



# Minimising fuel consumption fraud: a guide for agencies

This guide, based on the findings of a corruption audit<sup>1</sup> by the Crime and Corruption Commission (CCC), has been designed to assist agencies to develop an anti-corruption program to prevent bulk fuel theft.

Theft of fuel is one of the most difficult issues to detect and may not be discovered for a substantial period of time. It does not take long for an untrustworthy employee to identify an opportunity to steal fuel for their personal use. Fuel that is being consumed daily requires ongoing monitoring of stock levels and consumption.

## The importance of monitoring fuel consumption

Public sector employees often have ready access to, and permission to use, fuels as part of their job. However, they are not entitled to use it for their own personal benefit, for the following reasons.

1. Unleaded or diesel fuels are purchased by an agency to be used for the public benefit.
2. As the bulk fuels are expensed as consumables, they remain the property of the agency (on behalf of the public) throughout their life cycle from purchase to consumption.
3. Even towards the very end of its life cycle (e.g. when it is stale/spoiled/expired), the agency retains ownership of its fuel and, as the owner, has the sole right to decide how it is to be treated (e.g. disposed of).
4. Depriving the agency of any bulk fuel it owns, or of any potential benefits derived from that fuel, is stealing – which amounts to corrupt conduct and is reportable to the CCC.

Even though bulk fuel may be of low materiality, its unauthorised consumption may be theft.

## Reasons for theft – pressure, opportunity and attitude

Unfortunately, the practice of taking fuel for personal use can quickly become entrenched in the workplace culture. Management may tolerate it because it does not appear on the surface to cause any great harm, or because it is seen to provide small “perks” for employees.

Regardless of the quantity or value, or the justification for the action, removing fuels without consent or approval amounts to theft, for which an employee may be liable to both disciplinary and criminal action.

There is potential for the behaviour and practice to escalate, even to the stage where it incorporates fraudulent activity. Through a lack of proper controls, minor “personal use” can easily evolve into major theft.

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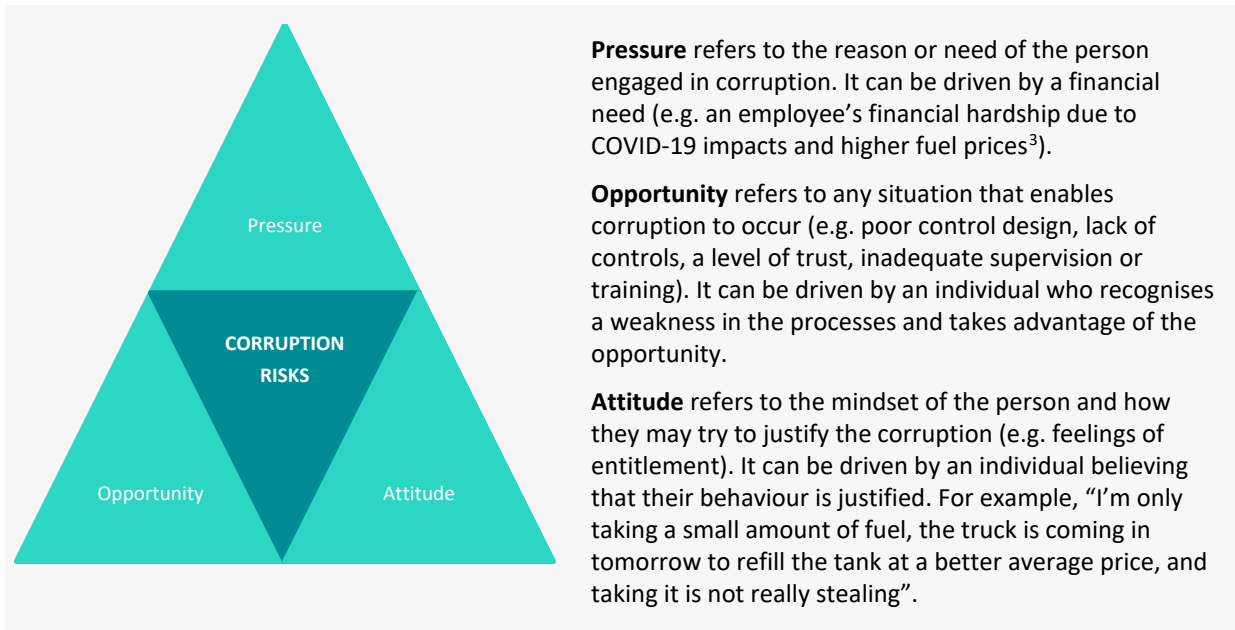
1 [Misuse of public resources: how effectively are agencies minimising risk?](#), CCC, June 2022.



