

ABERDEEN CITY COUNCIL

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COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1817 – Vehicle Usage
REPORT NUMBER	IA/AC1817
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

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**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present the planned Internal Audit report on Vehicle Usage.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

**3. BACKGROUND / MAIN ISSUES**

- 3.1 Internal Audit has completed the attached report which relates to an audit of Vehicle Usage.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report.

**6. MANAGEMENT OF RISK**

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

## **7. IMPACT SECTION**

7.1 **Economy** – The proposals in this report have no direct impact on the local economy.

7.2 **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. The proposals in this report will have no impact on improving the staff experience.

7.3 **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4 **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

## **8. APPENDICES**

8.1 Internal Audit report AC1817 – Vehicle Usage.

## **9. REPORT AUTHOR DETAILS**

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# ABERDEEN

## CITY COUNCIL

### Internal Audit Report

### Vehicle Usage

**Issued to:**

Bernadette Marjoram, Interim Director of Communities, Housing and Infrastructure  
Steven Whyte, Director of Resources  
Fraser Bell, Head of Legal & Democratic Services  
Mark Reilly, Head of Public Infrastructure and Environment  
Morven Spalding, Interim Head of HR  
William Whyte, Fleet Manager  
External Audit

## **EXECUTIVE SUMMARY**

Aberdeen City Council currently has a fleet of 657 vehicles (including long term hires), which are provided to Services through Fleet, based on their requirements.

The objective of this audit was to ensure that adequate procedures are in place to ensure that vehicles are being used effectively for business purposes and any non-business use is appropriately reported.

Whilst there are methods and procedures used by individual Council Services to plan and document vehicle usage, there is currently no comprehensive corporate driving at work policy, and utilisation data is generally limited to daily mileage and monthly fuel cost. As a result there is limited assurance that vehicles are being used effectively and efficiently, and solely for business purposes.

A corporate driving at work policy is now being considered for development and would be subject to consultation prior to seeking relevant approvals. Subject to further agreement and procurement processes the Fleet Service intends to select and roll out a telematics system which would provide data to facilitate more efficient use of the Council's fleet.

# 1. INTRODUCTION

- 1.1 Aberdeen City Council currently has a fleet of 657 vehicles (including long term hires), which are provided to Services through Fleet, based on their needs and requirements.
- 1.2 The objective of this audit was to ensure that adequate procedures are in place to ensure that vehicles are being used effectively for business purposes and any non-business use is appropriately reported. This involved reviewing Fleet and Service practice on recording and monitoring vehicle usage.
- 1.3 Managers receive reports of vehicle usage from their drivers or Fleet, and fuel data from Finance, which they can use to monitor their vehicles' use. Fleet are currently conducting trials of telematics systems, which it is anticipated will be installed in all Council vehicles to automatically record and provide management information. Fleet and Services are also responsible for ensuring that all driver licences are valid, checking records received from tachographs, as well as ensuring that any required training is kept up to date.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Mark Reilly, Head of Public Infrastructure and Environment, William Whyte, Fleet Manager, Morven Spalding, Interim Head of HR, and Ruth Kydd, Insurance Officer.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Policy

- 2.1.1 Fleet issues handbooks to Services for every different type of vehicle, which the drivers must sign the first time they use that type of vehicle to confirm they have received a copy and understood the requirements. These contain information that is particular to that type of vehicle as well as contact details in the event of a breakdown or accident.
- 2.1.2 However, there is currently no policy for driving a Council owned vehicle that covers all staff who drive vehicles within the Council. Instead some Services have created their own procedures, and others refer to HSE guidance on driving at work. Whilst there are some common principles this has resulted in some variation in practice between Services.
- 2.1.3 The current insurance policy covers up to 31 March 2018, and provides cover for all employees driving all types of vehicle, who have been granted permission to drive by the Council. The Insurance Officer has stated that insurers expect the Council to have policies in place to mitigate against potential losses, including for example a driving at work policy, telematics and policies to ensure business mileage is justified and drivers vetted appropriately. This is in the Council's best interest as, whilst the insurance excess at present is low (£500), due to the loss ratio sustained over the past 5 years (currently around 90%), premiums continue to increase as a direct result of a lack of process control in this area. There is a risk that this increase may not be sustainable in light of budget constraints.
- 2.1.4 However, whilst Services and Fleet have stated that the use of vehicles or carriage of passengers should be limited to solely Council business purposes, as there is no driving policy that covers all staff who drive vehicles in the Council there is no confirmation on the approved types of usage. There is therefore a potential financial and reputational risk if an accident were to occur while a Council vehicle was being used for personal use or while a non-Council employee was a passenger.

