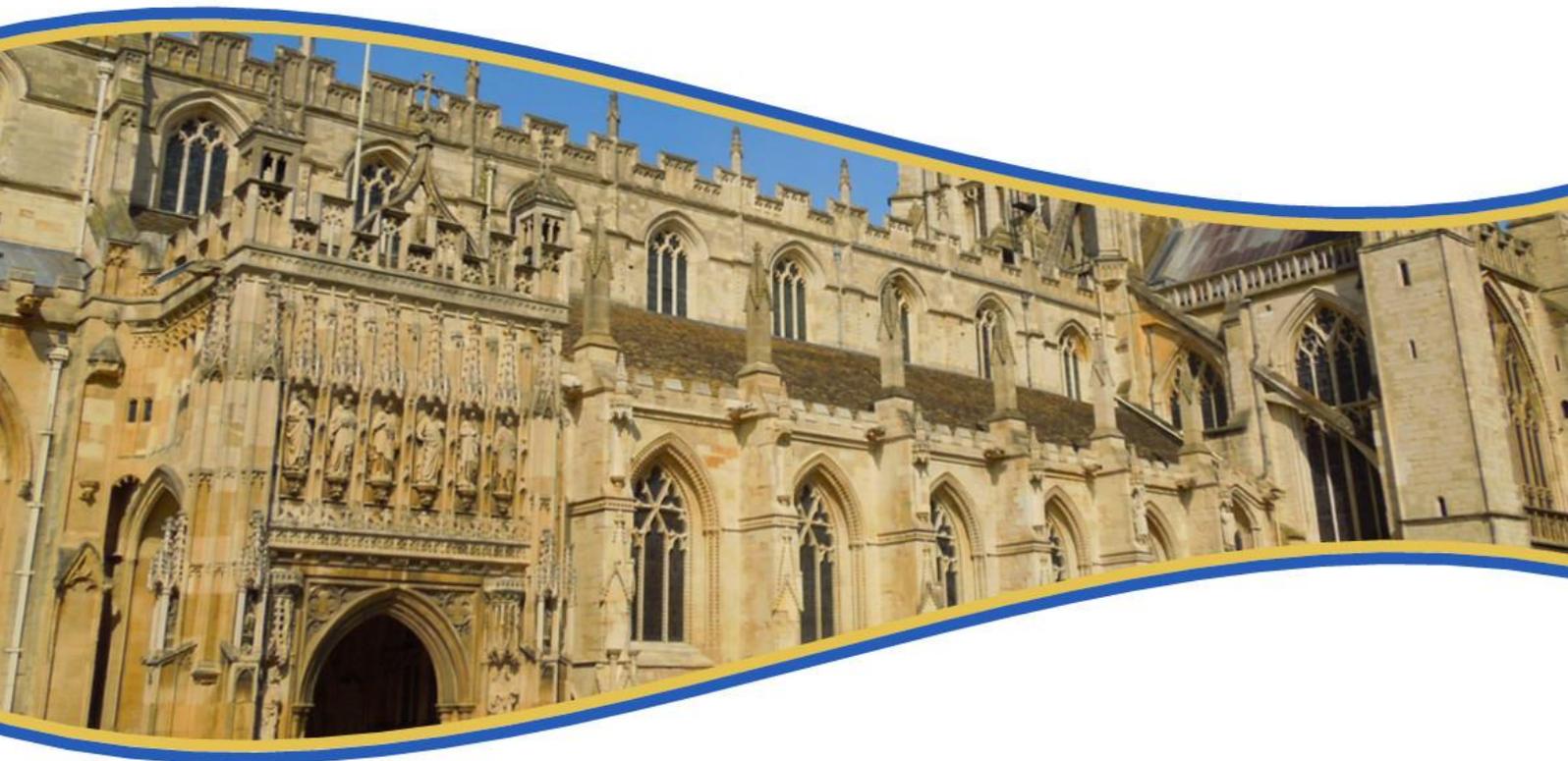


GFRS Fleet management – use of pool cars, owned and leased cars and fuel schemes

1st October 2019

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Distribution

To:

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Executive Summary

Introduction

On 15th June 2018 a letter of complaint was sent by email to the Leader of the Council. There were three strands to the complaint; one concerned the sale of a GFRS owned vehicle and the Chief Fire Officer's (CFO) involvement in the process. The other two concerns were regarding staffing issues. It was agreed that Internal Audit would investigate the sale of the vehicle and Human Resources (HR) would review the remaining two concerns, which are included within the management review of culture.

Shortly after commencing the investigation, numerous whistleblowing allegations and Freedom of Information requests in respect of other concerns relating to GFRS governance arrangements, procedures, systems and processes were received. As a result, following Internal Audit review, research, analysis and interviews with key stakeholders including relevant GFRS officers, Internal Audit co-ordinated the findings and made a number of GFRS-specific and council-wide/cross-cutting recommendations to undertake detailed reviews/audits within each area to determine the level of risk. These reviews/audits are outlined in the Action Plan presented to the Audit and Governance Committee on 12th October 2018. Progress updates against each review/audit included within the Action Plan are currently being provided to the Audit and Governance Committee.

