

ABERDEEN CITY COUNCIL

---

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2017
REPORT TITLE	Internal Audit Report AC1808 – Vehicle Maintenance
REPORT NUMBER	IA/AC1808
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

---

**1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to present the planned Internal Audit report on Vehicle Maintenance.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

**3. BACKGROUND / MAIN ISSUES**

- 3.1 Internal Audit has completed the attached report which relates to an audit of Vehicle Maintenance.

**4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from the recommendations of this report.

**5. LEGAL IMPLICATIONS**

- 5.1 There are no direct legal implications arising from the recommendations of this report.

**6. MANAGEMENT OF RISK**

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

## **7. IMPACT SECTION**

7.1 **Economy** – The proposals in this report have no direct impact on the local economy.

7.2 **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. The proposals in this report will have no impact on improving the staff experience.

7.3 **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4 **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

## **8. APPENDICES**

8.1 Internal Audit report AC1808 – Vehicle Maintenance.

## **9. REPORT AUTHOR DETAILS**

David Hughes, Chief Internal Auditor  
[David.Hughes@aberdeenshire.gov.uk](mailto:David.Hughes@aberdeenshire.gov.uk)  
(01467) 537861



# ABERDEEN CITY COUNCIL

## **Internal Audit Report**

### **Communities, Housing and Infrastructure**

### **Vehicle Maintenance**

**Issued to:**

Bernadette Marjoram, Interim Director of Communities, Housing and Infrastructure

Fraser Bell, Head of Legal and Democratic Services

Mark Reilly, Head of Public Infrastructure & Environment

Steven Whyte, Head of Finance

Craig Innes, Head of Commercial & Procurement Services

Morven Spalding, Head of HR (Interim)

William Whyte, Fleet Services Manager

Paul Reid, Fleet Compliance Manager

External Audit

## **EXECUTIVE SUMMARY**

Fleet Services within Communities, Housing & Infrastructure is responsible for the maintenance, servicing and repair of Council vehicles and equipment on behalf of other Council Services. The Service has a net budget of just over £3 million to provide these services.

The objective of this audit was to ensure that adequate controls are in place in relation to Written Procedures, Security arrangements, Fees and Charges, Income and Expenditure, Stocks, Payroll and Budget Monitoring. Although controls are in place processes, records and management information could be improved to provide assurance over activities and funds, and the Service has noted that improvements to computer systems and to workshop staff awareness of processes are required as a result of the findings set out in this report. The Service will also work with Finance, Procurement and HR to ensure compliance with policy.

# **1. INTRODUCTION**

- 1.1 Fleet Services within Communities, Housing & Infrastructure is responsible for the maintenance, servicing and repair of Council vehicles and equipment, provided via the vehicle maintenance depot at Kittybrewster, and external contracts. These services are delivered in accordance with Service Level Agreements with other Council Services, and recorded on the Tranman database. The depot also provides MOT services for private and commercial vehicles and also carries out Taxi Testing.
- 1.2 The objective of this audit was to ensure that adequate controls are in place in relation to Written Procedures, Security arrangements, Fees and Charges, Income and Expenditure, Stocks, Payroll and Budget Monitoring.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with William Whyte, Fleet Services Manager, Craig Innes, Head of Commercial & Procurement Services, Morven Spalding, Head of HR (Interim), and Steven Whyte, Head of Finance.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide Management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 The primary system used by the Service is Tranman, a vehicle records system. Comprehensive notes are available to relevant staff, including screen prints, for the operation of the system. In addition, financial procedures are in place covering the charging process and management of petty cash.

