



# **Audit of Car Parking Including Income**

**Draft Report Issued: 29th November 2022**

**Revised Draft Issued: 12<sup>th</sup> January 2023**

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**Final Report Issued: 27<sup>th</sup> February 2023**

## Audit Report Distribution

<b>Client Lead:</b>	Operations Manager- Property and Estates Specialist Operations- Property and Estates
<b>Chief Officer:</b>	Chief Officer – Assets Chief Executive
<b>Others:</b>	Senior Manager- Property and Estates
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 20 <sup>th</sup> March 2023 will receive a copy of this report.

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.*

## 1.0 Background

- 1.1. This report summarises the findings from the audit of Car Parking including income. This was an internal audit review included in the 2022/23 risk-based audit plan agreed by the Audit Committee on 25<sup>th</sup> July 2022.
- 1.2. The Council manage and carry out cash collection duties on 18 council owned car parks throughout the borough and manage 6 additional car parks based in Keswick, Maryport, Cockermouth and Workington. The Parking and Enforcement team are responsible for the enforcement of parking regulations under the Traffic Management Act 2004.
- 1.3. The Council also undertake all administration duties of Penalty Charge Notices (PCNS) and challenges are handled in-house by Senior Officers.

## 2.0 Audit Approach

### Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

### Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Operations Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
  - Failure to achieve objectives due to weaknesses within the governance framework.
  - Loss of income / inaccurate accounting records as a result of inadequate audit trail or unsecure process.
  - Failure to maximise revenue through suitable commercial strategies in place over use of car parking assets.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Car Parking Including Income provide **Reasonable**

3.3 **assurance**.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 1.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. <b>Management</b> - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	2
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.3)	-	1
4. <b>Security</b> - safeguarding of assets (see section 5.4)	1	6
5. <b>Value</b> – effectiveness and efficiency of operations and programmes (see section 5.5)	-	1
<b>Total Number of Recommendations</b>	<b>1</b>	<b>10</b>

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

#### 4.3 Findings Summary (good practice / areas for improvement):

It is evident that the Operations Manager is addressing the issues faced since taking control of the department in 2020 and has a good understanding of the department's financial performance.

The department has a suitable structure in place and management confirm good working relationships with staff and the finance department. The department has adequate safety procedures for collecting cash and safely retain income prior to banking. The department has suitable processes in place for issuing Penalty Charge Notices and reconciling appeals with financial evidence to demonstrate the positive impact the department resources have on the council's revenue

The report includes one high recommendation:

The provision of income collection services by a third-party needs reviewed and documented. If existing arrangements are expected to continue, a contract needs to be urgently put into place defining the third party's roles and responsibilities. Additionally, the contractual agreement with Booths of Keswick also needs a contract in place. With no written contractual agreement in place, the department is in breach of the Council's procurement policy and the Council has limited control over services provided.

A further 10 recommendations have been made to improve the control framework, as summarised below:

- Review storage records to remove reliance on paper records.
- Review and counter-signing of income records as accurate.
- Review roles and responsibilities within the team
- Ensure procedures are followed in line with set guidance
- Perform regular one to ones and appraisals
- Review third party timescales for banking income
- Perform regular checks on coin counters
- Perform regular machine testing to ensure data is accurate.
- Ensure any future changes to security arrangements are fully risk assessed
- Include signage in relation to PCN guidance for sites with poor signal.

#### **Comment from the Programme Director (Workington)**

The recommendations are noted and the Senior Manager, Property and Estates will monitor implementation with the Operations Manager through regular 1-2-1 and appraisal meetings.

## 2.0 Audit Findings & Recommendations

### 2.1 Management – Achievement of the organisation's strategic objectives

**2.1.1** The service structure has been in place since a Council-wide restructure in 2021 and is supported by up to date, accurate job descriptions. While the restructured service is generally considered suitable, challenges have been identified in service delivery during periods of absence (sickness/annual leave), particularly in relation to administrative duties following removal of the administrative officer post, as training and responsibility for these duties has not been provided to all relevant team members.

