

APPENDIX B

INTERNAL AUDIT REPORT

LEICESTERSHIRE FIRE AND RESCUE SERVICE

OFFICER'S CARS

NOVEMBER 2006

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Date: November 2006**

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1. INTRODUCTION

- 1.1 A follow up of High Importance (HI) rated recommendations from the Officer's Cars report issued in November 2004 was undertaken as part of the 2006/2007 Audit Plan.
- 1.2 The Combined Fire Authority's (CFA) fleet of lease cars is currently serviced and maintained by the Leicestershire Constabulary (LC). There is a Service Level Agreement (SLA) that was first drafted in late 2004, with the final agreement being signed April 2005.
- 1.3 The Workshop manager informed us that there are plans to bring the servicing contract back in house to the Fire Workshops, however until a decision is made the points raised in this audit need to be put in place to ensure effective monitoring procedures.

2 SCOPE

- 2.1 The audit involved an appraisal of the systems that had a HI recommendation assigned to them in the original report.
- 2.2 The following areas were examined as part of the review:
 - Licence Checks
 - Contract Arrangements
 - Payments
 - Private Mileage

3 PROCEDURE

- 3.1 Discussions were held with the following staff to ascertain the procedures in place for the management and operation of the system: -
- Pat Deasy – Fleet Manager
 - John Lynn – Health & Safety Co-coordinator
 - Mick Tuttle – Driver Training School Coordinator
- 3.2 The audit centred on procedures operated by the Fleet Manager for monitoring that the Service Level Agreement (SLA) was up to date, accurate and was being followed.
- 3.3 Where an absence of control or an area of weakness was identified, an appropriate recommendation for improvement has been made.
- 3.4 Within the report conclusions (section 5); an overall opinion is given which provides a level of assurance about the adequacy and effectiveness of the system's internal controls.

4 FINDINGS

- 4.1 For those areas audited that we consider it is necessary to report our findings, the table (appendix 1) shows the controls we would expect to find in place, what was found, any perceived risks and our suggested recommendation to improve the control within the system. A **HI** symbol is denoted against a recommendation we judge as having a greater importance based on its attributed risk.

5 CONCLUSIONS

- 5.1 Our testing revealed that there has been little improvement since the original audit report on checking vehicle users' driving licences for endorsements and limitations which could affect the LFRS liability; however there are currently plans to deliver a proposal to the CMB in November. The issue of accounting for VAT on private mileage has still not been sorted
- 5.2 There is now more information enabling the higher expense within the contract provisions to be better monitored. Other work has been started on reviewing the SLA but there was no evidence of a new signed SLA available for us to view.

OVERALL OPINION

Based upon the answers provided during the audit and the testing undertaken, **only partial assurance** can be given that the internal controls in place to reduce exposure to those risks currently material to the system's objectives are adequate and are being managed effectively. This is because at least one "high importance" (**HI**) recommendation has been identified. A HI recommendation denotes that there is either an absence of control or evidence that a designated control is not being operated and as such the system is open to material risk exposure. It is particularly important therefore that management quickly addresses those recommendations denoted as **HI** and implements an agreed action plan without delay.

6 ACTION PLAN

Rec'n. Ref.	Ref. to Finding No.	Responsibility	Proposed Implementation Date (by end of)	Management Response
6.1	4.1.1	Dave Glenis – Head of Operational Resources	December 2006	Agreed
6.3	4.2.1	Dave Glenis – Head of Operational Resources	December 2006	Agreed
6.4	4.3.1	Dave Glenis – Head of Operational Resources	December 2006	Agreed
6.5	4.3.2	Dave Glenis – Head of Operational Resources	December 2006	Agreed
6.6	4.3.3	Dave Glenis – Head of Operational Resources	December 2006	Agreed
6.7	4.3.4	Dave Glenis – Head of Operational Resources	December 2006	Agreed
6.8	4.4.1	Adam Stretton – Head of Finance	December 2006	Agreed and implemented

