ORKNEY ISLANDS COUNCIL

Item: 10

Monitoring and Audit Committee: 13 November 2025.

Internal Audit – Fleet Management.

Report by Chief Internal Auditor.

1. Overview

1.1. The internal audit plan 2024/25 included a review of Fleet Management, this audit has been completed and the internal audit report is attached as Appendix 1 to this report.

1.2. Fleet Services provide and maintain the fleet across all Council Services. Vehicles and equipment are a critical corporate asset used in the delivery of frontline services such as road repairs, waste management, road gritting and delivery of social work services.

1.3. Driving at work is regulated by the Driver and Vehicle Standards Agency, the Health and Safety Executive and the Department for Transport.

1.4. The objective of this audit was to review the procedures and processes in place around best value procurement of vehicles and plant, and the fleet management systems in place to ensure that the Council achieves best value and operates according to industry best practice and relevant legislation.

1.5. The audit provides Limited assurance that procedures and controls relating to Fleet Management are well controlled and managed.

1.6. The internal audit report, attached as Appendix 1 to this report, includes one high priority recommendation regarding regulatory compliance and five medium recommendations regarding maintenance facilities, iLearn training, fuel monitoring and driver entitlement checks. There is one low priority recommendation regarding workshop equipment calibration monitoring.

2. Recommendations

2.1. It is recommended that members of the Committee:

i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the procedures and controls around procurement of vehicles and plant and a review of fleet management systems in place to ensure that the Council achieves best value and operates according to industry best practice and relevant legislation, in order to obtain assurance that action has been taken or agreed where necessary.

For Further Information please contact:

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Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** In terms of the Scheme of Administration, the consideration of Internal Audit findings and recommendations and the review of actions taken on recommendations made, are referred functions of the Monitoring and Audit Committee.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
   ☐Growing our Economy.
   ☐Strengthening our Communities.
   ☐Developing our Infrastructure.
   ☐Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
   ☐Cost of Living.
   ☐Sustainable Development.
   ☐Local Equality.

☐Improving Population Health.

9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.
15. **Cost of Living:** None directly related to the recommendations in this report.

List of Background Papers
Internal Audit Plan 2024/25.

Appendix
Appendix 1: Internal Audit Report – Fleet Management.

Appendix 1

ORKNEY
ISLANDS COUNCIL

Internal Audit

Audit Report

Fleet Management

Draft issue date: 31 July 2025

Final issue date: 28 October 2025

Distribution list:	**Director of Infrastructure and Organisational Development** **Director of Enterprise and Resources** **Director of Education, Communities and Housing** **Head of Infrastructure Services** **Service Manager (Fleet)**

Contents

Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Limited	**There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.**

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

Fleet Services provide and maintain the fleet across all Council Services. Vehicles and equipment are a critical corporate asset used in the delivery of frontline services. They are utilised for a variety of tasks e.g. vehicles for road repairs, waste management, road gritting and delivery of social work services.

Driving at work is regulated by the Driver and Vehicle Standards Agency, the Health and Safety Executive and the Department for Transport.

The objective of this audit was to review the procedures and processes in place around best value procurement of vehicles and plant, and the fleet management systems in place to ensure that the Council achieves best value and operates according to industry best practice and relevant legislation.

Some areas of good practice were identified during this audit including:

- Procurement is conducted in line with the Financial Regulations and Contract Standing Orders.
- A new fleet management software package is currently being implemented.
- There is an up-to-date Driving at Work Policy and Driving at Work Handbook.

The report includes 7 recommendations which have arisen from the audit regarding compliance with legislation, maintenance facilities, driver training and monitoring fuel usage. The number and priority of the recommendations are set out in the table below.

Responsible officers will be required to update progress on the agreed actions via the Ideagen Risk Management system.

