

**FINAL INTERNAL AUDIT REPORT**

**ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT**

**REVIEW OF PENALTY CHARGE NOTICES (PCNs) FOR 2016-17**

**Issued to:** Ben Stephens, Head of Shared Parking Services

**Cc:** Colin Brand, Assistant Director Culture  
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**Report No.:** ECS/009/02/2016

## REVIEW OF PCN AUDIT FOR 2016-17

### INTRODUCTION

1. This report sets out the results of our systems based audit of PCNs for 2016/17. The audit was carried out in quarter 4 as part of the programmed work specified in the 2016-17 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 1<sup>st</sup> February 2017. The period covered by this report is from 1<sup>st</sup> January 2016 to 31<sup>st</sup> January 2017.
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. At the time of the audit, the London Borough of Bromley was in the process of changing contractor. New contractor's proposed processes were included within the scope of this review.
6. The budgeted income from PCN was £3,320,620. The total PCN outstanding debt as at 31<sup>st</sup> January 2017 was £2,782,996 inclusive of arrears brought forward from previous years.

### AUDIT SCOPE

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

## REVIEW OF PCN AUDIT FOR 2016-17

### AUDIT OPINION

8. Overall, the conclusion of this audit was that Substantial Assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

9. The following samples were tested: 25 write off cases, 20 cancellations and 20 waivers, 25 PCNs issued, 20 debt recovery cases and 14 enforcement agent cases from the debt recovery sample.
10. Controls were in place and working well in that:
- Policies and procedures were in place, readily available to staff and up to date;
  - PCNs issued were supported by evidence of contraventions; and
  - Monthly payments and bi-annual payment had been appropriately authorised.
11. However we would like to bring to management attention the following issues:
- Testing of a sample of 20 debt recovery cases, identified that:
    - In four instances, outstanding debt cases dating back to 2014 had been purged from the 3sixty system and Internal Audit was thus unable to verify what recovery actions had been taken for these cases. Discussion with the Head of Parking Services established that a management decision was made to purge all data before the 1<sup>st</sup> April 2015 on the 3Sixty system to clear the system in preparation for the new contract on the 3<sup>rd</sup> April 2017. This was approved by the Head of Finance. No recommendation has been raised;
    - In two instances, recovery action was not undertaken in a timely manner. For one of these cases, the debt had to be written off due to the warrant expiring;
    - In one instance, a cheque payment had been made to clear the debt but the debt was still showing as outstanding, and
    - In one instance, a debt had not been progressed for write-off in a timely manner.
  - In September 2016, a total of 796 debts totalling £80,450.00 were written off because the details of the owner could not be traced. This accumulated write-off was due to the monthly stuck case reports having not been run in a timely manner;

## REVIEW OF PCN AUDIT FOR 2016-17

- For a sample of 20 PCN cancellations and 20 waivers tested, it was found that one cancellation should have been progressed for further recovery action instead of being cancelled; and
- There is currently no policy on issuing PCNs to foreign vehicles in place;
- Examination of a sample of eight Penalty Charge Notice policies and procedures identified that seven of these had not been version dated, confirming the date of last and next review. One was version dated confirming the date of last review, but no next review date was evidenced, and
- Two recommendations made within the 2015-16 report were found through testing to remain outstanding and have therefore been re-recommended.

### SIGNIFICANT FINDINGS (PRIORITY 1)

12. None

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

13. 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

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

## DETAILED FINDINGS

| No. | Findings  | Risk  | Recommendation  |
|-----|---|---|---|
| 1   | <p><b>Recovery Action</b></p> <p>Testing of a sample of 20 debt recovery cases found for 12 of these, appropriate recovery action had been taken. In four cases the debts had been purged from the 3sixty system and recovery actions could not be determined. For the remaining four cases the following was identified:</p> <ul style="list-style-type: none"> <li>• PCN sample 1 for £172.00: The warrant to pass the debt over to Enforcement Agents was not issued in a timely manner. An order recovery letter was issued on 24 March 2016. A warrant is to be issued and passed to bailiff 36 days after an order recovery letter being sent. However, this was issued on 15 August 2016 (instead of 30 April 2016). The case was then passed onto an Enforcement Agent on 18 October 2016;</li> <li>• PCN sample 2 for £172.00: This debt was sent to Phoenix for enforcement action on 18 January 2016 after an order of recovery letter was sent on 4 November 2015. This was then sent back to Bromley for recycling in July 2016 for another Enforcement Agent to recover the debt. However, this had not been actioned. The warrant has now expired and the debt now is to be written off;</li> <li>• PCN sample 3 for £65.00: A cheque payment was received on 25<sup>th</sup> August 2016 to clear the debt. This had been credited to the individual's account (PCN sample 3). This was a day before the charge certificate was sent out. However, this was still recorded as a live outstanding debt on the system, and</li> </ul> | <p>Ineffective monitoring of non-payments. Debts owed to the Authority remain outstanding and may become irrecoverable.</p> | <p>Staff should be reminded to ensure that sufficient, timely and appropriate recovery action is taken to recover debts.</p> <p>Debt recovery actions should be appropriately reviewed.</p> <p>[Priority 2]</p> |