Principal Officers (POs) (Chief Fire Officer (CFO), Deputy Chief Fire Officer (DCFO) and the Assistant Chief Fire Officer (ACFO)) are provided with a car (GFRS "owned") and fuel card as part of their terms and conditions of service. In addition, Station Officers and above can have access to a contract hire lease vehicle, subject to an upper limit, above which they are required to pay any additional lease costs. Lease cars are also subject to particular specified criteria, and fuel cards are not supplied to these vehicles. Please note that mileage expenses connected with lease cars is covered within the expenses audit review.

Pool cars are also available for GFRS staff for business use. These vehicles are provided with a fuel card and a log book in which all journeys should be recorded.

GFRS currently have five on-site bulk fuel tanks (bunkered fuel) in use from which GFRS emergency vehicles can be refuelled. In addition to fuel cards, both POs and users of the pool cars also have access to this fuel.

Audit Scope

This scope of this audit is limited to the usage of the three PO vehicles, pool cars and associated fuel costs (fuel cards and bunker fuel), and lease car costs.

Key Findings

Fuel Schemes

Fuel Cards

Fuel for use in service vehicles will be provided, either in bulk tanks on whole-time stations, canned stock on retained stations or by direct purchase using a fuel credit card system. Each service vehicle (pool and owned cars) are issued with a fuel credit card for the purchase of fuel and must not be swapped between vehicles. These fuel cards must only be used to purchase fuel for the vehicle identified on the fuel card.

The Fleet Management Policy (SP005) states that the fuel card will have the following information contained permanently upon it:

- Gloucestershire Fire and Rescue Service;
- Vehicle Registration Number;
- Petrol or Derv only; and
- Various identifying numbers for use by the fuel card agency.

However, at a meeting with the Fleet Manager in July 2018, Internal Audit was advised that the three POs at that time had been issued with multiple fuel cards for use with the service vehicle provided to them as part of their employment terms and conditions. Internal Audit was advised that the former CFO had requested that in addition to a fuel card displaying the registration number of the “owned” car, the three POs should instead all be provided with a fuel card that displayed their name. This is not good practice as without a specific registration number printed on the fuel card, it could potentially be used to purchase fuel for any vehicle. In addition, the provision of multiple fuel cards being held by the same individual is also a fraud risk.

Internal Audit explained the risks to the former Fleet Manager and advised that any additional cards/cards with names instead of registration numbers should be recalled and destroyed immediately. The current Acting Fleet Manager has confirmed this has been actioned and there is now only one fuel card per vehicle and all cards issued, with the exception of two ‘wild cards’ which are held securely within the GFRS Emergency Control Room office for use in emergencies, have the registration number printed on them. Any additional fuel cards have been recalled and destroyed.

Bulk Fuel

All whole-time stations are provided with a bulk fuel storage tank and pump, the fuel stock is managed electronically via the wireless VECTEC system, therefore there is no requirement for stations to complete weekly fuel returns. Replacement fuel will be ordered automatically via Fleet Management. All Service vehicles are issued with a Vectec key fob which enables fuel removal from storage tanks.

A review of the logs bulk fuel records maintained identified:

- Mistakes/typos in vehicle registration numbers had been made on the setting up of some of the vehicle fobs; and
- Incorrect, incomplete or missing odometer readings provided.

Failure to maintain accurate usage records could result in fraudulent/inappropriate/unauthorised use of bunker fuel.

Internal Audit was advised by the former Fleet Manager that spot checks of fuel card usage and bunker fuel were on occasion undertaken and evidence was seen that emails had been sent out challenging expenditure. However, responses to the challenge were not always received or followed up. To prevent the cards being used to purchase inappropriate/unauthorised fuel/items, a more formalised process for undertaking regular checks, monitoring fuel usage trends and challenges on the fuel purchased using fuel cards, needs to be implemented.

Please refer to **Recommendation 1**

Principal Officers “owned” vehicles usage

The position offer letters issued to the former CFO, ACFO and current DCFO stated that *‘It is a requirement of the post that you maintain a current driving licence and a car is provided for your business use.’*

To provide the context to the below findings, Internal Audit was advised by the three POs at that time that, as “gold command”, they were considered to be on call 24/7, 365 days a year, and as such all fuel consumption was classed as business use.

A review of the fuel card and bunker fuel usage and expenditure, from March 2017 to April 2018, associated with these three vehicles established that:

- The former CFO

No mileage log books were maintained by the former CFO and therefore there is no record available that differentiates between private and business mileage undertaken by the former CFO in the service vehicle provided.

Internal Audit reviewed the fuel card expenditure and bunker fuel records associated with the former CFO’s vehicle during the period 31st March 2017 to 4th April 2018. Analysis of the fuel card data received from the fuel card provider, which included transaction dates and postcodes of refuelling locations, established that during this period approximately 42% of the refuelling related to journeys that were conducted outside of the county, and were mainly in relation to trips to/from Scotland. The analysis also identified that during the period reviewed the former CFO undertook circa 8,300 private miles in the service provided vehicle.

