

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**AUDIT COMMITTEE  
12<sup>th</sup> January 2012**

**REPORT AUTHOR: Internal Audit Manager**

**SUBJECT: Adverse Internal Audit Reports Quarter 3 2011/12  
Construction Depots (Highways)**

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**REPORT FOR: Information**

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**Introduction**

Internal audit reports produced in November 2008 and February 2009 resulted in an opinion of Unsound and Unsatisfactory respectively. This was followed by an L & ES report which was taken to Audit Committee in March 2010 detailing changes and improvements planned for the service.

This audit review has concentrated on those planned areas in order to give assurance that the required actions have been implemented.

As part of the Local Environment Initiative (LEI), it was the intention that the leading officers at Depots (Area Support Officers) would lead local area teams with the responsibility and the budget to deliver a range of "local" services.

It was understood that as part of this restructuring process the Kirkhamsfield Depot in Newtown was to become a pilot exercise prior to changes being implemented countywide.

**Findings**

Planned visits were made to four Depots between August 2010 and March 2011 when the procedures in operation were discussed at length. The Depots visited were Penybont, Llangammarch Wells, Llanidloes and Welshpool. In addition, a further visit was made to the Fleet Management Offices and "One Stop Shop" based at Ddole Road, Llandrindod Wells.

Given below are the significant findings from the depot visits:-

- The expected procedural manual or guidance notes were not produced for the staff to follow at any of the Depots visited. However, a draft document was seen that had not been distributed, but there was no evidence to support that these procedures had been communicated to all staff.

- The interim procedure in relation to the control of salvageable/reusable materials

(CS share database) was not operational. Information held on this database was not accessible by the Depot staff. In addition, new materials left at the end of specific projects were not recorded, controlled and periodically checked. Without such a process, there is an increase risk that other similar materials may be purchased again at an unnecessary expense of the Council.

- There was little evidence that monitoring and tracking of vehicle movements was taking place. Only one Depot had the ability to identify the location of their vehicles live on-line. Other Depots were not in receipt of tracking reports.
- Fuel usage reports were not seen at the Depots visited. Therefore, Management were not checking fuel use for each vehicle to identify areas of potential misuse, inefficiency or error.
- Tachographs were being examined to review driver behaviour. However, the specific findings were not being conveyed to the drivers on a regular basis following the monthly "Toolbox Talks" as per previous custom and practice. As a result, any possible infringements such as speeding or driving hour issues were not being relayed to the drivers.
- BPU staff were carrying out stock takes every three months so that adjustments were being made to stock values on the ROCC system. However, this information was not being used to identify possible variances that could be referred to a Manager for further investigations. Without this management information, it would be difficult to identify potential theft, wastage or job costing errors.
- The Depots have a wide range of desirable and valuable assets at their disposal. Only Limited assurance could be given that the service was able to accurately identify, control and manage those assets. Failure to share information on available vehicles and equipment may result in the uneconomic use of Council resources.
- Health and Safety inspections were not being carried out at all Depots or work sites.
- It was noted that Waste Contractor Licences were not all retained at the Depots and several of the licences viewed were out of date. Therefore, no assurance could be sought that Waste Contractors had the appropriate licences to dispose of waste legally.

## Conclusion

Given the previous failings in this area combined with the ten action points (2 Fundamental/ 7 Significant/ 1 Merits Attention) the Depots were given an audit opinion of **LOW Assurance**.

A fundamental change in the service delivery model under the Local Environment Initiative has meant that the regional hubs need support to deliver some of the changes identified in the report. The action plan prepared by the Service (see Appendix A) reflects the willingness of management to make those changes, but there needs to be an ongoing commitment to deliver all of the actions in an evolving area.

An updated action plan from the service area has been provided.

