

# *Aberdeen City Council*

## Fleet Asset Verification

Report provided April 2015

Internal Audit  
Investigation 2014/15  
**April 2015**



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This report has been prepared by PwC in accordance with our engagement letter dated 4<sup>th</sup> October 2010.

Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to Public Sector Internal Audit Standards (PSIAS). As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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# ***1. Background and Scope***

## ***Background***

The Council's fleet management arrangements were subject to a Traffic Commissioners public inquiry in September 2014. The Traffic Commissioner raised a number of concerns in respect of fleet including: discrepancies in fleet management records; maintenance contracts with 3rd parties; documentation around ownership of assets; inadequate maintenance including PMI records; and interval checking. Following the inquiry, Council Officers have further investigated the arising issues and have determined the need for a complete overhaul of fleet management arrangements.

A number of ongoing actions are in place in respect of the fleet service. Internal Audit has specifically been asked to consider the asset verification of the fleet, plant and equipment to confirm existence of the fleet items. The Council holds an estimated 1,500 items of fleet, plant and equipment, across multiple locations in Aberdeen, including three roads depots and one waste depot. All Service Managers have reviewed records of the relevant assets within their responsibility and have individually confirmed: the existence of the assets; the location where assets are held; assets no longer held; or assets held but not described/recorded accurately.

## ***Scope***

The overall scope of this review was to undertake an asset verification exercise by:

- Obtaining and reviewing lists of all fleet and plant and equipment, signed off as accurate by the service managers, which outline the location of the asset and the asset numbers/registration;
- Visiting the various locations fleet, plant and equipment are held and physically verifying the asset exists (we have not commented on the condition of the asset, the maintenance, the appropriateness of the assets location or considered any health and safety – the purpose of verification is only to confirm the asset exists); and
- Amending the master list to record all fleet, plant and equipment inspected by highlighting any exception noted. For example, different location, incorrect description or if the asset could not be physically verified.

The results of our asset verification, and the amended master lists, were provided to the Head of Public Infrastructure and Environment on 23 March 2015.

## 2. Findings

### *Results of asset verification*

The table below summarises the results of the asset verification exercise we performed in the period from 17 February to the 6 March 2015. The full results have been provided to the Head of Public Infrastructure and Environment.

Department	Total Assets	Untraced Assets	Extra Assets
<b>Building maintenance</b>	154	9	16
<b>PTU vehicles</b>	27	3	0
<b>Waste</b>	78	2	4
<b>Roads service</b>	394	125	53
<b>Grounds</b>	607	90	118
<b>Totals</b>	<b>1,260</b>	<b>229</b>	<b>191</b>

#### **Definitions:**

- *Total Assets* – total number of assets on the lists provided by the service managers.
- *Untraced Assets* – those assets on the lists provided but which could not be physically verified during our counts.
- *Extra Assets* – those assets physically verified but which were not recorded on the asset lists.

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## 3. Recommendations

### *Immediate actions for management*

Based on the results of our asset verification we recommend that management undertake the following actions as an immediate priority:

- For those assets that could not be physically verified management should undertake an investigation to determine whether those assets are held by Aberdeen City Council or whether the assets have since been disposed of;
- Where assets have been disposed of this should be updated on Tranman (the Council's fleet asset management system) to ensure that the data held on fleet, plant and property is accurate and complete; and
- For those assets that were identified during the physical verification but not recorded on the asset lists, management should investigate as to whether these have subsequently been recorded on Tranman and, if not, Tranman should be updated to reflect these asset additions.

**Responsible Officer:** Mark Reilly (Head of Public Infrastructure and Environment)

### *Further actions for management*

In addition to the recommended actions above, management will have to address the underlying governance issues that have led to the current discrepancies in the fleet, plant and equipment asset data. We are currently working with management to review the governance arrangements in place and the results of that review should be incorporated into a longer-term strategy to ensure an effective governance arrangement for fleet, plant and equipment.

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# Appendix 1 – Terms of Reference

## ***Aberdeen City Council***

### ***Terms of Reference – Fleet management asset verification exercise***

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This review is being undertaken at the request of the Head of Public Infrastructure and Environment and the Chief Executive following a number of control failures within the Fleet Management Service.

#### **Background**

The Council's fleet management arrangements were subject to a Traffic Commissioners public inquiry in September 2014, reflecting an overall failing fleet service. The Traffic Commissioner raised a number of concerns in respect of fleet including: discrepancies in fleet management records; maintenance contracts with 3<sup>rd</sup> parties; documentation around ownership of assets; adequate maintenance including PMI records and interval checking. Following the inquiry, Council Officers have further investigated the arising issues and have determined the need for a complete overhaul of fleet management arrangements.

A number of ongoing actions are in place in respect of the fleet service. Internal Audit has specifically been asked to consider the asset verification of the fleet and plant and equipment to confirm existence. The Council holds circa 2000 items of fleet and plant and equipment, across approximately 16 to 20 locations in Aberdeen, including three roads depots and one waste depot. All Service Managers have reviewed records of the relevant assets within their responsibility and have individually confirmed: the existence of the assets; identifying where assets are held in a different location (on the basis they appear on another Service Managers list); assets no longer held; or held but not described/recorded accurately.

#### **Scope**

We will undertake an asset verification exercise by:

- Obtaining and reviewing lists of all fleet and plant and equipment, signed off as accurate by the service managers, which outline the location of the asset and asset numbers/registration;
- Visiting the various locations fleet and plant and equipment are held and physically verifying the asset exists (we will not comment on the condition of the asset; the maintenance; the appropriateness of the assets location or consider health and safety – the purpose of verification is only to confirm the asset exists)
- Amending the master list to record all fleet and plant and equipment inspected highlighting any exception noted for example: different location; incorrect description or asset could not be physically verified. This list will be provided to the Head of Public Infrastructure and Environment.

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## Limitations of scope

The scope of our review and limitations are outlined above.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

## Approach

Our audit approach for fleet and plant and equipment asset verification is as set out in scope.



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