

## Internal Audit Report

Agenda Item 083

Appendix A

# East Sussex Fire & Rescue Service (ESFRS) Counter Fraud Activity - Private Use Of Vehicles

## 2016/17

<b>Final Report To:</b>	Gary Walsh, Chief Fire Officer & Chief Executive Dawn Whittaker, Deputy Chief Fire Officer Duncan Savage, Assistant Director Resources / Treasurer, ESFRS
<b>Draft Report To:</b>	Duncan Savage, Assistant Director Resources / Treasurer, ESFRS Nigel Cusack, City Borough Commander Bill Brewster, Head Of Engineering Services
<b>Report Date:</b>	March 2017
<b>Audit Manager:</b>	Nigel Chilcott
<b>Auditor:</b>	Gary Neal
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## **1 Introduction, Background and Scope**

- 1.1 The review of Counter Fraud Activity – Private Use of Vehicles has been completed as part of the agreed annual audit plan for 2016/17.
- 1.2 This work has been completed following a review of ESFRS counter fraud arrangements by Mazars in 2015/16 where a number of areas were identified for proactive counter fraud work, including the need for a review of service vehicles being used for private use, which would be against ESFRS policy and could lead to fines being imposed by Her Majesty's Revenue and Customs (HMRC).
- 1.3 ESFRS maintains a fleet of vehicles in order to achieve its operational objectives. Approximately 30 vehicles are provided for use by staff on the Flexi Duty System (FDS) and a range of vehicles are allocated for use within Departments including the Sussex Training Centre.
- 1.4 Sections 3.17.6/7 of ESFRS Manual Note - Managing Occupational Road Risk states that service vehicles must only be used for business purposes and that home to work travel falls within the description of private mileage and is viewed by HMRC as a personal tax liability. However, individuals performing authorised roles within the service (i.e., FDS Officers, Engineers, IMD Technicians) may be allocated a response car or service van and will be granted freedom of movement when utilising the service vehicle whilst providing operational on call cover. On all occasions where the vehicle is used during stand by periods, the driver is required to notify the appropriate status with the Sussex Control Centre and may be required to provide a response if requested.
- 1.5 A reminder was issued to staff in April 2016 that the service cannot provide a vehicle for commuting unless the officer is available for calls and that staff not conditioned to the FDS rota (or support call out rotas) were advised that they should not be taking ESFRS vehicles to their home address between duty periods.
- 1.6 In completing this work, we have undertaken an analytical review of available data including vehicle tracking data and the duty status of officers on the FDS as recorded in the Firewatch system. In addition, we have undertaken some limited sample testing on the results where there was an indication that the vehicle might have been used for private journeys when the driver was not recorded as being on call within Firewatch. We have matched these results to the paper based vehicle log

sheets. We also checked for any evidence that might indicate that journeys had either been purposely delayed or extended towards the end of a shift in order to qualify for claiming overtime. In Section 2, we comment on the outcome of this work.

- 1.7 This report has been issued on an exception basis whereby only weaknesses in the control environment have been highlighted.
- 1.8 Management should note that in the case of any three star (high risk) recommendations issued in this report, implementation will be monitored by Internal Audit on a regular basis and that where actions are not addressed within the agreed timescales, this will be reported to the Corporate Management Team and the Scrutiny and Audit Panel.
- 1.9 It is management's responsibility to consider the extent to which any of the issues and risks raised in this report should be reflected within divisional, departmental or corporate risk registers.
- 1.10 This audit has been conducted in conformance with Public Sector Internal Audit Standards and our own internal quality assurance systems.