#### **Recommendation**

The Council should develop and roll out a single policy on the use of Council owned vehicles, ensuring this includes whether and in which circumstances non-business use or carriage of passengers is allowed.

#### **Service Response / Action**

Agreed. The Council requires a corporate policy which will require wider consultation and submission of appropriate Committee reports. The Head of Public Infrastructure and Environment will chair a cross-Service working group to progress this.

#### **Implementation Date**

April 2019

#### **Responsible Officer**

Head of Public Infrastructure and Environment (subject to review after 1 April 2018)

#### **Grading**

Significant within audited area

- 2.1.5 The licences of drivers of vehicles over 7.5 tonnes are checked 3 monthly by Fleet via Driver Hire. Alerts are sent to the Compliance Manager on a daily basis if any driver accumulates additional points to their licence. Fleet send consent forms every 3 years to relevant drivers to confirm that they can automatically check the licences on their behalf.
- 2.1.6 The licences of employees driving vehicles under 7.5 tonnes should be checked annually through the Driver Management System (DMS) on YourHR. All employees who drive on Council business must have their licence details on DMS, regardless of the type of vehicle

they drive and whether Fleet already check their licences for other driving categories. There are currently 2,338 employees on this system, including those who only drive their own vehicle and claim mileage.

2.1.7 It is the employee’s responsibility to upload their licence to DMS when they start, and then every year after that for their licence check. Once uploaded, licences are automatically checked and sent to their manager for verification. A reminder email is sent to their manager a month prior to a check if a new licence hasn’t been uploaded.

2.1.8 Not all Services are fully aware of the requirements. For example the Library Service had no record of checks, but this may have been due to changes in management; and Facilities advised that licences are checked every 2 years, instead of 6 monthly or annually for the various types of vehicles. There is a risk that other Services may not be undertaking checks sufficiently regularly.

**Recommendation**

All Services should be made aware that they should be doing licence checks, the frequency that these should be completed and that it is the managers’ responsibility to ensure these are done.

**Service Response / Action**

Agreed. A communication will be issued to Service Managers reminding them of their responsibilities. This can subsequently be further reinforced through the development of a corporate “driving at work policy.” The exception to this is for those staff who hold a vocational licence and for whom additional licence check requirements are carried out by Fleet Services.

**Implementation Date**

February 2018

**Responsible Officer**

Interim Head of HR.

**Grading**

Important within audited area

2.1.9 There is a charge of £3 for each licence check that is performed by Fleet through Driver Hire. Fleet advised that there may be around 20 unnecessary checks per year due to Fleet not being notified by Service managers or supervisors when a driver leaves their driving post. Although the cost incurred is small there could be Data Protection implications if sensitive personal data (such as licence details) is sought after a driver has left the Council’s employment – which could result in penalties and impact on the Council’s reputation. Updates should therefore be scheduled into the leaver’s process for drivers so that notification to Fleet can be given.

**Recommendation**

Services should ensure that employees leaving Council employment are flagged for removal from the relevant licence check system/s.

**Service Response / Action**

Agreed. Fleet will develop a leavers system for HGV licence records and remind services of the requirement at review meetings.

For all other licences HR will include removal from the DMS for ‘grey fleet’ drivers (which is a module on the Your HR system) to the leaver’s process.

