



## AUDIT COMMITTEE REPORT

<b>Report Title</b>	<b>Internal Audit Report – Fuel Management</b>
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**AGENDA STATUS: PUBLIC**

<b>Audit Committee Meeting Date:</b>	11 <sup>th</sup> January 2010
<b>Policy Document:</b>	No
<b>Directorate:</b>	Environment & Culture
<b>Accountable Cabinet Member:</b>	Councillor Trini Crake

### 1. Purpose

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1.1 In response to the resolution made at the meeting of the Audit Committee on 16<sup>th</sup> November 2009, to provide an update on the recent progress in respect of the Internal Audit of Fuel Management within the Neighbourhood and Environmental Services Division.

### 2. Recommendations

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2.1 To note the progress against each recommendation.

### 3. Issues and Choices

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#### 3.1 Report Background

3.1.1 The review of fuel management was undertaken as part of the 2008/09 Internal Audit Plan Contingency days as agreed by the Head of Finance and Assets.

3.1.2 The final report was issued in May 2009. The review considered the controls and processes in place during January 2009.

#### 3.2 Issues

3.2.1 The review identified five weaknesses in the design of the controls in place, one of which was assessed as high risk. In respect of the review of the

operation, the review identified six instances where the controls were not operating as designed, and one of those was assessed as high risk.

3.2.2 Attached at appendix one is a table of the findings, recommendations and actions resulting from the review of fuel management. Highlighted in red is the current status/progress against each of those actions. It should be noted that where it states that an action has been completed, this will need to be verified by Internal Audit in the course of their work.

### **3.3 Choices (Options)**

3.3.1 There are none arising from this report

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1.1 None

### **4.2 Resources and Risk**

4.2.1 In respect of the recommendations relating to updating the fuel and stock management systems (ref no. 3 and 5) a capital bid for funding has been submitted, however it is unlikely that any funding will become available ahead of the decision with regard to the procurement of the service. In the meantime the Team Leader is considering a tightening of the procedure to access fuel at satellite depots. This is over and above those recommendations made by the initial review and will be completed by the end of January 2010.

4.2.2 The remaining recommendations can be completed from within existing resources.

### **4.3 Legal**

4.3.1 None specifically arising from this report.

### **4.4 Equality**

4.4.1 None specifically arising from this report.

### **4.5 Consultees (Internal and External)**

4.5.1 The Head of Finance, Waste and Street Care Manager and Transport Team Leader have been asked to comment on this report.

### **4.6 Other Implications**

4.6.1 None

## **5. Background Papers**

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- 5.1 Appendix 1: Internal Audit Fuel management findings, recommendations actions and status.

**Report Author: Simone Wade, Head of Neighbourhood Environmental Services**

## APPENDIX 1

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
1	Fuel dispensed out of hours is not used for Council business	The Westbridge site is open 24 hours a day 7 days a week and fuel pumps are operational all of the time. As such it is possible for fuel to be taken in the evening or night when less people are around and potentially used for private use.	<ul style="list-style-type: none"> <li>● Medium</li> </ul>	<p>The Council should look to monitor out of business hour fill ups.</p> <p>Vehicles should only access the fuel pumps out of business hours if there is a business need.</p>	<p>A monthly report will be generated of vehicles fuelling out of core hours to view exceptions.</p> <p>Agreed but the keys system is quite secure and the pumps are viewed as part of the CCTV Patrol every 2 minutes.</p>	Gerry Gammage 31 March 2009	A report is generated for each day covering the period of 5pm to 6am. Exceptions are then flagged to the Transport Team Leader for investigation. To date there have been no anomalies flagged.

