



## Regularity audit of the use of pooled vehicles

**Committee**            Audit and Standards

**Date of meeting**    18 February 2022

**Date of report**    2 February 2022

**Report by Director of Finance & Corporate Support**

### 1. Object of report

To advise the committee on the findings of a regularity audit of the use of pooled vehicles. This engagement was included in the annual Internal Audit plan 2021/2022.

### 2. Background

HMRC define a vehicle as *'pooled'* if all the following conditions are satisfied:

- (a) It's available to, and actually used by, more than one employee;
- (b) It's made available, in the case of each of those employees, by reason of their employment;
- (c) It is not ordinarily used by one of them to the exclusion of the others;
- (d) Any private use by an employee is merely incidental to their business use of it;
- (e) It is not normally kept overnight on or near the residence of any of the employees unless it's kept on premises occupied by the provider of the vehicle.

Members may recall an Audit Scotland report titled *'Fraud and Irregularity 2021'* noted by the Audit and Standards committee at its meeting on 27 August 2021. In this report, the use of pooled vehicles was identified as a fraud risk area by Audit Scotland.

The objective of this engagement was to review the internal controls in place for the use of pooled vehicles.

This engagement tested elements of the internal controls and mitigation against SPT 6: Security as identified in the Corporate Risk register.

### 3. Outline of findings

SPT operates a small fleet of vehicles to meet service delivery objectives, transport staff and supplies and to enable staff to undertake operational duties.

Engagement testing (December 2021) found no fraud in the use of pooled vehicles.

The auditor acknowledges that measures are in place to enable Covid-secure arrangements to operate safely, including the allocation of designated drivers to pooled vehicles.

Engagement testing identified a requirement to refresh the current procedural guidance in Conditions of Use for pooled vehicles.

Engagement testing also identified a requirement to review vehicle servicing arrangements.

There are areas for improvement and these areas have been addressed by four recommendations. Customer Services management have agreed to implement these recommendations, which are currently being actioned.

#### 4. Conclusions

The Audit and Assurance team has undertaken a regularity audit of the use of pooled vehicles. Four recommendations have been agreed from this engagement.

Key controls exist and are applied consistently and effectively in the majority of areas tested in this engagement.

Reasonable assurance can be taken from the internal controls in place.

#### 5. Committee action

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendations to a meeting in approximately six months.

#### 6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>

<b>Name</b>	Neil Wylie	<b>Name</b>	Valerie Davidson
<b>Title</b>	<b>Director of Finance &amp; Corporate Support</b>	<b>Title</b>	<b>Chief Executive</b>

For further information, please contact Iain McNicol, Audit and Assurance Manager.

**Agreed action plan: Regularity audit of the use of pooled vehicles**

No.	Recommendation	Priority	Action Proposed	Lead Officer(s)	Due date
1	<p><u>Procedural guidance</u></p> <p>The Conditions of Use guidance for fleet vehicles should be reviewed, updated and communicated to managers and staff who utilise pooled vehicles.</p> <p>The refreshed procedures should include arrangements for:</p> <ul style="list-style-type: none"> <li>• charging and use of electric vehicles;</li> <li>• security of fuel card pins;</li> <li>• security of key fobs; and</li> <li>• submission of vehicle logs.</li> </ul>	Medium	<p>The pooled vehicle usage booklet is in the process of being updated, to reflect recent initiatives.</p> <p>Procedural guidance will be updated and issued to all pooled vehicle users.</p>	Head of Service Operations and Security (Bus stations)	February 2022
2	<p><u>Security authentication device (key fobs)</u></p> <p>A regular validation exercise should be undertaken to reconcile key fobs to digital system records.</p> <p>Key fobs should be recovered from leavers and deactivated immediately.</p>	Medium	<p>A review of vehicle key fobs is being conducted. Checks on fobs will be undertaken on a regular basis.</p> <p>Key fobs will be recovered from leavers and deactivated immediately.</p>	Head of Service Operations and Security (Bus stations)	February 2022
3	<p><u>Vehicle servicing arrangements</u></p> <p>Vehicle servicing should be reviewed to enhance continuity arrangements.</p>	Medium	<p>Vehicle servicing supply chain is currently subject to review, with Procurement, to minimise service delivery constraints, whilst maintaining warranty obligations.</p>	Head of Service Operations and Security (Bus stations)	February 2022

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4	<p><u>Monitoring of costs</u></p> <p>Vehicles costs should be monitored on an individual basis to enhance analytics, oversight and fleet replacement.</p> <p>Provision of management information and reporting should be reviewed and enhanced.</p>	Low	<p>Monitoring of vehicle repair and maintenance costs will be reviewed.</p> <p>Management information provision will be reviewed and enhanced, where appropriate.</p>	Head of Service Operations and Security (Bus stations)	April 2022

**High:** A fundamental control that should be addressed as soon as possible;

**Medium:** An important control that should be addressed within three months;

**Low:** An issue which is not fundamental but should be addressed within six months to improve the overall control environment.