



CROYDON

Final Internal Audit Report

Parking Enforcement and Tickets

September 2019

Distribution: Executive Director of Place (Final only)
Director of Public Realm
Head of Parking Services

Assurance Level	Identified Issues	
Substantial Assurance	Priority 1	0
	Priority 2	3
	Priority 3	2

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

Contents

Page

Executive Summary

1. Introduction.....	3
2. Key Issues.....	3

Detailed Report

3. Actions And Key Findings/Rationale.....	4
3. Priority 3 Issues.....	7

Appendices

1. Terms Of Reference
2. Definitions For Audit Opinions And Issues Identified
3. Statement Of Responsibility

1. Introduction

- 1.1 Penalty charge notices (PCNs) are issued when motorists are in contravention of traffic or parking regulations. Often these are issued by the Council's civil enforcement officers and placed on the vehicle. Contraventions may also be recorded by a camera operator. In these cases, the PCN is sent by post to the registered owner of the vehicle. This serves as the notice to owner.
- 1.2 Income received through enforcement and tickets is required to be banked appropriately and any debts accrued as a result should be recovered or written off appropriately.
- 1.3 The objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Issues

Sample testing found that two of the 10 PCN cancellations selected were not evidenced as approved by a manager, (**Issue 1**).

The reconciliation of parking income, including PCNs, permits and income generated from pay and display machines, to that banked had not yet been completed for quarter 3 2018/19 at the time of audit, (**Issue 2**).

A write off sheet was not available for five of the sample of 10 write-offs tested, to confirm that a manager had authorised these, (**Issue 3**).

Priority 3 issues are included under item 4 below.

3. **Actions and Key Findings/Rationale**

Control Area 3: Cancellation of PCNs		Detailed Finding/Rationale – Issue 1
Priority	Action Proposed by Management	
2	<p>Following discussion we realise that the procedure was not followed correctly for the two PCNs in question. I do believe the increased volume of work and the lack of resources has not helped.</p> <p>We have already subsequent to the audit:</p> <ul style="list-style-type: none"> • Reminded staff how important following this procedure is. • We have already requested system improvement with the software supplier to the Cancellations / Write Off process to work electronically via the Si-Dem. Once this is in place, we will never miss a Cancellation or Write Off. • We are currently recruiting 2 x temporary / Agency staff to help with the increased volume of work • I am also in the process of restructuring the service which will tackle the resource issue in the longer term. Started Friday 18th September. 	<p>In order to help ensure that only valid cancellations occur, where a PCN is required to be cancelled, the member of staff will complete a cancellation form detailing the reason code which is then authorised by a manager.</p> <p>Examination of the records held for a sample of 10 cancelled PCNs found that for two of these the required cancellation form was not available to demonstrate that a manager had authorised these.</p> <p>Where cancellations are not evidenced as approved, there is a risk that these PCNs may be incorrectly cancelled.</p>
Responsible officer		Deadline
Head of Parking Services		October 2019

Control Area 4: Reconciliation and Banking of Parking Income					
Priority	Action Proposed by Management				
2	<p>I was aware that Finance reconciled PCNs, Permits, Pay & Display income quarterly, in arrears. We have a new Head of Service in Finance in place and planned quarterly meetings in which we will ask for an update.</p>				
	<p>Detailed Finding/Rationale – Issue 2</p> <p>Reconciling income received helps to ensure that all income due to the Council has been received and banked into the Council's bank account. Reconciliations are considered a key control by the Council's external auditors.</p> <p>Documentation available confirmed that quarters one and two for 2018/19 had been reconciled fully, including PCNs, permits and income generated from pay and display machines. Quarter three; however, had not been reconciled at the time of the audit in February 2019.</p> <p>Where regular reconciliations are not completed, there is a risk that income owed to the Council that has not been received will not be discovered.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Parking Services</td> <td>30 October 2019</td> </tr> </tbody> </table>	Responsible officer	Deadline	Head of Parking Services	30 October 2019
Responsible officer	Deadline				
Head of Parking Services	30 October 2019				