## DETAILED FINDINGS

| No. | Findings   | Risk | Recommendation |
|-----|--|------|----------------|
|     | <ul style="list-style-type: none"><li>PCN sample 4 for £172.00: This debt was with Phoenix for enforcement action. Correspondence confirmed that the property was empty as at 18 May 2016. No further evidence of recovery action was recorded. This should have been progressed for write-off earlier, but still had not been at the time of audit.</li></ul> |      |                |

## DETAILED FINDINGS

| No. | Findings   | Risk   | Recommendation  |
|-----|--|--|---|
| 2   | <p><b>Write-offs</b></p> <p>In September 2016, a total of 796 debts totalling £80,450.00 were written off because the details of the owners could not be traced.</p> <p>It was established that stuck case reports, which detail recovery cases that have not progressed and how long these have been at a particular stage for, are required to be run on a monthly basis. The PCN team, using these stuck case reports, analyse the cases and determine which can be progressed. However, these reports had not been run and as a result, the total number of PCNs written off for not being able to trace the owner had accumulated over a period of time. It was not possible to determine the period of time for which these reports had not been run as these are not retained.</p> <p>It was explained that the primary reason for the stuck case reports not being run was down to long term leave and resource constraints.</p> | Recovery action is not progressed, resulting in unpaid debts accumulating. | <p>Stuck reports should be run monthly and interrogated to help ensure that timely actions are taken to progress cases.</p> <p>Where long term absence of staff members results in stuck case reports not being run, alternative arrangements should be put in place promptly.</p> <p>Copies of the monthly stuck case reports should be retained, (for at least 6 months).</p> <p>[Priority 3]</p> |

## DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation  |
|-----|---|--|---|
| 3   | <p><b>Cancellations and Waivers</b></p> <p>A sample of 25 write off cases, 20 cancellations and 20 waivers was tested to determine whether the controls were satisfactory and in compliance with the procedures. Of these cases, one PCN was identified, which should have been 'recycled' and passed over to another Enforcement Agent to progress with recovery action instead of being cancelled. The case is as follows: PCN number 1 for £203.00 on 3 February 2017.</p> | <p>There will be a loss of income to the Council if PCNs are incorrectly cancelled, waived or written off. Furthermore, analysis of cancellations, waivers and write offs will not be accurate based on information available.</p> | <p>Parking officers authorised to cancel PCNs should be formally reminded to ensure that the correct codes are used for writing off, cancelling and waiving PCNs and that detailed notes are retained explaining the reason/s for the action taken.</p> <p>[Priority 3]</p> |

## DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation  |
|-----|---|--|---|
| 4   | <p><b>Foreign Vehicles</b></p> <p>Testing of a sample of 20 cancellations identified that four had been cancelled because the vehicles had a foreign registrations and it was not possible to identify who the owner was as the DVLA do not hold details of foreign vehicles. The cases were as follows:</p> <ul style="list-style-type: none"> <li>• PCN sample 1 for £60.00 on 1 July 2016;</li> <li>• PCN sample 2 for £110.00 on 14 April 2016;</li> <li>• PCN sample 3 for £130.00 on 8 October 2016, and</li> <li>• PCN sample 4 for £80.00 on 25 April 2016.</li> </ul> <p>Further analysis of the 3Sixty Parking system identified that between April 2016 and January 2017, 783 PCNs had been cancelled as these were for foreign registered vehicles resulting in an estimated loss of £78,650.</p> <p>This issue was also identified and raised as a recommendation in the 2015-16 audit report.</p> | <p>Drivers are avoiding paying correctly issued PCNs resulting in a loss of income to the Council.</p> | <p>A policy on issuing PCNs to foreign vehicles should be considered that includes using data from other sources to identify owners of foreign vehicles so that more robust recovery action can be taken.</p> <p>[Priority 3]</p> |