### 2.2 Security

- 2.2.1 The depot is equipped with CCTV. Barriers are also in place which prevent vehicular access and exit from the depot during non-business hours. A list of depot key holders is maintained by the Service and vehicle keys are securely held. Additionally, access to areas of the building other than the main reception during opening hours is restricted and only accessible to those with relevant electronic security passes.
- 2.2.2 Financial Regulations require cash holding limits to be agreed with Finance to ensure that the amounts held are covered by appropriate insurance, and that there are no significant delays in the banking of income. Finance has stated that this responsibility now lies with the Insurance Officer under Commercial & Procurement Services. On the day of the audit visit approximately £11,000 was held in the safe. The safe itself is of a type that cash held can only be insured to the value of £1000. This represents a significant risk in that the Council may incur significant financial loss in the event of monies going missing. The vast majority of payments which are received are in relation to licensing income. The Service will therefore need to consider in conjunction with Licensing & Insurance the most appropriate action to ensure that all amounts received are adequately protected. Procurement may also require to be consulted to determine whether or not an amendment to the current cash collection contract with LOOMIS would be appropriate and also to ensure that any new safe procured (if this is the preferred choice) adheres to the Contractors requirements. The Service was not able to confirm the agreed level of cash holding, presenting a risk that reasonable limits might be breached.

#### **Recommendation**

The Service should ensure that cash holding limits are agreed and that the limits are strictly adhered to.

#### **Service Response / Action**

Agreed. Fleet will review options for a more robust secure payment collection with Licensing, in consultation with Finance / Procurement.

#### **Implementation Date**

April 2018

#### **Responsible Officer**

Fleet Business Support  
Officer

#### **Grading**

Important within audited  
area

### 2.3 Fees & Charges

- 2.3.1 The Service recovers costs via a monthly charge to Services, and additional charges for work carried out outside of routine maintenance and servicing such as damage repairs and failure of equipment. These are processed through the financial system by journal

entry. Service Level Agreements (SLAs) detail the agreement between various Services and Fleet for the maintenance and servicing of vehicles, the number of vehicles provided, and the extent of work covered under normal or additional charges. Having these in place and up to date would ensure that lines of responsibility are clear, and provide assurance that service provision and budgets are suitably aligned.

- 2.3.2 The Service has acknowledged that current SLAs are not in place between Fleet and all Services, and have not been reviewed on a yearly basis as originally planned, due to the Service focus on bringing service provision up to the standard required by the Traffic Commissioner following their Public Inquiry in November 2014.

<b><u>Recommendation</u></b>		
The Service should ensure that Service Level Agreements are in place between Fleet with all Services for which the maintenance and servicing of vehicles is undertaken, and that these are reviewed periodically.		
<b><u>Service Response / Action</u></b>		
Agreed. Fleet in discussion with Services will provide Service Level Agreements, to be reviewed annually.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
April 2018	Fleet Services Manager	Important within audited area

- 2.3.3 There is a general principle against recharging of costs internally, therefore there are no charges for provision of vehicles and routine maintenance as this should be built into the Fleet budget. However the Service does apply charges for additional hires, maintenance and repairs arising as a result of Services' and operators' activities. These account for the majority of Fleet income, recovering approximately one quarter of Fleet expenditure annually. The foregoing should ensure budgets and responsibilities are aligned in respect of Services' Fleet requirements, but as with the SLA's there is a risk that the assumptions could be out of date.

<b><u>Recommendation</u></b>		
The Service in conjunction with Finance should review whether budgets can be aligned with Fleet responsibilities.		
<b><u>Service Response / Action</u></b>		
Agreed. As part of the Council's Transformation Programme an "Outline Business Case for Fleet and Mobility" is to be developed. It is anticipated that this will include review of service improvements, vehicle utilisation, alignment of budgets and their structure and responsibilities, subject to elected members approval in February 2018.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
February 2018	Head of Public Infrastructure & Environment	Significant within audited area

- 2.3.4 In 2015/16 and 2016/17 the Service spent £1.799 million and £0.941million in excess of budget respectively. The Service has noted that this was due to a number of factors including: the requirement for the use of agency staff pending changes to the staffing structure, additional spend on parts, and chargeable job costs and warranty work not recovered. Finance has noted that over many years savings were posted to the Fleet budget and behaviours did not change within the Council therefore Fleet struggled to make these savings. The Service is currently working on projects such as vehicle tracking to improve behaviours and vehicle utilisation.

**Recommendation**

The Service should ensure that all costs which are recoverable and / or chargeable are recovered.

