



Final Internal Audit Report
Highways and Transportation
Fleet Maintenance 2019/20

1. Introduction

- 1.1 An internal audit has recently been completed of the Fleet Maintenance function carried out by the Central Transport Unit (CTU) within the Highways and Transportation Service.
- 1.2 The audit included the review and testing of controls established by management over the following areas:
- Purchase card (P-Card)
 - Routine safety inspections/services/Stores of oil, tools & tyres
 - Operator's Licence
 - Direct purchases of parts
 - Expenditure
 - Overtime/Flexi records
 - Third Party recharges/income
 - Inventory
 - Petty Cash
- 1.3 The objectives of the audit were to ensure that material business risks have been identified and that the controls in place are adequate for the purpose of minimising business risk and are operating in practice.
- 1.4 Fleet Maintenance was last audited during 2017/18 where there were nine recommendations and the opinion rating awarded was 'Moderate'.
- 1.5 The work carried out and findings arising from this audit are stated in the report below. Recommendations made to address the findings encountered are included in the attached Management Action Plan.

2. Work Done / Findings

2.1 Purchase Card Usage (P-Card)

- 2.1.1 There are were four P-Cards held by staff in the section. We were advised that that PIN numbers are kept secure but it was stated by the Fleet Manager that on occasions his P-Card is shared with other staff as their monthly limit has been exceeded and there is a need to purchase road fund licences for vehicles.

2.1.2 A sample of twelve purchases was checked to ensure compliance with the Council's P-Card Policy and the following was found:

- a) Ten proved satisfactory.
- b) In one case, VAT had been re-claimed even though it was an exempt item (Statutory fee paid to South Wales Police for a vehicle recovery).
- c) In one case VAT had been re-claimed but a VAT receipt had not been obtained.

2.2 Routine safety inspections/services/Stores of oil, tools & tyres

2.2.1 Individual services in the Council are responsible for ensuring that drivers are briefed on their responsibilities for driving Council vehicles and completing daily safety checks. Daily Safety Check sheets are sent to CTU on a weekly basis and retained for 18 months as per DVSA guidance.

2.2.2 A check was carried out to confirm that the number of HGV vehicles in the fleet was within the maximum allowed by the Council's Operator's licence. This test proved satisfactory.

2.2.3 A check was carried out to confirm that drivers were completing Daily Safety Check sheets and that monitoring was taking place as required. This test proved satisfactory.

2.2.4 A test was carried out on a sample of ten vehicles to confirm that all inspections and maintenance is formally recorded and that records are held for at least fifteen months. This test proved satisfactory.

2.2.5 A sample of ten vehicles was selected to check that they had a valid HGV test or MOT as required. This test proved satisfactory.

2.2.6 A brief review of the procedures for the Stores confirmed that (as highlighted in the previous audit) vehicle technicians can obtain parts from the Stores and there is no review by a supervisor to ensure that the parts have been fitted to a vehicle. A recommendation has been made in previous audits that a monitoring process is to be established but this has been rejected by the Fleet Manager due to a lack of staff resources. As the risk remains, this recommendation is made again in this audit.

2.2.7 A review of the Tool Stock Room was undertaken. This room holds specialist tools to be used by all technicians. It was found that the stock was not subject to any form control or signing in/out process.

2.2.8 It was also found that there is also only partial control of the oil used by technicians. The 3,000 litre drums of regular motor oil in the workshop are accessible to all technicians without the need for approval/supervision. Issues were previously recorded using a Permex monitoring system but this is no longer functioning. We were advised that an estimate of the oil used by each technician is estimated when oil filters are requisitioned from the Stores.

2.2.9 A review was carried out of the controls in place regarding the fitting of tyres by the external contractor and it was found that:

- a) The stock of tyres held by the contractor is mixed, with a stock of part-worn tyres belonging to CTU.
- b) Records are not retained for the stock of part-worn tyres belonging to CTU.