**Implementation Date**

April 2018;  
September 2018

**Responsible Officer**

Fleet Manager;  
Head of HR

**Grading**

Important within audited area

- 2.1.10 Any driver of a lorry or bus must complete a CPC (Certificate of Professional Competence) every 5 years, which consists of 35 hours training. Services are required to keep records of when each driver's CPC expires and details of training completed. Services were able to demonstrate that these are kept up to date.
- 2.1.11 Minibus drivers are not currently required to complete a CPC, but must have a valid Minibus Driving Permit which covers them for 4 years. The Public Transport Unit keeps a record of permits issued. Maintaining records centrally along with other safety, compliance and licensing information held by Fleet would provide more assurance over the use of Council vehicles.

**Recommendation**

Fleet should have oversight of relevant driving records.

**Service Response / Action**

Agreed. Services are responsible for holding appropriate records, but Fleet will review to ensure records are held as part of routine audits. These need to be managed as a requirement under the conditions of the councils "O Licence", and driving records associated with "mini –buses" to ensure that the council is meeting its responsibilities under current statutory legislation.

**Implementation Date**

September 2018

**Responsible Officer**

Fleet Manager

**Grading**

Important within audited area

- 2.1.12 Drivers of large goods vehicles and passenger carrying vehicles (buses) must use a tachograph to record all hours spent driving. These details are collated by an external assessor, which sends reports to Fleet, and thereafter Services and Managers detailing any infringements. The Manager should then discuss infringements with the driver concerned, and they should both sign and date a tacho infringement letter, which is kept in their file. Should consistent infringements occur, further training courses will be offered. Following a previous Internal Audit, Fleet have implemented a self-audit programme, to obtain assurance that infringement letters are being signed and retained as required.

**2.2 Vehicle Use and Monitoring**

- 2.2.1 Fleet maintains mileage details on the Tranman system, and data from the system is shared with Services. Managers with responsibility for vehicles within their Service were contacted and asked to confirm details of current practices. The responses showed that a limited amount of information is being recorded, with few Services reviewing mileage reports, and limited monitoring taking place as a result. In some cases Services considered that Fleet was responsible for reviewing mileage / utilisation.
- 2.2.2 Most Services do review fuel card expenditure as part of the process for administering payments, to ensure the amounts and types of fuel are reasonable. High performance fuel purchases are highlighted on the report to allow Managers to discuss these with the driver. There are however no comparisons across different periods to see if there are any variations or trends in the amount of fuel being purchased.
- 2.2.3 Tanks have recently been installed at two depots for bunkered fuel for Council vehicles. This will reduce the cost of fuel in comparison to using filling stations and will also allow for greater monitoring of fuel use and mileage, as there will be more control over the process for checking mileage each time a vehicle is refuelled. Methods for collating data from this system and remaining fuel cards are being developed. Reports will initially be sent to Fleet showing the amount of fuel purchased per vehicle along with the mileage.



- 2.2.4 Absence of regular monitoring could mean that vehicles are not being utilised as efficiently as they could be. Under-use could indicate the vehicle might not be getting used properly, or is not required, and over-use could lead to additional faults and repairs, and potentially shorten the lifespan of the vehicle.
- 2.2.5 Fleet is carrying out trials of telematics systems within various Services including Grounds, Waste, Roads and PTU. Fleet provided copies of the reports received from the trial with Grounds, which detailed utilisation, speeding, idling and overall activity. These reports would allow for monitoring the usage of vehicles each day, as well as seeing any trends of idling times or stopping at certain locations. Implementation of telematics across the Fleet would also assist with insurance claims defensibility and risk. Information regarding use, speed and fuel efficiency could assist in changing behaviour, where necessary, to ensure drivers are driving safely and consistently on behalf of the Council.
- 2.2.6 Following conclusion of these trials Fleet intends to review results, compare the benefits and costs of each option and thereafter seek relevant authorisation to proceed with procurement and roll-out of an appropriate solution. If agreed, implementation would be on a phased basis, with utilisation data being built up over the first year, then using this data in the following year to promote efficiencies where appropriate.
- 2.2.7 Concerns have been highlighted to Fleet regarding potential risks with regard to employee acceptance of monitoring equipment within their vehicles. There are however no contractual issues preventing installation and use of telematics in Council provided vehicles, and there may be additional benefits – for example in addition to providing management information for optimising fleet utilisation, some of the systems being trialled offer additional employee / lone worker safety options. Employees would be expected to use the system / vehicles as they would any other system or equipment provided by their employer.