Total	High	Medium	Low
7	**1**	**5**	**1**

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

The Council currently has a fleet made up of 48 goods vehicles over 3.5 tonnes, 7 cars, 53 vans, 37 pickups, 7 minibuses, 12 disabled access buses and 12 trailers. Of the 176 vehicles there are 39 electric or hybrid vehicles. There are also 69 registered and licensed items of plant such as tractors, forklifts and diggers. This gives a combined total for plant and vehicles of 245 items. Day to day responsibility for the management and use of the vehicles is spread across individual Directorates. Infrastructure and Organisational Development manages 104 vehicles, Orkney Health and Care 20, Education, Communities and Housing 22, Enterprise and Resources 8 and the rest are either allocated to Marine Services or in the process of being disposed of.

Over recent years there have been issues with retaining the Fleet Manager and there have been several periods where the post has been vacant. During these periods interim arrangements were put in place and agreed with the Transport Commissioner.

The current Service Manager (Fleet) has been in post since January 2025. His main areas of focus so far have been implementing a new fleet management programme and improving oversight of drivers' hours to ensure compliance with the Working Time Directive. Some of the issues raised during this audit had already been identified by the Service Manager (Fleet) and solutions are being explored.

There is a plant and vehicle replacement programme in place for 2025-28 to ensure that plant and vehicles are replaced when they come to the end of their usable life. This 3-year rolling programme is reviewed and approved via the Asset Management Sub-committee annually.

In order to operate goods vehicles exceeding 3.5 tonnes Gross Vehicle Weight, the Council must hold an Operator's Licence which is granted by the Traffic Commissioner on the understanding that the Council meets certain conditions. Failure to comply with these conditions could result in the loss, suspension or curtailment of the licence following attendance at a public inquiry.

The Council has a significant number of employees who are required to drive as part of their employment. In addition, staff are permitted to use their own vehicles on Council business.

This review was conducted in conformance with the Global Internal Audit Standards in the UK Public Sector.

Audit Scope

The scope of this audit included a review of the following:

- Procurement of vehicles and plant follows the Council's Financial Regulations and Contract Standing Orders and uses framework agreements where appropriate.
- Procedures are in place to ensure that all vehicles and plant are maintained in a satisfactory state of repair and all legal and safety requirements are complied with.
- The Driving at Work Policy and guidance are up to date and followed.
- Vehicles are only used for Council business and all use of vehicles is recorded.
- Appropriate insurance cover is in place for all Council vehicles.
- Driver licence, insurance and MOT checks are carried out for staff using their own vehicles on Council business
- Procedures are in place to monitor fuel usage to ensure that best value is achieved.

Audit Findings

1.0 Procurement

1.1 All vehicle and plant procurement is carried out in accordance with Financial Regulations and Contract Standing Orders (CSO) and is managed by the Procurement Team, with input from the Service Manager (Fleet) and the receiving service.

1.2 At its meeting held on 18 June 2024, the Policy and Resources Committee recommended, that for each of financial years 2025/26, 2026/27 and 2027/28, the Plant and Vehicle Replacement Programme be allocated £1,400,000.

1.3 There is good engagement with the Procurement Team ensuring compliance with Financial Regulations and CSOs throughout the procurement process.

2.0 Compliance with Legal and Safety Requirements

2.1 There is a comprehensive maintenance plan in place at the moment detailing inspection and service intervals, MOT tests, excise licence renewal dates and any equipment inspections required. This is currently a manual system using spreadsheets although a fleet management programme has been purchased and is currently in the process of being implemented.

2.2 There is a paper-based system for drivers reporting defects. These should currently be completed by the driver on a weekly basis, but defects are not always reported to the workshop at the time of the defect being discovered. This can lead to vehicles with potentially dangerous defects being in use.

2.3 During a check of maintenance records and defect reports, it was noted that such defects were being identified at safety inspections by garage staff rather than being reported by the vehicle user, indicating that vehicles were indeed being used whilst in a dangerous and sometimes illegal condition.

2.4 It is recommended that driver training for drivers of all vehicles owned by the Council is undertaken to ensure that drivers are aware of their responsibilities with regard to vehicle condition and defect reporting.

Recommendation 1

2.5 The Guide to Maintaining Roadworthiness (the Guide) published by the Driver and Vehicle Standards Agency (DVSA) for Goods and Public Service Vehicles states that the scope of safety inspections should at least include all items covered by the statutory annual test and employ the methods of assessment that are prescribed in the respective inspection manual. It also states that all operators who undertake their own safety inspections must have the correct equipment and adequate facilities for the size of the fleet and types of vehicles operated.

