

# **Causeway Coast and Glens Borough Council**

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## ***Internal Audit Report Fuel Management***

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2020  
Final



# INTERNAL AUDIT REPORT

## Fuel Management

### Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2019/20. This report summarises the findings arising from a review of

Through our audit we found the following examples of good practice:

- Audit has found that at each of the four large depots, Ballycastle, Ballymoney, Coleraine and Limavady, and also at the Newmills nursery site in Coleraine there is use of a fuel management system, called Jigsaw. The jigsaw system allows council to control access of fuel from these depots as the use of the pumps require a fob to activate and with the fobs and the system the council can also record information of fuel use per vehicle.
- As part of the Energy Management Strategy of Council a number of Council buildings do track their energy use, and this will include use of heating fuel.

The table below summarises the key risks reviewed:

Risk	Number of recommendations & Priority rating		
	1	2	3
There may be a risk that ordering of and access to fuel is not effectively controlled leading to fraud, misappropriation or misuse of fuel and not achieving value for money for Council	-	2	2
There may be a risk that fuel usage is not appropriately monitored which could lead to fuel not being efficiently used or Council not obtaining proper value for money	-	1	2
<b>Total recommendations made</b>	<b>0</b>	<b>3</b>	<b>4</b>

Based on our audit testing we are able to provide the following overall level of assurance:

#### Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

## Table of Contents

Executive Summary.....	2
1 Objective .....	4
2 Background .....	4
3 Risks .....	4
4 Audit Approach.....	4
5 Findings and Recommendations .....	5
5.1 Risk 1 – Inadequate Purchasing and Access Controls.....	5
5.2 Risk 2 – Inadequate Monitoring .....	9
Appendix I: Definition of Assurance Ratings and Hierarchy of Findings .....	12
Appendix II: Summary of Key Controls Reviewed.....	13

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	March 2020

<b>Audit progress</b>	<b>Date</b>
Audit commenced	22 <sup>nd</sup> January 2020
Draft Report issued to senior management for response	1 <sup>st</sup> March 2020
Responses Received	5 <sup>th</sup> March 2020
Responses Agreed	5 <sup>th</sup> March 2020
Report Issued	5 <sup>th</sup> March 2020

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

## 1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and considered the main risks facing fuel management and a review the key systems and controls in place to address these. The objective being to ensure that there is an adequate Fuel Management framework in place:

- to avoid fraud and mis-use, and
- which promotes value for money

## 2 Background

Causeway Coast and Glens Borough Council currently purchase fuel and heating oil from local suppliers and received daily and weekly fuel prices, there is no contract in place. All Service areas are responsible for fuel usage within their own area although most fuel is ordered centrally. The exceptions are the legacy Moyle area where fuel is ordered through the Ballycastle office and the Limavady depot which orders its own fuel.

Fuel is delivered by local suppliers directly to the depots and to the council buildings which requested the heating oil. Fuel is stored at the depots within tanks and is pumped into the vehicles at the depot, heating oil is stored at the individual council buildings.

A lot of the audit testing in this assignment centred around the Fuel Management system (Jigsaw) which is used to manage the fuel required for the Council's fleet of vehicles. (There is no similar system in place for heating fuel management).

## 3 Risks

The risks identified by Internal Audit relating to grounds maintenance and agreed with management are as follows:

1. There may be a risk that ordering of and access to fuel is not effectively controlled leading to fraud, misappropriation or misuse of fuel and not achieving value for money for Council.
2. There may be a risk that fuel usage is not appropriately monitored which could lead to fuel not being efficiently used or Council not obtaining proper value for money

## 4 Audit Approach

Our audit fieldwork comprised:

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- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

#### Job title

Head of Estates  
Fleet Manager  
Estates Supervisor  
Energy Manager  
Business Support Assistant  
Administration Officer

## 5 Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

### 5.1 Risk 1 – Inadequate Purchasing and Access Controls

#### ISSUE 1 – Policy & Procedure for Ordering, Receiving and Storing fuel.

- a) Observation-** Audit has found that there are no documented policies and procedures for ordering, receiving and secure storing of fuel (either fuel for buildings or for Council's fleet of vehicles). As a result of interviews and testing the information available at the time of audit, Internal Audit has found there are procedures for ordering vehicle fuel and heating oil. Audit has found that there are differing procedures for Ballycastle, Limavady and Coleraine & Ballymoney Depots, audit also found that there are slightly different procedures depending of Service area such as Operations, Estates and Leisure.

