

Final Internal Audit Report

Parking Enforcement and Income

April 2018

Distribution: Executive Director of Place (Final only)
 Director of Safety
 Operational Manager
 Finance Officer

Assurance Level	Issues Raised	
Substantial Assurance	Priority 1	0
	Priority 2	4
	Priority 3	1

Status of Our Reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd 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 This audit was undertaken as part of the agreed Internal Audit Plan for 2017/18, carried out annually for parking income and a specific operational area. The operational area selected for this year was parking bay suspensions.
- 1.2 Where businesses or construction firms require space to conduct works or use a registered parking bay, they may pay the Council to have the parking bay temporarily suspended.
- 1.3 There is a £50 administration charge with a daily charge of £50 per day for central controlled parking zones (CPZ) and £40 for all other parking bays or the ability to park on yellow lines. Payments for dispensation/suspension must be received prior to being actioned.

2. Key Issues

Priority 2 Issues

The spreadsheet used to monitor parking bay suspensions was missing key information, such as suspension references, client names, PO Numbers, prices, and date of processing, which makes it difficult to track these suspensions (**Issue 1**).

Three of the sample of fifteen suspensions tested were not paid by the due date, (**Issue 2**).

The Council is not able to conduct a full reconciliation of the on and off street parking income due against the income actually received by the Council, (**Issue 3**).

Three of the ten PCN write off samples tested had no sign off sheet on the Si-Dem system, meaning that it could not be confirmed whether the write offs had been authorised and in one instance the sign off sheet was prepared and authorised by the same person (**Issue 4**).

The Priority 3 issue is included under item 4 below.

3. Actions and Key Findings/Rationale

Control Area 2: Monitoring and Payment of Parking Bay Suspensions					
Priority	Action Proposed by Management				
2	<p>We have now added some more fields onto the spreadsheet to include the very first point of a suspension request and to show the payment process throughout. Also benchmarking other Council to see if a software solution could be found for the service.</p>				
	<p>Detailed Finding/Rationale – Issue 1</p> <p>The Parking team has a spreadsheet listing all past and current suspensions, which is kept on SharePoint and updated on a regular basis. It contains information such as the street with suspended parking, suspensions dates, which bays are suspended and when the signs are collected after a suspensions ends, among other things.</p> <p>Examination of the spreadsheet noted that some useful information, like suspension references, client names, PO Numbers, dates of processing, price, and method of payment, were missing from the spreadsheet, which makes it difficult to track past suspensions.</p> <p>The only way to look for information relevant to a suspension beyond what is already contained in the spreadsheet is to search through a large volume of emails using the street name as search term. Furthermore, because staff sometimes reply to queries from their individual email addresses, instead of using the suspensions inbox, the correspondence related to affected suspensions may be stored in any of a number of e-mail inboxes.</p> <p>Where a proper audit trail of parking suspensions is not maintained, there is a risk that additional staff time if required to resolve queries and that staff are not able to effectively monitor and manage these suspensions.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Field Supervisor</td> <td>1st May 2018</td> </tr> </tbody> </table>	Responsible officer	Deadline	Field Supervisor	1 st May 2018
Responsible officer	Deadline				
Field Supervisor	1 st May 2018				

Control Area 2: Monitoring and Payment of Parking Bay Suspensions					
Priority	Action Proposed by Management				
2	<p>We aim to take payment in advance for all domestic and commercial customers which are not set up on the oracle system request.</p> <p>We will be aiming to have invoices generated within 14 days of the suspension request ending. All invoices generated and put on our oracle system from utility and commercial companies which are currently set up on the oracle system.</p> <p>We have no control once the invoices are submitted onto oracle.</p>				
	<p>Detailed Finding/Rationale – Issue 2</p> <p>Domestic customers are required to pay before the suspension begins, with payment usually being taken over the phone using a credit or debit card. Contractors, however, are invoiced after the suspension ends with payment being due immediately.</p> <p>Examination of the supporting documents and oracle records for a sample of fifteen suspensions found that:</p> <ul style="list-style-type: none"> • A payment of £850 due on 14 December 2017 was only paid on 31 January 2018; • A payment of £130 due on 13 November 2017 was only paid on 18 January 2018; • A payment of £100 due on 26 July 2017 was only paid on 1 September 2018; and • The remaining payments were either received by the due date (4 payments, being 2 domestic suspensions and 2 contractor suspensions) or within 30 days (8 payments all being for contractor suspensions). <p>Suspensions being paid late may increase the chance of collection action having to be taken and can also contribute to a lax attitude among suppliers who often pay the Council's invoices later than agreed.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Infrastructure Manager</td> <td>1st May 2018</td> </tr> </tbody> </table>	Responsible officer	Deadline	Infrastructure Manager	1 st May 2018
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Infrastructure Manager	1 st May 2018				