2.6 The heavy goods vehicle inspection manual details the minimum standards and methods of test for each item. The Guide to Maintaining Roadworthiness details the facilities and equipment required.

2.7 A review of the maintenance facilities and equipment at the Garage at Hatston revealed several instances where improvements could be made.

2.8 In order to ensure continued compliance with DVSA guidance, a review of the inspection facilities and workshop equipment at the garage at Hatston should be undertaken paying specific attention to the Guide.

Recommendation 2

2.9 Workshop equipment should be maintained and calibrated to ensure measurements and tests are accurate. Calibrations should be carried out in line with manufacturers guidelines and records of this should be maintained.

2.10 We recommend having a tracking system in place to ensure that all calibrations for workshop equipment are up to date.

Recommendation 3

2.11 The Guide to Maintaining Roadworthiness states that a robust tyre management system is essential for any professional vehicle operator. Currently there is no tyre management system in place.

2.12 Although tyres are checked for condition at safety inspections and there is a wheel torque register, there is no formal tyre management system to ensure, for instance, that the age of tyres is checked and recorded to ensure compliance with Construction and Use Regulations.

2.13 In order to comply with DVSA guidance a formal tyre management system should be implemented as soon as possible.

Recommendation 4

2.14 According to DVSA guidance, the Transport Manager is responsible for making sure:

- Drivers follow drivers' hours rules.
- Drivers and mobile workers take the right number of breaks and periods of daily and weekly rest based on the relevant regulations which apply.
- Drivers are recording their duty, driving time and rest breaks on the appropriate equipment or in drivers' hours books and their records are being handed back for inspection as required.

2.15 Weekly log sheets for drivers' hours are returned to line managers in Services and they carry out the oversight function. At the start of this audit the Service Manager (Fleet) had no oversight and no control over drivers' hours. However, during the period of this audit, a new process has been implemented to ensure that there is adequate oversight of drivers' hours.

4.0 Policy and Guidance

4.1 There is a Driving at Work Policy, and a Driving at Work Handbook which were reviewed and updated in March 2024.

4.2 The Driving at Work Policy states that all employees who drive for work must complete the iLearn Driving at Work module. For those without access to iLearn, a hard copy of the course can be requested from the Safety and Resilience Service. Additionally, new employees are required to undertake the iLearn training module within two months of starting their job. The iLearn training is in addition to professional training that vocational drivers undertake to maintain their Certificate of Professional Competence (CPC).

4.3 At present there is no such module available so anyone driving for the Council either in a Council vehicle or their own car cannot comply with the current policy.

4.4 The launch of the Driving at Work training module has been delayed due to staff shortages, this should be launched as soon as possible or the Policy updated to reflect the fact that there is no training module.

Recommendation 5

5.0 Vehicle Use

5.1 Council vehicles are all covered by the Council's insurance policy. For any new vehicles or vehicles disposed of, the Fleet Manager informs the Insurance Officer of the changes.

5.2 The Council spends over £1.1 million per year on diesel. Fuel issued is recorded against each vehicle or item of plant, but no analysis is undertaken as to fuel efficiency of vehicles. Analysis could identify issues with fuel systems on individual vehicles, issues with fuel loss or theft which could result in cost savings overall.

5.3 Investigation should be undertaken to ascertain if the new fleet management system can be used to provide more information on fuel usage and economy, with action taken where anomalies are identified. In the meantime, Services should review fuel usage and identify any anomalies or opportunities to improve fuel efficiency through methods such as route management.

Recommendation 6

5.4 There is a process in place using Integra to record drivers' documentation such as licences and if using their own vehicle, insurance and MOT details.

5.5 Drivers of Heavy Goods Vehicles should have their driver entitlement checked both on taking up employment and regularly thereafter. DVSA state that the Transport Manager is responsible for making sure that:

- Drivers have the appropriate licence for the vehicle they are driving.
- Regular checks are carried out on driver licences.
- Vocational drivers have a valid driver CPC card.
- Drivers are adequately trained and competent to operate all relevant vehicles and equipment

5.6 These checks are currently done by drivers' line managers, the Service Manager (Fleet) is not currently involved in this process and does not have the oversight that is required.