Control Area 6: Debt Write Off		Detailed Finding/Rationale – Issue 3				
Priority	Action Proposed by Management					
2	<p>This was a human error. The process we have in place is as follows:</p> <p>We have a Cancellation and Write off process:</p> <p>We have subsequent to the audit:</p> <ul style="list-style-type: none"> Reminded staff how important following this procedure is. We have already requested system improvement with the software supplier to the Cancellations / Write Off process to work electronically via the Si-Dem. Once this is in place, we will never miss a Cancellation or Write Off. We are currently recruiting 2 x temporary / Agency staff to help with the increased volume of work I am also in the process of restructuring the service which will tackle the resource issue in the longer term. Started Friday 18th September. 	<p>The Council's Income Procedures state that when debt recovery procedures have been exhausted, the debt must be written off by the appropriate officer in accordance with the Scheme of Financial Delegation. When a member of the Parking team writes off a Penalty Charge Notice (PCN), they note this on a write off sheet. This is then signed by a Manager and uploaded to the respective PCN records on Si-Dem.</p> <p>Examination of the records and documents held for a sample of 10 written off PCNs found that for five of these a write off sheet was not available confirming that a manager had authorised these.</p> <p>A similar issue was identified and reported in the 2017/18 Parking Enforcement Audit Report.</p> <p>Where the write off sheets are not attached to written off PCNs, there is a lack of evidence that the write off of these PCNs has been approved and there is a risk that these may have been inappropriately written off.</p>				
<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Parking Services</td> <td>30 October 2019</td> </tr> </tbody> </table>		Responsible officer	Deadline	Head of Parking Services	30 October 2019	
Responsible officer	Deadline					
Head of Parking Services	30 October 2019					

4. Priority 3 Issues

Action Proposed by Management	Findings
<p>a) We were recently successfully audited by DVLA directly. Any mismatched details received from DVLA are cleared off our system.</p>	<p>In order for PCNs to be valid, these are required to be issued in accordance with The Traffic Management Act 2004, as amended. Examination of the records and documentation relating to a sample of 20 PCNs found that, for one case the PCN was not issued correctly, with an error in the upload of DLVA information. The PCN was therefore not enforced. Where tickets are not issued correctly there is a risk that funds owed to the Council will be unenforceable and will need to be cancelled or written off.</p>
<p>b) As far as I'm aware, there is little or no change within parking policy in connection to legislation. We are in the process of capturing detailed step by step guides which will assist in training staff and during performance monitoring. This will need reviewing once again once we have our new Back Officer system within a year.</p>	<p>Examination of the policies on the Parking Team SharePoint site noted that a number of these had not been reviewed and updated recently, namely the: Vulnerability Policy, Pay and Display Refunds, Pay and Display Cash Collection Reconciliation, Pay and Display Cash Collection Procedure, On Street Parking Enforcement Operation, PCN & Permits Refunds, and PCN Cancellations. Furthermore, the following were not dated and it thus it was not possible to properly determine whether these were up-to-date: Bailiff Partner Chargeback Process, Pay and Display – Refunds, Pay and Display Cash Collection reconciliation, Parking Customer Services Cash Payments Process, Procedure for Investigating Cashless Parking PCNs, and Print Procedures. Where policies are not reviewed regularly there is a risk that the aims and targets of the service may be out of date. Staff may therefore aim for out of date targets.</p>

TERMS OF REFERENCE

Parking Enforcement and Tickets

1. INTRODUCTION

- 1.1 Penalty charge notices (PCNs) are issued when motorists break traffic or parking regulations. Often they are issued by the council's civil enforcement officers and placed on the vehicle. Contraventions may also be recorded by a camera operator. In these cases, the PCN is sent by post to the registered owner of the vehicle. This also serves as the notice to owner.
- 1.2 Income received through enforcement and tickets should be banked appropriately and any debts accrued as a result should be recovered or written off appropriately.
- 1.3 This audit is part of the annual review of Key Financial Systems upon which the Council's external auditor may place reliance. It is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





- 3.1 This audit examines the Council's arrangements for the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational & Management Requirements	0	0	1
Issue of PCNs	0	0	1
Cancellation of PCNs	0	1	0
Reconciliation and Banking of Income	0	1	0
Debt Recovery	0	0	0
Debt Write Off	0	1	0
Monitoring and Reporting	0	0	0
Budgetary Control	0	0	0
Risk Register	0	0	0

DEFINITIONS FOR AUDIT OPINIONS AND IDENTIFIED ISSUES

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom.
Registered in England and Wales No 0C308299.