## DETAILED FINDINGS

| No. | Findings  | Risk   | Recommendation  |
|-----|---|--|---|
| 5   | <p><b>Policies and Procedures</b></p> <p>Examination of a sample of eight Penalty Charge Notice policies and procedures identified that seven of them had not been version dated, confirming the date of last and next review:</p> <ul style="list-style-type: none"> <li>• The Parking policy – ‘Outline Guidance on Waiving Penalty Charge Notices’;</li> <li>• The ETA Software reports process;</li> <li>• ETA Software procedure notes;</li> <li>• The Warrant Control Process;</li> <li>• The Witness stat 1st stage process notes;</li> <li>• The Enforcement Agents set up process, and</li> <li>• Auditing cases of Enforcement Agents</li> </ul> <p>The Appeals Process – ‘How we consider your appeal’ was version dated ‘October 2015’ but no next review date was evidenced.</p> | <p>Outdated policies and procedures may be adhered to.</p> | <p>Policies and procedures should be annually reviewed. The date of last review and next review should be clearly evidenced to demonstrate best practice.</p> <p>[Priority 3]</p> |

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment  | Responsibility                        | Agreed<br>Timescale             |
|-------------|---|---|---|---------------------------------------|---------------------------------|
| 1           | <p>Staff should be reminded to ensure that sufficient, timely and appropriate recovery action is taken to recover debts.</p> <p>Debt recovery actions should be appropriately reviewed.</p> | 2   | <p>These issues arise due to Management and officers on maternity leave, sick leave and also the effect of the implementation of the new contract. Going forward these processes are part of the contract and are monitored weekly and are also KPI's that the new contractor must achieve and if they do not will incur a default.</p> | Performance and Debt Recovery Manager | Weekly as of the 3rd April 2017 |

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation  | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment  | Responsibility                        | Agreed<br>Timescale             |
|-------------|---|---|---|---------------------------------------|---------------------------------|
| 2           | <p>Stuck reports should be run monthly and interrogated to help ensure that timely actions are taken to progress cases.</p> <p>Where long term absence of staff members results in stuck case reports not being run, alternative arrangements should be put in place promptly.</p> <p>Copies of the monthly stuck case reports should be retained, (for at least 6 months).</p> | 3   | <p>The S.A.F.E. report on 3Sixty is checked daily so all active cases progressed accordingly.</p> <p>In this particular incident the highlight cases by finance officers were never due to progress or to be collectable as debt; therefore a delay in writing off these cases had no effect on the debt collection process.</p> <p>Going forward this process is part of the contract, as they need to run the report weekly and send to us to review and complete. This forms part of the KPI's that the new contractor must achieve and if they do not will incur a default.</p> <p>These reports will now be kept and on the Parking Services X Drive, in the new contractor's folder for Stuck Case Reports. Therefore these can be reviewed to see what action was taken by the person who actioned the report.</p> | Performance and Debt Recovery Manager | Weekly as of the 3rd April 2017 |

MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment   | Responsibility             | Agreed<br>Timescale |
|-------------|--|---|--|----------------------------|---------------------|
| 3           | Parking officers authorised to cancel PCNs should be formally reminded to ensure that the correct codes are used for writing off, cancelling and waiving PCNs and that detailed notes are retained explaining the reason/s for the action taken. | *3  | <p>This incident was just a case of human error.</p> <p>All officers within Parking Services are regularly reminded to ensure that they use the correct codes and explain their reasons as to why they have taken that action.</p> <p>When officers work is reviewed either by management or supervisors if the officer has used the incorrect code or not put notes on the case they are informed of their error personally and if there are no notes, they are asked to review the case and put notes on the case.</p> | Management and Supervisors | Already in place    |

## MANAGEMENT ACTION PLAN

| Finding No. | Recommendation   | Priority<br>*Raised in<br>Previous<br>Audit | Management Comment   | Responsibility             | Agreed<br>Timescale |
|-------------|--|---|--|----------------------------|---------------------|
| 4           | A policy on issuing PCNs to foreign vehicles should be considered that includes using data from other sources to identify owners of foreign vehicles so that more robust recovery action can be taken. | *3  | The Head of Parking Service gave a lengthy explanation on the legal and regulatory limitations of the current legislation.<br><br>Parking Services will continue to review, with a view to implement any policies and practices to achieve a more effective enforcement. | Head of Parking Services   | October 2017        |
| 5           | Policies and procedures should be annually reviewed. The date of last review and next review should be clearly evidenced to demonstrate best practice.   | 3   | Agreed.<br><br>Going forward all processes need to be reviewed, due to the new contract as many of them will now change and need updating. The date of review and next review date will be added.  | Management and Supervisors | April 2017          |

## OPINION DEFINITIONS

## APPENDIX C

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.