2.3 Direct purchases of parts

2.3.1 A report was obtained from the Council's Accounts Payable system listing direct purchases of parts that had been made over the last year. A sample of ten purchases was checked to ensure that there was evidence that each part had been fitted onto a job card for a fleet vehicle. This test proved satisfactory.

2.4 Expenditure

2.4.1 A sample of twenty invoices was selected and tested to confirm the expenditure complied with the Council's Accounting instructions, Contract Procedure Rules and current Spending Restrictions.

2.4.2 It was found that ten of the purchase orders had been created after the invoice had been received. This is contrary to the guidance in Accounting Instruction No4. Some of the payments were for goods received from Fleetwheel where, to aid service efficiency, an electronic requisition is placed for parts and a purchase order is placed on a weekly basis following the receipt of an aggregated invoice.

2.4.3 It was also noted that for fifteen of the purchases tested, the same officer had requested, authorised and receipted the purchase order in Oracle. While the system allows this, it is contrary to audit best practice and a potential weakness in the system. We wish to highlight this to management within the Service because if a division of duty is not introduced, it may result in the Service having to bear the cost of any possible loss.

2.4.4 A sample of suppliers with a cumulative spend over £10k, was checked to ensure compliance with the Council's Contract Procedure Rules. It was found that nine suppliers had not been subject to a Contract Award Report or CPR20 Waiver. These were:

Supplier	Amount
Fleetwheel PPS	£204,500
RND Motor Services	£103,900
Neath Coachbuilders	£54,600
Fleetwheel (Swansea Ltd)	£48,700
Dennis Eagle Ltd	£24,000
Enterprise Flex-E-Rent	£23,000
Swansea Bay Commercials Ltd	£12,000
Gulliver's Truck Hire	£12,000
AJF Electro Mech Services	£11,000

2.5 Overtime/Flexi Records

2.5.1 A sample of eight overtime claims from the financial year 2018/19 was selected for testing to ensure that they had been:

- a) Approved by an Authorised Signatory.
- b) The hours worked are reasonable.
- c) Paid at the correct rate.

These tests proved satisfactory.

- 2.5.2 A review of CTU's Direct Time Express flexi system was carried out to ensure that adequate records were kept, checked and approved. This test was also satisfactory.

2.6 Third party recharges/income

- 2.6.1 Internal recharges for Taxi inspections and vehicle maintenance were reviewed and it was confirmed that all work completed to date had been recharged as required.
- 2.6.2 Enquiries were made out to ensure that unpaid invoices were being reviewed periodically and we were informed that unpaid invoices are not routinely checked.
- 2.6.3 It was noted that there were four unpaid invoices issued to Staffline from January 2018. These were for drivers' CPC training costs and were on the 'referred to Legal' status on the Council's Accounts Receivable system.

2.7 Inventory

- 2.7.1 Inventory records were being maintained and a sample of ten items was selected from the Inventory and checked to their physical location and vice versa.

2.7.2 Inventory to Physical Location

Testing was satisfactory except for:

- a) Sealey Booster Pack 1224v, was not located as it had been moved to Social Services Transport Depot.
- b) Sealey transmission jack 1500E, did not have the CTU Item Ref. recorded in the Inventory (CTU79).
- c) Terruggia Horizontal, could not be located. We were advised that this item has been disposed of and replaced by a Kaeser air receiver although this item was not recorded in the Inventory.

Physical Location to Inventory

- 2.7.3 Testing was satisfactory except for:

- a) Esab Welder MIG C280 pro, was not recorded in the Inventory.
- b) Oerlikon Citorod 4000T, was located but did not have a CTU Item Ref.
- c) Makita Grinder, was not recorded in the Inventory.

- 2.7.4 The Inventory record stated that an annual check was carried out in May 2019 but an Inventory Certificate had not been completed.

- 2.7.5 It was evident that official Disposal Forms have not been completed for items that had been disposed of.

