

EX.1 - 1213-138 - MMD Transport - Sub-contractors - CMP	
Priority Level	
Critical Risk	
Exception	
<p>MMD sub-contract haulage journeys to a number of haulage companies.</p> <p>The Transport Manager also confirmed that presently there is no process in place to ensure up-to-date copies of insurance documents are obtained for the sub-contractors. A sample of five haulage contractors were selected no current insurance certification could be evidenced for any of those tested.</p>	
Risks and Consequences	
Financial - financial loss due to no/under insurance.	
Agreed Action	Person Responsible / Action by Date
A system has been set up to ensure all subcontractors have their insurance checked annually.	Haulage Manager – March 2013

EX.2 - 1213-138 - MMD Transport - Process - ICE
Priority Level
Critical Risk
Exception

A review of the processes in the transport department was carried out to establish whether there are sufficient controls in place to prevent or detect fraud. Changes have been made to the system to improve the controls in place, however the risk of fraud/ error occurring within transport activities is still not adequately mitigated as;

- The system in place puts significant reliance on the Transport Manager to negotiate rates with haulage sub-contractors for journeys undertaken on behalf of MMD and the back load rates with customers as these don't follow the schedule of rates.
- Orders for deliveries of items not from MMD stock e.g. backloads, are reliant upon the Transport Manager or the assistant manually entering the journey details into 'HARM' and then raising a manual invoice request to recover the costs from the customer. There is no compensating control that reduces the risk of error or fraud.
- The system is not efficient with various manual and electronic (system generated) processes. Many of the records used can be altered or in the case of 'HARM' (excel spreadsheet) deleted/ amended, for example to change the price and remove the order from the system.

The Transport Manager has confirmed that there are no written agreements in place with any of the companies, as all orders and agreements are made verbally, including pricing. Therefore the Road Haulage Association conditions of carriage apply to all sub-contracted journeys. There is however no written agreement for the price of the journey until the purchase order is sent to the customer, which normally takes place the day after the journey.

Risks and Consequences

Fraud risk - Adequate controls are not in place to prevent/detect fraud.

Operational risk – The system is open to error

Legal/Operational - Dispute resolution may be difficult without agreed written prices in advance of journeys.

tolerances (i.e. +/- 5%) will be investigated by the Financial Controller. Any necessary escalation will be taken to the MMD Board

The Transport Manager has control of the customer haulage rates and informs the Directors on a regular basis of his business plan and changes. Directors compare haulage rates with the previous set of haulage rates for any anomalies

2.2 Backloads

Backloads are now recorded in HARM by the Haulage Manager and his deputy. Trips are raised in Navision by the Haulage Admin Assistant (who records the Trip number in the HARM) and subsequently invoiced in Navision by Finance, so there is a segregation of duties

The HARM's structure and static data is a password controlled spreadsheet. The password is only known by Accounts. The HARM is reconciled to Navision invoicing, monthly, to within 1%. The Financial Controller will investigate and escalate accordingly any variances beyond a 1% tolerance

Transport Manager & Directors- Ongoing
Financial Controller –Ongoing

Completed

Financial Controller - on-going

EX.3 - 1213-138 - MMD Transport - Asset Utilisation – EOO
Priority Level
Critical Risk
Exception

Testing was carried out to establish whether the hired units and trailers were being fully utilised, this highlighted that unit usage reviewed via the information in HARM however there is no analysis of the trailer usage. The Transport Manager states that the vehicles are used regularly, but there is no review of the actual day's usage.

A review of the taco readings for all drivers for the period of 17th September 2012 to 14th October 2012 was conducted as this records which unit was used. This highlighted that there were significant periods where the units were not used for example unit registration KYC was only used for 5 days over the entire period.

Risks and Consequences

Financial - Not maximising income by fully utilising assets.

Fraud risk – MMD assets are used for non MMD business.

Agreed Action

Trailer usage has not been monitored daily.
The HARM has now been modified to include trailers, so utilisation can be regularly monitored
Unit and trailer usage statistics will be reported to the MMD Board on a monthly basis as part of the Monthly Information Pack

Periodic spot checks to verify that trailers not logged out remain on site

Person Responsible / Action by Date

Transport Manager / Financial Controller - Completed 8/3/13

Financial Controller –Ongoing

EX.4 - 1213-138 - MMD Transport - Drivers – EOO
Priority Level
High Risk
Exception

Testing was carried out to establish whether the three permanent drivers were being fully utilised in accordance with their contracts of employment.

For one of the drivers the tachograph readings for the period 17th September 2012 to 14th October 2012 showed only three shifts worked, compared to the timesheets for the period showing 18 journeys plus 5 days holiday.

Following consultation with the company that provide the tachographs it was established that the initial report run was not accurate and a correct report was provided which highlighted infringements on the Road Transport (Working Time) Regulations 2005.

The initial report, showing only three journeys, had been checked by the Assistant Transport Manager and signed by the driver.

Risks and Consequences

Legal/Financial – Penalty for non-compliance or potential removal of operators licence

Health & Safety of drivers not being adequately monitored.

Fraud Prevention – Inaccurate records being checked and approved as authentic.

Agreed Action

MMD drivers are legally entitled to opt out of night time working restrictions, & once this has been recognised, there will be no significant infringements.
MMD to apply for collective opt out agreement so as not to be restricted to 10 hour night time working.

Person Responsible / Action by Date

Transport Manager – March 2013