## 2 Executive Summary and Audit Opinion

Audit Opinion			No Assurance	Minimal Assurance	Partial Assurance	Substantial Assurance	Full Assurance
Direction of Travel							
Improved	Unchanged	Reduced					
	N/A						
<b>Summary and Key Findings</b>							
<p>Based on the work completed (which included analytical review and limited testing as detailed below), we are able to provide an audit opinion of <b>Partial Assurance</b>. Our opinion is based upon the following issues which were identified during the review:</p> <ul style="list-style-type: none"> <li>As referred to in the introduction of this report, we completed an analytical review of available data in relation to vehicle movements and the duty status of officers on the flexible duty system (FDS) as recorded in the Firewatch system. A number of journeys were identified where vehicles were driven at times when officers were, according to Firewatch, not on duty. Some journeys were noted to be between stations whilst others were noted to either start or end at the officer's home address. Where journeys relate to normal commuting, officers are required to be on operational on call cover and book as such with the Sussex Control Centre for the duration of the journey. However, we were unable to verify whether the officers had booked on call because the information could not easily be extracted from the 3tc system. We understand from discussions with officers that, in order to obtain this information, changes would need to be made to the 3tc system (with specialist help required from the system vendor) and that, as it is already operating well beyond its expected life, this could impact its current functionality.</li> <li>We did, however, undertake a manual review of a sample of journeys during the period January to August 2016 and identified one instance where a member of staff at the Sussex Training Centre (STC) had used a service vehicle in August 2016 to commute to his home address on several occasions which is in contravention of sections 3.17.6/7 of ESFRS Manual Note - Managing Occupational Road Risk. We raised this matter with line management who are addressing this with the individual through performance management. In addition, in response to the issue raised, a reminder has subsequently been sent to all staff at STC that service vehicles must not be used for private journeys.</li> </ul>							

- In order to demonstrate that service vehicles are being used for legitimate business journeys, the service policy on Managing Occupational Road Risk requires all journeys to be recorded on a vehicle log sheet. Sample checking of log sheets for journeys undertaken between January and August 2016 found that there were gaps in service records. In some cases, the vehicle log sheets were missing for certain months and, in other instances, the log sheets contained incomplete records for some of the journeys undertaken. In addition, a common practice was to record 'local' as the destination for short journeys. In a small number of cases, journeys up to 140 miles were also recorded as 'local'. It was further noted that whilst there is provision on the vehicle log sheet to record the reason for the journey, none of the log sheets seen during this review contained any explanation.
- In addition to providing vehicle locations, the tracking data obtained also recorded vehicle speeds and highlighted instances of speeding violations. In accordance with the Road Traffic Regulation Act 1984, driving above the speed limit may be permitted in certain situations, such as an incident response or as part of formal driver training. On a sample basis, where speeding was highlighted in the tracking data, our enquiries confirmed that in six out of ten cases, the driver was responding to an incident or undergoing driver training. In the remaining four cases, there is no reason to explain why the vehicles were being driven at excessive speed. Where service vehicles are driven at speeds in excess of the prevailing speed limit and there is no legitimate reason, it is likely to put other road users at risk and, in the event of an accident, could result in financial loss and reputational damage.

Control Objective	System Status	Compliance Status	Recommendations Raised		
			***	**	*
Adequate controls exist to ensure service vehicles are not subject to private use, including in relation to appropriate policy and monitoring.	Green	Amber	0	3	1
Other issues identified during this review.			0	1	0

### 3 Issues Arising, Recommendations and Management Comments

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
1	<p><b>Private Use Of Service Vehicles - 1</b></p> <p>Analysis of vehicle tracking data between January and August 2016 identified a number of instances where a service vehicle had been driven when an officer on the flexible duty system was not recorded on Firewatch as being on call. In some cases, the journeys were noted to be between stations. In other cases, the journeys were noted to either start or end at the officer's home address. In these circumstances, it is a requirement that the officers book themselves on call with Sussex Control Centre (SCC) for the duration of the commute.</p> <p>Enquiries were made for a sample of 10 journeys where the start or end location was the officer's home address to obtain confirmation that the driver had booked themselves to be on call. However, we were unable to obtain confirmation for the following reason. We understand that the call status of officers is entered onto the 3tc system and stored on magnetic tape. As such it would require specialist help from 3tc to extract the data. In addition, concerns were raised that doing anything out of the norm on the 3tc system would put undue risk on a system that is operating way beyond its expected lifespan.</p>	<p>Communication of the requirement for FDS staff to book on call will be reviewed to ensure it is effective. (30/04/17)</p> <p>The potential to evidence booking on call from 3tc MIS will be investigated. (30/09/17)</p> <p>The need to evidence booking on call will be considered as part of any upgrade / replacement of 3tc MIS. (n/a)</p>	**	Yes



