority staff members. The authority also operates six pool cars for staff members travelling on PDNPA business. The fleet management strategy specifies that the authority purchases all required vehicles, with no leases in operation. No additions were made in 2015-16 and the authority reduced the fleet by selling vehicles and associated equipment which had become surplus to operational requirements, effectively reducing the value of assets held from approximately £1,100,000 to £950,000.

In order to ensure uninterrupted service, the availability of vehicles and equipment must be effectively monitored by the use of vehicle and inventory management systems whilst regular, planned maintenance ensures that they are fit for purpose and safe for staff use. Appropriate security arrangements for assets are required to prevent theft or misappropriation and monitoring of fuel and maintenance expenses ensures that the organisation can judge whether it is more cost effective to retain or dispose of a vehicle or piece of equipment.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- Operational vehicles, pool cars and equipment are subject to appropriate security and storage, are maintained to acceptable standards and their associated fuel and servicing costs are effectively managed and monitored.

The audit did not cover vehicle related tax or the insurance of vehicles and equipment.

Key Findings

Appropriate physical security arrangements are in place to protect authority owned vehicles and equipment. Derbyshire County Council provides maintenance and break down services for PDNPA operational vehicles and pool cars. The authority minimises fuel costs by prioritising use of public transport and pool cars. In order to enforce this policy, travel claims are rejected if a pool car was available at the time of the journey. To further control these costs, All Star fuel cards are assigned to each road vehicle and employees are required to complete mileage log sheets. Fuel card invoices are then checked for reasonableness before authorisation and payment. Fuel and maintenance costs are monitored per vehicle and the authority did not exceed the 15/16 fleet budget provision. Miles per gallon statistics are reviewed for road vehicles in order to ensure that the authority is not operating inefficient vehicles and the finance team question staff when vehicle performance is lower than expected. Policy documents regarding the use of pool cars are comprehensive and cover the expected topics: acceptable methods of travel, insurance, driving licenses, eligible mileage, etc. The 'Travel and Subsistence Policy' successfully specifies that employees are responsible for

any fines or penalties incurred while using pool cars, however, there are no consequences for employees if there is suspected misuse of authority assets. Reviews of equipment inventories take place for all sites known to the finance team on an annual basis and procedures are in place to ensure that inventory records can be updated after acquisition or disposal of equipment.

Maintenance arrangements for the special fleet are inconsistent, with six out of eleven vehicles failing to be serviced in the previous three and a half financial years. Whilst mileage log sheets are submitted for review by line managers, no authorising signatures are in evidence to show that managers are satisfied with the record. Pool car keys are stored in an unlocked drawer in the Finance Office. This office is only accessible to staff members with electronic passes, however, a key safe could be considered. The maintenance of equipment isn't undertaken consistently, with servicing either not taking place at the correct interval or not being subsequently recorded. Findings also suggest that not all equipment holding sites have been identified for inventory checks by the finance team. Lists of key holders are not retained for sites where vehicles and equipment are stored.

Overall Conclusions

The arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Maintenance of the special fleet

Issue/Control Weakness

Maintenance arrangements for the special fleet are inconsistent. Maintenance schedules and records of servicing are not always retained.

Risk

Operations are disrupted or staff are harmed due to malfunctioning vehicles. Legislative action could potentially be taken against the authority for failing to meet their duty of care.

Findings

The maintenance of the special fleet is not corporately controlled. Staff members assigned with the responsibility of maintaining a vehicle in the special fleet are expected to make their own vehicle servicing arrangements. A sample of five employees with responsibilities for a special fleet vehicle was asked to provide details of these arrangements. In two out of five cases, a maintenance schedule had been devised for the vehicle based on hours of use or calendar months since the previous servicing and a log sheet was provided showing evidence of the last occasion that the vehicle had been serviced. In three out of five cases, a schedule had not been arranged and no evidence of servicing could be provided.

Financial data for the entire special fleet was then scrutinised. The Health and Safety Executive's website (HSE) recommends that agricultural vehicles are serviced according to the manufacturer's guidance, usually occurring at intervals determined by the hours of use or the period elapsed since the previous servicing. The data indicates that half of the special fleet have not received any servicing in the previous three and a half financial years (13/14 to present).

Agreed Action 1.1

Specialist vehicles are operated within services and their safe operation is the responsibility of operational managers. We agree to improve evidence of maintenance records.

Priority

2

Responsible Officer

SM /JS with JW

Timescale

April 2017

2 Maintenance of operational equipment

Issue/Control Weakness

Equipment maintenance arrangements are inconsistent. Maintenance schedules and records of servicing are not always retained.