**Service Response / Action**

Agreed. Support Services has implemented robust processes for recharges both internal and external. Warranty recharges are still to be implemented, and has been delayed pending improvements to the fleet management system, and a need to improve workshop staff awareness. The system is to be evaluated by a Business Analyst within IT&T and options for improvement considered thereafter.

**Implementation Date**

April 2018

**Responsible Officer**

Fleet Services Manager

**Grading**

Significant within audited area

- 2.3.5 The Service applies an hourly rate of £38 for labour, and a mark-up on parts of between 10-20%. The rates have not been reviewed recently to provide assurance that the current mark up on parts and chargeable hourly rates adequately reflect the cost of provision of the service – including direct and indirect costs and overheads.

**Recommendation**

The Service should ensure that the chargeable hourly rate and the mark-up on parts is reviewed regularly to determine if these are reasonable.

**Service Response / Action**

Agreed. Fleet will seek financial advice on overhead costs for buildings and workforce costs and also benchmark against councils of the same size for comparison of workshop charge out rates. Parts mark-up adds 20% on IW jobs, EW jobs or recharges are inconsistent pending improvements to the fleet management system, and a need to improve workshop staff awareness. The system is to be evaluated by a Business Analyst within IT&T and options for improvement considered thereafter. This is an area being looked at in the review set out in the response to 2.3.3 above.

**Implementation Date**

April 2018

**Responsible Officer**

Fleet Services Manager

**Grading**

Significant within audited area

**2.4 Income**

- 2.4.1 Cash and debit / credit card payments are received on a daily basis at the depot for both MOT's and fees in relation to the operation of taxis. A payment machine, for which staff have individual login details, is used to record the amounts received, what they are for, and prints out a receipt following a payment being received.
- 2.4.2 At the end of each day each staff member prints out the records for takings which they have individually processed. They then reconcile this to the takings which they have received. The total amounts for each staff member are then counted by two of the staff, one of whom signs a banking slip to confirm that the amounts are correct before the monies are sealed in a cash collection bag and transferred to the main safe.
- 2.4.3 Amounts received were checked for a period of one week while onsite and the banking slips which were signed matched the amounts recorded by the payment machine indicating that amounts had been correctly recorded in each instance. However, it would provide greater evidenced assurance if the banking slip were signed by both members of staff.



**Recommendation**

The Service should ensure that the total amounts received are evidenced as being correct by more than one Officer.

**Service Response / Action**

Agreed. The Service has updated and implemented a new procedure and issued to staff to ensure that 2 signatures evidence that the amounts counted reconcile to the income received

**Implementation Date**

Implemented

**Responsible Officer**

Fleet Business Support Officer

**Grading**

Significant within audited area

- 2.4.4 In order to ensure that all MOT's issued (where they are chargeable) have been charged for, MOT's issued should be reconciled against income received each day. The Fleet Manager confirmed that this should be completed on a periodic basis but that recently it had lapsed.

**Recommendation**

The Service should ensure that records of MOT's issued are reconciled against income recorded and banked.

**Service Response / Action**

Agreed.

**Implementation Date**

April 2018

**Responsible Officer**

Fleet Business Support Officer

**Grading**

Significant within audited area

- 2.4.5 Similarly income received in relation to taxi testing should also be reconciled against records of services provided. The Service confirmed that as this did not fall under their remit reconciliations for this type of income did not take place. However, as the Service is responsible for providing elements of the service and collecting the income it requires assurance that it is complete.

**Recommendation**

The Service should review options and responsibilities with Licensing to determine the best method of reconciling income to records of services provided in relation to Taxis.

**Service Response / Action**

Agreed. Fleet Services will contact Licensing to arrange a meeting and find a resolution as requested.

**Implementation Date**

April 2018

**Responsible Officer**

Fleet Business Support Officer

**Grading**

Important within audited area

- 2.4.6 Repairs to vehicles which do not fall under wear and tear are rechargeable to the applicable Service. Every week a list of these jobs is identified on the Tranman vehicle management system and sent to the applicable Services to determine that they are happy for the charges to be applied. The appropriate charges are then recharged via journal entry in the financial system.