APPENDIX A

<b>8.0 ACTION PLAN – Construction Depots</b>					
<b>Ref</b>	<b>Control Weakness</b>	<b>Consequences / Risk</b>	<b>Grading</b>	<b>Agreed Actions by Client</b>	<b>When and by Whom</b>
8.1	There was no procedural manual or guidance notes available as a control document for all relevant processes e.g. the control and recording of waste and salvageable/reusable materials.	Non-compliance with the Authority's approved policies, practices and procedures.	Fundamental	<b>Adrian Jervis Introduce procedural manual initially in Newtown and throughout depots.</b>	<i>Newtown – Sept 11 Remaining Depots Dec 11</i>
8.2	Staff records had not been established to demonstrate receipt and acceptance of information.	Non-compliance with the Authority's approved policies, practices and procedures.	Significant	<i>Communicate procedural manual to Area Managers and Area Teams following introduction Sept to Dec.</i>	<i>Area Managers Jan 12</i>
8.3	The new interim procedure in relation to the control of salvageable/reusable materials (CS share database) is not fully operational.	Non-compliance with the Authority's approved policies, practices and procedures.	Significant	<b>Ensure all materials included on stock lists or disposed of in compliance with new procedural manual.</b>	<b>Area Managers Oct 11</b>

## 8.0 ACTION PLAN- Construction Depots (Cont'd)

Ref	Control Weakness	Consequences / Risk	Grading	Agreed Actions by Client	When and by Whom
8.4	Limited monitoring and tracking of vehicle movements.	Possible inappropriate use and abuse of council vehicles.  Limited control of valuable resources.	Significant	<b>Fleet Manager to produce monitoring reports (wkly) for Area Managers. Area Managers to monitor reports and action as appropriate.</b>	<b>Fleet Manager July 11 Area Managers July 11</b>
8.5	None of the Depots monitored the fuel used by their vehicles by utilising the fuel monitoring reports.	Possible inappropriate use and abuse of council vehicles  There was no adequate or effective management or control of valuable resources.	Significant	<b>Fleet Manager to produce fuel usage reports. Area Managers to monitor usage and take action as required.</b>	<b>Fleet Manager August 11  Area Managers August 11</b>
8.6	Tachograph analysis information on infringements is not being utilised or reviewed or monitored etc.	Drivers may be breaking the law unknowingly and not being told of the fact.	Fundamental	<b>Fleet Manager to produce Tachograph analysis reports. Area Managers to monitor and take appropriate action.</b>	<b>Fleet Manager August 11 Area Managers August 11</b>

## 8.0 ACTION PLAN- Construction Depots (Cont'd)

Ref	Control Weakness	Consequences / Risk	Grading	<i>Agreed Actions by Client</i>	<i>When and by Whom</i>
8.7	<p>New materials left at the end of specific projects and salvaged materials that are reusable are not recorded, controlled and periodically checked.</p> <p>Computerised details of all stocks of materials held at the Depots is not accessible by Supervisors.</p>	The Authority may be open to fraud and abuse.	Significant	<b>Ensure all materials included on stock lists or disposed of in compliance with new procedural manual.</b>	<b>Area Managers Oct 11</b>
8.8	A complete Asset Register is not being maintained centrally for the Construction Department's vehicles, plant and machinery.	<p>Risk that all plant and vehicles are not recorded as assets in the accounts and is not recorded for insurance purposes.</p> <p>Risks to security of staff and property.</p>	Significant	<b>Fleet Manager to complete Asset Register &amp; inform Area Managers of equipment in each area.</b>	<b>Fleet Manager Sept 11</b>

## 8.0 ACTION PLAN- Construction Depots (Cont'd)

Ref	Control Weakness	Consequences / Risk	Grading	<i>Agreed Actions by Client</i>	<i>When and by Whom</i>
8.9	Health and Safety inspections are not being carried out at all Depots or work sites.	Non compliance with legislation. Non-compliance with the Authority's approved policies, practices and procedures. Risk to staff well being.	Significant	<b>Compile H&amp;S Inspections/ Audit programme. Area Managers to review findings and take appropriate action.</b>	<b>David Hurst June 11</b>  <b>Area Managers June 11</b>
8.10	Not all Waste Licences were held at the Depots and several seen were out of date.	Records are incomplete.	Merits Attention	<b>Refer to 8.3 licensing to be included in procedure manual.</b>	