

FLEET INVESTIGATION

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Executive Summary:

A whistleblowing referral was received alleging the inappropriate personal use of Council vehicles by a Director for a prolonged period. The investigation identified evidence to support the allegations and disciplinary action was taken. The Director was dismissed.

The investigation identified governance weaknesses and wider issues. CLT developed an Action Plan to address all issues identified which has now commenced.

1. Recommendation(s)

1.1. That the report be noted.

2. Issues

2.1. Allegations were received using the Council's whistleblowing arrangements. The allegations were that the Director had been using Council fleet vehicles for personal use for over 10 years. Following discussion with the Chief Executive and AD Human Resources an investigation was undertaken.

2.2. In summary, the investigation found:

2.2.1. Evidence that the allegations were correct

2.2.2. Substantial cost (in excess of £20,000) was incurred providing vehicles where there was no business need.

2.2.3. Governance systems were not applied effectively.

2.3. A disciplinary hearing was held and the outcome was that the Director was dismissed.

2.4. Disciplinary action in respect of a Director must recognise the risk that such a senior officer has the ability to inappropriately abuse systems and influence others to bypass / abuse systems. The investigation identified several control weaknesses / failures specific to the above issue and also wider control / governance issues.

2.5. CLT approved an Action Plan to address these issues, Annex A. The programme of work is primarily led by the relevant Service AD and / or Head of Service, but with the direct involvement by the relevant corporate service and on the basis that there will be an Internal Audit review towards the end of each action. CLT have already agreed the revised Drivers Handbook and controls applied to the procurement and use of fleet vehicles. CLT will monitor the Action Plan regularly including the actions being overseen by Internal Audit. Therefore at the time of writing the governance systems in relation to Council vehicles have already been improved and implemented.

3. Background

3.1. Lease cars were removed as part of the Single Status Agreement in 1998. In some cases the cars were replaced with financial payments but the last of these were withdrawn in 2010 through a managed process and no officers have terms and conditions that include a lease car for personal use.

3.2. As part of a fleet of vehicles the Council maintains for service / operational need, some lease / hire cars are provided but not personal use. The system for the properly controlled and efficient management of a Council fleet relies upon 3 key controls:

(1) Orders must be authorised by Budget Manager

(2) Costs must be recorded through the relevant service budget to be visible to the budget manager, finance and ultimately the public through the Council's accounts, FOI enquiries etc

(3) Fleet management must have the ability to challenge orders and meet the need through existing or other (ie most efficient) solutions where possible.

3.3. In the specific case described above key controls (1) and (2) were not applied or were bypassed. The costs of the relevant vehicles used by the Director were recorded within the overall Fleet budget (similar to where the fleet procures a short term vehicle to cover for a fleet vehicle that has broken down) not within the relevant Director's service budgets. The investigation verified that the proper controls were applied to other fleet vehicles: ie costs were found to be recharged to correct budgets and budget managers had authorised the vehicles business need.

3.4. Fleet staff did not challenge the Director's arrangement. They stated they felt unable to do so for such a senior officer and that it was their understanding that the vehicle was part of the Director's terms and conditions of employment (ie a lease car). CLT have already formally strengthened the role of Fleet Management to ensure they challenge new vehicle purchases and are empowered to review existing use to deliver further savings / efficiencies.

4. Wider Action

4.1. CLT signalled its clear determination to verify that there were no other examples of any improper use of fleet vehicles, and to ensure that controls were improved immediately and robustly applied in the future. The Action Plan developed and approved by CLT also demonstrates the determination to consider (and resolve) any wider issues / concerns the specific case above may create. The Action Plan (Annex A) sets out 7 areas:

- (1) Control / Use of Fleet Assets – verifying that controls are reinforced to ensure the Council's fleet supports services in the most efficient and effective way. An example is that some staff used MKC vehicles to commute to and from work where there was no business advantage to do so and additional, avoidable costs incurred.

Commuting, using MKC vehicles, is necessary in some services, eg where staff are on emergency call. An urgent review of all cases was undertaken by Directors and the practice stopped except for those specific cases where an evidenced and authorised service need exists.

The urgent verification of the business need for every vehicle is being undertaken and the revised controls / guidance agreed by CLT were issued to vehicle users of every vehicle.

- (2) Fleet Management – work to ensure that Fleet Services identify whether the fleet can be reduced by more effective corporate management had already been commenced by the AD Neighbourhood services at the time the specific case was investigated. That work continues

CLT agreed a revised Drivers Handbook system that enhanced the authority of the Fleet Manager to challenge requests to procure vehicles and to have the authority to maximise the efficiency by shared use of vehicles where service needs can be met from existing assets.