Ref	Issue/Risk	Action	Risk Rating	Action Agreed
	<p>Unless ESFRS is able to confirm whether officers had booked on call with SCC whilst driving service vehicles to or from their home address when off duty, it may not be possible to verify that all journeys made in service vehicles are for legitimate business reasons and in compliance with HMRC regulations. This could result in financial loss in the event that sanctions were imposed by HMRC.</p>			
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
Agreed		Matt Elder – Specialist Operations Manager, Ops P&P	See above	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
2	<p><b>Private Use Of Service Vehicles - 2</b></p> <p>Whilst we have not been able to verify whether the drivers tested had booked on call with SCC, a manual review of tracking data to vehicle log sheets did identify one instance where a member of the Sussex Training Centre (STC) had driven a service vehicle home on several occasions in August 2016. In this case, the individual is understood to have sought line manager approval for use of the vehicle; however there was no specific direction to leave the vehicle at the Fire station. It is further noted that some of the journeys to the home address were not recorded in the vehicle log book. As a result of raising this matter with the Command and Training Manager, a directive has since been sent to all STC staff reminding them that personal journeys should not be undertaken in service vehicles and that vehicle log books must be accurately maintained.</p> <p>Unless staff are reminded periodically that service vehicles must not be used for private use and monitoring arrangements are put in place to identify instances where service vehicles have been used inappropriately, there is a risk of officers becoming liable for income tax on the benefit in kind and HMRC sanctions could result in financial loss since the service vehicles are not road taxed for private use.</p>	<p>Performance management action has been taken in relation to the specific issue identified by the audit. (completed)</p> <p>A reminder has been issued to all staff at Service Training Centre regarding private use of vehicles. (completed)</p> <p>Periodic reminders will be issued to all staff about private use of vehicles. (30/06/17)</p> <p>Consideration will be given to pro-active monitoring of potential private use of service vehicles. (30/09/17)</p>	**	Yes

Management Response	Responsible Officer	Target Date
Agreed	Bill Brewster – Strategic Engineering Manager	See above

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
3	<p><b>Management And Use Of Service Vehicles</b></p> <p>All service vehicles are supplied with either a logbook or a log sheet for the purpose of recording mileage covered, fuel issued and weekly routine servicing completed. Section 3.40.1 of the Manual Note - Managing Occupational Road Risk, requires that the vehicle log must be completed for every journey.</p> <p>A review of vehicle log sheets completed for journeys undertaken between January and August 2016 identified gaps in the completion of log sheets and many instances where the level of detail provided was insufficient. In some cases, the log sheets for certain months were missing and in other cases, particularly relating to pool cars shared by a number of drivers, journeys were undertaken but there was no record of the purpose, destination or details to identify who had driven the vehicle. Some of these log sheets had even been certified to be correct.</p> <p>It was a common practice to record 'local' as the destination, particularly for short journeys. However, in a small number of cases, journeys up to 140 miles were also recorded in the same way.</p> <p>Unless all journeys are accurately and completely recorded on the vehicle log sheets, it may not be possible to demonstrate that they are all for legitimate business</p>	<p>Periodic reminders will be issued to all staff about the need to fully and accurately complete vehicle logs in line with the MORR manual note (30/06/17)</p> <p>Consideration will be given to mechanisms for ensuring compliance, within the resources available, for example periodic sample checks and follow up action where non-compliance is identified. (30/09/17)</p>	**	Yes

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
	purposes. This could result in sanctions being imposed by HMRC and the risk of financial loss to the service.			
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
	Agreed	Bill Brewster – Strategic Engineering Manager	See above	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
4	<p><b>Speed Violations</b></p> <p>Section 3.32 of the Manual Note - Managing Occupational Road Risk requires all service vehicles to be driven at safe speeds with due regard to the road, traffic and weather conditions prevailing at the time. The policy also states that there are statutory exemptions available to the response driver, however; legal exemptions do not offer any protection for those driving at speed or in a manner that is dangerous, nor in a manner that may amount to driving without due care and attention.</p> <p>The vehicle tracking data provides multiple snapshots of the status of each vehicle throughout its journey. In addition, it also records the vehicle's speed and whether a speed violation has occurred. We found many examples where vehicles had exceeded the prevailing speed limit and tested ten of these to identify whether the driver was responding to an incident. In all of the cases selected, the vehicles were being driven in excess of 80 miles per hour. It was confirmed that in six out of the ten cases, the driver was responding to an incident or undergoing driver training. In the remaining four cases, there is no reason to explain why the vehicles were being driven at excessive speed.</p>	<ol style="list-style-type: none"> <li>1. Disciplinary action is being taken against those instances of excessive speed identified as part of the audit. (30/04/17)</li> <li>2. A further analysis of potential instances of excessive speed has been commissioned from internal audit and disciplinary action will be taken where appropriate based on the outcomes from this work. (30/04/17 for completion of analysis)</li> <li>3. The Service will review its policy as set out in the Managing Occupational Road Risk manual note to ensure that all staff are clear on what constitutes safe driving both in responding to incidents or otherwise. (30/09/17)</li> <li>4. Driver training will be reviewed to ensure that the policy set out in the MORR manual note is clearly communicated. (30/09/17)</li> </ol>	**	Yes

