

# Final Internal Audit Report

## Parking Enforcement: Pay and Display Meter Maintenance and Income Collection

July 2022

Distribution: Corporate Director of Sustainable Communities, Regeneration  
and Economic Recovery

Director of Sustainable Communities

Head of Highways and Parking Services

Corporate Director Resources and S151 Officer

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	1
	Priority 2	2
	Priority 3	1

### 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.

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

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1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

### 1. Introduction

- 1.1 The Road Traffic Regulation Act 1984 details that, '*A local authority may by order designate parking places on highways, and the authority may make charges for vehicles left in a parking place so designated*'.
- 1.2 Paid-for parking is available in all Croydon controlled parking zones (CPZs). In order to park in CPZs, motorists require either to be parking permit holders and/or make payment using Pay and Display (P&D). In accordance with the statutory requirements, the structure and level of parking charges must be designed to help balance this supply and demand. Roads and car parks where parking demand is high therefore tend to have higher P&D charges and shorter parking duration than lower demand areas.
- 1.3 A comprehensive review of on-street and off-street parking charges was carried out by Croydon Council (the Council) in 2016 with a simpler linear tariff being introduced with set rates per 30 minutes for P&D bay charges. This was carried out as part of the Fair Parking Policy to provide a more consistent approach across the Borough in an operationally cost-effective way, while complying with the road network duties placed upon the Council. This was subsequently reviewed in 2018 and again in January 2021.
- 1.4 The team responsible for the controls and processes of Pay & Display Maintenance and Income Collection is led by the Head of Highways & Parking Services and involves the Infrastructure Manager, the Service Delivery Officer as well as Finance personnel from Resources.
- 1.5 For information and labelling on P&D machines to be in accordance with the Traffic Signs Regulations and General Directions Act 2016, every bay needs to be clearly labelled and have a P&D sign stating the terms and conditions and tariffs for parking.
- 1.6 A total of 962 P&D Machines are available for use in all of Croydon's CPZs. The Smartfolio System shows live data from the P&D machines (divided into zones) and is inspected each day by the Infrastructure Manager to identify the amount of cash held in each pay and display machine.
- 1.7 When cash is collected from the P&D machines, a 'round sheet' is produced along with a collection report from the Council's cash collection contractor, BDI Securities.
- 1.8 Faults with P&D machines can be reported by BDI Securities as well as the public and can be tracked on the Smartfolio System. There are four engineers employed by the Council, each responsible for the maintenance of P&D machines within a zone in the borough.
- 1.9 The fieldwork for this review was completed remotely in response to COVID-19.

- 1.10 The audit was undertaken as part of the agreed Internal Audit Plan for 2021/22 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

## 2. Key Issues

### Priority 1 Issue

The contract with cash collector, BDI Securities, was not provided during the audit. We were therefore unable to complete relevant testing and deliver our agreed scope for this audit. **(Issue 1)**

### Priority 2 Issues

The Reconciliation Policy is out of date alongside a lack of segregation when preparing and reviewing/ approving reconciliations of the cash collected by the contractor and the Council's system. **(Issue 2)**

Lack of supporting evidence regarding one of the selected samples for the testing of refunds paid to customers. **(Issue 3)**

The priority 3 Issue is listed under Section 4 below.

### 3. Actions and Key Findings/Rationale

#### Audit Area: Management and Organisational Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1				
1	Whilst a signed copy of the BDI Securities UK Ltd contract was not available at the time of the audit, we have now supplied this to the Internal Audit team.	<p>The Constitution of the London Borough of Croydon (Part 4.I Tenders and Contract Regulations) stipulates the importance of having a valid contract with vendors prior to engaging in commercial activities with them.</p> <p>It was established that BDI Securities provide the cash collection and counting services for the Council's Parking Services department. The total payments to BDI Securities from June 2020 to April 2022 totalled £187,652.40.</p> <p>A copy of the contract with BDI Securities was requested from the Head of Highways &amp; Parking Services; however, a copy of this contract was not made available. The Head of Highways &amp; Parking Services explained that they were waiting for confirmation of where the contract was themselves.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Highways and Parking Services</td> <td>Completed</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Highways and Parking Services	Completed	<p>Where a copy of the contract with BDI Securities cannot be located, there is a risk that this does not exist. Furthermore, without access to a copy of the contract, the terms of the contract cannot be known and consequently enforced.</p>
Responsible Officer	Deadline					
Head of Highways and Parking Services	Completed					

**Audit Area: Collection and Recording of Cash**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2				
2	<p>We accept that there was not a review process for the cash count reconciliation. The Head of Service is working with the team to establish a process whereby a manager who is not involved in the cash collection process will review and approve the cash count reconciliation.</p> <p>In April 2022 the process was updated to reflect the change in contractor, and it will be updated again to reflect the additional review process.</p>	<p>Cash collected by the Council’s contractor, BDI Securities, should be reconciled with the Council’s Parkeon ‘myParkfolio’ System to reduce the risk of error and fraud.</p> <p>We were informed by the Service Delivery Officer (SDO) that BDI Securities emails a spreadsheet to them with the cash count for each day. The SDO then performs and self-approves the reconciliation. This activity is neither reviewed nor approved by another Officer. Testing of this process for a sample of ten dates confirmed that the relevant documentation was available and that the income for all of the dates reconciled with no issues noted.</p> <p>Additionally, it was noted the ‘Reconciliation Procedure Document’ details a process which is no longer in use, as it was for the Council’s previous contractor. The ‘Reconciliation Procedure Document’ therefore needs to be updated to reflect the current control processes regarding reconciliations.</p> <p>Where segregation of duties between performing and reviewing (or approving) reconciliations are not in place, there is an increased risk of errors being undetected, potentially leading to financial loss. Where the Reconciliation Procedure Document does not reflect the Council’s current practices, there is an increased risk of inconsistent practice.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Highways and Parking Services</td> <td>30 June 2022</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Highways and Parking Services	30 June 2022	
Responsible Officer	Deadline					
Head of Highways and Parking Services	30 June 2022					

