

Draft Internal Audit Report
Highways and Transportation
Fleet Maintenance 2022/23

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)
 - Expenditure
 - Personnel
 - Inventory
 - Petty Cash
 - Third Party Recharges / Income
 - Drivers & Vehicle Fleet
 - Routine Safety Inspections Services & Stores of Oil, Tools & Tyres
 - GDPR
- 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 2019/20 where there were fifteen recommendations and the audit 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 It was established that there are four P-Cards held by staff in the Section and we were advised that the cards and PIN numbers are kept secure. However, during discussions, it was highlighted by the Fleet Admin Officer that her P-card had been taken by the Fleet Engineer on a trip to collect a vehicle to purchase fuel. This issue was discussed with the Fleet Manager who pointed out that there are fuel cards that should be used to purchase fuel in these circumstances, and that the P-card should not have been used in this way.
- 2.1.2 A sample of ten purchases made using the P-Card's during the period April 2021 to December 2022 were reviewed, and checked for compliance with the Council's Policy on the Use of Purchase Cards. The only issue highlighted (in addition to

point 2.1.1 above) was that a VAT receipt had not been obtained for the purchase of fuel and the VAT element had not been reclaimed. Appendix A

| Card Holder | Supplier | Gross Amount | Date |
|-------------|---------------|--------------|----------|
| WG | Welcome Break | £149.99 | 11.10.22 |

2.2 Expenditure

2.2.1 A sample of twenty invoices was selected and testing undertaken to confirm the expenditure complied with the Council's Accounting Instructions, Contract Procedure Rules and current Spending Restrictions.

2.2.2 It was found that nine of the purchase orders had been created after the invoice had been received. This is contrary to the guidance in Accounting Instruction No 4. We were informed by the buyers that it was not always possible to complete orders in advance as the accurate costs of the goods is not known at the time of purchase.

2.2.3 It was also noted that for eighteen of the purchases tested, the same officer had requested, authorised and receipted the purchase order in Oracle. Whilst 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. This point is for information only.

2.2.4 All seventeen suppliers for 2022/23 with a cumulative spend of over £10k, were checked to ensure compliance with the Council's Contract Procedure Rules. It was found that for all suppliers, no current Contract was in place or relevant CPR20 Waiver completed. These were:

| Supplier | Amount |
|---|--------------------|
| Fleetwheel (Swansea) Ltd | £242,892.61 |
| Micheldever Tyre Services Ltd T/A Harris Brothers | £122,197.12 |
| Dennis Eagle Ltd | £108,035.24 |
| GWE Developments Ltd | £97,500.00 |
| Car Hire (Day Of Swansea) Ltd | £71,929.13 |
| CEM Day Ltd | £45,178.15 |
| Neath Coachbuilders Ltd | £42,389.07 |
| Enterprise Flex-E-Rent | £35,157.76 |
| Totalkare Heavy Duty Workshop Solutions Ltd | £33,387.60 |
| RND Motor Services | £33,040.95 |
| Barclaycard Commercial | £28,940.95 |
| Watts Truck & Van (Swansea) Ltd | £24,771.80 |
| City Electro Diesel Services | £17,132.00 |
| Swansea Bay Commercials Ltd | £12,044.18 |
| SA1 MOT Centre | £11,105.00 |
| Bucher Municipal Ltd | £10,946.04 |
| Ken Williams Motors Ltd | £10,480.64 |
| Grand Total | £947,128.24 |

2.3 Personnel

2.3.1 A report of all employees allocated to the Team's budgets was obtained from Employee Services. This was presented to the relevant Manager for confirmation and was found to be correct.

- 2.3.2 A sample of ten overtime claims by employees for the financial year 2022/23 was selected for testing to ensure that they had been approved by an authorised signatory and had been paid at the correct rate. All testing was found to be satisfactory.
- 2.3.3 It was noted during the testing of overtime payments, that the fitters at the unit are earning high levels of overtime. This was questioned during the audit and we were informed that the hours worked were reasonable and in accordance with the service needs. Further discussions were held during the audit closure meeting, and the Fleet Manager suggested it would be worthwhile revisiting the Business case for the level of overtime worked by fitters.
- 2.3.4 It was confirmed during the audit that all staff at the depot are working flexi time and are on the Council's electronic Flexi System.

2.4 Inventory

- 2.4.1 The Inventory records were reviewed for compliance with Accounting Instruction No. 9, and it was found that an annual physical check had not been undertaken by someone other than the officer responsible for maintaining the Inventory. Also, an Inventory Certificate had not been completed for 2022/23.
- 2.4.2 It was also noted that the Inventory records for the Workshop and Offices did not record the make, model and serial number of all electrical Items.
- 2.4.3 A sample check of twenty items was selected from the Inventory records and checked to their physical location and vice versa. All testing was satisfactory.

2.5 Petty Cash

- 2.5.1 It was established that a Petty Cash Imprest Account totalling £100.00 was held by the Service. A reconciliation of the account was carried out during the audit and all was found to be satisfactory.
- 2.5.2 Only one claim had been made during the last financial year and so this petty cash claim was checked to confirm receipts supported the payments made, and that VAT had been correctly reclaimed. Again, all testing was satisfactory.