The well-known “fraud triangle”<sup>2</sup> (see figure below) suggests that corrupt activity is usually motivated by a combination of three factors – pressure, opportunity and attitude.

Paying close attention to the fraud triangle can help agencies and fleet managers understand why employees with any one or more of these three factors – pressure, opportunity and attitude – can be vulnerable to corruption.

## The Fraud Triangle



Source: Modified from The Fraud Triangle

## Strategies to prevent fuel theft

As the theft of fuel is difficult to identify, the CCC has put together a guide to set out ways in which agencies can help prevent a situation like this arising in the future. The following is not exhaustive and is limited to the monitoring and management of bulk fuel tanks. The suggested prevention measures depend on the type of fuel management system the agency has in place (e.g. automated or manual).

### Lead by example

All employees are required to comply with agency policies and procedures and be accountable for their actions. The chief executive officer of an agency should make it clear that they are leading by example and ensuring employees understand the negative impacts of employee frauds.

#### Strategies for leading by example should include (as a minimum):

- Setting the ethical tone of the work environment (i.e. promoting trust and honesty).
- Maintaining an appropriate internal control culture.
- Demonstrating through their leadership, words and actions that they enforce and monitor the internal controls.
- Ensuring that there is a clear set of policies and procedures dealing with business processes.
- Being aware of the challenges throughout the business processes for which managers are responsible, and closing any gaps.
- Responding to allegations of corruption.

<sup>2</sup> Donald R. Cressey, *Other People’s Money*, “The Fraud Triangle”, Montclair: Patterson Smith (p.30), 1973.

<sup>3</sup> “Higher fuel prices to drive up cost of living in rural, regional Australia”, ABC News, 9 March 2022.

Assessing organisational governance can help provide assurances that internal controls are designed and operating within an environment that promotes the ethics and values of the agency.

### Develop processes, procedures and policies

Designing adequate processes and having comprehensive policies and procedures will help communicate the requirements and responsibilities for the appropriate use of bulk fuel for agency purposes, and enable increased accountability for fuel usage.

Although an agency may have current policies and procedures for the use of a fuel card and fuel, these may not clearly highlight what employees can and cannot do with bulk fuel.

The policies also may not document what the Fleet Services unit is to do in respect of the monitoring and management of bulk fuel.

The policies and procedures should be based on an integrated risk management approach that caters for areas such as governance, internal controls and training.

#### **Processes, procedures and policies should set out (as a minimum):**

- The process for risk assessment in relation to fuel theft.
- The process for fuel management.
- The process for fuel monitoring.
- The requirements for training and awareness of employees, managers and fleet staff members.
- The evaluation process for the implementation and effectiveness of the policy.

Responsibility and accountability for unauthorised fuel usage may be difficult to attribute in the absence of formally established requirements for the use of agency bulk fuel.

### Educate employees (drivers and bulk fuel storage custodians) and fleet managers

All employees are expected to know the difference between right and wrong, but it is important to discuss the issue of fuel theft and the potential consequences for those caught doing it.

Supporting the policies and procedures with training for all drivers, bulk fuel storage custodians and fuel users solidifies their understanding of the policies and procedures, and their sense of right and wrong.