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
2	Vehicles are not using fuel efficiently or fuel is being used for private use.	It was noted that the Council monitor fuel on a financial budget line basis but this is too high level to provide any useful information about fuel usage.	<ul style="list-style-type: none"> <li>● Medium</li> </ul>	<p>The Council should consider reporting fuel usage on an individual vehicle basis. This could also include a comparison of fuel consumption against business miles driven.</p> <p>This data could highlight if drivers were consuming fuel for non business purposes or if vehicles were using fuel inefficiently.</p>	<p>A quarterly fuel report can be run for all and each vehicle and an average fuel consumption figure could be set per vehicle type as a target to achieve.</p> <p>Any discrepancies will be passed to divisional managers.</p>	Gerry Gammage / Karen Duffy (weighbridge clerk) 31 March 2009	Completed

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
3	Systems fail and dispensing of fuel is disrupted with no way of monitoring usage.	The hardware used on the fuel monitoring system (TriScan) and the software for the procurement/stock management of fuel is no longer supported by the proprietors. Currently the Council does not have an exit strategy for either system and if they were to fail it would have a negative impact on the operations of the Council.	● High	The Council should look to develop an appropriate exit strategy and consider upgrading the fuel and stock management systems given that the systems in place are no longer supported by the proprietors.	Procurement exercise to be undertaken and outright purchase or leasing of equipment to be looked at. Also looking at adding the sub depots as part of the system, but this could add to the price of the whole package.	Gerry Gammage. 31 August 2009	Quotations have been received to replace the fuel system. A capital bid has been submitted, including systems for the satellite depots, however given the current priority for funding it is unlikely that the bid will be successful ahead of the decision regarding the procurement of the service. The decision in respect of procuring the service will be made during November 2010 with contracts signed around Christmas 2010.

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
4	There is a greater risk that fuel is being consumed or taken for non-business purposes.	Unlike at the Westbridge depot, all sub depots do not use fuel keys to monitor and issue fuel. Instead fuel pumps are locked up by a padlock and fuel issued is recorded manually.	<ul style="list-style-type: none"> <li>● Medium</li> </ul>	<p>The Council should implement a reconciliation between the fuel being issued and the fuel recorded on the fuel sheets at sub depots.</p> <p>This can be achieved by taking a dipstick reading at the start and the end of the week and compared against the fuel recorded as issued on the fuel sheets.</p> <p>A variance may indicate fuel is not properly being recorded or fuel is being taken for personal consumption.</p>	<p>A work instruction issued to carry out weekly reconciliation in the sub depots.</p> <p>Any discrepancy will be reported to the Team leader Landscapes.</p>	<p>Paul Chambers Gerry Gammage</p> <p>31 May 2009</p>	Completed

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
5	Access to fuel pumps is not adequately restricted.	Through discussion it was noted that all drivers that use the Billing Arden sub depot have a key to the petrol pumps. This makes it harder for the Council to control the amount of fuel being issued and ensuring that fuel consumed is for business purposes only.	<ul style="list-style-type: none"> <li>● Medium</li> </ul>	The Council should look into restricting access to the fuel pump at sub depots and access should be granted to authorised personnel on a needs basis.	If a new system was procured it could be linked by modem at an extra cost. Or fuel in sub depots will only be issued first thing and at lunchtime when an authorised person attends refueling and work instruction issued.	Paul Chambers Gerry Gammage  August 2009	See ref no 3.



Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
6	Sharing of fuel keys distorts management information in relation to the amount of fuel being used by a particular vehicle.	Fuel keys are issued to individual vehicles but it has been noted that in the procedure notes there is no mention that fuel keys cannot be shared between drivers and used on multiple vehicles. In addition it was noted that not all drivers would have been given copies of procedures and asked to confirm their receipt and understanding.	● Low	Procedure notes should be updated and drivers made aware that fuel keys should not be shared. This will enable the council to: <ul style="list-style-type: none"> <li>accurately monitor fuel consumption by individual vehicles; and</li> <li>ensure that divisional budgets are only charged for fuel consumption that directly relates to their services.</li> </ul>	Agreed Revisit work instruction and lock out all keys until a work instruction has been received and signed by all drivers with access at Westbridge and sub depots.	Gerry Gammage 30 June 2009	Completed