**Recommendation 1 – A review of administrative processes should be performed to ensure all relevant officers are able to deliver each aspect of their role.**

**2.1.2** There is up-to-date guidance available to enable staff to do their job correctly with in-built resilience in place. Evidence has previously been retained to confirm staff are provided with the most up-to-date guidance, but this practice has not been in place since 2021. It is advised that this control is re-introduced.

**2.1.3** Audit testing identified staff members are up to date with relevant corporate training (delivered through e-learning), but the department does not have any officers with the formal qualification in car parking. It is advised that the mix of qualifications and experience needs for the department is reviewed as part of the Local Government Reorganisation.

**2.1.4** The review identified staff are regularly reminded of their role and responsibilities through informal meetings each morning, but there are no regular 1-2-1 meetings or appraisals between management and staff to review performance and discuss any issues, as well as identifying training needs.

**Recommendation 2 – Regular 1-2-1's and annual appraisals should be held with all staff in the service.**

**2.1.5** There is a service plan in place which covers the area under review. The risk registerer has been assessed, but no KPI's were set.

**2.1.6** There are suitable performance targets / service standards relating to the area reported to the policy department each month who analyse the data and produce findings to Senior Management Team. Audit testing identified data was accurately reported but identified limited activity in relation to addressing any areas of under-performance.

**2.1.7** There is adequate financial monitoring in place between the Operations Manager and Finance who regularly evaluate the department's performance

**2.1.8** Audit testing identified that the Operations Manager produces quarterly reports regarding the department's financial performance. This report is only used internally to inform staff of departments performance. It is advised that a copy of the report is distributed to the senior manager of the department as it is a suitable tool for providing quarterly updates on the department's performance in one concise report.

## **2.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts**

**2.2.1** Adequate processes are in place for issuing Penalty Charge Notices (PCN's) and reconciling Appeals in accordance with government legislation set out on the GOV.UK website.

## **2.4 Information – reliability and integrity of financial and operational information**

**2.4.1** There is satisfactory financial monitoring in place reviewing income targets. The Operations Manager has clear understanding of performance and targets that are achievable/ unachievable. The Council currently manage a multi-story car park on a site at Central way, Workington. This is a long-term lease arrangement with Sovereign Centros, the lease is in place until 2042.

**2.4.2** The multi-story car park is facing financial challenges, in 2021-2022 the approved budget was £449K which was revised in year and significantly reduced to £180K (recognising the impact of the pandemic), the departments actual revenue was £193K for 2021-2022.

**2.4.3** The site has been impacted by reduced footfall in the town centre following economic downturn and cost-of-living crisis. Targets currently set for the site have not been revised like previous years. Finance is monitoring the situation and are anticipating department will not reach budget for multi-story in 2022/2023. However, forecasted revenue from additional car parks throughout the borough suggests the department will still achieve the overall targets set for department.

**2.4.4** Audit testing confirmed the data produced from Aslan system and parking ticket machine income are accurate and recorded correctly.

**2.4.5** The audit identified that the service relies on paper records, with the majority of records held on physical files in the site office. Given the migration to increased mobile working, it

would be more efficient to maximise the extent of electronic (or scanned) records held. There has also recently been a corporate drive to reduce physical records retained by the Council.

**Recommendation 3 – The service should review current record storage processes to determine if files can be more efficiently stored electronically.**

## 2.5 Security – Safeguarding of Assets

**2.5.1** An adequate process is in place to ensure money is safely transitioned from the ticket machines to the safe. Audit testing identified that on occasions procedures were not fully carried out in accordance with the policy in place. It is important that cash is counter-signed as correct to ensure adequate segregation of duties are in place

**Recommendation 4 – Implement a procedure to ensure paperwork is checked by specialist officer and counter signed as accurate**

**2.5.2** Procedures are in place to ensure money is securely retained in the safe. Audit testing identified cash was retained within insurance limits.

**2.5.3** Cash is collected from site by a third party. A suitable process is in place to ensure secure collection and transition to bank deposits. This is a long-term arrangement; however, this arrangement has never been contracted, resulting in a lack of clarity over expectations and potential issues in the event of a dispute, or if income was to go missing between the site safe and bank. Additionally, the lack of contract for this service is a breach of the Council's procurement policy.