This figure is based on 10 return trips from the former CFOs address in Gloucestershire to his family home in Scotland, a journey of approximately 416 miles each way¹ but does not take into account any additional private miles that would have been incurred whilst in Scotland or during any periods of leave.

The cost of fuel purchased for use in the vehicle during 2017/18 was £4,022.25 of which circa £1,705.67 can be linked to these trips to/from Scotland but excludes any other private use (42%).

- The DCFO

As previously stated above under the former CFO, no mileage log books were maintained by the DCFO and therefore there is no record available that differentiates between private and business mileage undertaken by the DCFO in the service vehicle provided.

An analysis of the fuel used by the DCFO identified that during 2017/18 circa 13,200 private miles in the service provided vehicle was undertaken. This is based on 16 return trips from his home in Gloucestershire to his family home in Scotland, an approximate journey of 412 miles each way². This figure does not allow for any other private mileage that may have been incurred during the year for example any additional mileage undertaken whilst in Scotland or during any other periods of leave or day to day commuting around the county.

By reviewing the fuel card expenditure and bunker fuel records Internal Audit established that during the period under review, 62% of the refuelling related to journeys that were conducted outside of the county (mainly trips to/from Scotland)³. The cost of fuel purchased for use in the vehicle during 2017/18 was £3,478 of which £2,014 (58%) can be linked to the trips to/from Scotland but excludes any other private use. 35% of the fuel purchased was outside of the county, namely Scotland/Scottish Borders. The analysis showed that the DCFO had only used the bunker to refuel on a couple of occasions.

- The former ACFO

As with the former CFO and DCFO, no mileage log books were maintained by the former ACFO and therefore there is no record available that differentiates between private and business mileage undertaken by the ACFO in the service vehicle provided.

By reviewing the fuel card expenditure and bunker fuel records Internal Audit established that during this period the ACFO had refuelled the service vehicle on 38 occasions, of which five were related to journeys that were conducted outside of the county.

¹ Mileage calculated using the shortest route (postcode to postcode) on google maps.

² Mileage calculated using the shortest route (postcode to postcode) on google maps.

³ Based on the postcode location of the refuelling information obtained from the fuel card provider.

However, a review of the post codes associated with the refuelling locations provided by the fuel card provider, established that three of the five journeys were in the proximity of other fire and rescue stations in the UK. The cost of fuel purchased for use in the vehicle during 2017/18 was £2,550.18 of which £329.25 (13%) was purchased out of the county but does not take into account any private use within Gloucestershire as this is unknown. There was no evidence seen by Internal Audit that the ACFO had used the bunker to refuel during this period.

Whilst Internal Audit acknowledges that the above practice was based on the rationale of the PO's being on call 24/7, 365 days a year, it may not be perceived as demonstrating the required ethical standards of public office holders (Nolan Principles).

Car Benefit: Emergency Vehicle Exemption (248A Exemption Clause)

Internal Audit was advised that for taxation purposes (incl. fuel and P11ds) the above three POs had operated their service provided vehicles using the 248A Exemption Clause.

Condition 4, Part 2 of the section 248A exemption clause (see criteria at Appendix B), states that mileage should be **reasonably local to the area in which the employee lives and works**. The above analysis has shown that significant journeys have been undertaken outside of the local area, especially in relation to the former CFO and the current DCFO.

It is acknowledged that there are changes planned to the taxation of emergency vehicles from 2020/21. Appendix C, attached, details the car benefit for emergency vehicles during this transition period.

Due to the complexities associated with the compliance of tax legislation, Internal Audit is unable to provide assurance that the reporting by GCC to Her Majesty's Revenue and Customs (HMRC) in respect of the owned, leased and pool cars and the fuel used in those vehicles has been/continues to be correct. It is therefore recommended that specialist tax consultants are commissioned to establish whether the reporting on the use of the cars has been compliant with the HMRC tax rules and exemptions.

Please refer to **Recommendation 2**

Principal Officers Vehicle Selection Process

As noted above, in July 2018, Internal Audit was advised by the three POs at that time that, as "gold command", they were considered to be on call 24/7, 365 days a year, and as such under HMRC regulations, the service vehicles they had been provided with together with all of the fuel used in those vehicles was not considered a taxable benefit (i.e. not a benefit in kind (BIK)) as all of the usage could be classed as business use.

The Gold Book (The constitution and scheme of national terms and conditions of service for Brigade Managers of Fire and Rescue Services) states that details of the provision of a car and associated usage will be set out in a locally agreed policy. It would be the responsibility of the CFO to ensure that appropriate policies are in place. Internal Audit identified that at the time of the audit there was no locally agreed document/policy in respect of the choice of car and associated usage available to the POs.

The position offer letters previously issued to POs say that '*Other terms and conditions will be included in the Statement of Particulars of Employment (SOE), which will be sent to you once the appointment is finalised*'. Internal Audit is advised that SOEs were issued to the POs but these did not include any specific details about the car that would be made available by the Council or its use.

