

FINAL INTERNAL AUDIT REPORT ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT

REVIEW OF PENALTY CHARGE NOTICES (PCNs) FOR 2015-16

Issued to: Ben Stephens, Head of Shared Parking Services

Cc: Colin Brand, Assistant Director Culture
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Prepared by: Senior Auditor (Wandsworth Council of behalf of LBB)

Date of Issue: 21st June 2016

Report No.: ENV/004/02/2015

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
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INTRODUCTION

1. This report sets out the results of our systems based audit of PCNs for 2015-16. The audit was carried out as part of the programmed work specified in the 2015-16 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 20th of January 2016. The period covered by this report is from 1st January 2015 to 31st December 2015.
4. Parking Services is part of a shared service agreement with the London Borough of Bexley. The scope of the audit was restricted to PCNs issued within Bromley.
5. The independent review, finalised in February 2015, identified control weaknesses for the contractual arrangements with the contractor. This audit has reviewed the progress to implement the recommendations raised in the independent report.

AUDIT SCOPE

6. The scope of the audit is detailed in the Terms of Reference.

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AUDIT OPINION

- For the operational elements of PCNs substantial assurance would be given, however, due to the priority 1 recommendation relating to the UK checks on new starters, the conclusion of this audit was that limited assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

- The audit reviewed controls in the following areas: Policies and Procedures, Write Offs, Waivers & Cancellation of PCNs, Debt Recovery & Enforcement Agents, Contract Monitoring and Management Information. There were issues arising in the following areas:-

PCN

- A sample of 25 write off cases, 20 cancellations and 20 waivers was tested to ensure controls were satisfactory and in compliance with the procedures. Of these cases, two write offs should have been classified as cancellations and one cancellation did not have sufficient documentation retained on the system to support why it was cancelled.
- For a sample of ten PCNs where payment was not received within 28 days, checks were carried out to ensure that adequate recovery action had been taken. Of these ten cases, one was for a foreign vehicle and the PCN had been cancelled with no action being taken. Further examination of the parking system identified that between April 2015 and January 2016, 620

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PCNs for foreign vehicles had been cancelled meaning a loss of income of approximately £62k (based on average payment of £100 per PCN).

11. Sample checking of Enforcement Agency cases to ensure that appropriate action is taken and the correct fees are charged is targeted to identify the more high risk cases. However, there was a four month backlog at the time of the audit due to long term sickness and preparation for another officer's pending maternity leave. Although, it is acknowledged that arrangements are in place to clear this backlog, no testing could be carried out on the past four months.
12. Both the Head of Parking and the Parking Appeals and Processing Manager confirmed in interview that the PCNs are reconciled monthly from reports generated from the system. A three month period of reports was requested during the audit, for audit testing but this information was not supplied by the department in a timely manner and will need to be included in the follow up audit review.

Independent Review Recommendations

13. Information on all staff and updates on starters and leavers are regularly received. However, there is no formal procedure in place, confirming the identity of Civil Enforcement Officers (CEOs), as recommended by the independent review. The contractor supplies Parking Services with details of new CEOs such as their name, address and NI number. The details also include what documentation has been seen and copied by the contractor to provide confirmation of their ID together with a copy of their photograph. On examining these records from February 2015, it was identified that full details are not always included. For the 15 new starters since February 2015, two had no photographs, four had the boxes ticked to say copies of ID taken but no details were recorded, two had the box for ID and the box for Work Permit ticked but no details or dates for the

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work permit, whereas the other seven had the passport/birth certificate numbers recorded and work permit dates where applicable.

- The independent review identified that the performance payment for 2014/15 should be checked and verified. This audit review confirmed that the contractor was due £91K but given the investigation and the costs incurred by the Authority, the bonus was reduced to £70K. The 2015/16 performance payment was satisfactorily checked and verified.

SIGNIFICANT FINDINGS (PRIORITY 1)

- There was one significant finding in this review relating to the formal procedure for the contractor to check and verify new starters to ensure that all CEO's have legal status to work. Audit testing identified incomplete information returned to Bromley for the 15 new starters checked, as detailed in paragraph 13 above.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

- The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

- Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

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1	<p>Write-Offs, Cancellations and Waivers A sample of 25 write offs, 20 cancellations and 20 waivers were reviewed to ensure that sufficient documentation is retained on the system to support write offs, cancellations and waivers. The results of the testing were two write offs should have been cancellations (BY05219212 and BY02000015) and one cancellation where it could not be identified why it had been cancelled (BY0174129A).</p>	<p>There will be a loss of income to the council if PCNs are incorrectly cancelled, waived or written off. Also, analysis of cancellations, waivers and write offs will not be accurate based on information available.</p>	<p>Parking officers authorised to waive PCNs should be reminded to ensure that the correct codes are used for writing off, cancelling and waiving PCNs and that detailed notes are entered explaining the reasons for the action taken. [Priority 3]</p>