5.7 In order to comply with DVSA statutory guidance a process should be put in place to allow the nominated Transport Manager to perform initial and periodic driver entitlement checks.

Recommendation 7

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1 It is recommended that driver training for drivers of all vehicles owned by the Council is undertaken to ensure that drivers are aware of their responsibilities with regard to vehicle condition and defect reporting.	High	As Fleet services are not responsible for any of the drivers across the Council, this would need to be managed by individual services that make use of Council vehicles. Advice can be provided regarding standard checks and support / training is already being rolled out regarding the use of the defect reporting system. Defect reports or Nil defect check sheets should be handed in every day before vehicle use. The new Fleet management system has been capturing this from September 2025. Alternatively, all vehicles could be brought under the control of Fleet services and then allocated back to services but this would require a substantial expansion within the team. A proposal along these lines was discussed by the Corporate Leadership Team on 18 September 2025 with an agreement in principle to explore this option and to return at a later date with details of staffing and budgetary requirements for further discussion. Any	Under the current arrangements, all Directors are responsible for their own fleet vehicles Service Manager (Fleet) Head of Infrastructure Services	31 December 2025 Complete 31 March 2026

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
		changes to structure or increase in the establishment would then be brought to Members in due course.		
2 In order to ensure continued compliance with DVSA guidance, a review of the inspection facilities and workshop equipment at the garage at Hatston should be undertaken paying specific attention to the Guide.	Medium	Inspection facilities and workshop equipment were previously reviewed and options for any necessary improvements are being investigated. There are no significant concerns regarding the adequacy of the facilities at the moment but it is recognised that there is a need for some update and modernisation. This may require moving to a different building and so is included in the scope of an ongoing review of the operational footprint at Hatston which forms a separate project.	Service Manager (Fleet)	31 October 2025
3 We recommend having a tracking system in place to ensure that all calibrations for workshop equipment are up to date.	Low	Agreed	Service Manager (Fleet)	31 December 2025
4 In order to comply with DVSA guidance a formal tyre management system should be implemented as soon as possible.	Medium	This is incorporated into the Fleet Management System which is being rolled out.	Service Manager (Fleet)	31 December 2025
5 The launch of the Driving at Work training module has been delayed due to staff shortages, this should be launched as soon as possible or the Policy updated to reflect the fact that there is no training module.	Medium	This is not within the control of Fleet Services but is being managed by Safety and Resilience. Due to the need to prioritise statutory operational work, progress on this module has been delayed. Following	Service Manager (Safety and Resilience)	31 December 2025

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
		the filling of a currently vacant post the training module will be completed.		
6a Investigation should be undertaken to ascertain if the new Fleet Management System can be used to provide more information on fuel usage and economy, with action taken where anomalies are identified. 6b In the meantime, Services should review fuel usage and identify any anomalies or opportunities to improve fuel efficiency through methods such as route management.	Medium	Information on fuel usage is already available through the costs allocated to services via Integra. Additional levels of detail that can be provided by Key2 (the new Fleet Management System) will be investigated and information made available to services as needed. As noted previously, Fleet Services has no control over other services, however an email will be issued to those services which use vehicles, reminding them of the importance of reviewing fuel usage and the need to maximise journey efficiencies.	Service Manager (Fleet) Service Manager (Fleet)	31 October 2025 31 October 2025
7 In order to comply with DVSA statutory guidance a process should be put in place to allow the nominated Transport Manager to perform initial and periodic driver entitlement checks.	Medium	The process sits within the Business Support Teams for each service area who update vehicle and driver documents on Integra, following system prompts to the employee and their line manager. Discussions will take place between the Service Manager (Customer Support and Corporate Administration) and the Service Manager (Fleet) to identify means for enabling additional oversight.	Service Manager (Customer Service and Corporate Administration) And Service Manager (Fleet)	31 December 2025

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.