

FINAL INTERNAL AUDIT REPORT

ENVIRONMENT AND COMMUNITY SERVICES

PCNs AUDIT FOR 2017-18

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REVIEW OF PCNs AUDIT 2017-18

INTRODUCTION

1. This report sets out the results of our systems based review of PCNs Audit 2017-18. The audit was carried out in Q1 of 2018-19 as part of the programmed work specified in the 2017/18 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. Any Priority 1 recommendations or Nil/Limited Assurance opinions must be considered for inclusion in the Department's Risk Register.

AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 27/02/2018.

AUDIT OPINION

4. 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

5. This review focused on the new parking enforcement contract. The following controls were tested as part of the audit:
 - Robust governance arrangements are in place for contract monitoring.
 - The contract is monitored at the appropriate level of seniority by suitably trained and skilled officers.
 - Management information is obtained from the contractor on a timely basis and is checked for accuracy.
 - Contractor performance is measured and monitored against performance standards and milestones set out in the contract.

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- Contract delivery failures and/or declining contractor performance is identified at an early stage and dealt with properly in line with contractual requirements.
 - The financial position of the contract is monitored throughout the contract term to identify likely overspends at the earliest opportunity.
 - Contract variations and amendments are managed robustly with standard processes for requesting, approving and administering the variations.
6. Controls were reviewed by way of checking supporting documents and sample testing.
7. A random sample of 10 KPIs for monitoring Parking Enforcement by the contractor was reviewed to ensure they were being monitored. Supporting documents to monitor each sampled KPI were requested for two random months. The supporting information was reviewed to ensure that monitoring information is provided by the contractor in a timely manner, the information is reviewed by management, discussed at contract monitoring meeting and penalties are applied if applicable. The sample testing highlighted some contract monitoring issues which are detailed in finding 1 and 2 below.
8. A random sample of 20 PCNs issued for the period April 2017 to March 2018 was also reviewed to ensure that the PCNs are progressed in a timely manner and appeals are managed as per the procedure. The progression of PCNs and administration of appeals was found to be satisfactory for the sampled PCNs.
9. The contractor is responsible for collection and banking of the income. Internal audit reviewed the reconciliation process for the PCN income to ensure receipts are accounted for appropriately. The issues highlighted are detailed in Finding 3.
10. Five recommendations made within the 2016-17 report were followed up as part of this audit.
- Three recommendations related to processes that are performed by the contractor (timely progression of PCNs, running of stuck reports and use of correct cancellation codes) which are kept under review by management.
 - A recommendation relating to effective enforcement for foreign vehicles has been implemented as the new contract now includes enforcement for foreign vehicles within Bromley.

REVIEW OF PCNs AUDIT 2017-18

- Management advised that the recommendation relating to keeping policies and procedures updated has been implemented and all policies and procedures were updated at the start of the new contract in April 2017. However, during the course of this audit it was noted that the out of date versions of some procedure notes were held on shared drive by the contractor. This sometimes causes confusion.

SIGNIFICANT FINDINGS (PRIORITY 1)

10. There are no priority one findings in this report.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. 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

12. 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>The sample testing of 10 KPIs highlighted the following issues which require management attention:</p> <p>Application of Enforcement KPIs 1 to 6 was reviewed for June 2017 and December 2017. Overall performance related defaults of £7,283 and £ 11,815 were applied for June 2017 and December 2017 respectively. However, it was noted that the following defaults were not applied:</p> <p>Enforcement KPI 1 was not achieved in June 2017 and a default of £75 which should have been applied was not applied.</p> <p>Enforcement KPI 2 was not achieved in June 2017 and a default of £100 which should have been applied was not applied.</p> <p>Enforcement KPI 1 and 2 are measured by the percentages of cases that were uploaded late out of the total issued for that category. Each PCN later than that counts towards this KPI. The Head of Parking advised that the contractor has been granted an additional 24 hours for the PCNs to be uploaded. This agreement is not documented.</p>	<p>Performance of the contractor is not managed, leading to ineffective service delivery and value for money not being obtained.</p>	<p>Management should ensure that the information to support the KPIs should be thoroughly reviewed and defaults are consistently applied.</p> <p>Any decisions to not apply defaults should be recorded along with the justification.</p> <p>Any changes to the specifications should be formally documented and retained.</p> <p>[Priority 2]</p>