APPENDIX 1

Ref. No.	Control Objective	Findings	Risk	Recommendation
4.1.1	There are controls in place to ensure that all users are eligible to drive fleet cars.	<p>The fleet manager has a system for identifying those extra drivers that have been authorised to drive a fleet vehicle. We saw examples and are confident relevant checks are being applied. However, there are currently no checks done on the validity of officer's driving licences.</p> <p>We are aware that the Health & Safety Co-coordinator is preparing a paper that is to be put to the CMT re. checking employee's driving licences.</p>	An officer who has incurred driving endorsements or has restrictions could be driving on CFA business.	<p>A system should be introduced whereby all authorised drivers of fleet vehicles need to produce their driving licences for inspection. This evidence should be retained and updated annually.</p> <p>HI</p>
4.2.1	There are controls in place to ensure that vehicles are maintained.	The Fleet manager only has records showing when a fleet car would need its annual service. He has no information on mileage as this was deemed to be difficult to collect unless the car came in to the LFRS workshops for non-routine work.	<p>Cars can be over the 10,000 mile trigger point rather than the 12 month trigger point.</p> <p>This has the potential to increase costs and might invalidate warranty.</p>	<p>1) Regular reminders to keep the mileage/date trigger points should be reported in the brigade orders.</p> <p>2) Changes could be made to the Terms & Conditions of the fleet car system; this might include notifying the Chief of any transgressors to the mileage/date triggers.</p>
4.3.1	There are controls in place to ensure that the Service Level Agreement is operating as documented	Although it is acknowledged by the Fleet Manager that he is the monitoring officer, his responsibilities have yet to be clearly defined including who he has to report to.	Monitoring and reporting arrangements could fall down if there are no clear definitions and/or hierarchies set out.	The Fleet Manager's responsibilities as the monitoring officer should be clearly set out and this should be documented appropriately.

4.3.2		<p>According to the Fleet manager management information supplied is deemed inadequate e.g. when a service includes minor repairs there is no evidence of what jobs have been completed.</p>	<p>Payments could be made for work not done or in excess of work done</p> <p>If there was an accident involving a CFA fleet car there are no records stating basic information held at the workshops e.g. when the brakes were last serviced or the tyres were last changed.</p>	<p>The Fleet Manager should draw up additional requirements and have them agreed with the contractor and formally documented asap.</p>
4.3.3		<p>The Fleet manager gave examples from his own personal annual inspection of the cars where he had found poor maintenance issues e.g. brake cables had not been maintained.</p>	<p>Cars not maintained to minimum standards could be deemed un-roadworthy and if involved in an accident claims could be made against the Authority.</p>	<p>The Fleet Manager should determine if this was down to carelessness or establish what tests aren't included in the LC's standard service schedule and re-iterate what should be included as a basic standard of service.</p>
4.3.4		<p>The Fleet Manager did not have an up to date list available in order to check parts prices charged were reasonable. We asked that this was obtained from the LC but it never came.</p> <p>However, it is acknowledged that the Fleet Manager had confidence in the parts prices quoted. Labour costs remained unchanged at £30.</p> <p>We were also able to sample some invoices and although there was a small increase in the parts prices quoted on the 2003/04 list, we felt this could be put down to inflationary increases.</p>	<p>The LFRS could be being overcharged for works carried out if there are no parts prices set out for each year.</p>	<p>A parts price list should be requested from the LC to enable the Fleet Manager to confirm that prices charged are reasonable and in line with the SLA.</p>

4.4.1	There are controls in place to ensure that private usage is established in order to satisfy payroll and taxation requirements	According to the Leicestershire County Council's VAT Liaison Officer contact was made by the LFRS's Assistant Accountant to find out what they had to do, but so far as she knows it has yet to be put in place. Upon speaking to the LFRS's Assistant Accountant, it was identified that this was still in hand and they were awaiting figures to take to Customs.	VAT implications not addressed regarding the income to the authority from private mileage	The VAT on income from private mileage should be resolved at the earliest opportunity. HI
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