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
7	Leakage could occur and result in a major health and safety or environmental incident.	One of the requirements of the Council's petroleum license is that they keep a wetstock reconciliation on a daily basis to ensure no leakages have occurred from fuel tanks. Through discussion with the admin clerk it has been noted that these reconciliations are not up to date and the Council are potentially in breach of their license. This report is also stored on a personal drive instead of a shared drive and no review takes place.	● High	The Council should ensure that the wetstock reconciliation is completed on a daily basis to ensure compliance with relevant legislation and identify potential leakages. The Environment Agency also recommends that the data is presented in graphical format to more easily identify any problems. Once completed the report should be stored on the shared drive and subject to independent review.	This applies to Westbridge depot only because they have underground tanks. The weighbridge clerks report will be moved onto shared drive in the cleanse folder under Fuel tank Reconciliation for the transport team leader to review as and when. Work will be undertaken with the clerk to generate a graph from the data generated.	Gerry Gammage Richard Hill (Weighbridge Clerk)  31 July 2009  31 August 2009	Wet stock reconciliation has always been undertaken by the service as part of the conditions of the license. It is unclear as to why this was not made apparent during the audit.  The data from past reconciliations has now been moved to the 'o' drive. Future data will be stored on this drive in the future.

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
8	Management information is inaccurate.	Through testing of reports sent to budget holders it has been noted that there is a system error. The amount of fuel recorded as being issued at the pumps is not the same as the amount of fuel used reported to budget holders. This error has occurred since September 2008 and in December alone there was a variance of around 6,000 litres which equates to roughly £5k in financial terms.	<ul style="list-style-type: none"> <li>● Medium</li> </ul>	The Council should contact the software developers and look to rectify the problem to ensure budget reports are accurate.	Not sure if this is a process fault or a system fault but is under investigation.	Gerry Gammage Ongoing	This situation has been investigated by the Transport Team leader and Finance on a number of occasions without success. It would appear that whilst the wet stock balances the budgets do not. In order to resolve this situation work is ongoing in respect of making changes to AGRESSO so that it incorporates the Transport system.

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
9	Data could be lost or damaged and budgetary information not kept up to date.	Fuel issued at sub depots is manually recorded on a fuel sheet and then collated centrally at Westbridge to upload on to Uniclass. These sheets are sent to Westbridge on an ad hoc basis.	● Low	The fuel sheets at sub depots should be collated on a weekly basis and sent to Westbridge to ensure stock records are kept up to date and budgets reflect actual usage.	A work instruction will be written that gets supervisor in each sub-depot to hand in all fuel related delivery notes and requisitions to the transport office on a weekly basis.	Paul Chambers Gerry Gammage 30 April 2009	Completed
10	Amount of fuel being dispensed is not accurately recorded.	During discussions it was noted that the Council has in the past had issues with the calibration of fuel pumps. An example of this is one of the pumps at the sub depot was issuing 27 litres of fuel but only registering 20 litres. In addition one of the fuel pumps at the Billing Arden sub depot has yet to be calibrated.	● Medium	The Council should have their fuel pumps calibrated on a regular basis to ensure fuel being recorded as issued is accurate.	This is not a legal requirement but will be done on an annual basis.	Paul Chambers Gerry Gammage 30 September 2009	Completed

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date	Status/Progress
11	Fuel tank readings may not be accurate.	The dipstick used for the fuel tanks at the Camp Hill site was not actually made for that fuel tank.	● Low	The Council should look into getting a specific dipstick made for the fuel tanks at the Camp Hill site to ensure accurate readings can be taken.	A new dipstick to be purchased for the tank. Issue instruction on accepting fuel deliveries.	Paul Chambers 30 May 2009	The purchase of a new dip tick will not resolve this situation. There would appear to be no physical record of the size of the tanks at Camp Hill and therefore it is not possible to calibrate the dipstick. Therefore continued use of the existing system would provide the most cost effective solution.