Audit has been advised by the Energy Manager that the council have the option to use the Crown Commercial Services (CCS) Framework for fuel (vehicle and heating) and has also been advised that there is no legal obligation to purchase fuel from the CCS Framework Supplier. Causeway Coast and Glens currently obtain quotes from local suppliers and compare them to the framework supplier. The cheapest option is then selected, these quotes are tracked for Ballycastle, Ballymoney and Coleraine area. However, audit was advised that the administration officers in Limavady who have the responsibility of ordering fuel were not aware that there was a framework supplier.

<p><b>b) Implication-</b> Without an overarching policy for ordering, receiving and storing fuel there is an increased risk that staff are not aware of Council's policy for purchasing fuel and that possible savings are not being identified; in addition practices may be inefficient and result in loss of money and/or potential savings.</p>
<p><b>c) Priority Rating-</b> 2</p>
<p><b>d) Recommendation-</b> Council should have a centralised documented policy for ordering fuel (or one for vehicle fuel and one for heating fuel) and should ensure the supporting procedures are documented and provided to all staff in the relevant service areas.</p>
<p><b>e) Management Response-</b> Procedures for ordering fuel (fleet &amp; heating) to be developed and issued to appropriate staff.</p>
<p><b>f) Responsible Officer &amp; Implementation Date-</b> Head of Estates – May 2020</p>

## ISSUE 2 – Access to Fuel and Oil Tanks

<p><b>a) Observation-</b> Audit acknowledges that the use of the Jigsaw Fuel Management system (for vehicle fuel) helps to limit unrestricted access to vehicle fuel as each officer/staff member has a Personal Identification Number (PIN) and each vehicle is assigned a unique fob. The fob must be used to activate the fuel pump and the fob can only be used in conjunction with a PIN. This allows council to track who has access to fuel from the main depot tanks. However, audit has also found that there are several smaller tanks and pumps at smaller sites (Coleraine Cemetery, The Bowl – Portrush, Benone) and that these sites do not have Jigsaw in operation. Some of these smaller sites, but not all, keep a manual record of what fuel was delivered and how much fuel was used/pumped.</p> <p>Audit found that heating oil tanks at the sites visited during fieldwork were securely locked, and some were under CCTV surveillance. However, there is no list of staff who have access to the keys for heating oil tanks at all facilities or smaller vehicle fuel tanks and pumps (at smaller sites) across the borough.</p>
<p><b>b) Implication-</b> In the absence of a fuel management system (at every site) there is increased risk of unauthorised access to fuel and oil. Without a list of officers/staff members who have access to tanks and fuel there is an increased risk of a lack of control over access to fuel and oil.</p>
<p><b>c) Priority Rating-</b> 3</p>

<p><b>d) Recommendation-</b> Audit acknowledges that tanks checked were found to be secure (and often covered by CCTV) and that the cost of introducing a fuel management system for the smaller support sites across Council may outweigh the benefits. However, management should create a list of who has access to vehicle fuel at all sites and also those who have access to heating oil tanks at all the facilities. Management should also ensure that at a minimum, a manual process of recording fuel delivered, fuel stock levels and fuel usage should be in place at all sites (where it is not cost effective to install a fuel management system).</p>
<p><b>e) Management Response-</b> Procedure to be developed to document fuel management at remote sites and to include those with access to these tanks</p>
<p><b>f) Responsible Officer &amp; Implementation Date- Head of Estates – May 2020</b></p>

