

Final Internal Audit Report

Parking Income: Debt Collection

November 2024

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Interim Director, Sustainable Communities
Head of Parking Services
Head of Finance, SCRER
Audit Liaison Officer, SCRER
Director of Finance & Deputy S151 Officer
Corporate Director, Resources & S151 Officer (final only)

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

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis 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. Introduction

- 1.1 Croydon Council (the Council) exercises parking powers under the Traffic Management Act 2004, which transferred responsibility for the enforcement of parking regulations from the police to local authorities. These are administered by the Parking and Highways division of the Sustainable Communities, Regeneration and Economic Recovery (SCRER) directorate.
- 1.2 Parking is a significant source of revenue for the Council and generates income across several main areas: Permits, Pay & Display, Penalty Charge Notices (PCNs) issued by enforcement officers, and PCNs issued by Automatic Number Plate Recognition (ANPR) schemes. For the year 2023/24, the Council budgeted income of £26.4m from these sources.
- 1.3 Penalty Charge Notices (PCNs) issued either by on-street enforcement officers or Automatic Number Plate Recognition (ANPR) cameras are payable within 28 days, but a discount of 50% is granted if paid within 14 days. PCNs are a civil penalty rather than a criminal one, meaning that non-payment is not a criminal offence. Should a driver who was issued a PCN fail to pay, the Council must pursue the debt through civil debt recovery procedures. The Council can use enforcement agents (commonly known as “bailiffs”) to collect the debt.
- 1.4 Diligent management of outstanding debts is important for helping ensure the financial solvency of the Council in the short to medium term. It is important that debts are pursued promptly and effectively, and that bad debts are written off when it becomes apparent that payment is unlikely.
- 1.5 The PCN debts are automatically logged onto the SIDEM system and debts are managed through this system.
- 1.6 While this audit and testing was performed remotely, the relevant documents required to complete the audit were obtained.
- 1.7 This audit was undertaken as part of the agreed Internal Audit Plan for 2023/24. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Issues

There was no specific policy in place which addressed Croydon's approach to parking enforcement. Additionally, there were no documented procedural guidance notes or expected standard working practices in relation to parking enforcement. **(Issue 1)**

Not all PCN processes and procedures had been documented, and there was a significant reliance on human memory in carrying out the processes **(Issue 2)**.

There were no key performance indicators (KPIs) in place in relation to parking enforcement, such as average collection times and collection rates adherence percentages. **(Issue 3)**

The Priority 3 issue is included under item 4 below.

3. Actions and Key Findings/Rationale

Control Area 2: Regulatory, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
2	<p>The Council now has a full parking policy that went before cabinet and supports and underpins the mayoral plan.</p> <p>The new Head of Parking Services has engaged an external consultancy to review and draw up processes and procedures for the service. This has already resulted in a full one-day visit by the company WSP. WSP were also responsible for drafting the Parking Policy in 2023 / 24 that went before Cabinet and was approved. The timescales for the work to be done are as follows:</p> <p>Visit from WSP and assessment of current policies and procedures in place,</p>	<p>Expected Control</p> <p>In order to provide consistency of approach and to provide guidance to staff, appropriate policies and procedures are in place (and available to staff), which outline Croydon's approach to managing PCNs in line with the Traffic Enforcement Act 2004.</p> <p>Issue/ Finding</p> <p>The Council had a draft Parking Policy for 2024, which outlined how Croydon intended to support the local economy, managing parking arrangements and support disabled residents.</p> <p>However, the draft Parking Policy did not reference the Traffic Enforcement Act 2004. Additionally, the Investigation Teams manager reported that not all PCN standard working practices and processes were documented, as most of the team have been in post for over 15 years and believe they can sufficiently handle the processes</p> <p>The Head of Highways and Parking further explained that the Council operates in line with the London Borough Councils Code of Practice on Civil Parking Enforcement, so a Policy which refers to the Traffic Enforcement Act 2004 and PCN procedures was not in place. However, the London Borough Councils Code of Practice on Civil Parking Enforcement details that, <i>"This updated version of the existing Code of Practice advises authorities in London of the procedures that they must follow, the procedures they must have regard to and those that London Councils recommends are good practice when</i></p>

