

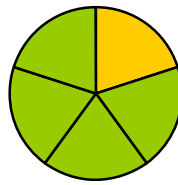
Internal Audit



Vehicle Fleet Management

January 2015

Report Assessment



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Introduction

NHS Lothian operates a commercial fleet of 195 vehicles. The fleet comprises a mixture of vehicles from small vans (up to 3.5 tonnes) to heavy goods vehicles (up to 44 tonnes). Fleet vehicles are held under lease agreements agreed by NHS Scotland with several contractors. Lease terms are based on forecasted mileage over a minimum 3-year to maximum 5-year period.

NHS Lothian also has a fleet of 716 pool and leased cars, of which approximately 334 are pool cars provided to departments for essential business use and 117 are notional leased vehicles (pool cars used by a member of staff for private and business use). The remaining 265 cars are leased under a scheme that is open to all employees whose average annual business mileage is in excess of 3,500 miles. Both the pool and leased car schemes are based on contract hire arrangements agreed as part of a national contract managed by NHS Scotland.

While the Transport & Travel team has administered the commercial fleet for many years, the team only took on responsibility for pool and leased cars in March 2014. The team of 2 staff has responsibility for reviewing all aspects of the fleet and raising any concerns to line managers or budget-holders.

Scope

We reviewed arrangements in place for the management of NHS Lothian's Vehicle Fleet.

The control objectives for this audit, along with our assessment of the controls in place to meet each objective, are set out in the Summary of Findings.

Acknowledgements

We would like to thank all staff consulted during this review, for their assistance and cooperation.

Executive Summary

Conclusion

With the exception of control objective 1, the controls NHS Lothian has in place to manage the vehicle fleet are adequate and operating effectively. However, this review has identified a number of opportunities for improving processes and practices which will benefit future vehicle fleet management activities.

Summary of Findings

The table below summarises our assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit. Definitions of the ratings applied to each action are set out in Appendix 1.

No	Control Objective	Control objective assessment	Number of actions by action rating			
			Critical	Significant	Important	Minor
1	The size and mix of the vehicle fleet matches service needs.	Amber		1	1	
2	Fleet vehicles are available when and where required.	Green				
3	Pool and leased cars are only allocated when required and staff members are eligible.	Green			2	
4	Vehicles are maintained to meet legal and expected standards.	Green				3
5	Procurement arrangements demonstrate the principles of best value.	Green			1	

Control Objective Ratings

Action Ratings	Definition
Red	Fundamental absence or failure of controls requiring immediate attention. (60 points and above)
Amber	Control objective not achieved - controls in place are inadequate or ineffective (21 – 59 points)
Green	Control objective achieved – no major weaknesses in controls but may be scope for improvement (20 points or less)

Main Findings

We noted a number of areas of good practice during the review. NHS Lothian's fleet management processes are captured in the *Car Leasing Policy and Procedure* and *Guidance on the Management and Use of Vehicles within NHS Lothian* documents. These were updated in August 2013 and September 2014 respectively and provide a framework for NHS Lothian's vehicle fleet management activities. The criteria used by NHS Lothian to determine whether employees qualify for lease vehicles are reasonable and all new leases tested during the review met these criteria.

Departmental managers maintain work schedules at a local level to ensure fleet vehicles are available to meet NHS Lothian's operational requirements including scheduling of vehicle maintenance at times that do not compromise day to day business.

We identified one significant risk areas for improvement during the review:

A formal Fleet Management Strategy should be developed to identify NHS Lothian's service needs and determine how these are met by the existing fleet. This strategy should be consistent with NHS Lothian's asset management strategy and broader strategic objectives. It should clearly demonstrate how it will ensure the efficient and effective management of safety, procurement, maintenance and disposal of fleet vehicles.

Further details of these findings, along with seven less significant areas for improvement, are set out in the Management Action Plan.

Management Action Plan

Control objective 1: The size and mix of the vehicle fleet matches service needs.	
1.1: Strategic Fleet Management	Significant
<p><u>Observation and risk</u></p> <p>The purpose of a Fleet Management Strategy is to link an organisation's medium to long-term fleet service needs with its overall asset management strategy and broader strategic objectives. A formal Fleet Management Strategy improves an organisation's ability to measure and monitor the efficiency and effectiveness of its fleet management activities. It also promotes a standardised approach to fleet management across an organisation.</p> <p>NHS Lothian does not currently have a formal Fleet Management Strategy.</p> <p>There is a risk the size and mix of NHS Lothian's vehicle fleet may not meet service needs efficiently and effectively, leading to unnecessary expenditure.</p>	
<p><u>Recommendation</u></p> <p>A formal Fleet Management Strategy should be developed to identify NHS Lothian's fleet requirements both currently and in the future. The Strategy should include an analysis of the extent to which the existing fleet meets those needs, and identify actions to address any gap in provision.</p> <p>The Strategy should set out the processes for efficient and effective management of safety, procurement, maintenance and disposal of the fleet.</p> <p>Once a formal strategy has been developed, management should monitor performance in delivering the actions contained within the strategy, and against agreed performance management standards.</p>	
<p><u>Management Response</u></p> <p>In line with the National Shared Service agenda this is likely to be formulated Pan Scotland and implemented by the National fleet managers (once appointed).</p> <p><u>Management Action</u></p> <p>Await outcome of Shared Service agenda and implementation of strategy by National fleet managers.</p>	
Responsibility: Area Manager Pan Lothian	Target date: 31 December 2015

