

Essex Fire Authority

[Internal Audit Report \(4.14/15\)](#)

FINAL

Fuel Cards

8 January 2015

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1 Executive Summary

1.1 Introduction

An audit of Fuel Cards was undertaken as part of the approved internal audit periodic plan for 2014/15.

Essex Fire and Rescue Service (hereby known as the 'Service'), has as extensive Fleet that covers; Fire Engines, Specialist Vehicles, Specialist Fire Appliances, Fleet Vehicles and Vans, Pool cars, Mini-buses, and Senior Management Vehicles.

The management of fuel cards and bulk fuel purchases is the responsibility of the Transport Department which is based at the Lexdon premises of EFA Ltd, a trading name of Essex Fire Authority, who are contracted to maintain the Services fleet of vehicles.

Fuel cards are used for service vehicle refuelling of both diesel and unleaded vehicles. Allstar Fuel cards have been used by the service for numerous years, as they cover a larger area and choice of filling stations. The Allstar cards are provided in three different concepts; wild cards for general use on any vehicle, registered to individual vehicles, or registered to a named individual who are Senior Management.

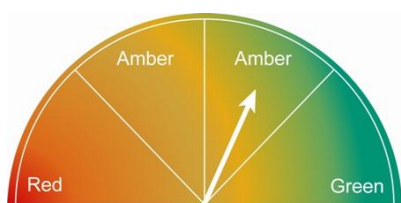
The majority of fuel is purchased through the Allstar card scheme, meaning that the Service pay the price of retail fuel. There are no policies in place for fuel card usage, therefore both premium and standard grades of fuel are purchased throughout the Service. Senior Management are allowed to use their vehicles and fuel cards for private use.

The actual Fuel costs for 2012/2013 and 2013/14 have been under their designated budget, achieving actual outturn of 96% and 93% against budget. Current year expenditure is also on target to be below budget (at the end of period 7 the Service had spent 46% of the budget).

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure fuel usage is managed to keep costs to a minimum
Risk	Fuel is purchased for vehicles not owned by Essex Fire Service and fuel used for private mileage is not recharged.

1.2 Conclusion



Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design, application and control of the control framework

- Fuel budgets are monitored on a monthly basis in order to flag up any discrepancies immediately. The Authority in the past consecutive three financial years have come in below budget for fuel costs, showing that regular monitoring and budget setting is working effectively and efficiently.
- Staff using Service vehicles are required to maintain a detailed record of the journeys undertaken. From a sample check we confirmed that they record the following in the vehicle log book for each journey:
 - Date;
 - Fleet Number,
 - Destination/ Purpose, Mileage,
 - Name of user, and
 - Any Fuel purchases (quantity in cost or litres).

- Fuel cards are issued in four ways:
 1. They are allocated to a vehicle so that a record of all fuel purchases can be maintained for each of the Service's pool cars and vans.
 2. They are also issued to a member of staff in the Service. Staff issued a fuel card may use their card to purchase fuel for any of the Services' vehicles. Fuel cards should have the staff name embossed
 3. Service has blank cards which can be allocated to staff, and these are known as 'wild' cards.
 4. An equipment cards are retained in the station's general office, for purchasing petrol for equipment held within the station. Anyone with photo ID can use these.
- The Transport Department maintains a log of all cards issued with the expiry date which we confirmed as accurate from card numbers recorded on Allstar invoices for the previous two months. The Transport Support Officer updates the Allstar system when a vehicle is disposed or a member of staff leaves the Service. The card should then be destroyed. We also confirmed that;
 - Those cards issued to named individuals were currently on the payroll;
 - Those cards issued to a vehicle were currently in the fleet.
- An FB226 form is used to record fuel purchased by individual card holders and fuel receipts should be attached. These are used by the Transport Department to reconcile the monthly statements received from Allstar. From the review of a sample covering Allstar invoices from the previous four months we confirmed that reconciliations had been performed and invoicing was accurate.
- The Transport Department informs Finance of the appropriate cost centres for each of fuel transactions so that the ledger can be updated accordingly for monthly reporting. As part of this process a sense check is undertaken by the Transport Administration to ensure that card usage is as expected, investigating any significant fluctuations in card use.

We highlighted the following design issue, which resulted in a **High** priority recommendation being made;

- There is no policy and procedures in place for the use of fuel cards which could result in financial risk and misuse of the cards. **(High)**

We have found no significant issues with the compliance and application of the control framework, however we have made one low priority recommendation which is detailed in the action plan below.

We have also made one low priority recommendation detailed the action plan below.

