



INTERNAL AUDIT  
FINAL REPORT

**Title: Fuelling**

**Report Distribution**

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## EXECUTIVE SUMMARY

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### Introduction

A review of fuelling procedures within Direct Service was undertaken to ensure that adequate systems exist to prevent misappropriation of fuel and that the fuel sites are safe secure and operated cost effectively.

There are two stations for fuel, one located outside the small workshop and the second outside the canteen. Five types of fuel are currently used; Hydraulic, Engine, Diesel, Petrol and Gas Oil, plus a 45 gallon oil drum that is used in conjunction with petrol for two stroke fuel in plant and machinery.

From 1<sup>st</sup> April to 1<sup>st</sup> September the following amounts of fuel were purchased.

	<b>Litres</b>	<b>Value</b>
Diesel	152000	£124,436.05
Petrol	7000	£5479.30
Gas Oil	12500	£4,821.86
Hydraulic	1000	£645.75
Engine Oil	500	£542.88
<b>Grand Total</b>	<b>173000</b>	<b>£135,925.84</b>

Diesel is supplied by C.P.L, Petrol from Texaco and the oils are supplied by Brobot. On average Diesel is ordered every 2-3 weeks, petrol every three months, gas oil every 3-4 weeks and engine/ hydraulic oil is ordered 3 times per year.

### Principal Findings

	High	Medium	Low
Number of recommendations		1	8

The detailed findings and associated recommendations are provided in the second part of this report. The medium recommendation relates to:

- Overcharging on fuel delivered, where the council has paid for more fuel than what was delivered.

### Assurance Statement

As part of the audit review, a benchmarking visit was made to Kuehne & Nagel Logistics. Good practices identified on the visit were utilised to develop a new fuel recording and monitoring system for the authority. The revised approach identifies weekly fuel variances, with new variance levels being set of 100 litres for all fuel except diesel, which has been set at 500. This is because the gauges on the tanks are only indicator levels and not accurate levels.

## Confidential

For this new system to work properly it is **essential** that dips are carried out at the same time each week, this has been agreed with the Department and should take place on Monday morning at 9 am. Simultaneously, Triscan should be downloaded and the information entered into the new monitoring spreadsheet and forwarded to Finance on a quarterly basis.

Subject to the ongoing adherence to the revised procedures, Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

## INTRODUCTION

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### Objective & Scope

The purpose of the audit review was to ensure that the storage and usage of fuel is accurately accounted for and that fuel is only used on official authority business.

The key risks associated with the system objectives are:

- Financial loss, resulting from:
- Inability to balance stocks to fuel recording system,
- Unidentified loss of fuel,
- Misappropriation of fuel.

The control areas included within the scope of the review are:

- Procedures for recording fuel delivery and usage,
- Physical security controls fitted to vehicles/machinery,
- Monitoring of fuel usage,
- Balancing/reconciliation procedures for fuel usage.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

### Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

A special thank you to Kuehne & Nagel, Logistics for allowing us to visit their site and review their fuel recording and monitoring systems. Fuel is rigorously monitored and several areas of good practice were identified to develop a new fuel recording and monitoring system for the authority.

## DETAILED FINDINGS

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Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 1 – Invoice Matching</b>  <b>Level of Risk - Medium</b></p>			
<p>Fuel delivered should be matched/checked against the amount of fuel received.</p> <p>From 1<sup>st</sup> April 1<sup>st</sup> to 1<sup>st</sup> September 2006 one order was placed for engine and hydraulic oil.</p> <p>The delivery docket was checked against the invoice. It was noted that the authority had been invoiced for more fuel than had been received, resulting in an overcharge of £122.75</p>	<p>Failure to minimise fuel costs as a result of payment for fuel not received.</p>	<p>Fuel delivered should be matched/checked against the delivery docket and invoice when received. All errors should be investigated and resolved.</p> <p>All supporting documentation should be forwarded to the Departmental Administration staff as a priority, and entered onto the Triscan system.</p> <p><b>Action: Caroline McKenzie - Business Support Manager.</b></p>	<p><b>Management Comment:</b>            Since the introduction of Agresso, the Department no longer receives invoices to check against GRNs. Supporting documents have been checked and reason for the discrepancy has been identified, confirming the fuel has been received.</p> <p><b>Planned Corrective Action:</b>            Correct procedures for completing the supporting paperwork have been communicated to staff. In addition, the quarterly stock take will be reconciled to creditor invoices.</p> <p><b>Timescale:</b>            Commencement of reconciliation – 30<sup>th</sup> June 2007.</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 2 – Recording of Fuel Stocks</b>  <b>Level of Risk - Low</b></p>			
<p>Dips are taken before and after fuel delivery. However they are not always recorded on the date of delivery.</p> <p>An entry was found on engine and hydraulic oil that had been added almost 2 months later than the delivery, which gave an incorrect stock level.</p> <p>It is important that dips and deliveries are carried out and entered into Triscan at the correct date and on a timely basis to ensure the correct stock level is recorded.</p> <p>Dips taken against the diesel tanks are not accurate as the gauges are only used as an indicator level.</p>	<p>Recording of incorrect fuel stock levels, resulting in potential shortages of fuel.</p>	<p>Dips should be taken on a weekly basis, and carried out at the same time each week. Readings should then be reconciled to Triscan levels and usage.</p> <p>In addition, consideration should be given to purchasing Digital gauges to enable accurate dips to be taken.</p> <p><b>Action: Caroline McKenzie - Business Support Manager.</b></p>	<p><b>Management Comment:</b>  This entry went on late in error and now all deliveries go on when they arrive so they can be included in the reconciliation for the week. Dip readings are now recorded before and after all deliveries, and is recorded on the revised spreadsheet.</p> <p><b>Planned Corrective Action:</b>  Continue with spreadsheet, digital gauges would cost more than discrepancies.</p> <p><b>Timescale:</b>  Commenced December 2006.</p>

