

REPORT TO: Audit and Governance Committee

MEETING DATE: 15 September 2015

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Fuel Management

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Fuel Management.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Fuel Management was undertaken as part of the Audit Plan for 2015/16.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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EAST LOTHIAN COUNCIL – INTERNAL AUDIT FUEL MANAGEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of Fuel Management was undertaken as part of the Audit Plan for 2015/16. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place for the allocation of fuel costs – for the sample of cases examined fuel costs had been correctly coded to the relevant ledger codes.

1.3 Areas with Scope for Improvement

- No documented policies and procedures are in place for the management and use of fuel cards. *Risk – inconsistencies may occur.*
- At present there is no requirement for relevant employees to sign a fuel card usage agreement to confirm their acceptance of the terms and conditions for the proper use of fuel cards. *Risk – improper use of fuel cards.*
- The assigning of fuel cards to specific vehicles rather than to named employees requires review. *Risk – where anomalies occur, difficulties may be encountered in identifying the employee concerned.*
- There was a lack of effective arrangements in place for the monitoring and review of monthly management information. *Risk – failure to monitor fuel consumption or identify anomalies in fuel usage.*
- In some cases, drivers with fuel cards had failed to provide the odometer reading or had given an inaccurate reading. *Risk – errors and irregularities may occur and remain undetected.*
- The existing arrangements whereby contractors use fuel from Council depots require review – our review highlighted that in one case a contractor based permanently at Waste Services was permitted to draw fuel from the depot, however at the time of our audit, no invoices had been raised to recover the sums due to the Council for fuel drawn in 2014/15. In another case a contractor had used fuel from an Amenity Services depot and in this case no invoices were issued – the local supervisor had negotiated for additional works to be carried out in lieu of the fuel used. *Risk – loss of income to the Council.*
- There was a lack of effective checking arrangements in place for garage accounts – in two cases both unleaded and diesel purchases had been recorded against the same vehicle registration number. In other cases employees were using local garage accounts to purchase fuel even though they had been issued with fuel cards. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Our review of the Council's Fuel Management arrangements identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2015

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that detailed policy and procedures are in place to ensure a consistent approach is adopted for fuel card management and usage.	Medium	Service Manager – Transport	Agreed		November 2015
3.2.1	Management should ensure that a Fuel Card Usage Agreement is drawn up clearly setting out the terms and conditions for the proper use of fuel cards – the agreement should be signed by all relevant employees to confirm their acceptance of the terms and conditions.	Medium	Service Manager – Transport	Agreed		November 2015
3.3.1	<p>Management should ensure that a comprehensive list of all active fuel cards is maintained and is updated on a regular basis.</p> <p>Management should review the existing arrangements in place for fuel cards – consideration should be given to fuel cards being assigned to vehicles and issued to named employees.</p>	Medium	Service Manager – Transport	<p>Agreed – will contact the card provider to obtain up to date list.</p> <p>Agreed in principle – to explore options available.</p>		<p>September 2015</p> <p>Ongoing</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.2	<p>Management should ensure that receipts are held for all fuel transactions.</p> <p>Management should ensure that all receipts received are reconciled to invoices.</p>	Medium	Service Manager – Transport	Agreed – will be included in new procedures, however responsibility for implementation lies with service areas.		November 2015
3.4.1	Management should ensure that the Monthly Transaction Detail Reports received for fuel cards are provided to relevant service areas to enable them to monitor fuel usage in their areas.	Medium	Service Manager – Transport	Agreed – reports now being issued to service areas.		In Place
3.4.2	<p>To ensure the effective monitoring of fuel usage, Management should review the current practice whereby employees have access to Allstar cards, Jet cards and to local garage accounts.</p> <p>Management should review the current practice of individual service areas operating local garage accounts – vehicles issued with a fuel card should not be purchasing fuel using local garage accounts.</p>	Medium	Service Manager – Transport	<p>Agreed – seeking to progress to single card operation.</p> <p>Agreed – will be included in new procedures, however responsibility for implementation lies with service areas.</p>		<p>Ongoing</p> <p>November 2015</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.2 (cont)	Invoices received for garage accounts should be properly checked and monitored to ensure that all transactions are valid.			Agreed – will be included in new procedures, however responsibility for implementation lies with service areas.		November 2015
3.4.3	<p>Management should ensure that all employees using fuel cards provide the correct mileage data to enable effective monitoring of fuel consumption.</p> <p>Management should ensure that all variances and anomalies are properly investigated.</p>	Medium	Service Manager – Transport	Agreed – will be included in new procedures, however responsibility for implementation lies with service areas.		November 2015
3.5.1	<p>Management should ensure that invoices are raised timeously for all fuel issued to the contractor by Waste Services.</p> <p>Management should ensure that the Council properly accounts for VAT on all fuel invoices raised.</p>	High	Service Manager – Waste	<p>Agreed – invoices to be raised.</p> <p>Agreed</p>		<p>September 2015</p> <p>September 2015</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1 (cont)	<p>Management should ensure that all outstanding amounts due to the Council as at 31st March are properly recorded as a year-end debtor.</p> <p>The current practice whereby fuel is given to contractors in lieu of work undertaken for the Council should cease with immediate effect.</p>	High	Principal Amenity Officer	<p>Agreed</p> <p>Agreed</p>		<p>March 2016</p> <p>In Place</p>

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.