### ISSUE 3 – Authorisation and Terms & Conditions of Use of Fobs and PINs

<p><b>a) Observation-</b> Audit can confirm that the Jigsaw system retains a list of all fobs issued against vehicles and a record of each individual who has a PIN to allow them to use the (vehicle) fob. However, audit has found that the issuing of fobs and PINs for new vehicles or new staff is carried out by numerous staff members at each depot or site, and this is carried out based on verbal instruction or e-mails. There is an absence of consistent documented authorisation for new fobs and PINs. Audit has also found that officers/staff (using fobs) do not sign any Terms &amp; Conditions (T&amp;Cs) or Acceptable Use Agreement for the fuel management system. Audit does acknowledge that in Limavady each user's PIN is issued in the form of a letter however this letter does not include any T&amp;Cs.</p>
<p><b>b) Implication-</b> As there is currently no documented authorisation provided to those who issue fobs and PINS, there is a risk fobs and PINs could be issued inappropriately or to unauthorised officers/staff. As those staff issued with PINs and using fobs do not sign a declaration of understanding, or terms &amp; conditions or acceptable use, there is also an increased risk that they are not fully aware or understand their roles and responsibilities regarding the use of the system fobs and PINs. This increases the risk of inappropriate use of fobs or PINs leading to a misappropriation of Council's fuel stock.</p>
<p><b>c) Priority Rating- 2</b></p>
<p><b>d) Recommendation-</b> Fobs and PINS (linked to the Jigsaw Fuel Management system) should only be issued based on the provision of a documented authorisation from an appropriate level of management. All staff who have a PIN or use a fuel management system fob should be provided with terms &amp; conditions of use and sign a declaration that they have read, and understood, and will comply with these.</p>
<p><b>e) Management Response-</b> Procedure to be developed to include names of those authorised to issue fobs and PINS. Procedure to include terms under which fobs/PINS are issued with fob users to sign a Declaration of Use</p>

**f) Responsible Officer & Implementation Date- Head of Estates – May 2020**

**ISSUE 4 – Lost or Stolen Fobs**

**a) Observation-** There is no documented process for reporting and cancelling any lost, stolen or broken fobs. Audit has been advised by administration staff at numerous locations they do have a process in place. In the event of a fob going missing the administration staff would be contacted. They would immediately lock/disable the missing (or broken) fob and issue a new one. However, in the absence of a formally document procedure the audit trail linked to this process is weak.

**b) Implication-** Without a documented process being available for staff there is an increased risk that recovery or cancelling of lost, stolen and broken fobs may not be adequately recorded, leading to a lack of evidence of how lost fobs are managed.

**c) Priority Rating- 3**

**d) Recommendation-** Audit acknowledges that there is currently an undocumented process in place for reporting, cancelling and replacing lost, stolen and broken fobs. This should be formally documented to ensure it is consistently applied and evidence must be retained of reporting of lost/broken fobs and issuing of replacement fobs to allow an appropriate audit trail to be in place.

**e) Management Response-** Procedure to be developed documenting the process for dealing with lost, stolen or damaged fobs

**f) Responsible Officer & Implementation Date- Head of Estates – May 2020**

**ISSUE 5 – Checks and Reconciliations of Vehicle Fuel**

**a) Observation-** Checking and reconciliation of vehicle fuel received and used is performed at Council depots. However, audit has found that there are some variances in approach between depots. When vehicle fuel oil is delivered to a depot the relevant officer will manually enter how much fuel was delivered onto the Jigsaw system. Jigsaw then records the amount of fuel, which is dispersed from the pumps in an ongoing manner, meaning that there is a record of the fuel level for each tank on the Jigsaw system at any given point in time. The Coleraine depot accepts the fuel levels on the Jigsaw system, while some other sites manually dip vehicle fuel tanks and compare this back to the jigsaw system. This dipping is performed on an ad hoc basis.

Audit notes that, in addition to Jigsaw, the Coleraine Newmills Nursery site has the “Beltor System” in place. This system has a gauge within the vehicle fuel tank which provides a measurement of the amount of fuel which is in the tank, at any given time, and a reading can be taken from this and reconciled to jigsaw.



Audit was also advised that some depots do not know how much fuel a specific tank holds exactly. Audit has also found no documented evidence of periodic reconciliations or checking of fuel levels in tanks taking place. At the time of audit there was a discrepancy in the readings relating to vehicle fuel at the Limavady depot between the level recorded as being in the tank (as a result of dipping the tank) and the amount recorded in the Jigsaw system. (Staff were aware of this and were in the process of investigating how this had occurred).