1.3 Scope of the review

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. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Limitations to the scope of the audit:

- This audit was conducted on a sample basis. We have not therefore given an opinion on all transactions, but only based on the sample selected.
- We have not included the billing process with suppliers for fuel charged on cards.
- We have not given any assurance that all mileage claims were for business purposes.
- We have not given an opinion on the security arrangements for the storage of bulk fuel.
- Our work does not provide any absolute assurance that material error; loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

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

	Priority		
	High	Medium	Low
Design of control framework	1	0	0
Application of control framework	0	0	1
Total	1	0	1

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1.1	<p>The Authority should establish a policy and procedures for the user of fuel cards this should include:</p> <ul style="list-style-type: none"> • The issue of Fuel Cards • Private mileage • Request and use of pool vehicles • Recording and reporting of mileage • Use of premium fuel. <p>The procedures should also cover the use and monitoring of bulk fuel.</p>	High	Y	Work has commenced on producing a policy for the issue and use of fuel cards	April 2015	Peter Warner
1.2	The Service must ensure that all Card entries are entered fully onto the Allstar Fuel Card information list, with the cards status, a date of issue recorded and a date of cancellation if applicable.	Low	Y	I believe the system we have in place is adequate. We issue memo's with cards which need to be signed and these confirm the issue date, I will ensure any gaps in information on our spreadsheet are completed	April 2015	Peter Warner

3 Findings and Recommendations

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
Risk : Fuel is purchased for vehicles not owned by Essex Fire Service and fuel used for private mileage is not recharged.					
1.1	<p>Essex Fire Authority has no policies or procedures covering the use of fuel cards.</p> <p>Basic instructions on the use of fuel cards issued at the same time as the fuel card.</p>	No	<p>We confirmed with the Transport Manager that no policies or procedures are in place regarding the use of Fuel Cards.</p> <p>Without policies and procedures in place the Service is exposing itself to the risk of processing inconsistencies. Also without strict guidelines it could lead to improper use of the fuel cards resulting in an inefficient use of the Service's resources.</p> <p>However we did confirmed that when a card is issued to an individual, they are required to sign for the receipt of the card with a terms and conditions giving basic instructions on the usage of the card.</p>	<p>The Authority should establish a policy and procedures for the user of fuel cards this should include:</p> <ul style="list-style-type: none"> • The issue of Fuel Cards, • Private mileage; • Request and use of pool vehicles; • Recording and reporting of mileage. • Use of premium fuel. • Management of bulk fuel, including usage by EFAS Ltd. <p>The procedures should also cover the use and</p>	High

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
				monitoring of bulk fuel.	
1.2	<p>Fuel cards are issued in four ways:</p> <ol style="list-style-type: none"> 1. They are allocated to a vehicle 2. They are also issued to members of staff in the Service. Staff issued a fuel card may use their card to purchase fuel for any of the Services' vehicles only. Fuel cards should have the staff name embossed, 3. The Service has blank cards which can be allocated to staff, and these are known as 'wild' cards. 4. An equipment card is retained in the station's general office, for purchasing petrol for equipment held within the station. Anyone with photo ID can use these. <p>A list of the cards that have been issued is held by Transport Department and this details the card number, date of issue and date of expiry. The vehicles listed should also reconcile to the vehicles held on the current Fleet list.</p> <p>The Transport Support Officer will update the Allstar system</p>	Yes	<p>A review of the Fuel cards records held confirmed that all cards, which have been recorded, list which Station, Vehicle or Individual they relate to.</p> <p>We reviewed a sample of 20 cards recorded on the September 2014 Allstar invoice and confirmed that nine could be traced back as active current cards held on the Transport Department records. The remainder were also current active cards and were confirmed as either:</p> <ul style="list-style-type: none"> • Fuel purchased on a 'Wild Card' • Fuel purchased by a named authorised individual • Fuel purchased on a Stations fuel card <p>Review of July and September's Allstar invoices confirmed that they agreed with the Transport Department's records of cards in use. From a sample of ten cards on the Allstar Card list we confirm that;</p> <ul style="list-style-type: none"> • Five were still active; • One was not reordered when it was due to renew; • One was cancelled as fire bike cards were being replaced; • One was cancelled as employee had left; • One was cancelled as it was lost; • One individual retired 2nd April 2014 and the card is stated as cancelled, but no 	The Service must ensure that all Card entries are entered fully onto the Allstar Fuel Card information list, with the cards status, a date of issue recorded and a date of cancellation if applicable.	Low

	Controls (actual and/or missing)	Adequate Design (yes/no)	Test Result / Implications	Recommendation	Categorisation
	when a vehicle is disposed or a member of staff leaves the Service. The card should then be destroyed.		<p>cancellation date was recorded.</p> <p>We confirmed with the Transport Manager that this card was cancelled on 2nd April 2014 and had not appeared on subsequent invoices. Without recording the date of cancellation on the Transport department list there is a risk that fuel cards are still active.</p> <p>Review of the Allstar Fuel Cards Spreadsheet confirmed that all vehicles issued had dates recorded for their issue with the exception of 44 of the 188 active cards.</p> <p>We confirmed through discussion and review with the Transport Manager that the Wild Cards kept on site were in a lockable unit, which is locked when no one is in attendance at the office.</p>		