	Second week in November 2024. Full drawn up policies for submission to Audit to be completed by 1 st Week in December 2024.	<p><i>delivering Civil Parking Enforcement (CPE). Whilst enforcement policy is a matter for each individual authority, in order to ensure a minimum level of operation standards across London, authorities should have regard to the guidance set out in this Code of Practice.</i> However, the Code of Practice is not a substitute for written processes & procedures.</p> <p>It was noted that some process maps and procedures were in place such as time frames associated with the PCN cycle and write off procedures where multiple contraventions occur in a small-time frame.</p>
Responsible Officer	Deadline	
Head of Parking Services	<p>Consultant visit and commencement of Process and Procedures-Mid November</p> <p>Full process and Procedures to be provided to Audit by 6th December 2024</p>	<p>Risk</p> <p>Policies and procedures in relation to parking enforcement are not in place, or are insufficient or incomplete, which may result in inconsistent management of the PCN Process. Where long staffing staff members cease employment, knowledge gaps may arise resulting in inefficient management of the PCN process.</p>

Control Area 3: Debt Recovery Procedures & Enforcement Action

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2
2	<p>Every day DVLA report back to Local Authorities on request for information of registered keepers of vehicles.</p> <p>These keeper details, where provided, are automatically entered onto the Si Dem system by electronic exchange and the management of that PCN is progressed.</p> <p>There is a second category of requests provided by the DVLA where they have no record of keeper details as in the example of CR 18376166.</p> <p>The number of vehicles issued to that are not registered with DVLA is growing and is becoming a high-level occurrence.</p> <p>Parking services will now at every month end run a report on cases on hold due to no keeper details provided by</p>	<p>Expected Control</p> <p>The Council has processes in place to log, manage and administrate PCNs, to ensure an accurate database of all outstanding PCNs is in place.</p> <p>Issue/ Finding</p> <p>Review of a sample of ten PCNs issued between April and December 2023 confirmed that in all instances the required letters as part of the PCN cycle had been issued, and where required, the PCNs escalated to the debt registration stage. It was confirmed that, in nine of the ten instances, a log of the letters (in addition to copies of the actual letters) was held on the SIDEM system and could be provided as required. However, in one instance (CR18376166) it was found that a PCN was put on hold (due to no address being returned by DVLA for the vehicle registration number) and no further action taken since July 2023. Management advised that this ticket required cancellation.</p> <p>A query was raised with management as to how many other tickets were being held; however, management did not provide a response to this query.</p> <p>Risk</p> <p>The Council does not have an accurate reflection of the number of outstanding PCNs, which may result in inaccurate income forecasting.</p>

<p>DVLA and will request that these PCNs are cancelled. Parking services will also update on finance of cancelled cases so that financial forecasts can be adjusted, and better financial planning can be undertaken in future years.</p> <p>Action will commence at end of November to provide cases on hold and write off recommendations for approval. A report of cases on hold as of 31st October 2024 will be provided to Audit by Mid November.</p>			
Responsible Officer	Deadline		
Head of Parking Services	Mid-November 2024		

Control Area 5: Management Reporting and Information

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3
2	<p>Parking Services are commencing with the provision of a Dashboard with KPIs that can be shared with directors, Cabinet members and Executive mayor upon request.</p> <p>It is expected that this will be in place by 10th December 2024 and will be provided to Audit for comments and recommendations.</p> <p>The Dashboard will include the recommendations within this report.</p>	<p>Expected Control</p> <p>Performance information in relation to parking debt collection is produced and monitored, this includes KPIs in relation to debt recovery procedures.</p> <p>Issue/ Finding</p> <p>A review of the January 2024 P10 SCRER Monitoring Pack, produced monthly and reported to the DMT, found that risks relating to Parking Income were discussed, specifically the risk of parking demand (including pay and display and ANPR parking) not returning to pre-pandemic levels.</p> <p>However, the reports pack was primarily used for budget monitoring purposes and did not detail any specific KPIs in place in relation to parking income collection, such as average collection time, collection rates and debt recovery.</p> <p>Risk</p> <p>Where appropriate KPIs are not in place or are not being monitored, the performance of the service is difficult to assess. This may result in poor performance going unidentified, and thus, uncorrected.</p>
Responsible Officer		Deadline
Head of Parking Services		10 th December 2024