2.8 Petty Cash

- 2.8.1 A petty cash imprest of £100.00 was held. A reconciliation of the account was carried out on the 21st August 2019 and it was found to have a surplus of £9.66.

- 2.8.2 A sample of petty cash purchases was checked and it was found that eligible VAT had not been reclaimed for four purchases as VAT receipts had not been obtained. This increases the cost of the items to the service by 20%.
- 2.8.3 It was noted that regular petty cash payments were being made to a local hand car wash businesses for the cleaning of Council vehicles. This does not comply with the Council's standard methods of procuring goods or services, which require either a purchase order or a purchase card to be used. Also, Accounting Instruction No 6 states that petty cash should only be used to make urgent small purchases required by a service.

3. Conclusion

- 3.1 The Internal Audit Section operates a system of Assurance levels which give a formal opinion of the achievement of the service's/systems' control objectives. The Assurance levels vary over four categories: 'High', 'Substantial', 'Moderate' and 'Limited'.
- 3.2 Recommendations arising from this review are detailed in the attached Management Action Plan. Each recommendation has been prioritised according to perceived risk – High, Medium, Low and Good Practice. The overall Assurance level is based on the recommendations made in the report.
- 3.3 The description of each type of recommendation and also the basis for each of the Assurance levels is noted in **Appendix 1**.
- 3.4 Based on the testing undertaken, it was found that whilst a number of procedures proved satisfactory, there were a number which required revision. It was also noted that previous Internal Audit recommendations requiring all procurement to comply with the Council's Contract Procedure Rules had not been implemented and this had been recommended (and accepted) in the 2008/09, 2012/13 and 2017/18 Internal Audit reports.
- 3.5 As a result, an Assurance Level of '**Moderate**' has been given. This indicates that the ineffective controls represent a significant risk to the achievement of system objectives
- 3.6 We will contact you in due course to confirm that you have implemented the agreed recommendations.
- 3.7 This audit was conducted in conformance with the Public Sector Internal Audit Standards.

Background Papers: None

Appendices:

Appendix 1 – Classification of Audit Recommendations

Classification of Audit Recommendations

Recommendation	Description
High Risk	Action by the client that we consider essential to ensure that the service / system is not exposed to major risks .
Medium Risk	Action by the client that we consider necessary to ensure that the service / system is not exposed to significant risks .
Low Risk	Action by the client that we consider advisable to ensure that the service / system is not exposed to minor risks .
Good Practice	Action by the client where we consider no risks exist but would result in better quality, value for money etc.

Audit Assurance Levels

Assurance Level	Basis	Description
High Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High or Medium Risk. Any recommendations are mainly Good Practice with few Low Risk recommendations.	There is a sound system of internal control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	Recommendations for ineffective controls affecting the material areas of the service are not High Risk. Occasional Medium Risk recommendations allowed provided all others are Low Risk or Good Practice.	There is a sound system of internal control but there is some scope for improvement as the ineffective controls may put the system objectives at risk.
Moderate Assurance	Recommendations for ineffective controls affecting the material areas of the service are at least Medium Risk.	The ineffective controls represent a significant risk to the achievement of system objectives.
Limited Assurance	Recommendations for ineffective controls affecting the material areas of the service are High Risk.	The ineffective controls represent unacceptable risk to the achievement of the system objectives.

