

## The Highland Council

Community Services Committee 18 August 2016

Agenda Item	<b>10</b>
Report No	<b>COM 29/16</b>

### Internal Audit Reports

#### Report by Director of Community Services

##### Summary

This report provides an overview of the following Internal Audit reports, relating to Community Services and previously considered by the Audit & Scrutiny Committee, on 15 June 2016. It provides an update with progress on the related management actions that were agreed at that Committee.

- i. Administration of Fuel
- ii. Grass Cutting Contract – Monitoring and contract Payment Arrangements (follow up)

## 1 Introduction

- 1.1 The Audit and Scrutiny Committee received report AS/6/16 on the 15 June 2016 which provided information about Internal Audit Reviews undertaken, including an Audit Opinion, Management Summary Report and Action Plans for each review.
- 1.2 Since then, and with the agreement of the Council's Head of Internal Audit & Risk Management, Community Services Officers have reviewed and updated the audit action plans and the target completion dates for each action.
- 1.3 The Audit Opinions are reproduced and progress against the management actions is reported. The current Action Plans are provided in Appendices A and B.

## 2. Progress with Management Actions

### 2.1 Administration of Fuel

- 2.2 The objectives of the review were to ensure that:

(i) There are clear and concise policies and procedures in place to govern the operation of the fuel car schemes (Vectec and Allstar) and that they are adhered to by all members of staff.

(ii) Fuel cards are only issued to authorised vehicles and staff.

(iii) Fuel card usage is monitored efficiently and effectively and prompt action is taken to investigate and address any anomalies and variances identified.

(iv) Fuel consumption is subject to regular monitoring and prompt action is taken to address any anomalies.

2.3 The Audit opinion is as follows:

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that Limited Assurance can be given in whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

2.4 The audit recommended some changes to the current arrangements including updating policies and procedures, issuing of fuel cards and fobs, fuel card usage and monitoring fuel consumption.

2.5 With the exception of action 4.4.1, installation of vehicle telematics, all actions are complete. A separate report to Community Services Committee on 18 August 2016 outlines the implementation of telematics in all light fleet, thus completing all outstanding actions from the audit.

2.6 A copy of the action plan is attached, with a statement of the current position, at **Appendix A**.

**2.7 Grass Cutting Contract**

2.8 The report was a follow-up to a previous Audit.

2.9 The objectives of the review were:

to ensure that the recommendations made in the previous internal audit report "Outsourced Grass Cutting contract – monitoring and payment arrangements" have been implemented and the following objectives can be achieved:

- (i) There are appropriate in place for the monitoring of the performance of the grass cutting contract;
- (ii) There are appropriate controls in place for the payment to contractors for the grass cutting contract;
- (iii) Recharges to Council Services are processed promptly and are in accordance with the service provided.

2.10 The conclusion reached by the Audit was:

It is recognised that, in conjunction with Community Services' restructure, improvements were been made to establish a more effective grass monitoring and reporting systems. The original report made three overall recommendations which were split and each had a number of agreed actions against them. However, as detailed within section 4, five of the ten agreed management actions have not been fully addressed. As such, there are five medium grade recommendations in this report, all of which have been accepted by management with the agreed actions to be completed by 31/03/17.

2.11 The audit opinion was:

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

2.12 The Action Plan is attached as **Appendix B**.

### **3. Implications**

#### 3.1 Resource

The report on fuel card administration has an impact on budget in relation to installation of vehicle telematics and administering the system. This is dealt with in a separate report to this committee.

#### 3.2 Climate Change/Carbon Clever

Telematics will have a positive impact on climate Change/Carbon clever through better visibility and management of vehicle use and fuel consumption.

#### 3.3 Risks

The risks associated with the administration fuel have been highlighted in the report, along with actions to mitigate them.

3.4 There are no Legal, Rural, Equalities or Gaelic implications

### **Recommendation**

The Committee is invited to note:-

i. The findings of the 2015/16 Internal Audit reports into the Administration of Fuel and Grass Cutting Contracts.

ii. Progress with implementing improvements.