Priority 1
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Priority 2
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Priority 3
Identification of suggested areas for improvement

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	<p>Enforcement KPI 4 was not achieved in December 2017 and a default of £250 which should have been applied was not applied. The Head of Parking confirmed that he agreed that this default should not be applied; however no evidence of this agreement was retained.</p>		
2	<p>The sample of 10 KPIs tested included the Clean KPIs 2 & 3. It was noted that inspections to assess the cleanliness of car parks are ad hoc.</p>	<p>Performance of the contractor is not managed, leading to ineffective service delivery and value for money not being obtained.</p>	<p>A rolling plan for inspections should be put in place to ensure all sites are visited over a period of time.</p> <p>[Priority 2]</p>
3	<p><u>Review of reconciliation process:</u></p> <p>The contractor is responsible for collection and banking of the income. Internal audit reviewed the reconciliation process for the PCN income to ensure receipts are accounted for appropriately. The contractor provides information of all payments received and banked against ICT software (3sixty) and all payment systems, including web, phone and authorities payment files. From the start of the contract, all revenue</p>	<p>Failure to undertake appropriate checks lead to potential losses to the authority.</p>	<p>Outstanding queries relating to the PCN income for 2017-18 should be resolved with the contractor as soon as possible.</p> <p>Going forward discrepancies should be</p>

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	<p>streams were treated separately. Each amount coming in would be recorded according to the amount it was allocated for (e.g. bailiffs). The Data Analyst in the Parking section would check that that amount had been received at their end. There would often be some overlap between normal PCN payments, and bailiff cheques. The cheques often got mixed up, and they sometimes got confused with cheques for permit income. This caused problems with the reconciliation when it became difficult to confirm the amount for each stream.</p> <p>The Head of Parking advised that the reconciliation of the PCN income for the financial year 2017-18 is still ongoing due to difficulties in reconciling daily, weekly and monthly amounts for different payment types and for different categories. At the time of writing this report, Parking are awaiting on a response from the contractor detailing the outcomes of PCN exceptions that needed to be cleared for the end of financial year 2017-18.</p> <p>An updated process for reconciliation has been put in place from April 2018 to address the above issues. Now all PCN payments are collated into one monthly spreadsheet, divided by day. Each daily amount for each stream can be tracked on the sheet, and easily checked against Oracle to ensure it had</p>		<p>investigated as soon as they are identified. The procedure for the reconciliation of PCN income should be documented by the Parking section and Finance.</p> <p>[Priority 2]</p>

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	<p>been received in our accounts. Refunds are accounted for on the same document, and monthly totals are verified. Any discrepancies are more easily flagged, since the contractor is responsible for the attribution of payments to the revenue sources.</p> <p>The PCN income reconciliation undertaken by Finance was reviewed for the Month of May 2018 and June 2018. The reconciliation was satisfactory.</p> <p>It was also noted that the PCN income reconciliation procedure has not been documented by the Parking section and Finance.</p>		
4.	<p>Financial and budget monitoring meetings are held between Parking and Finance on a monthly or by-monthly basis depending on the requirements for finance to report. Minutes of these meetings are not kept by the Parking section.</p>	<p>Failure to undertake financial monitoring may lead to potential losses to the authority.</p>	<p>The financial position of the contract should be monitored throughout the contract term to identify likely overspends at the earliest opportunity.</p> <p>Financial and budget monitoring meetings should be minuted when it</p>