1.2: Register of Vehicles and Vehicle Users	Important
<p><u>Observation and risk</u></p> <p>The <i>Guidance on the Management and Use of Vehicles Within NHS Lothian</i> is intended to assist departmental managers who are required to make use of vehicles for the delivery of a service. This advises that managers should establish robust systems of local control by maintaining a register of vehicles and vehicle users. This register should include details of vehicle registration number, vehicle type (private or lease car), lease expiry dates, MOT test due dates and last test dates, service due dates and last services date and details of staff with driving responsibilities.</p> <p>Seven departments were tested during the review. We found that four of these did not maintain a register of vehicles and vehicle users in line with the Guidance.</p> <p>There is a risk that managers will not be able to ensure their fleet vehicles or vehicle users are fit to meet service needs.</p>	
<p><u>Recommendation</u></p> <p>Registers of vehicles and vehicle users should be compiled by departmental managers. Copies of these should be submitted to Logistics on an annual basis. Logistics should review a sample of these to ensure they are completed in accordance with the '<i>Guidance on the Management and Use of Vehicles within NHS Lothian</i>'.</p>	
<p><u>Management Response</u></p> <p>The Area Manager for Pan Lothian services will arrange to create and issue a further communication around this issue, drawing attention to the relevant section within the Guidance document.</p> <p>There is likely to be a resource issue within the Fleet Management department to enable routine checking, something that will need to be addressed before we will be happy to fully support the second part of the recommendation.</p> <p><u>Management Action</u></p> <p>Create and issue further communication to line managers on the maintenance of vehicle registers drawing attention to the relevant section within the Guidance document. Routine checking will be addressed when resourcing issues are resolved.</p>	
Responsibility: Area Manager Pan Lothian	Target date: 31 March 2015

Control Objective 2: Fleet vehicles are available when and where required.

We found no significant issues in relation to this control objective.

Departmental managers maintain work schedules at a local level to ensure fleet vehicles are available to meet operational requirements.

Guidance on the Management and Use of Vehicles Within NHS Lothian includes instructions on ensuring that scheduled servicing and vehicle maintenance are carried out at times that do not compromise day to day business.

Processes are also in place to ensure contingencies are identified including the use of alternative pool cars from other business units and the 'grey fleet'.

Control Objective 3: Pool and leased cars are only allocated when required and staff are eligible.

Issue 3.1 Process for renewal of leases

Important

Observation and Risk

Neither the *Car Leasing Policy and Procedure* nor the *Guidance on the Management and Use of Vehicles Within NHS Lothian* includes guidelines on the lease renewal process. There is no clear process in place to define how departmental managers should notify Logistics when a pool car lease should or should not be renewed. Unless a departmental manager formally advises Logistics that the vehicle is no longer required, a pool car lease is automatically renewed. This happens even if Logistics has demonstrated through its monitoring of actual against expected mileage that it may not provide value for money to NHS Lothian.

There is also a process in place for the renewal of leases under the Car Leasing Scheme which requires users to notify Logistics about lease renewals using an NHS Lothian lease renewal application form. We tested ten lease renewals and were unable to locate a copy of the lease renewal application form for four items in the sample.

There is a risk the organisation will continue to renew leases for vehicles which do not provide a genuine business benefit to NHS Lothian, resulting in unnecessary expenditure for the board.

Recommendation

A formal process for the renewal of pool and lease vehicles should be developed and included in the *Guidance on the Management and Use of Vehicles Within NHS Lothian*.

This process should require leaseholders to notify Logistics in writing of renewals. All renewal forms should be approved by an appropriate line manager before being passed to Logistics. Leases should not be renewed without an authorised renewal form and copies of forms should be maintained by the departmental manager as evidence of approval.

Management Response

There is an existing process in for both. The Car leasing process has been in place for a good number of years and is utilised on all occasions. The system for Pool & Commercial vehicles is within the Guidance Document but has yet to be completely embedded.

Management Action

To ensure that the relevant process described within the Guidance document is used on all occasions going forward where replacement vehicles are requested.