- 2.4.7 A job card is produced when a job is entered on the system, and this is given by the Supervisor to a Mechanic when they are to start the job. Records of job start and finish

times, and parts and materials used, are entered to the system in the workshop, and each item is marked on the sheet and then entered into the system to determine whether it should be chargeable. A job checklist form is completed by the Supervisor to state that all necessary paperwork has been completed and that the system has been correctly updated.

2.4.8 Ten rechargeable jobs over the course of one week were examined to determine if all paperwork had been completed in line with the above procedures. In all instances job cards had been completed and system entries made, however job checklist sheets had not been completed.

2.4.9 Although in the ten cases reviewed charges had been applied as per the job cards, further review of expenditure charged against a separate set of jobs identified that the rear of one job card indicated that various parts should not have been recharged to the Service, yet they had been charged for according to Tranman. Completing the job checklists would evidence that the information had been checked prior to Services being recharged, to reduce the risk of error.

<b><u>Recommendation</u></b>		
The Service should ensure that Job Checklist cards are completed.		
<b><u>Service Response / Action</u></b>		
Agreed. A job card mapping process is ongoing to address this. Improvements are required to the fleet management system and workshop staff awareness. The system is to be evaluated by a Business Analyst within IT&T and options for improvement considered thereafter.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
April 2018	Fleet Services Manager	Important within audited area

2.4.10 In one instance time (one hour) to diagnose a fault had not been recharged to the Service. Fleet confirmed that where little time is required to diagnose a fault which is not the result of fair wear and tear (e.g. the repair of a light), this is not recharged whereas if considerable time is expended diagnosing a fault, which turns out not to be wear and tear, then this is recharged. If this policy is not clear or being applied consistently, it could impact on the net cost of providing the Service.

<b><u>Recommendation</u></b>		
The Service should clarify the charging policy to staff.		
<b><u>Service Response / Action</u></b>		
Agreed. Changes will be implemented by addressing issues with the current fleet management system and workshop staff awareness. The system is to be evaluated by a Business Analyst within IT&T and options for improvement considered thereafter.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
April 2018	Fleet Services Manager	Important within audited area

2.4.11 Reports including services provided but not yet recharged, and parts returned but not yet credited, were requested but were not available from the system. If the system is not able to provide reports which detail this information then the Service will need to consider how best to ensure that it has assurance over this area.

**Recommendation**

The Service should review system or other options to obtain assurance over all sources of rechargeable income and returns.

**Service Response / Action**

Agreed. Changes will be implemented by addressing issues with the current fleet management system and workshop staff awareness. The system is to be evaluated by a Business Analyst within IT&T and options for improvement considered thereafter.

**Implementation Date**

April 2018

**Responsible Officer**

Fleet Services Manager

**Grading**

Important within audited area

**2.5 Petty Cash**

2.5.1 Petty Cash should be used for low value infrequent purchases where the administrative cost of ordering items through PECOS (or Tranman) would not be cost effective. Records must be maintained of all expenditure along with accompanying receipts which should be submitted at the point that reimbursement is sought.

2.5.2 The Depot maintains a petty cash float, which is held securely, and receipts were present for all purchases along with records of appropriate expenditure for the period reviewed.

**2.6 Stock**

2.6.1 In order to ensure that there is adequate control over stock levels, all stock which is taken must be recorded. Stock is managed by a Materials Controller, through whom all requests for stock must be made. Mechanics are not able to help themselves to stock although the Workshop Foreman may do so after placing a request.

2.6.2 Stock counts should be undertaken on a periodic basis in order to ensure that the recorded amounts match that which is held, with any adjustments subsequently made. The Service confirmed that an annual stock count takes place at year-end. The results for 2016/17, dated March 2017, showed that adjustments were required for 126 of 620 stock lines, totalling just under -£8,000 from a total stock value of £41,000. This means that 1 in 6 lines of stock required an adjustment, representing 20% of stock value. The level of adjustments required indicate that more regular stock checks should be performed.