Observation	Risks	Recommendation	Management's Response
<b>Recommendation 3 - Procedure Notes</b> <b>Level of Risk- Low</b>			
No procedure notes are in place with respect to fuel delivery, reconciliation and reporting procedures.	Fuel delivery and recording procedures would not be undertaken in a controlled manner in the event of unforeseen absences to key staff.	Procedure notes should be produced as soon as practicably possible.  <b>Action: Caroline McKenzie - Business Support Manager.</b>	<b>Management Comment:</b> All relevant staff have been informed of the correct procedures. Formal procedure notes will be produced by 31 <sup>st</sup> May 2007.  <b>Planned Corrective Action:</b> See above.  <b>Timescale:</b> 31 <sup>st</sup> May 2007.

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 4 – Vehicle Key Fobs</b>  <b>Level of Risk – Low</b></p>			
<p>Only authorised vehicles are allowed to use the pumps, each vehicle is issued with a specific and unique fob.</p> <p>The list of vehicles and fob numbers was obtained and reviewed against Triscan fuel issues. It was identified that a number of vehicle fobs (e.g. 113) were still active after the respective employee had left the authority.</p> <p>In addition, fob number 104 was identified as being allocated to the mobile crèche at Notts. County Council.</p> <p>When questioned staff were unclear whether the mobile crèche was still using the fob. It was confirmed that the fob had been used for six months without fuel usage being recharged. This has now been rectified with an invoice raised for fuel used to the end of October 2006.</p> <p>Currently each vehicles fob is set to a daily limit of 1000 litres. This appears to be high, given the average refuse freighter tank holds around 205 litres.</p>	<p>Unauthorised use of fuel, resulting in financial loss to the authority.</p>	<p>The vehicle list should be updated and any fobs not in use should be locked out.</p> <p>The current daily fob limit of 1000 litres should be reduced to 500 litres.</p> <p><b>Action: Caroline McKenzie - Business Support Manager.</b></p>	<p><b>Management Comment:</b>  Vehicles are issued with keys not people. They are deactivated when the Authority no longer uses a vehicle. Triscan suggested the 1000 litre limit. Vehicles are updated regularly.</p> <p><b>Planned Corrective Action:</b>  Reduce daily limits as recommended. Managers and supervisors will be reminded to inform Admin if a vehicle is disposed.</p> <p><b>Timescale:</b>  30<sup>th</sup> April 2007.</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 5 - Issue of Fuel (Departmental Records)</b>  <b>Level of Risk – Low</b></p>			
<p>Triscan records fuel issued to each vehicle, it also records miles per gallon and what section the vehicle is listed to. Analysis of department reports identified that a number of vehicles were listed against the wrong section.</p>	<p>Fuel costs will not be recorded against the correct section.</p>	<p>Triscan should be updated to show the correct section for each vehicle.</p> <p><b>Action: Caroline McKenzie - Business Support Manager.</b></p>	<p><b>Management Comment:</b>                      A check of the vehicle list has been undertaken, all vehicles are now in the correct section.</p> <p><b>Planned Corrective Action:</b>                      Future checks will be undertaken as and when organisational restructures occur.</p> <p><b>Timescale:</b>                      Implemented.</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 6 – Issue of Fuel (Unallocated Fuel)</b>  <b>Level of Risk- Low</b></p>			
<p>Triscan records any unallocated fuel i.e. where fuel has been taken without the use of a fob.</p> <p>Review of the Triscan records, identified in excess of 100 litres of unallocated fuel over the five tanks between 1<sup>st</sup> April to 1<sup>st</sup> September 2006.</p> <p>This was attributable to Triscan engineers carrying out routine tests, however, there was no record of the fuel being re-entered into the tanks or recorded in Triscan.</p> <p>With the exception of engineers there should be no reason for fuel to show as unallocated.</p>	<p>Unauthorised use of fuel will not be taken into account and will not balance to fuel system.</p>	<p>Any fuel showing as unallocated should be reported and investigated.</p> <p>Fuel re-entered to the tanks should be recorded within Triscan.</p> <p><b>Action: Caroline McKenzie - Business Support Manager.</b></p>	<p><b>Management Comment:</b>  Fuel is only taken without a fob when the system is down or being serviced. When the system is down the information is recorded by Stores or Fleet section.</p> <p><b>Planned Corrective Action:</b>  Premier Pump have been made aware they need to inform Admin of any fuel taken for testing purposes to enable adjustments to be made. The fuel is now back in the tanks and any future fuel withdrawals for testing will be recorded.</p> <p><b>Timescale:</b>  Implemented.</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 7 - Fuel Usage (Plant &amp; Machinery)</b>  <b>Level of Risk – Low</b></p>			
<p>The small workshop has a specific fob (109) that allows fuel to be drawn to fill up plant &amp; machinery.</p> <p>From 1<sup>st</sup> April to 1<sup>st</sup> September the workshop used 6026 litres of petrol. The fob limit allows 1000 litres to be used daily, however the greatest daily use over this period was 115 litres.</p> <p>In addition, there was no complete list of plant &amp; machinery (some large plant has it own fob) available to enable fuel usage to be measured against fuel issued.</p>	<p>Inability to reconcile usage to issued fuel.</p>	<p>The fob limit should be reduced to a maximum of 500 litres per day.</p> <p>A list of all plant &amp; machinery should be maintained identifying the capacity for each tank and running time.</p> <p>Upon completion of the list, consideration should be given to carrying out a costing exercise of fuel usage per machine.</p> <p><b>Action: Caroline McKenzie - Business Support Manager.</b></p>	<p><b>Management Comment:</b>  The fob limit was set up on the advice of Triscan. A list does exist already. It is mainly mowers and plant and all gets charged to PASC.</p> <p><b>Planned Corrective Action:</b>  The fob limits will be amended as recommended.</p> <p>Consideration is being given to purchasing a fleet management package which will enable monitoring of fuel usage for all inventory entered onto the system.</p> <p><b>Timescale:</b>  30<sup>th</sup> April 2007.</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation 8 – Fuel Stock Checks and Reconciliation (Supporting Documents)</b>  <b>Level of Risk – Low</b></p>			
<p>When a delivery of fuel has been received the depot caretaker deals with the initial paperwork. The details are entered onto a green slip to which the print off given from the tanker driver is attached.</p> <p>All supporting documents relating to fuel reconciliation should be submitted weekly to Departmental Administrators to enable accurate recording of stock levels.</p> <p>Fuel usage was reconciled to delivered amounts. It was identified that two deliveries for engine &amp; hydraulic oil had not been entered until two months after the delivery date, resulting in inaccurate stock levels.</p>	<p>Inability to reconcile fuel usage to stock and delivery levels.</p>	<p>All supporting documents relating to fuel delivery/ should be forwarded to the admin team on the date of receipt and entered onto Triscan.</p> <p><b>Action: Caroline McKenzie - Business Support Manager.</b></p>	<p><b>Management Comment:</b>                  These were a genuine error. They are now entered when they are delivered. The Stores Supervisor has been informed that all tickets must be forwarded to the Assistant Fleet Manager upon delivery.</p> <p><b>Planned Corrective Action:</b>                  The Stores Supervisor has been informed that all tickets must be forwarded to the Assistant Fleet Manager upon delivery.</p> <p><b>Timescale:</b>                  Implemented.</p>