Control Area 3: Reconciliation and Banking of Parking Income	
Priority	Action Proposed by Management
2	<p>The Council currently received Pay and Display income via 3 sources:</p> <ol style="list-style-type: none"> 1. NSL (CASH - coinage from machines) 2. RingGo (Cashless - mobile phone payments) and 3. SimplePay (Contactless - Credit / Debit Card payments) <p>The Council receives daily transactions / payments from the 3 suppliers, who collect on our behalf and charge us separately for their services. Income received is automatically channelled via the Council's Cash Control system and transactions are automatically allocated to Parking's Cost Code.</p> <p>Currently there is no obvious method to identify the 3 different income sources thereby, income reconciliation is not possible. A suggested solution to this problem is to get the Suppliers to provide Cash Control with a unique identification code within their daily transactions which will help us determine the income we receive</p>
	<p>Detailed Finding/Rationale – Issue 3</p> <p>Reconciling income received for on and off street parking 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>It was established that reconciliations of on and off street parking income were not being undertaken, although monthly sense checks of the income due to income received were performed.</p> <p>It was explained that on and off street parking income is collected by RingGo for cashless parking, by NSL for cash collected from the Pay and Display machines and by SimplePay for income collected via debit of credit cards. While income records of the actual income collected by these parties are provided to the Council, (i.e. by Ringo and Simple Pay for the daily income collected and by NSL of the actual income collected from each Pay and Display Machine) staff are unable to reconcile the income due to that banked because:</p> <ul style="list-style-type: none"> • income is not banked daily intact (Moreover, there is a cap on the amount per transaction, which sometimes results in payments from a provider being split into multiple transactions); • the banking references are not sufficient to properly identify their source; and • these providers do not provide appropriate records to detail when and how this income has been banked. <p>Where on and off street parking income due is not properly reconciled to income received, there is a risk not all income due may be received by the Council without being detected.</p>

	<p>daily. This should allow us to compare the on-line reports available from the supplier's database against the income we receive on our financial ledger.</p> <p>Action points:</p> <ol style="list-style-type: none"> 1. Check with Cash Control on the process required in order to make changes to transactions descriptions 2. Finance to obtain new Account codes per income type (cash/cashless/contactless) 3. Check with the 3 suppliers on their process and identify a method to improve this process 	
Responsible officer		
Finance Officer		
Deadline		
Aug/Sept 2018		

Control Area 4: Debt Recovery and Write Off		Detailed Finding/Rationale – Issue 4
Priority	Action Proposed by Management	
2	<p>Agreed</p> <p>This should not have occurred.</p> <p>Cancellation and Write off Policy and Procedure has been re-written to emphasise the mandatory need to ensure this takes place. Line managers have been specifically tasked to ensure this takes place. This will also be specifically spot checked by senior management when checking cancellations in monthly targeted spot checks.</p>	<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>Testing of a sample of ten PCN write offs found that:</p> <ul style="list-style-type: none"> • in three instances, there was no write off sheet attached to the respective PCNs in Si-Dem. • In one instance, the PCN had been written off by the same person who signed the write off sheet, i.e. there was a lack of segregation. <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>
Responsible officer	Deadline	
Debt Recovery and Adjudication Officer & Customer Services Team Leader	End of April 2018	
Customer Service and Policy Performance Manager (policy re-write and monthly spot check)	End of April 2018	

4. Priority 3 Issue

Action Proposed by Management	Findings
<p>a) We will continue to work on resolving this.</p>	<p>Although individual parking permit sales are relatively simple to reconcile, the same is not true for bulk permits. These are manually entered into Si-Dem, which can result in delays in these being reconciled.</p> <p>While progress has been made in fully reconciling parking permit income, there is still an unreconciled variance of 3.56%. This was explained as being due to the delay in reconciling bulk permits. However, as long as any income cannot be reconciled, there is the risk that the Council may not be obtaining all income due.</p>

TERMS OF REFERENCE

Parking Enforcement (including Parking Bay Suspensions)

1. INTRODUCTION

- 1.1 Where businesses or construction firms require space to conduct works or use a registered parking bay, they may pay the Council to have the parking bay temporarily suspended.
- 1.2 There is a £50 administration charge with a daily charge of £50 per day for central controlled parking zones (CPZ) and £40 for all other parking bays or the ability to park on yellow lines. Payments for dispensation/suspension must be received prior to being actioned.
- 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 2017/18.

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 examined the Council's arrangements in relation to Parking Enforcement (including Parking Based Suspensions), and included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Applications for Parking Bay Suspensions	0	0	0
Monitoring and Payment of Parking Bay Suspensions	0	2	0
Reconciliation and Banking of all Parking Income	0	1	0
All Parking Debt Recovery and Write offs	0	1	0
Monitoring and Reporting	0	0	1
Budgetary Control Including Income Modelling	0	0	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

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 recommendations 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.

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