A formalised set of terms and conditions of service for POs should be agreed and subsequently provided to POs at the recruitment stage and then confirmed in writing when a post is accepted.

Going forward, Internal Audit is aware that HR is working with the current CFO to produce a comprehensive suite of terms and conditions of service. Once finalised and approved, it is anticipated that these terms and conditions of service will be applied to the PO's posts and retrospectively where necessary. These should cover, not exclusively, the selection of an appropriate vehicle that meets the operational requirements of the service and the specification stated in the revised fleet policy (incl. max gross value), what is considered to be business miles, working/shift patterns to ensure the County is adequately covered operationally at all times, expenses, relocation packages (if applicable) etc.

Whilst there are some details in the Fleet Management Policy about the criteria of vehicle that officers are expected to take into consideration when selecting a vehicle, there is currently, no policy in place that sets out the maximum value of vehicle that can be selected.

Internal Audit reviewed the car specifications in respect of the last three cars purchased for the GFRS POs identified. The breakdown of costs can be seen on page 9 of this report:

	Price	Discount	Net cost to GFRS	VAT	Total
Audi Q7 S line	£44,141.67	£6,841.96	£37,299.71	£7,459.94	£44,759.65
Delivery	£691.66		£691.66	£138.33	£829.99
Road Fund Licence	£235.00		£235.00	£0.00	£235.00
Extras					
Paintwork (pearl effect)	£562.50	£87.19	£475.31	£95.06	£570.38
85 litre fuel tank	£95.83	£14.85	£80.98	£16.20	£97.17
Electric front seats Technology Package	£291.67	£45.21	£246.46	£49.29	£295.75
Exterior mirror upgrade	£1,625.00	£251.88	£1,373.13	£274.63	£1,647.75
BOSE speakers	£166.67	£25.83	£140.84	£28.17	£169.00
Total	£48,726.67	£7,409.00	£41,317.67	£8,216.53	£49,534.20
Audi Q7 S line	£44,720.83	£6,932.38	£37,788.45	£7,557.69	£45,346.14
Delivery	£529.17		£529.17	£105.83	£635.00
Road Fund Licence	£240.00		£240.00	£0.00	£240.00
Extras					
Paintwork (metallic)	£562.50	£87.19	£475.31	£95.06	£570.38
85 litre fuel tank	£0.00		£0.00	£0.00	£0.00
Technology Package	£1,625.00	£251.88	£1,373.13	£274.63	£1,647.75
Total	£47,677.50	£7,271.44	£40,406.06	£8,033.21	£48,439.27
Land Rover Discovery	£46,083.33	£4,252.87	£41,830.46	£8,366.09	£50,196.55
Delivery					
Road Fund Licence	£695.00		£695.00	£0.00	£695.00
Extras					
Paintwork	£833.33		£833.33	£166.67	£1,000.00
Privacy glass	£337.50		£337.50	£67.50	£405.00
Tow equipment	£563.25		£563.25	£112.65	£675.90
Mats	£90.00		£90.00	£18.00	£108.00
Mud flaps	£272.10		£272.10	£54.42	£326.52
Total	£48,874.51	£4,252.87	£44,621.64	£8,785.33	£53,406.97

These were expensive high end vehicles (recently been sold at auction), with optional extras added at additional cost to the public purse, some of which were not necessary to undertake the PO role.

Whilst Internal Audit appreciates that there was no policy clearly defining the operational criteria of vehicles at the point of audit, the purchase of some of these extras may not be perceived as demonstrating the required ethical standards of public office holders (Nolan Principles).

Please refer to **Recommendations 2 and 3**

It should be noted that the actual acquisition of PO vehicles has been covered in the Internal Audit report 'GFRS Acquisition of Vehicles' dated 17th July 2019.

Pool and Lease Cars

The Service pool cars are divided into two groups to comply with VAT regulations, those for operational use (lease cars) and those for non-operational duties (pool cars). Vehicles that are designated for operational use will be fitted with main scheme radios and permanently attached light bars.

Pool car usage

GFRS operates a number of pool cars. Pool cars will have an internal sign affixed to the dashboard reminding the driver that the vehicle is not permitted for use for private journeys including home to work mileage.

To qualify as a pool car, the business must be able to prove that the cars are shared by employees for business purposes only and are normally kept on the work premises overnight. Pool cars should not be used for private use and are therefore not considered to be a benefit in kind (BIK).

SP005 states that fuel for use in service vehicles will be provided, either via bulk tanks on whole-time stations, canned stock on retained stations or by direct purchase using a fuel credit card system. The general expectation is that pool cars will be refuelled using the fuel card assigned to that vehicle.

SP005 further states that:

The operation of the vehicle will be in accordance with the following conditions:

- *Pool vehicles are to be used for business travel only;*
- *The vehicle log book must be completed in accordance with current financial regulations;*
- *Pool cars are available through the booking system which is managed by GFRS Reception; and*
- *A vehicle walk around check including checking the vehicles levels will be undertaken.*

The individual using the vehicle is required to complete full details of the journey undertaken, milometer readings at the finish of the journey and where appropriate, record any refuelling details in the vehicle log book.

