

**FINAL INTERNAL AUDIT REPORT**

**ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT**

**REVIEW OF CAR PARKING INCOME AUDIT FOR 2016-17**

**Issued to:** Allen Herve, Contract & Operations Manager,  
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**Report No.:** ECS/009/01/2016

## REVIEW OF CAR PARKING INCOME AUDIT FOR 2016-17

### INTRODUCTION

1. This report sets out the results of our systems based audit of Car Parking Income 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. For 2016-17 the total net budget for off street parking was £2,087,590, and the on street parking budget was £3,773,990.

### AUDIT SCOPE

4. A random sample of 4 weeks between January 2016 and January 2017 was selected.
  - Week 4 (16<sup>th</sup> April 2016 – 22<sup>nd</sup> April 2016);
  - Week 15 (2<sup>nd</sup> July 2016 – 8<sup>th</sup> July 2016);
  - Week 29 (8<sup>th</sup> October 2016 – 14<sup>th</sup> October 2016); and
  - Week 41 (31<sup>st</sup> December 2016 – 6<sup>th</sup> January 2017)
5. This review also included the follow up of the audit recommendations made within the Car Parking Income for 2015-16.

### AUDIT OPINION

6. 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.

## REVIEW OF CAR PARKING INCOME AUDIT FOR 2016-17

### MANAGEMENT SUMMARY

7. Transactions were reviewed within the Daily Cash Collections for the four week sample selected. Shortfall's and overs were reviewed in line with the Shorts & Overs Not Less Than £5.00 Reports:
- There is no formal means by which the contractor's explanations for shorts and overs are accepted or rejected;
  - The recommendation made within the 2015-16 report about large discrepancies being recorded in the contract management meeting minutes was found through testing to remain outstanding and has therefore been re-recommended;
  - In two cases, shortfalls of more than £5.00 had not been explained in the shorts and overs reports; and
  - For the sample of weeks selected for bank reconciliations testing, a 10 pence discrepancy was noted on Friday 6<sup>th</sup> January 2017. According to the income totals spreadsheet for that day, a total of £14,729.36 had been received. However, the total banked for that day was £14,729.26. This discrepancy was not considered to be significant and has therefore not been raised as an issue.

### SIGNIFICANT FINDINGS (PRIORITY 1)

8. None.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. 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

10. 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>‘Shorts and Overs’ reports</b></p> <p><u>July 2016 – Civic Centre Car Park</u></p> <p>On Thursday 7<sup>th</sup> July 2016 at machine number 336 Civic Centre (note), there was a shortfall of £20.00. This had not been recorded or explained in the shorts and overs report for that week.</p> <p><u>October 2016 - Fairfield Road</u></p> <p>On Saturday 8<sup>th</sup> October 2016 at machine number 2033, there was a shortfall of £5.45. This discrepancy had not been explained in the shorts and overs report for that week.</p>	Unexplained losses and inadequate contract monitoring of issues that need to be clarified with the contractor.	<p>All shorts and overs should be recorded in the ‘shorts and overs’ reports.</p> <p>[Priority 2]</p>
2	<p><b>Large discrepancies and contract monitoring meetings</b></p> <p>On Saturday 16<sup>th</sup> April at the Village Way Car Park, machine number 2027, there was a shortfall of £108.75. The contractor’s response was ‘I have investigated transactions and audits; I feel this is a software issue. I will speak with the contract on this matter again, but in past experience they found nothing wrong or can’t explain it’. This same issue caused a £10.45 shortfall at High Street Chislehurst Car Park on Monday 18<sup>th</sup> April and a £45.95 shortfall at the Village Way Car Park, machine number 2026 on Thursday 21<sup>st</sup> April 2016. No email correspondence was sighted confirming that the issue had been resolved.</p>	Unexplained losses and inadequate contract monitoring of issues that need to be clarified with the contractor.	Unders and overs should be discussed as part of the contract monitoring meetings where the amounts are £100 or more. Where the contractor escalates the issue to a third party, management should ensure that the matter has been adequately resolved. Any email correspondence from the

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>On Saturday 31<sup>st</sup> December 2016, there was a shortfall of £247.45 at the Hill Car Park (coin). The contractor's response was 'The Contractor B visits on the following dates 20/12/2016, 21/12/2016 had not cleared the issue of the audit Id reverting back to 583 which was last seen in September and when it was this Id the machine would show that the last box inserted was on 20/09/2016 at 12:09:06. This has also corrupted the audit figures I have tried to find where it was taking the figures from but this has not been possible. J1536/J1540'. This same issue caused the following:</p> <ul style="list-style-type: none"> <li>• A £385.70 shortfall at the Hill Car Park (coin) on Tuesday 3rd January 2017;</li> <li>• A £605.00 shortfall at the Hill Car Park (note) on Tuesday 3rd January 2017;</li> <li>• A £320.30 shortfall at the Hill Car Park (coin) on Wednesday 4th January 2017; and</li> <li>• A £285.00 shortfall at the Hill Car Park (note) on Wednesday 4th January 2017. The contractor A stated here that 'Contractor B was on site on this day after these were pulled and they did the following work – replaced port.ini and port.bak with one copied from POF 7 at Civic. This has sorted the issue we were having with the Id reverting. J1552'.</li> </ul> <p>However, correspondence was sighted from week 47 (Saturday 11th February 2017 to Friday 17th February 2017) confirming that</p>		<p>contractor relating to the discrepancies should be held with the short and over not less than £5.00 reports with a note from the client side accepting or rejecting the explanation.</p> <p>[Priority 2]</p>

## DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>there was still an issue with the Hill Park. The contractor A stated: 'This is still an on-going issue with this machine. Even after the PC tank and printer was replaced on the 15/02/2017. Contractor B revisited this machine on this day 17/02/2017 and unplugged the PC tank with all the components and reconnected machine now working, but have stated have ordered a flash card and IDE drive. This was done at 09:45am – 11:15am. But the box was collected before the work had been done at 0817am. Due to them still ordering parts for this machine we have put the machine out of service until we can confirm this machine will show correct collection figures.' The Operations and Contracts Manager stated at the time of the audit that this has tried to be rectified without success and is still out of service.</p> <p>There is no mechanism whereby the responses from the contractor A is formally accepted or rejected by management. Having reviewed the contract monitoring minutes, the responses for shorts and overs are not specifically recorded, only that the report should be submitted monthly to the Contract &amp; Operations Manager. The minutes do not detail whether the issues escalated to third parties had been resolved.</p>		

## MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	All shorts and overs should be recorded in shorts and overs reports.	2	The item was placed on the daily shortfalls sheet (Approx. 300 items) but no reply given. Will ensure each month all items on the daily shortfall sheet are answered by Highlighting the previous month's details.	Contracts & Operations Manager	May 2017
2	Unders and overs should be discussed as part of the contract monitoring meetings where the amounts are £100 or more. Where the contractor escalates the issue to a third party, management should ensure that the matter has been adequately resolved. These issues should be recorded in meeting minutes. Any email correspondence from the contractor relating to the discrepancies should be held with the short and over not less than £5.00 reports with a note from the client side accepting or rejecting the explanation.	2	As stated when details were requested for April 16 this was prior to last year's Audit in which we received the recommendations in May 16, therefore references to processes prior to May 2016 should be noted "prior to last year's Audit". Since May 16 references have been made within the minutes regarding discrepancies but not specific items were extensively discussed, these have been dealt with directly with correspondence supplied. To ensure acceptance/rejection of any discrepancy the comments will be highlighted on the Daily Shortfalls.	Contracts & Operations Manager	May 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.