**2.5.4** This has caused further problems, although the Operations Manager did negotiate a reduction in price since taking over in 2020, the Council has been unable to negotiate a further reduction, despite the scaling down of services. It is advised the Operations Manager evaluates requirements for future contracts going forward.

**2.5.5** The Contracts Manager anticipates that the current service is likely to roll forward into Cumberland Council until services at the three district Councils are unified.

**Recommendation 5– The provision of income collection services by a third party should be reviewed. If existing arrangements continue a contract needs to be urgently put into place defining the third party's roles and responsibilities.**



**2.5.6** Due to the absence of a contract, there is no stated time period for income to be banked, however the provider includes anticipated timescales on their website. Audit testing identified that income is not currently banked on a timely basis.

**Recommendation 6– Timeframe for cash collection to bank needs to be monitored and discussed with the provider if improvements are required.**

**2.5.7** A process is in place to monitor cash-flow into the bank, as conducted by Finance. It is not possible to accurately reconcile payments received by card due to the complexity of how transactions are reported and overlaps in timing of payments from machine to bank. Finance undertakes monitoring of the various reports to detect any income collection discrepancies. Any irregularities over the agreed acceptable variances are reported to the department for it to be investigated. Small discrepancies may accrue due to coin counter error, which should be regularly tested to ensure accuracy.

**Recommendation 7– Regular testing on council's coin counters to ensure they are working correctly.**

**2.5.8** The Council also takes cashless payment options (card payments and electronic payments via Mobile phone). Electronic payments are only effective if signal or internet connection is strong enough for mobile devices. The Council has some rural areas where signal may not be strong enough. Where this is the case, customers should be informed network signal is needed to make payment (this promotes PCN criteria and should prevent customers appealing PCN as clearly signposted.)

**Recommendation 8– Signage to advise payment method is via MI Permit if machine is out of order and failure to do so will result in PCN.**

**2.5.9** Adequate control in place to monitor and reconcile the revenue produced by card payments. There is low risk of loss of income as the Council cannot always wholly reconcile records due to the complexity of reporting provided by 3<sup>rd</sup> party companies. Internal Audit is satisfied that the data analysis undertaken by Finance is satisfactory based on records at their disposal.

**Recommendation 9- Regular machine testing against Six Payments data to ensure documentation provided by Six payments is as accurate as possible**

**2.5.10** There are suitable safety procedures in place for staff members collecting cash in accordance with government legislation. Staff wear safety equipment including stab vests, bump caps, lone working devices and body cameras for staff members personal protection that are fit for purpose and work well. There are also suitable lone working arrangements in place to protect officers while collecting cash.

**2.5.11** Recent changes were made to the physical security arrangements for cash machines; however, a successful break in identified a weak spot in this change, resulting in a small loss of income, which has had to be addressed by reverting back to previous arrangements.

**Recommendation 10– Any future changes to security arrangements should be supported by a full risk assessment.**

## 2.6 Value – effectiveness and efficiency of operations and programmes

**2.6.1** There is evidence of different pricing strategies being adopted for the department to encourage customer use and the impact is analysed by the Operations Manager.

**2.6.2** The Multi-Story Car Park is not achieving its 2022/2023 targets which were calculated on pre covid data, when the site was producing greater revenue. With the current financial climate effecting the high street, this has had a dramatic effect on the demand for the site and its revenue and the targets have become unachievable. Finance is closely monitoring the situation.

**2.6.3** The site has recently amended pricing to be more competitive but is not clearly advertised. There are no external signage advertising prices, when rival car parks have clear, visible pricing in place. There is a risk that this could discourage custom as potential costs are unknown until entering the carpark.