**Recommendation**

Fleet should ensure that all Services have access to regular reports on vehicle use, know how to check these and what issues to consider.

**Service Response / Action**

Agreed. If it is agreed to progress, implementation of telematics will provide data, and Fleet will support Services in its use. It will take time to develop data and training.

**Implementation Date**

April 2019

**Responsible Officer**

Fleet Manager

**Grading**

Significant within audited area

- 2.2.8 The only consistent record of mileage completed by all drivers is the first use check form, which is filled out the first time the driver uses the vehicle each day, prior to driving. This only allows for the mileage at the start of the day to be recorded.
- 2.2.9 Minibus drivers have a log book in which they can record the mileage at the start and end of each day, however this remains with the vehicle until it is full, and is rarely reviewed unless an issue arises.
- 2.2.10 Within the Roads Service an RF5 form is used to record the time and mileage a vehicle is used against different jobs throughout the day. Whilst this is primarily used for job costing, this form can also be used to show separate journeys, detailing the start and end locations as well as the mileage per trip.
- 2.2.11 Recording the details and purpose of all trips for all Council vehicles would provide more assurance that vehicles are being used appropriately for Council business purposes. This

data could then be used to more accurately demonstrate Services' fleet requirements. Whilst some Services will have additional requirements, it should be possible for a single corporate form and process to facilitate these. Whilst a telematics system would improve record keeping, it would need to be complemented with details of the purpose of journeys to provide assurance over their necessity.

**Recommendation**

Services should record the details and purpose of all trips in Council vehicles to a defined standard.

**Service Response / Action**

Services already have a number of methods for recording and planning routes, including the routing system in Waste, PTU's booking system and manifests, and a job allocation system for Building Services. It is acknowledged that actual trip data is less consistently recorded. Implementation of telematics, if approved, will increase the data available, providing management with a tool to compare planned and actual vehicle utilisation, without increasing the burden of administration.

**Audit Comment**

Service response noted.

**Grading**

Significant within audited area

- 2.2.12 In the Building Services driving procedure, it advises that where a period of annual leave or sickness absence exceeds 5 working days, any vehicle that is usually kept at a home address must be returned to the depot. This means that there can be a vehicle sitting unused for up to 5 days, when it could be put to alternative use for those days, reducing the need for additional hire costs. There are no records to demonstrate that this policy is being strictly applied, therefore there may be instances where unused vehicles are not being returned promptly.
- 2.2.13 Although a small number of Services would be happy to share vehicles with other Services if it would reduce costs and could be scheduled around their operating times, most considered that they would be unable to do so as all their vehicles are currently being fully utilised, have a service specific application, or are held to provide capacity to cover for planned maintenance.
- 2.2.14 Without utilisation details it is difficult to determine whether these assertions are correct. There is a risk that individual Services operating their fleet independently may not maximise utilisation and minimise costs for the Council as a whole.

**Recommendation**

Fleet utilisation should be reviewed corporately to maximise efficiency.

**Service Response / Action**

A full review would require additional resources which are not currently available. Depending on approval of the revised Fleet business case following a Service Review, vehicle budgets may be moved to user Services. If progressed, data from telematics will assist Fleet to support user Services in identifying areas where efficiencies can be obtained.

**Implementation Date**

April 2019

**Responsible Officer**

Fleet Manager

**Grading**

Significant within audited area

- 2.2.15 All Services advised that no personal use or commuting is permitted in any of their vehicles, and that no vehicle is used for these purposes. There are no records, however

Services referenced occasions where personal use has been reported by other employees or members of the public.