Risk

Operations are disrupted or staff are harmed due to malfunctioning equipment. Legislative action could potentially be taken against the authority for failing to meet their duty of care.

Findings

Various types of operational equipment are used by authority employees including chainsaws, angle grinders, drills, brush cutters and fire pumps. The maintenance of this equipment is not corporately controlled and it is the responsibility of operational managers in charge of authority sites to ensure that it is serviced. The Provision and Use of Work Equipment Regulations 1998 (PUWER) require that "all work equipment be maintained in an efficient state, in efficient order and in good repair." The regulations recommend that equipment is serviced according to the manufacturer's guidance, usually occurring at intervals determined by the hours or intensity of use or the period elapsed since the previous servicing.

A sample of five operational managers was requested to provide maintenance schedules for the equipment in their care. No schedules could be provided, although two managers stated that they serviced the equipment according to the manufacturer's instructions and retained records of this. However, in all cases, documentary evidence could not be provided from the last occasion when equipment had been serviced.

Agreed Action 2.1

Specialist equipment is operated within services and their safe operation is the responsibility of operational managers. we agree to improve evidence of maintenance records for equipment across all sites and managers.

Priority

2

Responsible Officer

SM /JS with JW

Timescale

April 2017

3 Employee misuse of vehicles

Issue/Control Weakness

There are no consequences for employee misuse of vehicles.

Risk

Increased costs of vehicle repair.

Findings

PDNPA policy specifies that employees are responsible for any fines or penalties incurred while using authority vehicles, however, there are no consequences for employees if there is suspected misuse of authority assets. Whilst it is acknowledged that not all cases of misuse are easily attributable, inclusion of a policy clause should be considered. This could facilitate recovery of reparation costs or promote desired behaviours via disciplinary action.

Agreed Action 3.1

We will include a policy clause to this effect where misuse can be proved.

Priority

3

Responsible Officer

PN

Timescale

April 2017

4 Authorisation of mileage log sheets

Issue/Control Weakness

Mileage log sheets are not authorised by line managers.

Risk

Employees may use operational vehicles for personal use, increasing the authority's fuel costs.

Findings

Mileage log sheets are completed by employees assigned to operational vehicles. Samples of these log sheets are reviewed by line managers so that any unusual activity can be identified and challenged. However, the managers do not sign these sheets to confirm that they are satisfied with the record and it is therefore not possible to identify which sheets have been checked, or if an appropriate level of checking has taken place. The template log sheet does not currently have a field for an authorising signature.

Agreed Action 4.1

The log sheet template will be redesigned to incorporate a statement on vehicle use from the driver and the sheets will be countersigned by the line manager.

Priority

3

Responsible Officer

PN with operational managers

Timescale

February 2017

5 Site key holders

Issue/Control Weakness

Lists of key holders are not in place for sites where authority assets are stored.

Risk

The authority are unaware of individuals with access to sites where assets are stored, leading to potential misappropriation.

Findings

Authority vehicles and equipment are stored at around fourteen geographically dispersed sites. Some of these sites are owned and operated by PDNPA partners 'Severn Trent' and 'United Utilities', therefore, some reliance must be placed on their security arrangements. However, there are no lists of employees with key holding responsibilities for PDNPA owned sites. Not all of these sites are fitted with CCTV cameras and the physical security of assets is reliant upon gate and barrier locks.

Agreed Action 5.1

A list of key holders will be produced for PDNPA owned sites.

Priority

3

Responsible Officer

Property Support Mgr
with Heads of Service

Timescale

April 2017

6 Inventory checks

Issue/Control Weakness

Inventory checks are not completed for all sites where equipment is stored.

Risk

Historical equipment is unknown to authority management and potentially subject to inappropriate storage or theft.

Findings

The finance team undertake an annual inventory review of every known site where authority equipment is stored. This process ensures that assets are properly controlled and that their value is accurately represented in the accounts.

The inventory checks for the 2016 calendar year were compared to a list of sites where equipment is based, provided by the Area Manager. It was found that one of these sites had never received an inventory check, although operational staff confirmed that several pieces of fire safety equipment were stored there. In order to ensure the comprehensive coverage of these checks, the authority need to establish the full extent of storage sites and equipment owned. This can likely be achieved by consulting the Property Team and Area Rangers.

Agreed Action 6.1

The Finance officer responsible for inventory will consult the Property Team and Area Rangers to ensure the inventory list of sites is comprehensive

Priority

3

Responsible Officer

JBSA

Timescale

April 2017

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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