2.6.3 The highest value adjustments were against oil (£5,000), antifreeze (£1,000) and grease (£1,000). The Service has noted concerns over the level of adjustments and is considering a dispensing system to more accurately measure the oil required for each job, however the Service estimate the cost of this system at around £20,000. The Service therefore needs to consider whether or not this represents the most cost effective solution to the identified issue.

**Recommendation**

The Service should determine the best method of addressing stock variances.

**Service Response / Action**

Agreed. Fleet Stores will implement monthly stock checks on individual areas each month. A lubricants dispensing system has been purchased and implemented.

**Implementation Date**

November 2017

**Responsible Officer**

Fleet Services Manager

**Grading**

Important within audited area

## 2.7 Expenditure

- 2.7.1 Aberdeen City Council Procurement Regulations state that Committee approval must be sought and obtained for expenditure over £50,000, over the life of a contract or set of contracts for similar supplies. Expenditure over the course of a 2 year period from April 2015 to March 2017 was reviewed, identifying 19 suppliers to which the Service had made payments over or approaching this limit. Expenditure with these 19 suppliers totalled £3.837million.
- 2.7.2 A valid contract was only in place for 1 supplier, with which £590,000 had been spent. Expenditure on agency staff for a further 4 suppliers totalling £1.059million has already been identified in a separate audit of Agency Staff (AC1712) with recommendations made for remedial action.
- 2.7.3 Where a contract has been established with a supplier following Committee approval, it is registered on the Aberdeen City Council Contracts Register. Of the remaining 14 suppliers with combined expenditure of £2.188million over the 2 year period, 10 appeared on the Contract Register, however there was either no value attached to the listing or it was out of date suggesting that any contracts which had been in place had been allowed to lapse, or the Register had not been updated. For the remaining 4 (£458,000) the Service was unable to demonstrate that appropriate approved contracts were in place.
- 2.7.4 Framework agreements cover a list of Suppliers arranged either locally or by a national body (such as Scotland Excel) for the provision of specific goods and services, within the terms of an overarching contract. Although these typically set terms and conditions and pricing structures, there is no commitment at that point to purchase any of the supplies. From these agreements individual Local Authorities must select suppliers and enter into contracts with them according to their own requirements and in accordance with procurement and financial rules. The Council's Procurement Regulations require Head of Commercial & Procurement Services approval before contracts may be drawn down from framework agreements, and as noted above Committee approval is required prior to entering into contracts in which over £50,000 will be spent. Where it is expected that there may be multiple call-offs from a framework agreement that has been approved for use by the Head of Commercial & Procurement Services, then an initial report detailing requirements must be submitted to the relevant Committee depending on the estimated total value of the call-offs and in advance of these being made, with further annual reports detailing the actual expenditure incurred against the initial estimate.
- 2.7.5 The Service had previously considered that expenditure that had been budgeted for could be spent with Suppliers listed on a Scotland Excel Framework. The Service has now been advised of the appropriate procedures and Commercial & Procurement Services are aware that there are anomalies in this area, and will support the Service in reviewing its contract requirements. In the interim however, the Service continues to incur expenditure in contravention of the Council's Procurement Regulations and Financial Regulations.

### **Recommendation**

The Service should ensure that the Council's Procurement Regulations and Financial Regulations are adhered to.

### **Service Response / Action**

Agreed. The current Contracts Register is in place and all future and past suppliers are being reviewed for including on the register as appropriate.

### **Implementation Date**

April 2018

### **Responsible Officer**

Fleet Business Support  
Officer

### **Grading**

Major at a Service Level

- 2.7.6 Where parts are required to be ordered, the mechanic will note this on the job card and this is passed through to the Supervisor for review and authorisation. The parts are subsequently ordered, then marked when received, on Tranman. On receipt of an invoice the system is updated, and an interface processes payment via the financial system.
- 2.7.7 ACC Procurement Regulation 7.1 requires that all purchases should be ordered on an official order form, authorised in advance, to ensure that unauthorised expenditure does not occur. The Service is not applying this standard corporate approach to orders for parts and provision of services via the Tranman system, as orders are being placed on the basis of a job card rather than a purchase order. Although in most instances the job card indicates the requirements, it does not identify the expected or maximum authorised cost.
- 2.7.8 In one case reviewed the job card did not give a description of the parts required, instead it noted 'various damage'. The job card was authorised and various parts were ordered and paid for. In other cases the date of the invoice predated the date on the job card, indicating that authorisation for the purchase of parts had been given retrospectively. Unless details of the work and costs are agreed with the supplier in advance, on an official purchase order, there is a risk of higher than anticipated costs being incurred.