#### **Training and awareness should include (as a minimum):**

- The agency's values, code of conduct and reporting mechanisms for suspected fraud and corruption.
- The agency's relevant policy and procedures governing the monitoring and management of bulk fuel.
- Use of case studies to demonstrate how fuel theft hurts employees and the agency (highlighting impacts and consequences, including criminal proceedings).
- An explanation of the roles and responsibilities of employees, fleet managers and senior management.
- An explanation of what employees can and cannot do with agency bulk fuel (with management taking a strong stance that personal use is prohibited).
- Instruction in how to detect, identify and prevent fuel theft (including indicators of red flags, techniques and controls).
- An explanation of any system that the agency has installed to prevent fuel theft, and how employees can protect themselves from becoming a target.
- A reminder (or specific requirement) that employees must remain vigilant when it comes to locking their fuel tanks after use. (Agencies with a fuel tank mounted on the back of a utility or truck should make drivers aware of the need to park in secure places, especially when leaving vehicles overnight.)

The goal of educating employees is to influence agency culture by making ethical behaviour the accepted norm.



## Implement physical security measures in depots

A good physical security solution is not one-size-fits-all. Every depot is unique, and security needs will change over time. A depot needs security systems that protect the perimeter, as well as prevent fuel theft by employees and external threats.

It is important that agencies do not wait until after an incident has occurred to evaluate their physical security. Undertaking a site assessment can help improve the security of depots by uncovering weak points in perimeters and developing the right prevention measures to safeguard the depot and bulk fuel tanks.

### Physical security measures in a depot should include (as a minimum):

- Access control for entry to and exit from the depot.
- Video surveillance cameras at key entry points throughout the depot and surrounding the bulk fuel tanks.
- Automatic alerts to notify of any potential intrusions.
- Barriers around the bulk fuel tank.
- Exterior lighting near entrances, and around walkways and bulk fuel tanks. Well-lit grounds can help deter potential theft.
- Perimeter fencing.
- After-hours security.
- Reports of any broken locks, blown lights, overgrown trees and shrubs that could provide hiding places, and other security deficiencies.

Have a risk-storm workshop with depot employees about fuel theft. This can help alleviate any worries amongst employees (i.e. about wrongdoing) and implement better physical security measures based on employees' observations and possible scenarios.

Potential thieves are less likely to operate in an area with good physical security. This not only deters people from outside the depot when it comes to stealing, but it also ensures employees recognise that they are under constant surveillance, minimising the risk of them stealing fuel.

## Implement physical security around bulk fuel tanks

Physical security of bulk fuels is that part of the security system which provides physical barriers to those attempting to gain unauthorised access to fuels for inappropriate consumption.

It is incumbent on agencies to implement a level of physical security around bulk fuel tanks to minimise security risks.

### Bulk fuel tank security measures should include (as a minimum):

- Taking simple precautions when deciding the location of bulk fuel tanks.
- Locating bulk fuel tanks out of sight of a public road.
- Keeping the area around the bulk fuel tank clear of equipment and other obstructions to ensure clear visibility and minimise hiding places.
- Always locking the fuel pump compartment, even when it is only left unattended for a short time.
- Closing and locking all valves on bulk fuel tanks when not in use.
- Never leaving the battery connection unsecured and unattended.
- Never lending fob keys or access cards to the bulk fuel tank.
- Dipping bulk fuel tanks regularly and monitoring fuel usage in order to quickly identify any unexplained loss. Install a flow meter to supervise fuel use.
- Watching where fuel is being moved to (e.g. to public resources and not to personal assets/containers).
- Reporting broken locks and other security deficiencies.



Employees may forget to lock up tanks or security gates at the end of the working day. A popular way to improve the security of bulk fuel tanks is to use an automated fuel management system. A fuel management system will enable agencies to closely monitor stock levels, improve fuel tank security and control fuel consumption. A wireless Bluetooth fuel level sensor could also be considered as an alternative.

A lack of security over fuel consumption, coupled with opportunities to access fuel, increases the risk of employees' corrupt behaviour.

### Be “seen” around the depot

Managing routine tasks can quickly become too easy for an employee, so much so that they may risk diminishing their attention to the job and the associated controls. For a would-be employee fraudster, seeing a colleague becoming complacent is a sign that an opportunity to commit fraud may soon present itself.