Observation	Risks	Recommendation	Management's Response
<p><b>Recommendation – 9 Fuel Stock Checks and Reconciliation (Triscan Downloads)</b>  <b>Level of Risk – Low</b></p>			
<p>Triscan downloads are currently carried out on a daily basis but not always at the same time of day.</p> <p>The main factor behind this practice is that the computer is sited in a different part of the building, meaning the operator has to leave their normal place of work to perform updates. If the computer was located on the users desk/office it would enable more timely input and monitoring of reports.</p> <p>In addition, it was found that manual dips were being entered onto Triscan, incorrectly adjusting stock levels, and resulting in incorrect balances.</p>	<p>Inaccurate stock levels.</p>	<p>Downloads should be done at the same time each day. The practice of entering manual dip readings into Triscan should cease.</p> <p>Consideration should be given to relocating the Triscan computer.</p> <p><b>Action: Caroline McKenzie - Business Support Manager.</b></p>	<p><b>Management Comment:</b>  Triscan has always been downloaded first thing in the morning when someone arrives.</p> <p><b>Planned Corrective Action:</b>  Manual dips are no longer entered onto Triscan, they only go on to the new spreadsheet for recording purposes.</p> <p><b>Timescale:</b>  Implemented.</p>

**ANNEX A**

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**Risk & Assurance – Standard Definitions**Audit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	<b>High</b>	Action is essential to manage exposure to fundamental risks.
2	<b>Medium</b>	Action is necessary to manage exposure to significant risks.
3	<b>Low</b>	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect to the risks emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
<b>No</b>	The majority of the significant risks relating to the area reviewed are not effectively managed.
<b>Limited</b>	There are a number of significant risks relating to the area reviewed that are not effectively managed.
<b>Substantial</b>	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

### **What Happens Now?**

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Head's of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

### **Any Questions?**

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to [vince.rimmington@gedling.gov.uk](mailto:vince.rimmington@gedling.gov.uk)