Internal Audit reviewed of a sample of current log books and established that the information recorded was generally poor and incomplete.

The review of the pool car log books also identified that pool cars had, on occasion, been used in a private capacity i.e. for non official GFRS business. Internal Audit was advised by one individual that '*it was also not an unusual occurrence in GFRS for family members to accompany officers using pool cars to ceremonial commemorative events (e.g. London cenotaph remembrance events)*'.

Pool cars by their nature should not be used for private/personal use. The SP005 states that *pool cars cannot be used for private/personal use, even if written/verbal agreement is received, except in exceptional circumstances*. Not only could the private use of a vehicle have tax reporting implications for the Council but also, had such a vehicle been involved in an accident, there could have been issues with the insurance cover.

Internal Audit was advised by the acting Fleet Manager that there have been several occasions where pool cars have been booked out for business use but not promptly returned. Consequently, the acting Fleet Manager has had to spend time trying to identify the current location of the vehicle and arrange for it to be returned to GFRS Headquarters, Waterwells.

To rectify this situation and streamline management of pool cars, the acting Fleet Manager has prepared a business case recommending a black box (tracking device) is fitted to each of the pool cars. The data collected by the black box could potentially be used to identify the location of any pool car at any given time and also identify and or prevent private use of the cars.

Consideration should be given to ensuring that data collected through fitting such a device does not breach any of the seven key principles of the General Data Protection Regulation (GDPR). Advice on any GDPR requirements can be sought from the Council's Information Management Service.

Please refer to **Recommendation 4**

Lease cars

Vehicle selection

Station Officers and above can have access to a contract hire lease vehicle, subject to an upper limit (currently £3,002), above which they are required to pay any additional lease costs. Lease cars are also subject to particular specified criteria, and fuel cards are not supplied to these vehicles.

Please note that the calculation and recovery of income due from Officers where the annual lease exceeds the set limit is covered in the GFRS Income and Cash Handling report dated 18th June 2019 and any mileage expenses connected with the use of lease cars is covered within the Expenses and Service Benefits report dated in September 2019.

According to SP005, the conditions to be applied when choosing a car are:

- Front wheel drive vehicle or 4 x 4, (To retain ability to respond during snow conditions cars will be provided with snow socks where applicable);
- Max CO2 121-130 level (greater CO2 allowance will be made for staff wishing to opt for a 4 x 4 vehicle – *(although it should be noted that what the greater allowance is has not been documented)*); and
- Family 4/5 door with suitable specification and luggage space for operational activities.

The above conditions will be monitored by the CFO's nominated officer. The conditions are required not to restrict officers but to ensure a professional and appropriate image is portrayed to the public. Internal Audit did not identify any cars that did not meet the criteria listed above.

The management of the leased vehicle is the driver's responsibility in liaison with the Fleet Manager and is not that of the Service.

At the end of the lease period the vehicle is returned to the lease company. However, Internal Audit was informed that previously this was not always the case, and at the end of the lease period the lease company may provide the option for the individual to purchase and retain the vehicle outright.

What happens at the end of the lease period is not currently covered in SP005. However, this policy is under review and as part of this review, Management may wish to take the opportunity consider whether this practice is fair and equitable and also whether it is appropriate for GFRS to act as the intermediary between the officer wishing to purchase the vehicle and the lease company. Officers with a lease car will know when a lease car is due to be returned and if they are interested in purchasing the vehicle this is something that the officer could pursue direct with the lease company. Any such agreement should not involve other GFRS or GCC staff.

The rules around the criteria for selecting lease cars and process to follow when nearing the end of the lease period should be formally documented. This should include building in sufficient lead time to arrange a new lease car where appropriate.

Please refer to Recommendation 5

HMRC Tax Reporting Implications including Form P11d (Expenses and Benefits)

SP005 states that any income tax liability for the vehicle is the employee's responsibility. The Service will assist by provision of information where possible and will also supply all required information to HMRC. Any benefits gained through the scheme by officers or through special offers associated with the scheme are again for the officer to declare as necessary and are not the responsibility of the Service.

P11Ds are used to report benefits provided (cash equivalents) and expense payments made to employees by employers that are not put through the payroll to HMRC.

At the end of the tax year a P11D calculation is made based on a private to total mileage ratio of the cost of the car, the cost of the insurance and the cost of the road fund license minus the user's annual contribution. Although the cost of insurance is met by the service, there is a BIK element relating to the value of the insurance. The cost of the insurance per user is determined by the insurers at the time of renewal.

There is the potential for substantial penalties to be imposed if P11D returns are not completed or are incorrectly returned. Internal Audit would therefore strongly recommend that the process for completing P11Ds and the information previously reported to HMRC on all P11Ds should be reviewed by tax specialists to ensure that GCC has been compliant in previous years and going forward.

