

Cambridgeshire and Peterborough, Essex and Bedfordshire Fire Authorities

Internal Audit Thematic Report

Thematic Review - Fuel Cards

21 September 2015

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1 Executive Summary

1.1 Introduction

Baker Tilly provides internal audit services to a number of Fire Authorities. During 2014/15 we undertook a review Fuel Cards at four Authorities (including Bedfordshire, Cambridgeshire and Essex) which included a review of the levels of risk and controls in place to manage those risks.

In addition to providing a detailed report to each of our clients on their control environment relating to these subjects, this thematic review looks to combine the findings from each of those individual audit assignments. This includes identifying those common controls, any differences, good practice and any areas of common weakness.

The audits were designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure fuel usage is managed and costs kept to a minimum.
Risk	Fuel is purchased for vehicles not owned by the Authority/Service and fuel used for private mileage is not recharged.

1.2 Conclusion

This Thematic Review does not seek to provide an opinion but to apprise each Authority of the common themes from all four audits. The following common controls and processes were documented:

Common controls

- Each of the three Services/Authorities utilised ALLSTAR as it's fuel providers. We did note, however, one Authority was considering testing the market to identify whether better value could be obtained.
- We consistently noted underspends, further work could be undertaken to determine whether the budget set is in fact appropriate.
- Each Authority was maintaining a record of fuel cards maintained and issued. However, this was with varying degrees of consistency and accuracy, as identified within the recommendations within the reports.
- Statements were sent by ALLSTAR, monitored and reconciled. However, again this was with varying degrees of accuracy and challenge.
- Fuel cards for vehicles were issued in similar ways, with cards issued to individual vehicles or to specific Senior Manager for the use of pool cars.

Common issues identified

The following issues were identified within two or more the reviews completed;

- Issues were raised with regards to the **maintenance and completeness of policies and procedures** in relation to the use of fuel cards. This contributed to some areas of non-compliance identified throughout the review due to the lack of clear process documented. In addition, the terms of use were not clear across each organisations, as well as there being little evidence to suggest users had agreed to those terms of use.
- For two of the Authorities reviewed, **discrepancies were identified with the number of fuel cards in use and the number of vehicles assigned**. One Authority had 16 active fuel cards assigned to vehicles that had been disposed of, whilst the other had 22 active fuel cards that had not been assigned to a vehicle due to disposal or the use of lease cars not identified as Service assets.

- Issues were identified within two reports in relation to the **evidence of validation checks between the ALLSTAR statements sent both monthly and annually**. Significant discrepancies were identified within one report around the purchase of diesel by individuals who had cards assigned for petrol vehicles, and vice versa, with little evidence of challenge or scrutiny surrounding this. Whilst no such issues were identified within the other two reports, a lack of evidenced review of statements increases the risk that fuel purchases not in line with procedures could be made and not recharged appropriately.
- Issues were identified within three of the four Authorities reviewed in relation to the **use of premium grade fuel**. Procedures did not clearly identify the requirements for purchasing premium grade fuel and as such it was not clear whether this should have been purchased or not. However the purchase of such fuel does result in higher costs to the Authority which could potentially be reduced.
- Each Authority maintained stocks of bulk fuel, replenished as required from suppliers. Additionally, to monitor fuel usage, dip samples were to be undertaken and compared to fuel logs to maintain a record of usage. However, issues were identified in three out of four Authorities where **inconsistent records of dip sampling were maintained**. Additionally, we further identified an instance where no records were maintained in relation to the use of a fuel depot maintained by the Council, increasing the risk of overcharging.

Issues identified where cross sharing could be used

- We noted differences in the level and quantity of management information and monitoring forums in relation to fuel management. Whilst all Authorities still utilised some elements of paper based fuel management, such as the submission of fuel logs, another Authority utilise the system VECTEC. This system, linked to the onsite fuel storage. can aid in monitoring fuel usage and be used for reporting.

Whilst KPI's should be identified and performance monitoring should be undertaken by all Authorities in relation to fuel management, including fuel utilised through ALLSTAR, the use of VECTEC may aid both fuel management and reporting.

Summary of recommendations made

Recommendation Summary	Reflected in how many reports
Policies and procedures should be put in place and maintained up to date to reflect expected practice in relation to purchase of fuel and maintenance of fuel usage records. This includes evidence of acceptance of the terms and conditions associated with the use of fuel cards – a system potentially similar to procurement cards.	4
Records of cards, holders and vehicles should be regularly reviewed and maintained up to date to ensure only appropriately active cards are maintained.	2
Regular and evidenced reconciliation of Allstar statements and records maintained by the Services to ensure accuracy of the charges. These include both monthly and annual statements. This should include a formal review of spend and where required challenge around expenditure.	3
Clarity to be sought over the purchasing of premium fuel and any circumstances where this is acceptable. This should be reflected within policies and procedures and be scrutinised as part of the monthly statement review.	3
Dip checks undertaken on bulk fuel maintained should be clearly evidenced as completed to ensure accuracy.	3
The completion and return of vehicle logs in line with procedures, and the investigation of variances with logs and odometer readings. Fuel receipts should be maintained so as to ensure reconciliation between Allstar statements and claims can be undertaken.	3

1.3 Scope of the reviews

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. When planning the audits, the following and limitations were agreed:

Limitations to the scope of the audit:

This report does not provide an opinion or summary of all findings from the original reviews and should be read in conjunction with the individual audit reports.

