

**Report to the Audit and Governance Committee on 21<sup>st</sup> January 2021 on actions taken in relation to recommendations made in the 'Disposal of Assets (Vehicles)' internal audit report**

**Lead Officer(s):** Philip Williams, Lead Commissioner - Community Infrastructure and Jo Savell, Contract Compliance Lead Officer

**Presenting Officer(s):** Philip Williams, Lead Commissioner - Community Infrastructure and Jo Savell, Contract Compliance Lead Officer

**Summary of Audit Area**

Asset disposal categories can include (but are not exclusive to) ICT, land, buildings/property, and vehicle disposal.

Internal audit review of disposal of assets will be delivered through a cyclical audit review programme. The 2019/20 review considered the corporate disposal of vehicles procedures (excluding Gloucestershire Fire and Rescue Service (GFRS)), as this service has been covered during 2018/19.

**Summary Terms of Reference of the Audit**

The audit reviewed the effectiveness of the vehicle asset disposal governance arrangements, including the decision making processes for the disposal and / or transfer of GCC vehicles, taking into account the requirements of the Council's Standing Orders, Accounting Instruction 5 (Disposal of Assets) and any other relevant disposal policies. It included the adequacy of the following objectives:

- Where relevant, advice is sought from Strategic Finance on any special accounting processes / treatments that should be followed where the income is likely to exceed the £10k threshold;
- VAT on income received is applied in accordance with HMRC regulations;
- Insurance Services is notified of all relevant disposals to ensure reduced premiums / costs;
- The vehicles are appropriately decommissioned prior to disposal;
- Significant vehicle maintenance works are not undertaken on planned disposals;
- Disposals are correctly recorded in the vehicle asset register; and
- Value for money is achieved on any vehicles sold.

## **Risks**

- Failure to comply with legal requirements;
- Failure to comply with Standing Orders, Financial Regulations and Accounting Instructions;
- Untimely asset disposals impacting on service delivery;
- Failure to receive value for money; and
- Potential fraud, corruption and irregularity.

## **Key Findings**

The Council's Accounting Instruction 5 details procedures to be followed for the disposal of assets, which includes vehicles. Recommendations made following the audit of GFRS vehicle disposals during 2018/19 was that Accounting Instruction 5 and other conflicting information on Staffnet should be updated. Guidance on the sale of all assets is currently being updated and approved; Internal Audit was informed this has been delayed due to clarification and discussion between Strategic Finance and GFRS.

The audit identified 14 vehicles that had been disposed of during the period April 2018 to March 2020. A sample of eight of these vehicles was selected, one had been written-off following an accident and insurance claim so was not used as part of the sample. No details of the disposal of a 1995 Fiat Punto were sighted. This vehicle was recorded as transferred to a district council in the asset register in 2018 (with no income to GCC).

All six of the remaining sample of vehicles reviewed were disposed of at public auction. Income received in respect of these vehicles was via bank transfer and VAT had been correctly charged and paid on these sales. None of the vehicles disposed of reviewed exceeded the £10k threshold (all under £4,000) therefore, obtaining advice from Strategic Finance on any special accounting treatments was not required.

Accounting Instruction 5 requires authorisation of sale of assets with a replacement value over £1,000 by Head of Service. Evidence was sighted that the disposal of three of the sample of vehicles was authorised in accordance with this instruction. An authorisation form had been used for the most recent sale within the sample. The Fleet Administrator within the Integrated Transport Unit (ITU) stated that a similar authorisation form will be used for all vehicle sales in the future.

There was no evidence to show that the vehicles in the sample had been offered to other areas within the Council as required by Accounting Instruction 5. It was noted, however, that two vehicles had been offered to other areas within the Council via Staffnet since March 2020.

Insurance had been stopped prior to disposal of the mobile library. However, this vehicle was not declared as off the road (SORN) until a later date so should legally have been insured. Accounting Instruction 11 requires that all vehicles owned by the Council should remain insured until ownership is transferred.

No evidence was sighted that Council logos etc. had been removed prior to disposal, although the Fleet Administrator and one of the Transport Engineers stated that they are usually removed. There was a charge on one of the invoices from the Auction House for logo removal where a vehicle had been kept within the GFRS yard.

Maintenance (in excess of £400 and £1,000) had been carried out on two of the seven vehicles close to date of sale. The Fleet Administrator, ITU stated that repairs are undertaken on vehicles so that they are roadworthy and able to fetch a better price at auction.