The P11Ds for the officers provided with a lease car were found to record private and business mileage. However, due to lack of clarity over what is considered to be private, business mileage and ordinary commuting identified in the *Expenses and Service Benefits report dated September 2019* the calculations may need to be reviewed to ensure accuracy.

The P11Ds for the three POs in post at the end of 2017/18 all reported a nil BIK due to the fact that they were reported to be gold command and therefore on duty 24/7, 365 days a year.

Factoring in other potential taxation reporting issues raised within this report, it is recommended that all of the GFRS P11D submissions for 2017/18 are reviewed by tax specialists for compliance with HMRC legislation, and depending on the findings this may need to be extended to other years.

Please refer to **Recommendation 2**

Conclusion

Due to the findings, Internal Audit applied an Agile Internal Audit approach to this audit. Agile auditing emphasises ongoing communication and stakeholder engagement rather than relying on a single final report once the review was completed. This meant that throughout the review Internal Audit considered the challenges as they were identified and then worked with GFRS and GCC staff to identify solutions and implement accordingly.

Due to the complexities associated with the compliance of tax legislation, Internal Audit is unable to provide assurance that the reporting by GCC to HMRC in respect of the owned, leased and pool cars and the fuel used in those vehicles has been/continues to be correct. It is recommended that, as a matter of urgency, advice is sought from taxation consultants to establish whether the reporting of vehicle usage is compliant with the HMRC tax rules and exemptions. Internal Audit has been advised that the Council is in the process of commissioning taxation consultants to advise on the correct treatment of tax, considering both the historic and current reporting arrangements.

In addition, Internal Audit is also aware of changes to the taxation of 'emergency' vehicles which is due to be introduced in 2020/21, and this advice will also be used inform policy and guidance going forward.

Audit Opinions on Risk Management and Control

The Public Sector Internal Audit Standards require Internal Audit to provide an independent opinion on the adequacy and effectiveness of the risk identification processes which management has put in place within the area under review, and a sound framework of controls is in place to sufficiently mitigate those risks. This opinion feeds into the Chief Internal Auditor's annual opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control environment, which supports the Annual Governance Statement.

Each report will provide a statement on the levels of assurance that can be given within these two areas, evaluated by applying the following criteria:

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed</p> <p>Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Corporate Risk Management Strategy.</p>	<ul style="list-style-type: none"> System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved Control Application – Controls are applied continuously or with minor lapses
Satisfactory	<p>Risk Aware</p> <p>Service area have an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Corporate Risk Management Strategy.</p>	<ul style="list-style-type: none"> System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger Control Application – Controls are applied but with some lapses
Limited	<p>Risk Naïve</p> <p>Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Corporate Risk Management Strategy, the Service area has not demonstrated an adequate awareness of the risks relating to the area under review and the impact that these may have on service delivery, other services, finance, reputation, legal, the environment, client/customer/partners and staff.</p>	<ul style="list-style-type: none"> System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls Control Application – Significant breakdown in the application of control

Taking account of the issues identified in this audit, in our opinion, **Limited** assurance can be provided that the risk identification arrangements operating within the area reviewed are operating as intended. **Limited** assurance can be provided that these risks which are considered to be material to the achievement of the services objectives for this area under review are adequately managed and controlled.

Appendix A – Action Plan and Management Response

This section contains the findings for each audit objective along with any recommendations made by Internal Audit to strengthen the control environment. The recommendations are categorised as follows:

Priority	Description
High	Critical/Major risk exposure which materially impact on the assets, reputation, service delivery and objectives of the organisation
Medium	Moderate risk exposure that impacts on the assets, reputation, service delivery and objectives of the organisation.

Objective: To ensure that:

- **Fuel obtained using fuel cards and bunker fuel is in accordance with the relevant policy, effectively managed, monitored and reported on.**
- **The vehicle usage and associated fuel schemes in operation in respect of the Principal Officer owned vehicles are transparent and reporting of their use is compliant with current HMRC legislation.**

Fuel Cards and Bunker Fuel

Discussions with the former Fleet Manager established that whilst there were some occasional spot checks of fuel usage (fuel cards and bunker) i.e. emails sent out challenging the spend/type of fuel purchased, the non responses or responses that were less than satisfactory were not always followed up.

Fuel records (fuel cards and bunkers) reviewed by Internal Audit found some to be incomplete and inaccurate for example incorrect registration number, odometer mileage missing, name of person refuelling (bunker) not entered. Without robust challenge and scrutiny of fuel expenditure (cards and/or bunkers) there is a risk that the fuel obtained is not used in official GFRS vehicles. To enable the Fleet Manager to be assured that the fuel obtained is for official GFRS vehicles/use and that records being maintained are accurate, a formalised and robust system of scrutiny and challenge should be introduced to the checking of fuel records and monitoring of fuel usage trends. In addition, all staff using fuel cards and bunker fuel should be reminded of the requirement to provide full and accurate information when refuelling using cards and/or bunkers.