2.6 Third Party Recharges / Income

- 2.6.1 Testing was undertaken to confirm that all Journals to recharge various internal costs to the relevant cost centres had been actioned and were up to date. All testing was satisfactory.
- 2.6.2 Checks were also carried out to confirm that invoices had been raised promptly to recharge Schools for all costs incurred. As part of the testing carried out ten individual invoices were selected for review. All testing was again satisfactory.

2.7 Drivers & Vehicle Fleet

- 2.7.1 Individual services in the Council are responsible for ensuring that drivers are briefed on their responsibilities for driving Council vehicles and completing daily safety check logs. It was confirmed that the handbook detailing those requirements was held on Staffnet and available to all staff for reference.
- 2.7.2 We were informed that Daily Safety Check Sheets are required to be completed and forwarded to the Fleet Office on a weekly basis. The DVLA require that for HGV vehicles, logs are retained for inspection if needed.

2.7.3 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 Operators Licence. This check proved satisfactory.

2.8 Routine Safety Inspections / Services & Stores of Oil, Tools & Tyres

2.8.1 As stated above, individual services in the Council are responsible for ensuring that Daily Safety Check sheets are sent to CTU on a weekly basis and retained. A sample check of ten HGV vehicles was carried out to confirm vehicle logs were being completed, received and retained in the Fleet Office. All testing was satisfactory.

2.8.2 A further check was carried out on a sample of ten HGV vehicles in the fleet to confirm that vehicle inspections and servicing had been carried out at the required intervals, and that records were retained of work undertaken. All testing was satisfactory.

2.8.3 A report was obtained from the Council's Accounts Payable system listing direct purchases of parts that had been acquired over the last year. A sample of ten purchases was checked to ensure that there was a job card that evidenced each part had been fitted onto the fleet vehicle. All testing was satisfactory.

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

2.8.5 Testing 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.

2.8.6 A test was undertaken on a sample of ten vehicles to confirm that all inspections and maintenance was formally recorded and that records were held for at least fifteen months. This test proved satisfactory.

2.8.7 A brief review of procedures in the Stores with regards to the issuing of direct materials and stores equipment was carried out to assess if the current controls were adequate. It was highlighted that the Vehicle Fitters were not signing the stores issue notes to evidence receipt of the parts.

2.8.8 We were informed that the fitting of tyres for the vehicles is undertaken by an external contractor who has a staff member based at the depot. A brief review of this arrangement was carried out to ensure it was functioning correctly and adequately monitored. It was found that:

a) Job cards are issued to authorise the fitting of tyres to a vehicle, and these job cards are checked against the invoices received from the Contractor prior to invoices being paid.

b) The stock of tyres held by the contractor is mixed, with a supply of part-worn tyres belonging to CTU. We were informed that stock records are maintained to detail the amount of part worn tyres held at the depot and this should be checked periodically. Testing revealed however, that this stock record had not been checked or updated since March 2022.

2.9 GDPR

2.9.1 Employees GDPR mandatory training and the retention of physical / electronic records were discussed with the Manager.

- 2.9.2 We were informed during the review that not all staff had completed the mandatory GDPR training.
- 2.9.3 It was confirmed during the audit that staff were aware of document retention periods.

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 were operating satisfactorily, there were some where significant improvement was required, namely compliance with CPR's. It was also noted that previous Internal Audit recommendations requiring all procurement to comply with the Council's CPR's had not been implemented and this had been recommended (and accepted) in the 2008/09, 2012/13 2017/18 and 2019/20 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.

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 2022/23**

| 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 and PIN's should not be shared amongst other members of staff. This is a condition of the P-Card User Agreement. <i>(Previous audit recommendation)</i> | MR | | | |
| 2.1.2 | VAT receipts should be obtained for all P-Card vatable purchases and the VAT element reclaimed. <i>(Previous audit recommendation)</i> | LR | | | |
| Expenditure | | | | | |
| 2.2.2 | A purchase order must be created before all goods and / or services are procured. <i>(Previous audit recommendation)</i> | LR | | | |
| 2.2.4 | CPR's must be complied with. All eligible single or aggregated expenditure should be subject to competitive tender or quotations over £10k. Where this is not possible, a CPR20 Waiver should be obtained. <i>(Previous audit recommendation made - and accepted - in the 2008/09, 2012/13, 2017/18 and 2019/20 Internal Audits)</i> | HR | | | |
| Personnel | | | | | |

| | | | | | |
|---|---|----|--|--|--|
| 2.3.3 | The Fleet Manager should review the Business Case in relation to the overtime hours worked by fitters. | LR | | | |
| Inventory | | | | | |
| 2.4.1 | A physical check of the Inventory should be undertaken annually by an officer who is not responsible for maintaining the Inventory, and an Inventory Certificate completed. | LR | | | |
| 2.4.2 | The make, model and serial number of all electrical items should be recorded in the inventory. | GP | | | |
| Routine Safety Inspections/Services/Stores/Tools & Tyres | | | | | |
| 2.8.7 | Stores issue notes must be signed by the officer receiving the items evidencing receipt of the goods. | MR | | | |
| 2.8.8 | The stock record maintained of Part Worn tyres should periodically be reviewed and updated to confirm its accuracy. | LR | | | |
| 2.9.2 | All staff to undertake the Councils mandatory GDPR training course. | LR | | | |