Further, this Thematic Review does not provide further assurance over the areas reviewed, but a consolidated report in relation to the findings of all three Authorities.

This report does not replace the need for the Authorities to implement the original recommendations within each of their individual reports.

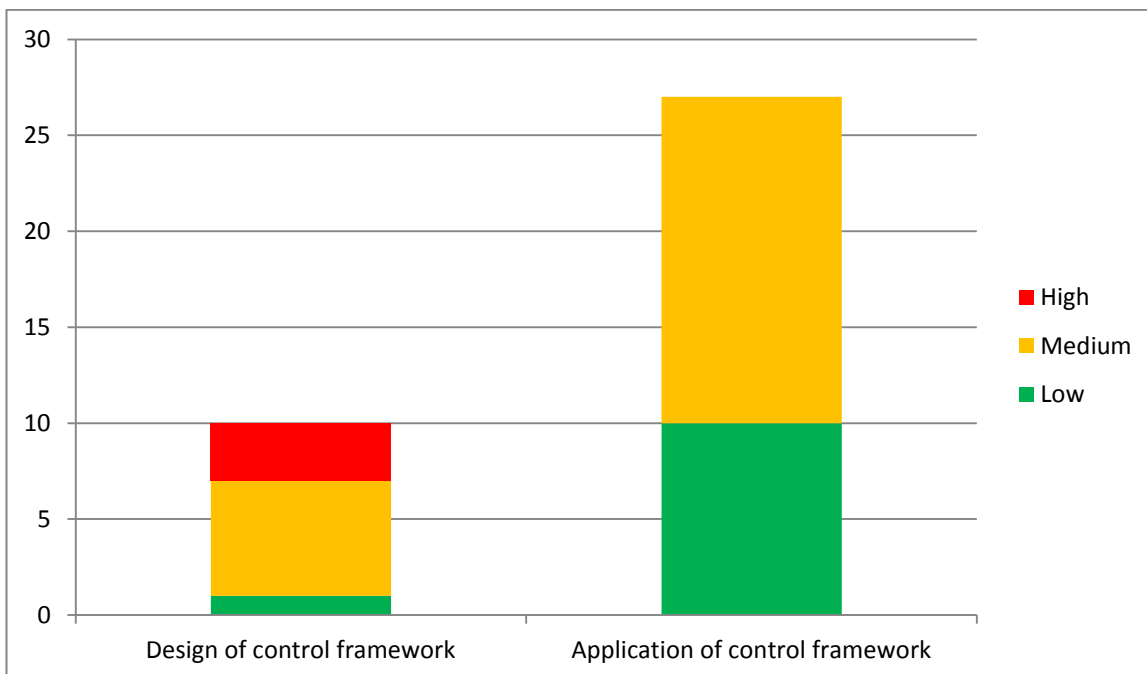
Our work did not provide any absolute assurance that material error; loss or fraud does not exist.

1.4 Recommendations Summary

The following table highlights the number and categories of recommendations made. The Action Plan at Section 2 details the summary recommendations across all four Authority’s, and a summary of the findings that resulted in those recommendations.

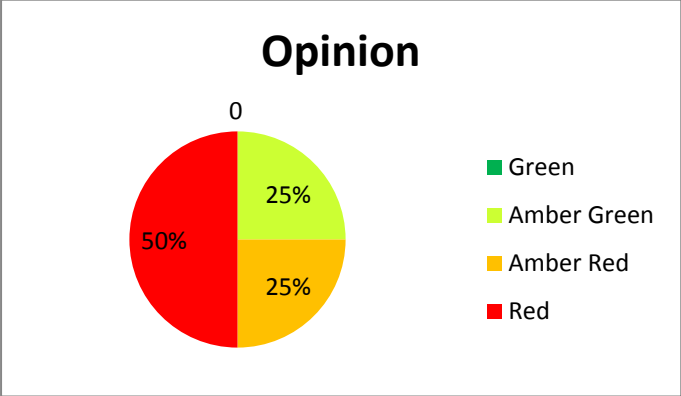
Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:



1.5 Benchmarking

Whilst the above recommendations are a combination of the recommendations made across all four reports, below provides a benchmark for each individual Authority to benchmark themselves against, using the original Audit Report provided.



Average Number of Recommendations Made	9
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