Responsibility: Area Manager Pan Lothian

Target date: 31 March 2015

Issue 3.2 Lease termination	Important
<p><u>Observation and Risk</u></p> <p>The Car Leasing Policy and Procedure (August 2013) states that “<i>the Car Leasing Scheme is open to all employees who are expected to travel more than 3,500 business miles per annum.</i>” Logistics monitors business mileage for lease vehicles and analyses whether these continue to provide value to NHS Lothian. However, where vehicles do not appear to provide value for money, there is no process to investigate whether leases should be terminated.</p> <p>There is a risk that NHS Lothian will continue to pay vehicle leasing costs in circumstances where it may be more cost effective to pay termination penalties and fund the reimbursement of expenses to employees for the use of private vehicles.</p>	
<p><u>Recommendation</u></p> <p>Logistics should investigate any vehicles highlighted by existing monitoring processes as not providing value for money to determine whether the lease is still required.</p> <p>Where the investigation clearly demonstrates that the lease does not offer a genuine business benefit, NHS Lothian should provide notice to the user that the lease will be terminated. This process should be documented in the <i>Guidance on the Management and Use of Vehicles Within NHS Lothian</i>.</p>	
<p><u>Management Response</u></p> <p>We can evidence where lease vehicles have not been renewed as a result of the individual not undertaking 3,500 business miles each year. To terminate an agreed lease will incur an early termination penalty as per NP contracts. This is not a route we would normally consider.</p> <p><u>Management Action</u></p> <p>To review wording in car leasing policy.</p>	
Responsibility: Area Manager Pan Lothian	Target date: 31 March 2015

Control Objective 4: Vehicles are maintained to meet legal and expected standards.

4.1: Evidence of insurance and MOT for 'Grey Fleet'

Minor

Observation and risk

Section 8 of the '*Guidance on the Management and Use of Vehicles within NHS Lothian*' requires drivers who use their own vehicle for business use ("grey fleet") to complete a declaration stating they have a valid MOT certificate and business insurance cover for their vehicles. In addition, drivers should provide departmental managers with copies of the MOT and insurance certificates to evidence the compliance checks required by Health and Safety at Work Regulations.

We tested a sample of 20 grey fleet drivers and identified that all had provided a declaration stating they had a valid MOT certificate and business insurance cover for their vehicles. However we were unable to obtain copies of either MOT or insurance certificates for 16 of the staff members in the sample. While e-Expenses does not allow drivers to be reimbursed for fuel costs if they do not have a valid license, insurance or MOT certificate registered in the system, this control is only effective if employees make an expenses claim.

There is a risk that NHS Lothian is unable to demonstrate compliance with Health & Safety at work regulations.

Recommendation

In the short term scanned copies of Insurance policies and MOT certificates should be retained by Business Unit Managers for all members of staff using a private vehicle for business purposes. Logistics should ask all business managers to confirm that they have received the required documentation from relevant staff members on an annual basis.

In the longer term the '*Guidance on the Management and Use of Vehicles within NHS Lothian*' could be updated to state that details of 'grey fleet' vehicles including insurance and MOT details should be registered with Logistics before the vehicle can be used for business purposes. The Guidance could also be updated to state that unless a vehicle is registered formally as a part of the 'grey fleet' any usage by the driver cannot be classified as business use and expenses will not be paid to the staff member.

Management Response

Happy to accept this recommendation in the short to medium term as it ultimately ties up a number of loose ends which expose the organisation to risk , however the current resource allocated to Fleet Management is insufficient to fully support.

Longer term this may be consumed by the Shared Service Agenda or it should be promoted as a further development of the e-expenses system.

Management Action

To attempt resource and move forward as per recommendations

Responsibility: Area Manager Pan Lothian

Target date: 30 June 2015

4.2: Pool car safety checks	Minor
<p><u>Observation and risk</u></p> <p>Section 3.3 (Employee Responsibilities) of the 'Guidance on the Management and Use of Vehicles within NHS Lothian' states 'it is an employees responsibility to ensure that NHS Lothian vehicles are in a roadworthy condition, it is the legal responsibility of every driver to carry out basic safety and maintenance checks every time the vehicle is used.'</p> <p>Regular MOT's and servicing ensure fleet vehicles are road-worthy. Basic safety and maintenance checks provide additional assurance that vehicles are in an appropriate condition. The guidance advises that drivers should refer to the vehicle handbook for information on how to conduct basic safety checks for particular vehicles types and models.</p> <p>A sample of pool cars within seven departments was tested to determine whether basic safety and maintenance checks were carried out. We found two departments which were unable to provide evidence these had been completed.</p> <p>Although strong controls over MOT and servicing should ensure vehicles are in an appropriate condition there is a risk that minor defects could result in a vehicle becoming un-roadworthy if they are not addressed. This could result in unplanned service disruption or unnecessary expenditure for the Board.</p>	
<p><u>Recommendation</u></p> <p>Vehicle Mileage and Defect Logs should be completed by relevant NHS Lothian employees and should be reviewed monthly by departmental managers. The managers should submit copies of these logs to Logistics on a quarterly basis.</p> <p>Logistics should review the logs to confirm whether basic maintenance checks are being completed and defects are being recorded and addressed in accordance with the 'Guidance on the Management and Use of Vehicles within NHS Lothian'. Where departmental managers routinely fail to provide copies of the logs to Logistics, this should be escalated through line management.</p>	
<p><u>Management Response</u></p> <p>Happy to accept this recommendation in the short to medium term as it ultimately ties up a number of loose ends which expose the organisation to risk, however the current resource allocated to Fleet Management is insufficient to fully support.</p> <p><u>Management Action</u></p> <p>To attempt resource and move forward as per recommendations.</p>	
Responsibility: Area Manager Pan Lothian	Target date: 30 June 2015