Designation: Head of Performance and Resources

Date: 1 August 2016

Author: Caroline Campbell

Background Papers: Internal Audit – Administration of Fuel, 25 April 2016  
Grass Cutting Contract – Monitoring and Contract payment Arrangements (Follow up)

## Administration of Fuel

## Appendix A

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.1	Medium	Whilst there is comprehensive guidance on the use of fuel cards there is little on the use of the key fobs. In addition, there is no guidance setting out when fuel should be obtained from commercial garages and when Council tanks should be used.	A user guide for fuel fob users should be produced which corresponds with the principles set out in the Fuel Card User Guide. This guidance should be distributed to all relevant officers.  The present guidance should be revised to detail when fuel should be drawn from fuel tanks and when it is more appropriate to use commercial garages.	Fuel Card User Guide to be updated with bulk fuel, bulk fuel should only be used where out of hours or restricted retail access presents i.e. forecourt not suitable for HGV use.	Acting Fleet, Maintenance & Stores Manager	30/04/16 Completed
4.2.1	Medium	Request forms for fuel fobs did not require authorisation and were not being retained.	It should be ensured that all new fuel card fob request forms are retained in line with the Council's Retention Schedule and is consistent with the retention of the fuel card request forms.	A new form was implemented and is now in use in line with the fuel card request forms which are authorised by the budget holders.	Administrative Assistant, Community Services Warehouse	Completed
4.3.1 – 4.3.2	Medium	The previous agreed action to undertake a review of hire and unassigned cards was not performed.	(1) A review of the use of fuel cards in relation to hire cars and other unassigned (bearer) cards should be undertaken and documented by Community Services in conjunction with the Business Support Operations Managers. Where it is established that an assigned fuel card is more appropriate then this should be actioned with any unassigned fuel cards cancelled and replaced.	Fuel Card Transaction Logs for these cards should be completed by the card issuer as per the Fuel Card User Guide. No further review required as all cards WILL be embossed with either a driver name, vehicle registration or both.	Administrative & Clerical Assistants, Community Services Warehouse	30/04/16 Completed
		Emails are not issued on a regular basis reminding fuel card users to complete a transaction log.	(2) The Fuel Card Administrator should email all responsible Business Support Operations Managers on a monthly basis with all unassigned (bearer) cards and	Reminder to be added on monthly Allstar transaction email.	Clerical Assistant, Community Services	30/04/16 Completed

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		There were minor discrepancies between the number of active fuel cards as recorded on Allstar and the master register.	hire card reports together with the reminder that it is an audit requirement for card holders to complete a transaction log.  (3) The fuel card master register should be reconciled on a quarterly basis to the Allstar fuel card system list to ensure that both sets of records are in agreement and that all issued cards can be accounted for.	Reconciliation of Allstar cards to be reconciled on a quarterly basis. Fuel Card Administrator's Guide to be updated.	Warehouse  Clerical Assistant, Community Services Warehouse	30/04/16 Completed
4.4.1	High	Global fuel consumption monitoring of the fleet has not been introduced. The fleet is partially monitored with the introduction of tracking for heavy vehicles, with a trial underway on a small number of lighter vehicles. This was a previously high priority grade agreed management action.	Community Services should continue to work with the system providers in order to develop fuel consumption reporting for management information purposes. Once developed, this should be issued to budget holders on a monthly basis.	All future light fleet vehicles to be fitted with tracking devices. Policy on reporting procedures to be developed setting out frequency and distribution of reports, and actions required including escalation procedures for non-compliance.	Acting Fleet, Maintenance & Stores Manager	01/09/16
4.4.2	Medium	When responsibility for fuel cards passed to Community Services Warehouse a review should have occurred of access rights to the fuel card system. An Internal Audit review found 6 of the 12 current accesses were no longer required.	The Fuel Card Administrator should undertake an annual review at the financial year-end of accesses to both fuel card systems and make any amendments as necessary.	This is carried out annually. There are currently 7 users and all require access.	Clerical Assistant, Community Services Warehouse	Completed