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
	Unless drivers of service vehicles who have no legitimate reason for speeding observe the prevailing speed limits, there is a risk of financial loss in the event of a road accident and resulting reputational damage.	5. An effective approach to monitoring, reporting and investigating use of excessive speed, using data from our vehicle trackers will be put in place, with disciplinary action taken where policy is breached. (30/09/17)		
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
Agreed		1. Gary Walsh – Chief Fire Officer 2. Duncan Savage – Assistant Director Resources / Treasurer 3. Mark O'Brien – Assistant Director Operational Support & Resilience 4. Hannah Scott Youldon – Assistant Director Training & Assurance 5. Mark O'Brien – Assistant Director Operational Support & Resilience	30/04/17	30/04/17
			30/09/17	30/09/17
			30/09/17	30/09/17

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
5	<p><b>Policies</b></p> <p>ESFRS has a duty to protect its employees who may be involved in work-related driving.</p> <p>Work-related road accidents can lead to significant losses through repair/replacement costs, increased insurance premiums and potentially through staff absences. Policies have been established to protect both employees and the service by outlining expectations on the safe use of service vehicles and private vehicles used for work.</p> <p>Management advised at the outset of this review that the main policy (Manual Note - Managing Occupational Road Risk) is in need of updating to reflect structure changes within the organisation.</p> <p>Unless up to date policies are maintained and understood on the safe use of vehicles, the service may be at greater risk of incurring financial losses and reputational damage.</p>	See R4 response 3) above	*	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
Agreed		Mark O'Brien Assistant Director Operational Support & Resilience	30/09/17	



**Acknowledgements**

We should like to take this opportunity to thank the following staff for their help and advice throughout the course of the audit:

- Bill Brewster, Head Of Engineering Services
- Steven Butcher, Engineering Services
- Nigel Cusack, City Borough Commander

## Definitions of Audit Opinions

Full Assurance:	<i>There is a sound system of control designed to achieve the system objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.</i>
Substantial Assurance:	<i>Whilst there is a sound system of control, there are a small number of weaknesses which put some of the system/service objectives at risk, and/or there is evidence of non-compliance with some controls. Opportunities to strengthen control still exist.</i>
Partial Assurance:	<i>Controls are in place and to varying degrees are complied with, but there are gaps in the control process which weaken the system. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Authority.</i>
Minimal Assurance:	<i>Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve will lead to an increased risk of loss or damage to the Authority.</i>
No Assurance:	<i>Control is generally weak or non-existent, leaving the system open to significant error or abuse and high risk to the system or service objectives. A high number of key risks remain unidentified and/or unmanaged.</i>

## Recommendations Risk Ratings

A three star rating (***):	<i>Applies to audit findings which are considered to relate to weaknesses in a fundamental control or high risk area and require urgent action by management.</i>
A two star rating (**):	<i>Applies to weaknesses in the control system which are not considered serious, but still represent a risk and need to be addressed within a reasonable period.</i>
A one star rating (*):	<i>Given in respect of findings which, although relatively minor and low risk, provide an opportunity to improve the control framework.</i>

### Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist. There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of individual internal audit assignments or were not brought to our attention.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

**Confidentiality**

This report and the work connected with it, are confidential, and have been prepared only for East Sussex Fire and Rescue Service solely for the purpose and subject to the terms and conditions of the contract between East Sussex Fire and Rescue Service and East Sussex County Council. Therefore you should not, without our prior written consent, refer to or use this document or any part of it for any other purpose, disclose it or refer to it in any other document, or make it available or communicate it to any other party. To the fullest extent permitted by law, no responsibility or liability is accepted by East Sussex County Council to any third party who purports to use or rely, for any reason whatsoever on this report, its contents or conclusions.