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2	<p>Foreign Vehicles Examining the sample for adequate recovery action, identified that one had been cancelled because the vehicle had a foreign registration and it was not possible to identify who the owner was as the DVLA do not hold details of foreign vehicles (BY05967126). Further analysis of the parking system identified that between April 2015 and January 2016, 620 PCNs had been cancelled as they were foreign registered vehicles resulting in an estimated loss of £61,770. From a report on foreign vehicles, it was evident that vehicles regularly visited Bromley and parked in the same road. It is acknowledged that the new contract being awarded in April 2017 will be asking contractors to address the issue of recovery from foreign vehicle owners, but this will only be put into action after the contract has been awarded.</p>	<p>Drivers are avoiding paying correctly issued PCNs resulting in a loss of income to the authority.</p>	<p>Consideration should be given to introducing a policy on issuing PCNs to foreign vehicles that includes using additional data from other sources to identify owners of foreign vehicles so that more robust recovery action can be taken. [Priority 3]</p>

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3	<p>Enforcement Agency Fees At the time of the audit, there was a four month backlog in checking a sample of Enforcement Agency cases to ensure that appropriate action was taken and that fees charged were correct. This was due to long term sickness and preparation for another officer's pending maternity leave and is now being cleared.</p>	<p>Delays in identifying inappropriate action / charging of wrong fees could lead to bad publicity for the Council.</p>	<p>Where long term absence of a member of staff leads to routine tasks not being performed, alternative arrangements should be put in place promptly. [Priority 3]</p>
4	<p>Formal Process for CEO Identity Checks Following an independent review, the contractor agreed to adopt a formal process for confirming the identity of Civil Enforcement Officers and to provide details to Parking Services. No such process has been formally provided to Parking Services as evidenced by the minutes of the 3 February 2016 Parking Operations and Enforcement Contract meeting. The minutes record Parking Services requesting the contractor to confirm what checks are made on immigration status for new starters and that a procedure was required.</p>	<p>Where a formal process is not in place and documented, proper identity checks may not be performed which could allow illegal staff to be employed resulting in bad publicity for the Council, as well as potential penalties by HMRC.</p>	<p>The contractor should be requested to provide a formal procedure for confirming the identity of CEOs and all future contracts should ensure that this forms part of the specification.</p>

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	<p>Examination of the records provided to Parking Services for 15 new starters from February 2015 found that four had the boxes ticked to say copies of ID had been taken but no details of what they were or the documents' reference numbers were recorded (Employee Numbers 8303719, 8303718, 8303720 and 8303728), two had the box for ID and the box for Work Permit ticked but again no details and no expiry dates for the work permits (Employee Numbers 8303713 and 8303650) and two had no photographs (Employee Numbers 8303393 and 8303510).</p>	<p>Where full details are not provided, there is little evidence to confirm that adequate checks have been carried out by the contractor which could lead to illegal staff being employed.</p>	<p>The contractor should provide copies of the documents they have seen to confirm the identity of the CEOs for the six where no details were provided and copies of the photograph for the other two CEOs. In future, where full details are not provided, Parking Services should request copies from the contractors. [Priority 1]</p>
5	<p>Accounting for PCNs The Parking Appeals and Processing Manager confirmed that monthly reports are generated from the system to allow a reconciliation of PCNs. The auditor requested a three month sample of these reports for testing but this information has not</p>	<p>Where information is not provided during audits, tests cannot be performed to ensure that appropriate checks and balances are in</p>	<p>For all future internal and external audits/inspections ensure that all documents are made readily available.</p>

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	been made available and given the elapsed time will not be included in this audit.	place and operating effectively.	[Priority 2]

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OPINION DEFINITIONS

APPENDIX C

1	Parking officers authorised to waive PCNs should be reminded to ensure that the correct codes are used for writing off, cancelling and waiving PCNs and that detailed notes are entered explaining the reasons for the action taken.	3	Agreed	Parking appeals and Processing Manager	Immediate
2	Consideration should be given to introducing a policy on issuing PCNs to foreign vehicles that includes using additional data from other sources to identify owners of foreign vehicles so that more robust recovery action can be taken.	3	Unfortunately the DVLA does not keep records of foreign vehicles on their database. There is no other data source to obtain the information. Parking Services will investigate other ways to enforce foreign vehicles – specifically within the new contract which becomes operative in April 2017.	Contract & Operations Manager.	April 2017
3	Where long term absence of a member of staff leads to routine tasks not being performed, alternative arrangements should be put in place promptly.	3	Agreed	Parking appeals and Processing Manager	Immediate
4	The contractor should be requested to provide a formal procedure for confirming the identity of CEOs and all future contracts should ensure that this forms part of the specification.	1	A system has been in place where the contractor provides to Parking Services a completed pro former with relevant dates and information and confirmation that documents have checked. It is accepted some field were incomplete and were not	Head of Parking Services	Immediate

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	<p>The contractor should provide copies of the documents they have seen to confirm the identity of the CEOs for the six where no details were provided and copies of the photograph for the other two CEOs.</p> <p>In future, where full details are not provided, Parking Services should request copies from the contractors.</p> <p>[Priority 1]</p>		<p>questioned. Omissions have now been verified and agreed as complete.</p> <p>An enhanced procedure check was introduced in June 2016 (which Audit as verified as satisfactory) – this ensured documents are inspected by the HoS, within agreed time scales and formally recorded in Monthly Contract Meetings.</p>		
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5	For all future internal and external audits/inspections ensure that all documents are made readily available.	2	Agreed	Head of Parking	Immediate
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As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.