4. Priority 3 Issues

Agreed action	Findings
<p><u>Control Area 4: Write Offs</u></p> <p><u>Action proposed by management:</u></p> <p>Parking Services employ more than one Enforcement Agent and if one agency is not successful in recovering debts, they will be re issued to a different agency.</p> <p>The SLA (Service Level Agreement) set in the contract with these agents is that they should collect 17% of all debts passed to them.</p> <p>Currently the Performance is around 16%-1% point below SLA.</p> <p>Whilst there are a number of reasons that councils cannot legitimately collect debts (Disabled users, vehicles classified as Motability type. Debtors changing the keeper details or their address to avoid collection), Parking Services must take exhaustive measures to collect on Debt.</p> <p>The Si Dem system is currently not set up for the ease of reallocating debt to different Enforcement Agents.</p>	<p>Expected Control</p> <p>Guidance is available that outlines the criteria of when debts are appropriate for write off and the approval that is required. Debts eligible for write off are written off in a timely manner and receive appropriate approval.</p> <p>Issue/ Finding</p> <p>The Council regularly write-off PCNs where it is deemed unlikely that they will ever be paid. Between 1 April 2023 and 4 March 2024, out of a total of 227,941 PCNs issued, 21,859 had been written-off as of 4 March 2024.</p> <p>It was explained that the Council utilises the cash basis of accounting for PCNs due to the complex nature of the collection cycles of PCNs, so there is no requirement to make provision for bad debts.</p> <p>It was queried with management in relation to the procedures followed where debts were not collected by enforcement agents after the one-year warrant of control expiring. In relation to the administration of the SIDEM system readvised that although there was a much lower probability of these PCN debts being collected, the Council did not remove these debts from the SIDEM System. However, there are no attempts at collecting these debts after the warrant expires. A PCN itself becomes legally unenforceable six years from issue.</p> <p>Regarding actions taken to reduce the possibility of long-term debts building up, it was noted that the Council sends one pre-debt registration non statutory letter prior to obtaining a court order for debt enforcement</p>

Agreed action	Findings
<p>Head of Parking Services is currently meeting with Si Dem software provider to insist that they provide a solution to enable Agency swapping. (Bailiff Splitting) The deadline set upon Conduent; SIDEM provider is Mid-November.</p> <p><u>Responsible Officer:</u> Head of Parking Services</p> <p><u>Deadline:</u> System to have capabilities of Bailiff Splitting by 5th January 2025</p>	<p>procedures to begin. However, no further steps to prevent long term debts were employed following PCNs being issued.</p> <p>Risk: The Council does not have methods in place to obtain payment of long-term debts resulting in lost potential income.</p>

AUDIT TERMS OF REFERENCE

Parking Income – Debt Collection

1. INTRODUCTION

- 1.1 Croydon Council exercises parking powers under the Traffic Management Act 2004, which transferred responsibility for the enforcement of parking regulations from the police to local authorities. This is administered by the Parking and Highways division of the Sustainable Communities, Regeneration and Economic Recovery (SCRER) directorate.
- 1.2 Parking is a significant source of revenue for the Council. Parking generates income across several main areas: Permits, Pay & Display, Penalty Charge Notices (PCNs) issued by enforcement officers, and PCNs issued by Automatic Number Plate Recognition (ANPR) schemes. This audit is part of the agreed Internal Audit Plan for 2023/24.
- 1.3 This audit was part of the agreed Internal Audit Plan for 2023/24.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit for each control / 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 focused on Parking Income – Debt Collection and was undertaken as part of the 2022/23 Internal Audit Plan. The specific scope included the following areas and issues raised:





Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management Requirements;	0	1	0
Record Keeping & Monitoring of Debts;	0	0	0
Debt Recovery Procedures & Enforcement Action;	0	1	0
Write Offs; and	0	0	1
Management Reporting and Information.	0	1	0

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Total	0	3	1

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 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:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	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 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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