No.	Recommendation	Risks	Agreed Action	
1 (H)	A formalised system of monitoring fuel usage trends, checks and balances should be introduced to provide challenge to the fuel purchased using a fuel card and the fuel drawn down using from the on site station bunker tanks.	Fuel cards/bunker fuel used to refuel non GFRS vehicles.	Policy / process review to introduce line management internal controls and financial random sampling audits.	
	Any changes to the current procedures should be fully documented and distributed to all GFRS staff.	Non compliance with the seven Principles of Public Life impacting on reputational damage.		
		Incomplete/inaccurate information provided when refuelling to hide unauthorised/inappropriate usage.	Person Responsible	Due Date
		Ineffective budgetary control impacting on increased costs.	Fleet manager Strategic Business Partner Finance	31 st March 2020

Finding

The three former POs did not keep records to differentiate between private and business mileage. Internal Audit was advised that this was because they were all on call 24/7, 365 days a year therefore all mileage was business miles.

It is acknowledged that HMRC rules includes an exemption for the use of individuals employed by an emergency service and the of vehicles associated role. However, the exemption (248A) does include a number of criteria that need to be met where this exemption is being applied. See **Appendix B** and **Appendix C**.

Due to its complexity, advice on the interpretation and application of the HMRC tax rules in respect of the POs vehicles and the fuel used in the vehicle needs to be sought from specialists in this area to review both historic treatment and future reporting of vehicles, mileage and fuel provided for use in those vehicles to ensure compliance with legislation.

No.	Recommendation	Risks	Agreed Action	
2 (H)	As a matter of urgency GCC should seek to commission the services of specialist tax consultants to provide advice on how to correctly record and report for taxation purposes, the use of vehicles and fuel.	<p>Non compliance with HMRC legislation resulting in fines and penalties to individuals and/or the Council.</p> <p>Non compliance with the seven Principles of Public Life impacting on reputational damage.</p> <p>Reputational damage.</p>	CFO and Strategic Finance have commissioned PS Tax, work has commenced to identify appropriate policies and procedures.	
			Person Responsible	Due Date
			CFO Strategic Business Partner Finance	31 st March 2020

Finding

The Gold Book states that details of the provision of a car and associated usage will be set out in a locally agreed policy. Internal Audit identified that at the time of the audit there was no locally agreed document/policy in respect of the choice of car and associated usage available to the POs.

No.	Recommendation	Risks	Agreed Action	
3 (H)	<p>A local formal agreement covering all of the terms and conditions of service for GFRS POs should be developed and implemented.</p> <p>In the case of the current CFO this will need to be agreed and issued retrospectively.</p>	Non compliance with the seven Principles of Public Life impacting on reputational damage.	HR and GCC Chief Executive to liaise on final version of Fire and Rescue Principal Officer terms and conditions to be negotiated with CFO.	
			Person Responsible	Due Date
			HR Director	31 st Dec 2019

Objective: To ensure that:

- pool cars are only used in connection with business needs; and
- Use of pool cars are effectively managed and monitored with log books for individual cars completed for each journey undertaken.

Finding

Discussions with the former and current Fleet Managers identified issues with the current controls around the use of booking, using and returning of pool cars. A more formal protocol to be followed when using the pool cars should be introduced.

A review of the pool car log books for the pool cars identified that:

- These vehicles have on occasion been used for non official business use;
- Log books held in the vehicles were poorly maintained and information recorded is often incomplete;
- Log books are not controlled stationery, and the current process for issuing log books and collecting completed pages in could result in records being lost; and
- No evidence that the log books entries are spot tested for compliance.

No.	Recommendation	Risks	Agreed Action	
4 (H)	The Fleet Management policy (SP005) is currently under review.	Pool cars are used for non official journeys.	Strengthen internal controls including the introduction of vehicle telematics.	
	This review should include analysis of the pool car protocols and clearly define what is and is not considered to be appropriate use of a pool car.	HMRC tax implications resulting from personal use of a pool car.		
	Management should ensure that all GFRS staff are aware of and have access to the revised policy.	Motor insurance implications where vehicles are involved in accidents whilst not on official business and/or transporting non authorised individuals e.g. family/friends. Potential abuse of an asset.	Person Responsible	Due Date
			Fleet Manager	31 st March 2020

Objective: To ensure that lease cars meet GFRS specification criteria and are business appropriate.

Whilst the current lease cars used by GFRS meet the criteria set out in SP005, Internal Audit is aware that the policy is under review. As part of this, consideration should be given to reviewing the whole lease end to end process including as a minimum, the vehicle specification criteria, use of the vehicle for private and business miles and process to be followed when the vehicle is approaching the end of its lease.

At the end of the lease period the vehicle is returned to the lease company. However, Internal Audit was informed that previously this was not always the case, and at the end of the lease period the lease company may provide the option for the individual to purchase and retain the vehicle outright. Any such agreement should not involve other GFRS or GCC staff.

