



Final Internal Audit Report

Pay and Display Meter Maintenance and Income Collection

February 2020

Distribution: Executive Director of Place (Final only)
Director of Public Realm
Head of Parking Services

Assurance Level	Identified Issues	
Substantial Assurance	Priority 1	0
	Priority 2	3
	Priority 3	1

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP 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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

Contents

Page

Executive Summary

1. Introduction.....	3
2. Key Issues.....	3

Detailed Report

3. Actions and Key Findings/Rationale	4
4. Priority Three Issue	7

Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

1. Introduction

- 1.1 The Road Traffic Regulation Act (RTRA) 1984 states that 'A local authority may by order designate parking places on highways, and the authority may make charges for vehicles left in a parking place so designated'. The charge must reflect the traffic management purpose – i.e. setting charges to raise income is inconsistent with the RTRA.
- 1.2 Paid-for parking is available in all Croydon controlled parking zones (CPZs). In order to park in CPZs, motorists require a valid pay and display ticket, which can be purchased from on-street machines.
- 1.3 The Council had a gross income of £4,221k for on street pay and display meters and £1,407k for off street pay and display meters for the 2017-18 financial year.
- 1.4 Income received through pay and display machines needs to be banked appropriately, and any variances should be investigated.
- 1.5 This audit was undertaken as part of the agreed Internal Audit Plan for 2019-20.

2. Key Issues

Priority 2 Issues
The TMA Annual Accounts for 2017-18 were published on the 23 October 2018, 23 days after the statutory deadline. (Issue 1)
A valid contract was not in place between the Council and NSL for cash collection and had not been since the contract expired in 2015. However, a new contract was being agreed with new provider BDI Securities at the time of audit which was expected to start within the next month. (Issue 2)
There was no process in place for the monitoring of KPIs for the service. (Issue 3)

The Priority 3 issue is highlighted under area 4 below.

3. Actions and Key Findings/Rationale

Control Area 1: Legislation, Organisational and Management Requirements						
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 1				
2	<p>We cannot publish the un-audited accounts. We currently have to wait for Finance to audit their accounts before we can get final figures for the TMA.</p> <p>As from next year they hope to complete before July after the Financial year.</p>	<p>Section 4.16 of the Traffic Management Act 2004 Operational Guidance to Local Authorities: Parking Policy and Enforcement details that, ‘Enforcement authorities should produce an annual report about their enforcement activities within six months of the end of each financial year. The report should be published and as a minimum it should cover the financial, statistical and other data (including any parking or CPE targets) set out below.’</p> <p>Examination of the TMA annual accounts for the 2017-18 financial year (the accounts for the 2018-19 financial year had not been published at the time of audit) established that these were published on the 23 October 2018, 23 days after the deadline set out in the Traffic Management Act 2004.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Parking Services</td> <td>Completion Prior to October 2020</td> </tr> </tbody> </table>	Responsible officer	Deadline	Head of Parking Services	Completion Prior to October 2020	<p>Where annual reports and accounts are not produced in accordance with the Traffic Management Act 2004, there is a risk that the Council is in breach of legislation, resulting in reputational damage to the Council.</p>
Responsible officer	Deadline					
Head of Parking Services	Completion Prior to October 2020					

Control Area 1: Legislative, Organisational and Management Requirements		
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 2
2	Awaiting Award on New Cash in Transit provider.	<p>A recommendation was raised in the Pay and Display audit 2017-18 detailing that a valid contract should be in place for the contracting of cash collection services with NSL.</p> <p>Testing confirmed that the contractual arrangements were unchanged since the 2017-18 audit, i.e. the contract in place commenced 25 June 2012 for a period of two years with an option to extend for a third year (i.e. ending in 2015). Discussion with the Infrastructure Manager established that Parking Services were in the process of tendering the services and that Parking Services had just ‘received confirmation’ of the new contract with BDI Securities, which should begin within a month.</p> <p>Where a valid contract is not in place, the Council’s Tenders and Contract regulations are being breached and there is a risk that the Council may not have any legal recourse should contractual issues arise.</p>
Responsible officer	Deadline	
Customer Service and Policy and Performance Manager / Infrastructure Manager	By the close of this Financial year 2019/20	

<u>Control Area 5: Management Reporting</u>						
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 3				
2	We are currently awaiting the procurement of a New Cash-in-transit Provider. Once in place we can then put in place any missing KPIs. Reports on machines out of service can be run upon request from the Smartfilo system.	Monitoring Key Performance Indicators (KPIs) on a regular basis will help to ensure that poor performance is identified and measures can be put in place to rectify this. Discussion with the Head of Parking Services established that there are no KPIs in place or process for monitoring these. Variances in income collection are monitored on the reconciliation sheets, however there is no overall KPI monitoring sheet summarising KPIs (such as the number of variances noted and the amount of variance, the number of missed collections and the number of days machines are out of order).				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Infrastructure Manager</td> <td>End of Financial year ending 2019/20</td> </tr> </tbody> </table>	Responsible officer	Deadline	Infrastructure Manager	End of Financial year ending 2019/20	Where KPIs are not in place and monitored on a regular basis, there is an increased risk that poor performance is not detected or remedied.
Responsible officer	Deadline					
Infrastructure Manager	End of Financial year ending 2019/20					

Priority 3 Issue

Action Proposed by Management	Findings
a) The Policies and Procedures have now been updated and they are to be Reviewed every 6 months.	<p>The regular review and update of policies and procedures will help to ensure that these are up-to-date and relevant.</p> <p>Examination of the procedure documents available on SharePoint established that the Pay and Display Cash Collection and the Cash Collection Reconciliation procedure documents had effective dates of 1 September 2016 and review dates of 1 April 2017 and July 2017 respectively.</p> <p>Where policies and procedures are not reviewed and updated on a regular basis, there is an increased risk that staff follow out of date procedures which no longer reflect the current working practices.</p>

TERMS OF REFERENCE

Pay and Display Meter Maintenance and Income Collection 2019-20

1. INTRODUCTION

- 1.1 The Road Traffic Regulation Act 1984 states that 'A local authority may by order designate parking places on highways, and the authority may make charges for vehicles left in a parking place so designated'. The charge must reflect the traffic management purpose – i.e. setting charges to raise income is inconsistent with the RTRA.
- 1.2 Paid-for parking is available in all Croydon controlled parking zones (CPZs). In order to park in CPZs, motorists require a valid pay and display ticket which can be purchased from on-street machines.
- 1.3 The Council had a gross income of £4,221,000 for on street pay and display meters and £1,407,000 for off street pay and display meters for the 2017-18 financial year.
- 1.4 Income received through pay and display machines needs to be banked appropriately, and any variances should be investigated.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2019-20.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes relating to Pay and Display Maintenance and Income Collection.
- 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 for the following areas relating to Pay and Display Maintenance and Income Collection (and number of issues identified):

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	2	1
Collection and Recording of Cash	0	0	0
Maintenance of Pay and Display Meters	0	0	0
Reconciliations of Pay and Display Income	0	0	0

Pay and Display Meter Maintenance and Income Collection 2019-20

Management Reporting	0	1	0
Risk Register	0	0	0
Total	0	3	1

DEFINITIONS FOR AUDIT OPINIONS AND IDENTIFIED ISSUES

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 identified issues 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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom.
Registered in England and Wales No 0C308299.