4.3: Measures to prevent mobile phone use in NHS Lothian vehicles	Minor
<p><u>Observation and risk</u></p> <p>The ‘<i>Guidance on the Management and Use of Vehicles within NHS Lothian</i>’ states “<i>It is illegal to use a hand-held mobile phone when driving</i>”.</p> <p>There is no process in place to ensure notices are positioned in NHS Lothian vehicles to make drivers explicitly aware that it is illegal to use mobile phones while driving.</p> <p>Unless drivers are clearly warned that it is illegal to use mobile phones while operating fleet vehicles there is a risk they will contest they were not properly informed by NHS Lothian of the legal implications of phone usage while operating a vehicle.</p>	
<p><u>Recommendation</u></p> <p>Preventive measures should be implemented including signage stating that mobile phone use is illegal in all NHS Lothian fleet vehicles. Staff should also be reminded of the disciplinary processes for illegal actions while at work.</p>	
<p><u>Management Response</u></p> <p>Agreed.</p> <p><u>Management Action</u></p> <p>Source company who can provide appropriate signage, understand the numbers required and confirm funding available.</p>	
Responsibility: Fleet Management Administrator	Target date: 31 March 2015

Control Objective 5: Procurement arrangements demonstrate the principles of best value.	
5.1: Mileage Logs and Fuel card reconciliations	Important
<p><u>Observation and risk</u></p> <p>The ‘<i>Guidance on the Management and Use of Vehicles within NHS Lothian</i>’ requires departmental managers to “<i>implement a system to ensure that all staff complete the relevant section on the mileage and defect sheet to show when and the amount of fuel purchased, hand in the filling station receipt and undertake regular reconciliation of fuel purchases against local budgets</i>” Vehicle users are required to maintain a mileage log documenting usage and the cost of fuel purchased.</p> <p>Seven departments were tested during the review to determine whether fuel card reconciliations and mileage log checks were completed. None of the departments tested reviewed and approved mileage logs or reconciled fuel card records. There is a risk that unauthorised or inappropriate fuel card usage may not be detected, leading to financial loss for NHS Lothian.</p>	
<p><u>Recommendation</u></p> <p>Logistics should develop a procedure note or checklist, setting out the checks to be completed by departmental managers each month. The procedure note should include consideration of the requirements set out in the policy.</p> <p>Departmental managers should submit confirmation they have completed the required checks, along with completed mileage logs, to Logistics on a quarterly basis and Logistics should review a sample of these to ensure they are completed in accordance with the ‘<i>Guidance on the Management and Use of Vehicles within NHS Lothian</i>’. Logistics should escalate routine non-completion of the checks with business unit managers’ line managers.</p>	
<p><u>Management Response</u></p> <p>System currently available and recommended within the guidance document. Agree to create and send out further information to line managers to focus on this issue and where to find the relevant information. The current resource allocated to Fleet Management is insufficient to fully support.</p>	
<p><u>Management Action</u></p> <p>To ensure that the relevant process described within the Guidance document is used on all occasions going forward where replacement vehicles are requested.</p>	
Responsibility: Area Manager Pan Lothian	Target date: 31 March 2015

Appendix 1 - Definition of Ratings

Management action ratings

Action Ratings	Definition
Critical	The issue has a material effect upon the wider organisation – 60 points
Significant	The issue is material for the subject under review – 20 points
Important	The issue is relevant for the subject under review – 10 points
Minor	This issue is a housekeeping point for the subject under review – 5 points

Control objective ratings

Action Ratings	Definition
Red	Fundamental absence or failure of controls requiring immediate attention. (60 points and above)
Amber	Control objective not achieved - controls in place are inadequate or ineffective (21 – 59 points)
Green	Control objective achieved – no major weaknesses in controls but may be scope for improvement (20 points or less)