A valuation of two vehicles prior to sale was sighted. All the vehicles had a reserve set prior to auction. The sale figure fell short of this reserve for three out of the sample of six vehicles. One of the Fleet Engineers stated the Council would be contacted if an offer below the reserve was received, which may be accepted by the Budget Holder as it would cost to put the vehicle into another auction. However, authorisation to sell below reserve was not sighted.

Evidence of informing the DVLA about the sale of vehicles was not sighted. The mobile library was not declared SORN until October 2019, although it was off the road from June 2019. The refund of tax could be found for the mobile library and two other vehicles within a month of sale.

## **Action taken as at December 2020 and/or proposed**

The Internal Audit report raised six recommendations as follows:

### **Recommendation 1**

*Audit recommendation (High Priority):*

*Vehicle disposal guidance and policies need to be finalised, approved and all staff made aware of them.*

*Outdated information should be taken down from Staffnet to avoid confusion and conflicting guidance.*

Original management response:

*Completion of the vehicle disposal policy and guidelines continues to be high priority. Once finalised by Johanne Savell, Sharon Crane and Fiona Williams clear communication will be cascaded out and staffnet fully updated.*

Management update as at December 2020:

The policy and procedures have been finalised, communicated to all services using GCC vehicles and staffnet updated.

### **Recommendation 2**

*Audit recommendation (High Priority):*

*As per policies, confirmation should be sought on future vehicle sales that when a vehicle is no longer of use to the particular establishment, whether it is appropriate to offer to any other council services prior to it being disposed of. Evidence of this should be retained.*

Original audit management response:

*GCC Fleet have already implemented a process whereby a vehicle is offered to other GCC Service areas and GCC Schools. A GFRS vehicle that was no longer required was transparently transferred to a GCC School. All documentation has been retained for audit purposes in accordance with the GCC retention schedules.*

Management update as at December 2020:

For vehicles owned by the council the GCC Fleet team is using the process outlined above. The form is held on the vehicle file and retained for audit purposes.

### **Recommendation 3**

*Audit recommendation (High Priority):*

*Appropriate authorisation should be obtained and retained prior to vehicles being disposed of. The introduction and use of the authorisation form will enable this.*

*In addition where vehicles are sold below a reserve the reason should be recorded and authorisation obtained.*

Audit management response:

*The authorisation form requires some further more development. Sharon Crane, Fiona Williams and Johanne Savell continue to work on the development of this form.*

Management update as at December 2020:

The authorisation form is in use, is fit for purpose and is on Staffnet.

#### **Recommendation 4**

*Audit recommendation (High Priority):*

*As stated in Accounting Instruction 11, all vehicles owned by the Council should remain insured until ownership is transferred.*

Audit management response:

*Comprehensive records are maintained by the GCC Fleet Team to ensure all its vehicles are taxed, have regular safety inspections, servicing schedules, including tail lifts, MOT and we keep the GCC Insurance Team fully updated and seek guidance where necessary.*

Management update as at December 2020:

Actioned and ongoing. It should be noted that the need to maintain insurance cover also applies to vehicles leased by or on hire to GCC.

#### **Recommendation 5**

*Audit recommendation (Medium Priority):*

*Only maintenance necessary to keep a vehicle in a safe working order should be carried out when it is known that a vehicle is to be replaced. The reason for any work undertaken should be documented.*

Audit management response:

*GCC Fleet Manager along with the ITU Transport Engineers and the Fleet Administrators work together with the GCC Fleet workshop fitters to ensure only necessary work is undertaken prior to the vehicles disposal. Records will be*

*maintained for audit purposes.*

Management update as at December 2020:

Actioned and ongoing.

**Recommendation 6**

*Audit recommendation (Medium Priority):*

*DVLA should be informed promptly when vehicles are disposed of to ensure that the maximum vehicle tax is reclaimed. Where a vehicle is off the road prior to disposal it should be declared SORN. Evidence should be retained.*

Audit management response:

*A checklist will be introduced to ensure that each step of the disposal process from start to finish is recorded and checked off by the GCC Fleet Manager who will verify each stage has been completed in full.*

Management update as at December 2020:

A checklist is being by the GCC Fleet team and the manager verifies that the correct processes have been followed.