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
2	Following the audit we have improved process for the refunds to ensure evidence is readily available to support the refund. We have created a log in SharePoint for all refunds processed and are now saving copies of all supporting emails in a dedicated folder in the Parking services shared mailbox.	<p>All refunds granted to Pay &amp; Display customers should be supported by relevant documentation and be in line with the Council's Refund Policy.</p> <p>A sample of ten refunds from the period 1 April 2021 to 31 January 2022 were selected for testing, five from RingGo and five from SimplePay.</p> <p>For the sample of five RingGo refunds, evidence was provided confirming that a request for the refund was received, that the refund was actioned directly on the RingGo system and that an email confirmation was forwarded to the customer, where appropriate. This was in line with the Council's Refund Policy.</p> <p>For SimplePay, one instance was observed where the supporting documentation could not be located by the SDO (25 November 2021). The other four refunds sampled had the relevant information provided; such as customer providing last three digits of card number used for transaction, date of transaction, amount and location, evidence of it being actioned on SimplePay system and email confirmation sent to the customer. These were in line with the Council's Refund Policy.</p>
Responsible Officer	Deadline	
Head of Highways and Parking Services	Complete	Where information is not available or a clear audit trail is not kept, there is a risk that the refunds paid are not in line with the Council's policies and procedures, potentially leading to financial loss.

**Priority 3 Issue**

Agreed action		Findings
<p><b>Control Area 3: Maintenance of Pay &amp; Display</b></p> <p>We accept that on these four occasions the three hour performance indicator was not met but given the mitigation measures as set out by the Infrastructure Manager, these measures reduce the potential for loss of income significantly.</p> <p>To ensure that we are responding to faults within the required timeframes we are reviewing the process for fault reporting and handling with a view to automate and improve the process.</p>		<p>P&amp;D machine faults should be resolved within three hours according to Infrastructure Manager. A sample of ten dates (148 faults) were tested to confirm whether faults had been resolved in a timely manner. From these 148 faults, time to resolve the fault exceeded three hours on five occasions:</p> <ul style="list-style-type: none"> <li>- 17/09/2021- one instance where it took 3 hours and 25 minutes from ‘customer complaint’ fault that was advised by email (P&amp;D Inbox)</li> <li>- 30/10/2021- one instance where it took 3 hours and 15 minutes for a ‘tickets low’ fault advised by a Team Officer.</li> <li>- 03/11/2021- two instances where it took 3 hours 30 minutes and 3 hours 50 minutes for a ‘tickets low’ fault advised by Smartfolio.</li> <li>- 08/12/2021- one instance where it took 4 hours for a ticket ‘button not working fault’ advised by an email complaint.</li> </ul> <p>On following this up with the Infrastructure Manager, Internal Audit were advised:</p> <ul style="list-style-type: none"> <li>• The 3-hour target is for reactive calls on machines and is only a guide.</li> <li>• Should the machine be out of service there is a cashless parking method of payment available and if a machine is out of service, then most of the time there is more than one machine on the road that is available for use.</li> <li>• The machine log covers everything so if they want to monitor times, they can filter this information.</li> <li>• The Infrastructure Manager did not give specific reason as to why machines were not attended within the prescribed timeframe.</li> </ul>
Responsible Officer	Deadline	
Infrastructure Manager	29 July 2022	



Agreed action	Findings
	Where machine faults are not resolved within the internal target of three hours, there is a risk that the Council are losing potential income for a considerable period and could also lead to the frustration of potential customers.

## AUDIT TERMS OF REFERENCE

### **Parking Enforcement: Pay & Display Meter Maintenance and Income Collection – 2021/22**

#### **1. INTRODUCTION & BACKGROUND**

- 1.1 The Road Traffic Regulation Act 1984 states that ‘A local authority may by order designate parking places on highways, and the authority may make charges for vehicles left in a parking place so designated’.
- 1.2 Paid-for parking is available in all Croydon controlled parking zones (CPZs). In order to park in CPZs, motorists require either to be parking permit holders and or make payment using pay and display (P&D). In accordance with the statutory requirements, the structure and level of parking charges must be designed to help balance this supply and demand. Roads and car parks where parking demand is high therefore tend to have higher P&D charges and shorter parking duration than lower demand areas.
- 1.3 A comprehensive review of on-street and off-street parking charges was carried out in 2016 with a simpler linear tariff being introduced with set rates per 30 minutes for P&D bay charges. This was carried out as part of a fair parking policy to provide a more consistent approach across the Borough, in an operationally cost-effective way, while complying with the road network duties placed upon the Council. This was subsequently reviewed in 2018 and again in January 2021.
- 1.4 This audit is being undertaken as part of the agreed Internal Audit Plan for 2021/22.

#### **2. AUDIT OBJECTIVES AND METHODOLOGY**

- 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 The audit included the following areas (and number of issues identified):

Audit Area	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Management and Organisational Requirements	1	0	0
Collection and Recording of Cash	0	2	0
Maintenance of Pay and Display Meters	0	0	1
Reconciliation of Income	0	0	0
Management Reporting	0	0	0
Risk Register	0	0	0
<b>Totals</b>	<b>1</b>	<b>2</b>	<b>1</b>

### Definitions for Audit Opinions and Issues Identified

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 constantly 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 of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

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

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

## **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.

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