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.4.2 cont.		Vectec users currently access the system via a single account and password contrary to the ICT User and Network Access Control Policy.	A request should be made to the system supplier that individual user accounts and passwords are set up for Highland Council users and that password changes are made mandatory.	Contact has been made with Vectec and individual user accounts and passwords have now been set up. There is no facility for mandatory password changes; this requires a request to Vectec administration for password change.	Administrative Assistant, Community Services Warehouse	Completed
4.4.3	Medium	The fuel tank network inventory did not include all active tank sites.	<p>(1) The fuel tank network inventory should be reviewed annually to ensure that the information maintained is complete and accurate.</p> <p>(2) The proposed new user guide for the Vectec system should include the requirement that any request for the purchase of new or replacement tanks or any works in relation to the fuel tank network must be referred to the Stores Purchasing Controller.</p>	<p>Review to be carried out annually.</p> <p>This statement to be added to the Fuel Card &amp; Fob user guide.</p>	Acting Fleet, Maintenance & Stores Manager	30/04/16 Completed
4.4.4	Medium	The fuel card supplier has started to charge for drawing fuel at a large number of garages.	All fuel card holders should be reminded that Tesco garages should be used for fuel purchases wherever possible in order to avoid additional charges. Where cards have incurred charges, these should be reviewed to establish if these could have been avoided and the relevant budget holder notified of this.	An email was circulated to all budget holders informing them of the additional charges and that Tesco Garages should be used when possible. Reminder to be added to monthly Allstar transaction reports.	Clerical Assistant, Community Services Warehouse	Completed

## Grass Cutting

## Appendix B

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.1	Medium	<p>Due to reduced Council resources and the volume of paper based self-inspections submitted by the contractor, it has not been possible to record any breaches on the Breached Standards Log (BSL). Therefore, only inspections undertaken by Council staff have been recorded. It should be noted that these include inspections of areas maintained by external contractors and the Council's DLO.</p> <p>For the 2016 season, the main contractor is providing self-inspection reports from their own system.</p>	<p>The Service is developing an electronic monitoring process and this will be a requirement in the new contract. This should identify a suitable digital solution whereby the contractor can provide effective monitoring reports to the Council including evidence of remedial works undertaken.</p> <p>The Service should ensure that the solution identified provides an effective method of contract monitoring in that it provides the necessary information and makes best use of the available staff resources.</p>	<p>To introduce a digital contract validation and monitoring system.</p> <p>Retender specification to include requirement for contractors to self-monitor and report using a secure approved compatible digital system which is compatible with Highland Council systems.</p>	Head of Environment & Amenity Services (HoEAS)	31/03/17

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
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4.1.2& 4.3.1	Medium	The WDM asset management system cannot be used as the web based section, which allows the information to be viewed by staff, Members and other relevant users, has not been implemented. However, a workaround is currently in place using the GIS system.	Action should be taken with the Council's ICT provider to address the system issues in order to ensure that the WDM system is fully operational.	Complete work with ICT provider and WDM provider.	Roads & Community Works Manager	30/09/16
4.1.3	Medium	The area reporting has been greatly improved with a standard format introduced which clearly shows the performance of the external contractors and the DLO. However, these do not show whether the inspections were undertaken at random or as a result of a complaint.	The format of the area reports should be amended to split the inspection results to show which were undertaken random and those which arose from complaints.	Amend performance reports to Area Committees.	Amenity Service Managers	31/08/16
4.3.1	Medium	Recharges are processed upon agreed sums rather on the basis of the actual work undertaken.	Further work should be undertaken to ensure the cost and quality of work recharged to the HRA, High Life Highland and other bodies for which CS deliver a grounds maintenance service can be separately identified and evaluated. This is essential for the HRA in order to comply with current Scottish Government Guidance on Housing Revenue Accounts.	Review asset information with client services to agree value of work.	Amenity Service Managers	31/03/17