A fleet manager, or work unit supervisor of assets and consumables, should be proactive in all aspects of their role. They should keep a close eye on all employees who are operating within the depot, as a priority, especially when fuel theft is a risk.

#### **Fleet managers and work unit supervisors should consider (as a minimum):**

- Spending more time regularly patrolling the area of the bulk fuel tank.
- Routinely reviewing video surveillance footage for any inconsistencies.

Managers/supervisors being “seen” around the depot can act as a real deterrent, as employees will feel like they have less of an opportunity to steal fuel with their managers being more active around the area. Also, viewing video surveillances footage can help with spotting changes in employees' behaviour or other trends that may suggest a looming fuel theft or security problem.

### Conduct regular fuel dipping and reconciliation processes

Dipping bulk fuel tanks is good business practice (including corruption prevention practice) because it reconciles the fuel left in the tank with what has been removed out of the tank and will quickly pick up any discrepancies. This means an agency will soon know if it is losing fuel through theft or leakage.

#### **Internal controls over fuel stock levels should consider (as a minimum):**

- Having an independent person (fleet staff or manager) conduct a physical inventory of the bulk fuels by regularly fuel dipping bulk fuel, commensurate to the risk<sup>4</sup>, in order to manually check current stock levels. (Note: fuel dipping should occur daily if theft is suspected.)
- Conducting monthly reconciliations to ensure that the month-end balance equalled the balance at the beginning of the month plus the purchased quantity, minus the amount removed from the bulk tank. (Note: use physical checks and electronic datasets.)
- Investigating variances between the physical stock levels and the recorded stock levels and documenting the reasons for the variances.
- Developing a prevention response where needed to minimise further variances being identified. For example, missing and incorrect details (such as meter readings), unsecured caps to fuel tank or other risks.

Regular fuel dipping also ensures early detection of fuel loss/theft and enables action to stop it.

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4 High frequency turnover of fuel stocks may require more frequent fuel dipping.

## Invest in better bulk fuel tanks

Bulk fuel tanks that do not have fuel dipping features installed present a fraud corruption risk. This is because without an automated fuel management system the agency has no way of accurately knowing whether the current fuel stock level matches what is recorded in the logbook. The weakest point can be the removal of fuel from the tank.

An agency's bulk fuel tanks may not be enabling it to minimise fuel theft.

Consider a mobile fuel tank, as shown in the picture below, which enables better fuel monitoring and management and the ability to install a modern fuel management system.



### **Bulk fuel tanks should require (as a minimum):**

- The ability to be installed with a modern fuel monitoring and management system (see next section below).
- Physical security of the fuel tanks, as explained above.

## Invest in a fuel monitoring and management system

To identify more easily which employees have accessed fuels and to effectively prevent fuel theft, an agency should consider investing in a modern fuel data monitoring and management system.

With a modern fuel management system, the agency will be able to quickly identify any variances within its fuel reports. An agency can act upon this information, as it will have access to all employees' fuel-dispensing records at the click of a button.

### **A modern fuel monitoring and management system should consider:**

- Preparing a Change Initiative Proposal about the business need or opportunity, and the anticipated cost and timing of the initiative. The proposal should identify risks and dependencies, and options for consideration.
- Asking the Executive Leadership Team to consider and approve the new initiative.
- If approved, progressing to project planning and completing a business case per the agency's project management and governance framework.
- With the plan in place, progressing to project execution and delivery per the agency's project management and governance framework.
- Maintaining good decision-making and recordkeeping throughout the project management process.
- Ensuring that good governance, risk management and internal control activities are incorporated into the fuel monitoring and management system.
- Updating policies and procedures for the newly implemented system and communicate it to relevant staff.

Overall, it is important for an agency to have effective fuel management and monitoring systems in place.



## References

Committee of Sponsoring Organisations of the Treadway Commission, *Internal Control – Integrated Framework*, 2013.

Fraud and Corruption Control – Best Practice Guide, CCC, 2018.

Observations and discussions with councils’ Fleet Managers, 2021.

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