**Recommendation**

The Service should ensure purchase orders including detail of costs and content are raised and authorised in advance of work or supplies being ordered.

**Service Response / Action**

Agreed. Changes will be implemented by addressing issues with the current fleet management system and workshop staff awareness. The Fleet Support Team continues to remind staff of the requirement to comply with Procurement procedures for PECOS. The system is to be evaluated by a Business Analyst within IT&T and options for improvement considered thereafter.

**Implementation Date**

April 2018

**Responsible Officer**

Fleet Services Manager

**Grading**

Significant within audited area

**2.8 Payroll**

- 2.8.1 Mechanics and Supervisors are employed under Craft Workers Terms and Conditions. Under these arrangements employees who work certain shift patterns are entitled to an additional allowance which is paid as a percentage of their hourly rate. As employees at the depot are rota'd to start before 8am and work after 8pm they are entitled to receive an additional 8%. This allowance had been correctly paid for a random sample of 5 employees working shifts.
- 2.8.2 Employees are subject to the Working Time Regulations which include a requirement that employees are not expected to work in excess of an average of 48 hours per week. The Service stated that no employees work in excess of 48 hours per week on average and therefore no monitoring of employees overall hours is undertaken. However, 4 out of the 5 employees selected were employed on 45 hour week contracts and examination of their salary payments showed that they regularly work overtime. Over a 13 week period one employee had worked 54.5 hours overtime meaning that they were working an average of 49.2 hours per week. If this is ongoing there is a risk of contravention of the Regulations.
- 2.8.3 There may be an option for employees to opt out of this requirement of the Regulations, subject to age limits, a risk assessment, and personal choice. There are no records of this option being exercised within the Service.

**Recommendation**

The Service should ensure it has assurance over compliance with the working hours requirements of the Working Time Regulations.

**Service Response / Action**

Agreed.

- i) Opt out forms will be issued to all staff paid under Craft Worker terms and conditions.
- ii) Monitoring of working time will be implemented

**Implementation Date**

- i) December 2017
- ii) March 2018

**Responsible Officer**

- HR Business Partner
- Fleet Manager

**Grading**

Significant within audited area

2.8.4

Payslips for 5 employees were examined over a 3 month period to ensure that any overtime, standby and other allowances had been paid at the correct rates. Each of the employees receive standby payments as a result of being rota'd to provide cover on a weekly basis. The rota was obtained and compared to the claimed standby payments and it was noted that the dates for which payments were claimed did not match the rota. While there is no suggestion that payments have been made inappropriately it does suggest that the rota is not sufficiently maintained or updated.

**Recommendation**

The Service should ensure that standby rotas are maintained up to date and claims for standby payments are supported by them.

**Service Response / Action**

Agreed. The reason for the rota being out of alignment is due to mechanics covering for mechanics who are on holiday. Fleet Services will implement a procedure to ensure standby payments match the rota.

**Implementation Date**

April 2018

**Responsible Officer**

Workshop Manager

**Grading**

Significant within audited area

2.8.5

Claim forms should be completed totalling all hours for which standby, overtime and public holiday payments are being claimed. These forms should then be signed by the Manager / Supervisor to indicate that the information is correct prior to being passed for payment. Although this was the case in the majority of instances, one employee had only been reimbursed for 5 hours overtime in June 2017, though the form indicated 8.5 hours, as a result of an incorrect total being carried forward.

**Recommendation**

The Service should ensure the correct amount of overtime is paid to employee in respect of hours worked in June 2017.

**Service Response / Action**

Agreed. Fleet Services will implement a procedure to ensure all additional payments match the employee claims. The employee will be reimbursed for the short payment.