**CITY AND COUNTY OF SWANSEA
MANAGEMENT ACTION PLAN
FLEET MAINTENANCE 2019/20**

REPORT REF	RECOMMENDATION	CLASS (HR; MR; LR; GP)	AGREED ACTION/ COMMENTS	RESPONSIBILITY FOR IMPLEMENTATION	IMPLEMENTATION DATE
Purchase Cards (P-Cards)					
2.1.1	P-Cards should not be shared among members of staff. This is a condition of the P-Card User Agreement.	LR	Agreed but individual spend limits for key card holders must be increased to accommodate for demand.	MB/Oracle P Card team/HoS	Dec 2019
2.1.2 b) & c)	VAT receipts should be obtained for all P-Card purchases and VAT only reclaimed in accordance with the details shown.	LR	Agreed. Staff instruction to be issued.	MB	Dec 2019
Stores – Oil, Tools & Tyres					
2.2.6	A system of independent review or spot checks should be introduced to confirm parts/oil requisitioned from the Stores have been fitted to the relevant vehicle. <i>(Previous audit recommendation that was rejected after 2017/18 audit by Fleet Manager due to lack of staff resource.)</i>	MR	Not agreed as previously. Risk is recognised but reduction in resources mean that we cannot implement recommended system (as advised in previous audit).	N/A	N/A
2.2.7	All specialist tools held within the Tool Stores should be signed in/out by Stores Supervisors and relevant Technician.	LR	Agreed, but intention is to move booking out procedure to stores staff instead of workshop when CTU relocates to new site.	MB/Stores	July 2020

2.2.8	A process for accurately recording the amount of regular engine oil used by the technicians in the workshop should be devised, and until this occurs the 3000 litre oil tanks should be dipped regularly and the balance revealed reconciled to the Stores balance.	LR	Agreed. Current booking software system issues to be rectified and weekly dip procedure in place with Stores.	Stores	Jan 2020
2.2.9 a)	Part-worn tyres should be held in a separate storage area in CTU and not stored with the ATS tyre stock.	LR	Agreed	MB/Tyre contractor	Feb 2020
2.2.9 b)	A stock record of the part-worn tyres held should be maintained.	LR	Agreed	MB/Fleet admin team	Feb 2020
Expenditure					
2.4.2	Other than for requirements from Fleetwheel, purchase orders should be created in advance of receiving the goods or services from suppliers.	LR	Agreed, and adjusted where final price known.	CTU staff	Jan 2020
2.4.4	The Councils CPR's must be complied with. All eligible single or aggregated expenditure should be subject to competitive tender or quotations. Where this is not possible, a CPR20 Waiver should be obtained. <i>(Previous audit recommendation made - and accepted - in the 2008/09, 2012/13 and 2017/18 Internal Audits)</i>	HR	Agreed. Action plan targeting the various types of expenditure streams to be produced to begin to address and resource issue to be raised with HoS.	MB	Jan 2020
Third Party Recharges/Income					
2.6.2	Invoices unpaid for over 60 days should be reviewed and the debtor contacted to encourage payment.	LR	Agreed subject to AR sending CTU monthly updates of overdue invoices.	MB/Fleet admin team	Jan 2020

2.6.3	Invoices raised for Staffline in respect of CPC training should be raised promptly to avoid any dispute subsequently arising.	LR	Agreed.	MB/Fleet admin team	Dec 2019
Inventory					
2.7.2 / 2.7.3/ 2.7.4/ 2.7.5.	<p>Inventory records should be maintained in accordance with Accounting Instruction No 9 including:</p> <ul style="list-style-type: none"> • All new items should be recorded immediately on receipt. • Full descriptions are recorded including make, model, serial number and CTU Item Ref. • An Inventory Certificate is completed following an annual check. • An official Disposal form is completed in all instances where items are disposed of. <p><i>(Previous audit recommendation)</i></p>	LR	Agreed	MB/Fleet admin and workshop teams	Dec 2019
Petty Cash					
2.8.1	The Imprest holder should arrange with Cashiers for the surplus amount of petty cash to be paid back into the account.	GP	Agreed.	AS	Dec 2019
2.8.2	VAT receipts should be obtained for all purchases and VAT reclaimed where appropriate.	LR	Agreed. Staff instruction to be issued.	MB	Dec 2019
2.8.3	Petty cash should not be used to fund routine service requirements. All regular business needs should be procured using either a purchase order or purchase card.	LR	Agreed subject to provider being able to facilitate or alternative provider available at same cost.	MB	Dec 2019