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			<p>is carried out. The issues discussed and the action plan to address them should be recorded and followed up at future meetings. [Priority 2]</p>
5.	<p>As part of the follow up of recommendations made in the PCN audit 2016-17, management advised that the recommendation relating to keeping policies and procedures updated has been implemented and all policies and procedures were updated at the start of the new contract in April 2017.</p> <p>However, during the course of this audit it was noted that the out of date versions of some procedure notes were held on shared drive by the contractor. This sometimes causes confusion.</p>	<p>Incorrect action may be taken due to out of date procedures.</p>	<p>All policies and procedures should be kept up-to date and the latest version should be held on the system.</p> <p>[Priority 3*]</p>

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1	<p>Management should ensure that the information to support the KPIs should be thoroughly reviewed and defaults are consistently applied.</p> <p>Any decisions to not apply defaults should be recorded along with the justification.</p> <p>Any changes to the specifications should be formally documented and retained.</p>	2	<p>Agreed. All records of changes will and have more recently been stored/saved with the final monthly contract KPI records/invoice, rather than in email exchanges, as was formally done earlier in the contract, which lead to difficulty in finding records of decisions.</p> <p>Agreed - As above.</p> <p>Agreed - These are recorded as CCNs</p>	<p>Head of Parking</p> <p>Head of Parking</p> <p>Head of Parking</p>	September 2018
2	A rolling plan for inspections should be put in place to ensure all sites are visited over a period	2	Car Park Inspections & CP Inspection Photos Procedure. Version 1.1 Updated April 2018.	Car Park, Facilities & Assets	September 2018

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	of time.		<p>States: 'An area of the Borough will be inspected by the Parking team weekly for example the below is for Beckenham, Penge, W Wickham & Hayes. The spreadsheet shows the results of these inspections'.</p> <p>Inspections have taken place on a very regular basis and in instances where 'matter of maintenance or repair' has been identified it is recorded. For example in the Bec, Penge WE & Hayes visit schedule 118 items were identified in the 11 Car Parks within that area.</p> <p>However, visits with a negative finding have not been recorded.</p> <p>The contractor has developed an</p>	Manager	

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			<p>'inspection APP' which Parking Services are looking to use in the near future.</p> <p>The contract spec: ref 15.1.2 clause states that the contractor should keep a record of cleaning visits.</p> <p>6.1.4 Clause stating the contractor must visit 'not less than weekly.</p> <p>LBB have requested that these are sent over in summary form monthly to LBB.</p>		
3	<p>Outstanding queries relating to the PCN income for 2017-18 should be resolved with the contractor as soon as possible.</p>	2	<p>Agreed – Year one as explained had a number of challenges which were constantly being worked through during 17/18.</p>	Head of Parking	September 2018

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	<p>Going forward discrepancies should be investigated as soon as they are identified.</p> <p>The procedure for the reconciliation of PCN income should be documented by the Parking section and Finance.</p>		<p>Agreed. Clear Lines of responsibility now exist in terms of producing the data, scrutinising data and reconciling payments.</p> <p>A comprehensive process manual for each and every income stream is to be shared with Finance and Audit colleagues during September 2018.</p>	<p>Head of Parking</p> <p>Head of Parking</p>	<p>Immediate</p> <p>During September 2018</p>
4	<p>The financial position of the contract should be monitored throughout the contract term to identify likely overspends at the earliest opportunity.</p> <p>Financial and budget monitoring meetings should be minuted when it is carried out. The</p>	2	<p>Agreed – And this is undertaken on at least a monthly basis. Finance colleagues are told monthly of the level of defaults and or any variances to the contract value inking notification of any CNNs. Agreed, although regular meetings do take place and the formal position is subsequently confirmed</p>	<p>Head of Parking</p> <p>Head of Parking</p>	<p>September 2018</p> <p>September 2018</p>

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	issues discussed and the action plan to address them should be recorded and followed up at future meetings.		via email, then reported to DMT before being reported to Members. It should be noted that EBM and FBM are signed off for the agreed final financial position. Future meetings will be minuted.		
5	All policies and procedures should be kept up-to date and the latest version should be held on the system.	3*	Agreed.	Head of Parking	End of October 2018

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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.