**Implementation Date**

January 2018

**Responsible Officer**

Workshop Manager

**Grading**

Important within audited area

2.8.6

It was noted while examining overtime hours that only the hours worked were recorded rather than the actual times that the employees work. Recording the actual times worked would give further assurance that claimed overtime hours are accurate.

**Recommendation**

The Service should maintain records of actual times worked in order to verify overtime claims.

**Service Response / Action**

Agreed. Fleet Services will ensure that actual working hours are recorded for all hours worked and claimed including during a period of standby.

**Implementation Date**

October 2017

**Responsible Officer**

Fleet Services Manager

**Grading**

Important within audited area

- 2.8.7 Standby rates for those employed under Craft Workers terms and conditions are paid at a different rate from those employed under standard terms and conditions. The full list of rates is shown at Appendix 2.
- 2.8.8 It was noted that (subject to the exception below) all employees had been paid at the standard rates, rather than Craft Worker rates, resulting in minor overpayments for each period of standby claimed in 2017/18. It was confirmed that this had also been the case in 2016/17. Prior years have not been checked.
- 2.8.9 As the Service only enters the number of periods claimed, this appears to have been a recurring Payroll entry error. It was additionally identified that Sunday standby rates had been paid at differing rates between employees indicating further input errors. There is a risk that similar errors may have occurred for all craft workers that have received standby payments.
- 2.8.10 Although the cost per employee per day may be minimal, the cumulative cost is likely to be more material. Financial Regulations state that The Head of Human Resources & Customer Services shall ensure that all reasonable steps are taken to recover any identified overpayments. Should it be determined that it is not reasonable to recover the overpayments, approval from the Head of Finance must be obtained, and the value reported to Committee if it exceeds £10,000.

**Recommendation**

Payroll should ensure that the correct schedule of allowances are applied to employees' salaries in respect of Standby rates.

The Head of Human Resources should ensure that the level of historical overpayments made is determined, and recovered or written off in accordance with Financial Regulations.

**Service Response / Action**

Agreed. The standby payments for craft should be paid as a cash value using the craft rates, the standbys are being calculated into cash values manually for most of the payments, some are being input as units which differs for the guidance provided. Having investigated 15/16, 16/17 and 17/18 it appears the use of the incorrect rate started in 16/17. I have been unable to ascertain how the wrong rates have been applied to the Manual calculation. A quick calculation of the error has highlighted an approximate overpayment of £238 (16/17 - £200 and 17/18 - £38). These amounts encompass all Craft workers who have been paid Standby. Given the overpayment amount and the number of people working standby (16/17 - 36 and 17/18 - 37) the cost of calculating any recovery would exceed the recovery value, it would be worth considering writing off these overpayments.

The review of the payments has also highlighted 3 overpayments where the cash value was input into the units field, these total approx. £1125 gross which will be passed to the payroll team for recovery.

Going forward the formula for the 3 standby elements involved have been rewritten and revised instructions sent out to all the parties concerned. This will remove the requirement for manual calculation, hopefully preventing further overpayments in the future.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Payroll Team Leader	Significant within audited area

## 2.9 Budget Monitoring

2.9.1 Budget monitoring should be received and reviewed by the Service on a regular basis in order that anticipated variances in income or expenditure can be identified and addressed. The Fleet Manager confirmed that access to budget monitoring reports is available and any subsequent queries are raised with the Service Accountant. It was further confirmed that (in reference to section 2.3 above) discussions are currently taking place with regards to the overall budget.

**AUDITORS:** D Hughes  
C Harvey  
D Henderson



## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
<b>Major at a Service Level</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

## Appendix 2

### Standby Payments

#### Rates for 2016/17

	Craft Workers	Employees on Standard Contract
Weekdays	£8.36	£8.41
Saturday	£17.80	£17.91
Sunday	£24.25	£17.91
Public Holidays	£15.76	£48.82

#### Rates for 2017/18

	Craft Workers	Employees on Standard Contract
Weekdays	£8.44	£8.49
Saturday	£17.98	£18.09
Sunday	£24.49	£18.09
Public Holidays	£15.92	£49.31