**b) Implication-** As officers manually enter, onto Jigsaw, the amount of vehicle fuel delivered there is potential for human error. Currently there is no consistent manual check of tank levels at the time of vehicle fuel delivery. As manual dipping is carried out on an ad hoc basis there is potential for not identifying any discrepancies in a timely manner. If all depots and sites do not verify how much fuel is in a tank pre and post a delivery, there is a risk of errors in the detail of how much fuel is available. There is a risk that the tank details do not match the Jigsaw system or any manual record of fuel stock. This increases the risk of being unaware of potential hazards such as leakage or the inability to have accurate data on how much fuel is actually being used. Where tanks are checked but discrepancies are not fully documented there is a risk that the discrepancy may be overlooked or that all relevant staff are not aware of the discrepancy. This increases the risk of continued loss of fuel (e.g. if a tank is leaking) or inefficient use of staff time as different staff they may undertake the same investigation.

**c) Priority Rating-** 2

**d) Recommendation-** Council should undertake an assessment of the cost and benefit of installing the Beltor System (or another form of tank gauge or measuring system) for all vehicle fuel tanks. The content of each (vehicle fuel) tank should be checked prior to and post every delivery and the results should be, documented. The amount should be checked against the Jigsaw details where the tank is linked to the system, or manual records of tank stock levels. Any discrepancy should be investigated immediately, and the results documented and reported to management. There should be regular ad hoc spot checks on tank fuel readings and the fuel levels should be reconciled to that recorded in Jigsaw or in the relevant manual records.

**e) Management Response-** Following assessment of appropriate measuring systems, procedure to be developed to document how discrepancies are managed

**f) Responsible Officer & Implementation Date-** Head of Estates – May 2020

## 5.2 Risk 2 – Inadequate Monitoring

### ISSUE 6 – Monitoring Fuel Usage - Policies and Procedures

**a) Observation-** Audit found that there are no documented procedures for monitoring of fuel usage; vehicle fuel and heating fuel. Audit is aware (from a previous audit in the area of Energy Management) that monitoring of energy

<p>efficiency (which includes heating efficiency) takes place within a number of Council buildings but is not aware of any documented procedure governing how often this energy efficiency is monitored or what roles the various members of Council staff across Council services play in this process.</p>
<p><b>b) Implication-</b> In the absence of adequate documented procedures regarding monitoring of fuel usage there is a risk of a lack of understanding amongst Council staff of the role they play in monitoring fuel (heating oil and vehicle fuel) usage. This increases the risk of inadequate monitoring of fuel usage leading to an increased risk of inefficient use or misuse of fuel.</p>
<p><b>c) Priority Rating-</b> 2</p>
<p><b>d) Recommendation-</b> Council should create and implement procedures governing the monitoring of fuel usage (for both Council's fleet of vehicles and building heating fuel) with the policy and procedure being provided to all relevant staff across service areas who will play a role in such monitoring (e.g. Operations, Estates, Leisure)</p>
<p><b>e) Management Response-</b> Procedure to be developed for monitoring fuel usage (both fleet &amp; heating)</p>
<p><b>f) Responsible Officer &amp; Implementation Date-</b> Head of Estates – May 2020</p>

#### ISSUE 7 – Miles per Gallon Reviews

<p><b>a) Observation-</b> Audit acknowledges that the Jigsaw Fuel Management system, for vehicle fuel, can report the average efficiency of Miles Per Gallon (MPG) and that the Fleet Manager will review the MPG for vehicles throughout each month, however this review is not fully documented. No report is drafted; therefore, no conclusions are documented as to whether the trends are in line with expected statistics considering the age and use of specific vehicles. No documented evidence exists that anomalies are highlighted, or re-assurance given that there are no anomalies to consider.</p>
<p><b>b) Implication-</b> Without documented reviews of MPG and the preparation of a document containing key conclusions drawn from the data reviewed there is a lack of audit trail and an increased risk that any anomalies in MPG statistics are overlooked and any linked problems are not resolved.</p>
<p><b>c) Priority Rating-</b> 3</p>
<p><b>d) Recommendation-</b> A frequent periodic review of MPG should be recorded, dated and signed. A summary document should be prepared containing key conclusions drawn from the data reviewed and this should be reported to the relevant Head of Service(s) and management.</p>

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<b>e) Management Response-</b> Procedure to be developed to document mpg efficiency
<b>f) Responsible Officer &amp; Implementation Date-</b> Head of Estates – May 2020