- (3) Tax implications – there are expected to be tax implications for both MKC and individual employees. The information gathered above provides the basis for assessing this. Contact will be made with HMRC and technical advice is being procured to ensure that the issues are presented appropriately. At the time of drafting this report, the potential tax liability cannot be quantified.
- (4) Stores / Stocks – the investigation also touched briefly on control systems for stores and stocks. This will be reviewed later in the year.
- (5) Repairs / Maintenance – the investigation highlighted some concerns regarding the control systems for vehicle repairs and maintenance. Some further investigations are under way that being undertaken in accordance with disciplinary procedures. Indications are currently that whilst systems of control appear weak the specific cases under investigation do not appear to be indicative of widespread abuse. The system will be fully reviewed later in the year.
- (6) Depot based Procurement – a review of procurement spend arising from depot based services identified the opportunity to improve procurement controls to achieve better competition and efficiency.
- (7) Operational Culture, ie Whistleblowing and FOI information – the investigation highlighted concerns regarding the adequacy of FOI reporting in respect of two specific fleet-related enquiries. FOI issues are being examined separately and a programme of training and guidance is being developed to address these issues.

5. Implications

5.1. Policy

The above demonstrates the robust application of the Council's Anti Fraud and Corruption zero tolerance policy and Conduct standards. The issue also highlights the value and importance of the Whistleblowing policy.

Additionally the policies applicable specifically to the use of fleet vehicles have already been reviewed, revised and implemented. CLT have also improved the ability of the Fleet Service to manage the Council's assets effectively and efficiently.

5.2. Resources and Risk

Whilst the specific allegations highlighted significant cost arising from the inappropriate use of fleet vehicles the evidenced cost has been invoiced to the relevant officer and recovery action will be monitored.

The Action Plan identifies opportunities to manage fleet assets more efficiently and thus potentially lead to a smaller size fleet that is more effectively managed. The AD Neighbourhood Services has already commenced a programme to identify and bank the savings available.

Y	Capital	Y	Revenue	N	Accommodation
N	IT	N	Medium Term Plan	Y	Asset Management

5.3. Carbon and Energy Management

Opportunities to reduce the size of the fleet may represent opportunities to reduce the Council's Carbon use.

5.4. Legal

None

5.5. Other Implications

None .

N	Equalities/Diversity	Y	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	Y	Crime and Disorder
Y	Carbon and Energy Policy				

Background Papers: None

	Assurance Required	Action	Responsible officer	Timescales
1. Fleet Assets – vehicles and plant / equipment	<p>(a) That all vehicles are accounted for</p> <p>(b) That all plant / equipment are accounted for</p> <p>(c) That all assets are necessary for approved service need</p> <p>(d) That effective security is applied to all assets</p> <p>(e) That non service use is explicitly authorised and controls in place to enforce this</p> <p>(f) That non service use is documented to ensure all wider implications are properly reported eg tax</p>	<p>A joint IA and management audit of all assets, including a review of security arrangements.</p> <p>The collation of information from this feeds some later actions in this plan.</p>	ADARM & ADNS	3-6 months 30/09/12
2. Fleet Management – adequacy of fleet stock	<p>(a) Service need for vehicles & plant verifying is verified</p> <p>(b) Fleet Asset is corporately reviewed to</p>	<p>Fleet Service review of Action (1) information and report to CLT identifying:</p> <ul style="list-style-type: none"> ▪ VFM review of assets and needs. 	ADNS	6-9 months 31/12/12

	Assurance Required	Action	Responsible officer	Timescales
	deliver maximum efficiency	<ul style="list-style-type: none"> ▪ use of fleet vehicles throughout Service Groups ▪ options to improve efficiency 		
3. Tax implications				
(a) That MKC properly discharges its tax responsibilities (b) That any personal reimbursement to MKC is identified and collected	As part of 1(e) (f) above Fleet Services identifies the information held regarding non council use of council assets as a basis to: <ul style="list-style-type: none"> ▪ identify the relevant period applicable of usage ▪ document the evidence available ▪ identify any taxable benefit that arises ▪ identify any monies due to HMRC/MKC A Finance / specialist review of the outcome from above	ADNS	ADNS	3-6 months 30/09/12
4. Stores / Stocks				
(a) That effective security and control	A joint management and IA review of	A joint management and IA review of	HoIA	6 months

	Assurance Required	Action	Responsible officer	Timescales
	<p>exists over the Council's Stores</p> <p>(b) That effective security and control is applied to the use of Stores and Stocks</p>	<p>stores service including the need for current stocks and consequent security / disposal issues.</p> <p><i>A whistleblow referral has been received regarding this area.</i></p>	ADNS	30/09/12
5. Repairs / Maintenance				
	<p>(a) That effective control applies to the service involving repair and maintenance of Council vehicles and plant</p> <p>(b) That vfm arrangements are in place for the management of fleet vehicles and plant to accommodate routine / planned maintenance of those assets</p> <p>(c) That proper controls exist regarding income earning services offered by the depot eg MOT's etc</p>	A management review (with IA oversight) of the service to provide a VFM report to CLT.	ADNS & HoIA	6 months 30/09/12
6. Depot based Procurement				

	Assurance Required	Action	Responsible officer	Timescales
	(d) Review of claims, expenses of senior officers (Directors and AD's) including credit cards.	Review of all claims for Directors and AD's for last 12 months including costs posted to credit cards.	ADF / ADHR	3 months 30/06/12