No.	Recommendation	Risks	Agreed Action	
5 (H)	<p>The Fleet Policy (SP005), specifically the section on lease cars should be reviewed and updated to ensure that it is fit for purpose, and includes greater detail on how the scheme works, criteria to be followed when selecting a suitable vehicle and the requirements of the officer using the scheme. Including as a minimum:</p> <ul style="list-style-type: none"> • Criteria to consider when selecting a vehicle; • Payment of excess lease amounts, and payments due if terminating a lease early; and • Provision to build in sufficient lead time to arrange a new lease car where appropriate. 	<p>Lease vehicles selected do not meet the required criteria.</p> <p>Changes to lease arrangements have costs implications to the GFRS budget.</p> <p>Reputational damage.</p>	<p>This will be reviewed alongside PS Tax advice and updated to be compliant with new HMRC guidelines and the operational requirements of GFRS and staff T&C's.</p>	
			Person Responsible	Due Date
			<p>Head of Technical Services Fleet manager HR</p>	<p>31st March 2020</p>

Appendix B

Car benefit: emergency vehicles exemption (Section 248A exemption)

Section 248A ITEPA 2003 was introduced in the Finance Act 2004 and was effective from 2004/5. The intention of the Act was not to provide free benefits but to improve emergency response times.

There is no charge to tax for the private use of an emergency vehicle where all of the following conditions are met:

- All of the conditions 1,2 and 3;
and
- Either both parts of condition 4 or both parts of condition 5 are met.

Condition 1: The person

The person must be “employed in an emergency service”

Condition 2: The emergency vehicle

For the purpose of this exemption an emergency vehicle is:

A vehicle (car or van) which is used to respond to emergencies:

- Either: has fixed to it a lamp designated to emit a flashing light for use in emergencies;
- Or: would have such a lamp fixed to it but for the fact that a special threat to the personal physical security of those using it would arise by reason of it being apparent that they were employed in an emergency service.

Condition 3: the terms on which the emergency vehicle is made available

The emergency vehicle must be made available on terms which prohibit its private use otherwise than when the person is on call or engaged in or on call commuting.

If no private use at all is permitted and there is none, there is no charge to tax (Employment Income Manual (EIM) 23605).

Further condition

Both parts of one of the conditions must be fulfilled for the exemption to be effective.

Condition 4: person is “on call”

Part 1: meaning of on call

- At the time they use the emergency vehicle, the person must be liable, as part of normal duties to be called on to use it to respond to emergencies.

Part 2: permitted use while on call

- Use is not limited to ordinary commuting etc. **but such use as is permitted can only be reasonably local to the area in which the employee lives and works** (they are unlikely to be in a position to meet Part 1 of this condition otherwise).

Condition 5: person is engaged in “on call commuting”

Part 1: meaning of commuting

- At the time they use the emergency vehicle, the person must be required to use it in order that it is available for their use, as part of normal duties for responding.

Part 2: permitted use while engaged in on call commuting

The emergency vehicle can only be used for ordinary commuting, or for travel between two places that is for practical purposes substantially ordinary commuting.

Appendix C

Car benefit: Emergency vehicles: charge to tax

Section 205 ITEPA 2003

Transitional legislation from 2017/18 to 2019/20

The rules for calculating the taxable value of an asset provided to an employee which is made available for private use changed with effect from 6 April 2017.

Prior to the 2017/18 tax year, the method of calculating the value of the benefit was based on the ratio of private miles to total miles. This was no longer possible under the new rules introduced by Finance Act 2017. These changes had a significant effect on employees of the emergency services who are allowed to make private use of emergency vehicles.

The government has introduced legislation in Finance Act 2019 to allow the previous basis of calculation to continue for a limited period in respect of emergency vehicles only.

Treatment prior to the 2020/21 tax year

This transitional legislation will apply retrospectively from 6 April 2017 and will remain in force until 5 April 2020.

What employers need to report for tax

Where:

- An emergency vehicle which is available for private use has been provided to an employee; and
- Prior to 6 April 2017 the benefit of that vehicle had been calculated using the ratio of private miles to total miles.

The private mileage ratio basis of calculation may be applied up to and including the 2019/20 tax year. The value of the benefit should be reported in the normal way on a P11D.

Treatment from the 2020/21 tax year

For all emergency vehicles that are not exempt from tax under section 248A ITEPA 2003, the new rules on the valuation of assets made available for private use must be used from 6 April 2020 onwards (see EIM23615 below).

Section 205 ITEPA 2003

Treatment of the expense of fuel provided from the 2017/18 tax year onwards

EIM23615

Where the asset is an emergency vehicle, the expense of providing fuel for it in a tax year is to be disregarded as an expense so long as the fuel provided or cost reimbursed is for business use only and is not used for the employee's private use or, the employee has made good the expense of all private fuel on or before 6 July following the tax year.

Emergency vehicles

From the 2017/18 tax year, where the asset is an emergency vehicle, the expense of providing fuel for it is to be disregarded as an expense so long as:

- The fuel provided is not used for the employee's private use; or
- The employee has made good the expense of all private fuel on or before 6 July following the tax year in which the fuel was provided.