- 2.2.16 However, employees from several Services take vehicles home overnight. The reasons given are either there is insufficient space or security at a depot, they are required to work at various sites, or they are on standby / call out.
- 2.2.17 Some Services are taking locations and distances into consideration when determining whether it is appropriate for employees to take vehicles home. The Public Transport Unit (PTU) advised that prior to any of their minibuses being taken home, the location it will be kept at is assessed by the Service. Building Services' driving procedure advises no vehicle can be driven to a home address more than 25 miles away from the depot at Kittybrewster for employees who were employed before May 2012. For any employee who commenced employment after this date, the limit is 15 miles from Kittybrewster. A list provided by Fleet indicates that there are 21 employees who drive their vehicles more than 15 miles, and 4 drive more than 25 miles. From review of a sample of these cases commuting can account for up to 81% of the total mileage covered by a vehicle in the period reviewed.
- 2.2.18 Only business miles are tax exempt: personal use or commuting may be liable to tax. There is an exception outlined in HMRC guidance (480) for "*vehicles in which private use by the employee is specifically prohibited and which are not so used - both requirements must be satisfied for the exemption to apply*". HMRC also advises that the van benefit charge is nil if both the following requirements are satisfied throughout the year: "*the van must only be available to the employee for business travel and commuting – and must not in fact be used for any other private purpose except to an insignificant extent*", and "*the van must be available to the employee mainly for use for the employee's business travel*".
- 2.2.19 In the cases noted above, where more than 50% of the mileage travelled is commuting, it may be difficult to demonstrate that vans have been provided mainly for business travel. Given the absence of a corporate policy, and the lack of records to substantiate that there is no, or only insignificant, private use, there is a risk that taxable mileage may be incurred but not recovered, and penalties applied. Extended commutes may also heighten the risk for the insurer. The recommendations at 2.1.4 and 2.2.11 apply.
- 2.2.20 In July 2017 Fleet carried out a review to determine an estimated cost for Building Services allowing their staff to take vehicles home overnight. This covered 23 employees residing more than 15 miles away from Kittybrewster (out of approximately 240 in total used by the Service). Taking into account fuel, tyre wear and maintenance costs, the calculated annual cost was over £250,000. Internal Audit has calculated a more conservative estimate for these vehicles of around £110,000 based on the equivalent HMRC mileage rates.
- 2.2.21 The review did not look at commutes of less than 15 miles. In a small sample of other Services' records Internal Audit identified that in some cases up to 20% of mileage was likely to be attributable to commuting. Reducing the number of commuting miles, or removing the option to use Council vehicles to commute at all, would likely present further savings. However, these would need to be balanced against the cost of providing secure space to keep vehicles, and any time and cost implications arising through routing from a central point. As Services do not currently keep comprehensive records of commuting, the full costs may be difficult to quantify.
- 2.2.22 The current procedures provide no incentive to utilise fleet efficiently. In order to demonstrate that value is being obtained, Services could be required to maintain detailed records, or provide business cases demonstrating the costs and benefits and authorisation for each vehicle being taken home.

**Recommendation**

A corporate review is required on Services allowing employees to take vehicles home and use them for day to day commuting, to ensure such instances present a net benefit to the Council.

**Service Response / Action**

Agreed. There may be operational advantages but development of a procedure to manage these is required to give assurance that the council is meeting all its statutory duties. This will be considered for inclusion in the driving policy. The Head of Public Infrastructure and Environment will chair a cross-Service working group to progress this.

**Implementation Date**

April 2019

**Responsible Officer**

Head of Public Infrastructure and Environment (subject to review after 1 April 2018)

**Grading**

Significant within audited area

2.2.23

Only a small number of Services have had employees complete a course or training on economical driving. There is no specific Council offered course: training is provided by external providers. There is a government scheme called FuelGood, but this is primarily for private vehicles used for business travel. There is also training offered for users of pool cars. Fuel savings may be achievable if this were more widespread.

**Recommendation**

Fleet should offer employees driving council vehicles training on economical driving styles.

**Service Response / Action**

Agreed. Fleet has identified a local partner to deliver training. Services will be asked to sign up to this as a "spend to save" initiative.

**Implementation Date**

Implemented

**Responsible Officer**

Fleet Manager

**Grading**

Important within audited area

**AUDITORS:** D Hughes  
C Harvey  
R Brand

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
<b>Major at a Service Level</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.