<b>ISSUE 8 – Monitoring of Anomalies of Fuel Usage and Spend</b>
<b>a) Observation-</b> Audit has found no evidence that use of vehicle fuel and heating oil is regularly monitored and reported to HOS and Directors.
<b>b) Implication-</b> there is an increased risk that anomalies are not found and reported leading to financial loss.
<b>c) Priority Rating-</b> 3
<b>d) Recommendation-</b> fuel usage and spend on fuel should be monitored and any anomalies should be investigated and reported and service areas which use fuel (Fleet, Estates, Leisure & Council buildings) should monitor review and report fuel usage to relevant HOS as part of an agreed schedule of monitoring and reporting.
<b>e) Management Response-</b> Procedure to be developed to monitor fuel spend versus fuel usage
<b>f) Responsible Officer &amp; Implementation Date-</b> Head of Estates – May 2020

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## Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

### **Satisfactory Assurance**

*Evaluation opinion:* Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

### **Limited Assurance**

*Evaluation opinion:* There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

### **Unacceptable Assurance**

*Evaluation opinion:* The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

### **Hierarchy of Findings**

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

**Priority 1:** Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

**Priority 2:** Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

**Priority 3:** Failure to implement the recommendation could lead to an increased risk exposure.

## Appendix II: Summary of Key Controls Reviewed

Risk	Key Controls
<p>There may be a risk that ordering of and access to fuel is not effectively controlled leading to fraud, misappropriation or misuse of fuel and not achieving value for money for Council</p>	<ul style="list-style-type: none"> <li>• Council have documented policies/procedures for the ordering, receiving, and storage of fuel.</li> <li>• Council ordering of fuel ensures appropriate Value-for-money</li> <li>• There are agreed and documented re-order levels for fuel</li> <li>• Only officers and staff who have been given authority should have access to fuel and heating oil</li> <li>• A list of officers with permission to access fuel stock is retained</li> <li>• A record is retained of fobs issued and which vehicle – officer they have been assigned</li> <li>• Appropriate documented authorisation for issuing fuel cards/fobs is in place</li> <li>• Those receiving fobs/fuel cards should sign acceptance of terms and conditions of using the fob/fuel card</li> <li>• A process is in place to immediately report and cancel any lost fobs/fuel cards</li> <li>• A process is in place to recover fob/fuel cards from staff who are leaving Council employment</li> <li>• Fuel is strictly for council vehicles or vehicles which council have hired</li> <li>• Access to fuel is controlled using fuel cards, fobs or other mechanisms</li> <li>• Fuel cards/fobs or other devices not in circulation are safely and securely stored by Council (locked drawer or safe)</li> <li>• Mileage details of vehicles is recorded when refuelling takes place</li> <li>• Fuel and heating oil are stored safely and securely at each depot and building</li> <li>• Stock of fuel (at every site) is recorded and checked and reconciled regularly (taking into account opening balance and movements of stock within a given period)</li> <li>• Any discrepancies of fuel stock on site is investigated and resolved</li> <li>• Fuel and heating oil are only delivered to the assigned depot or building</li> <li>• A council officer always confirms delivery of fuel/heating oil and signs a delivery docket</li> <li>• Invoices are checked to delivery dockets before payment to suppliers is processed</li> </ul>
<p>There may be a risk that fuel usage is not appropriately monitored which could lead to fuel not being efficiently used or Council not obtaining proper value for money</p>	<ul style="list-style-type: none"> <li>• Council have documented policies/procedures for usage of fuel (including issuing of fobs/fuel cards and monitoring of fuel usage)</li> <li>• All relevant staff have been made aware of the fuel usage procedures</li> <li>• There is a fuel management system in place which can track usage of fuels by vehicle</li> <li>• Miles per gallon per vehicle is monitored</li> <li>• Anomalies in fuel spend or usage are identified and queried</li> <li>• There is adequate tracking of heating oil usage per Council building</li> </ul>

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Risk	Key Controls
	<ul style="list-style-type: none"><li>• Usage of fuel and oil is monitored, reviewed and reported through Head of Service, Director etc.</li><li>• There is adequate segregation of duties in relation to fuel management</li></ul>