**Recommendation 11 – Large clear sign advertising prices and opening times on the wall at entrance of the MSCP to entice custom.**

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
<b>Recommendation 1 – A review of administrative processes should be performed to ensure all relevant officers are able to deliver each aspect of their role</b>	M	Service delivery impacted during absences, as some routine tasks assigned to one officer.	A re-aligned and focused approach to the work carried out by specialist enforcement officers has begun with less emphasis on operational demands and more emphasis on technical and administrative issues.	ED	February 2023
<b>Recommendation 2 – Regular 1-2-1's and annual appraisals should be held with all staff in the service</b>	M	Low morale of staff/ service delivery impacted due to lack of communication	ED to put into place prior to LGR	ED	March 2023
<b>Recommendation 3 – The service should review current record storage processes to determine if files can be more efficiently stored electronically</b>	M	Loss of documentation/ evidence due to lack of backup.  Inefficiency of department due to limitability of data	Process has begun to upload files onto the cloud with the team playing an active role in back scanning from hard copy to electronic copies. New processes in place for scanning and storing of data going forward.	SF	February 2023

<p><b>Recommendation 4 – Implement a procedure to ensure paperwork is checked by specialist officer and counter signed as accurate</b></p>	<p>M</p>	<p>Inaccurate documentation could lead to policy and procedures not upheld.</p>	<p>In place now, standard operating procedure to be updated to reflect this.</p>	<p>ED</p>	<p>February 2023</p>
<p><b>Recommendation 5– The provision of income collection services by a third party should be reviewed. If existing arrangements continue a contract needs to be urgently put into place defining the third party’s roles and responsibilities</b></p>	<p>H</p>	<p>Unable to identify and enforce terms and conditions of service.  Breach of council’s procurement policies</p>	<p>New contract amendment will be completed with G4S. Discussions held January 2023 with further talks planned in February 2023</p>	<p>ED</p>	<p>March/April 2023</p>
<p><b>Recommendation 6– Timeframe for cash collection to bank needs to be monitored and discussed with the provider if improvements are required</b></p>	<p>M</p>	<p>Inability to manage revenue streams</p>	<p>This will from part of the new contract amendment with G4S, see above  Discussions already taken place in regards to previous unacceptable time periods and resulted in G4S allocating credit notes to account.</p>	<p>ED</p>	<p>March/April 2023</p>

<p><b>Recommendation 7 – Regular testing on council's coin counters to ensure they are working correctly.</b></p>	<p>M</p>	<p>Inaccuracy of accounts</p>	<p>Testing scheduled in diary to take place every quarter</p>	<p>ED</p>	<p>February 2023</p>
<p><b>Recommendation 8– Signage to advise payment method is via Mi Permit if machine is out of order and failure to do so will result in PCN</b></p>	<p>M</p>	<p>Reputational damage if complaints are generated due to lack of clarification</p>	<p>This will be in place as the information tariff cards are rebranded as part of the LGR process, when new F+C are fixed the team will design and print the new information and install.</p>	<p>SF</p>	<p>April 2023 or sooner when the new F+C are agreed by the new executive linked to Cumberland Council.</p>
<p><b>Recommendation 9- Regular machine testing against Six Payments data to ensure documentation provided by Six payments is as accurate as possible</b></p>	<p>M</p>	<p>Inaccuracy of accounts</p>	<p>As part of the operational activity this work will be ongoing in this area and will regularly liaise with Finance to ensure data accuracy.</p>	<p>SF</p>	<p>March 2023 and ongoing.</p>

<p><b>Recommendation 10– Any future changes to security arrangements should be supported by a full risk assessment</b></p>	<p>M</p>	<p>Assets at risk of theft and loss of revenue due to inaccurate assessment.</p>	<p>The SOP has recently undergone a review and viewed by all staff. Areas marked as concerns by staff- but no comments from team are linked to risk management. The increased roll out of cashless machines has reduced cash being collected and therefore reduced the risk levels attached to the procedure.</p> <p>Specific RA for upgrading / developing security systems will be undertaken prior to any changes.</p>	<p>ED</p>	<p>April 2023 and ongoing.</p>
<p><b>Recommendation 11 – Large clear sign advertising prices and opening times on the wall at entrance of the MSCP to entice custom</b></p>	<p>M</p>	<p>Loss of revenue due to lack of communication</p>	<p>This will be in place and be combined with new signage designed and installed for vesting day 1<sup>st</sup> April 2023</p>	<p>ED</p>	<p>April 2023</p>

## Appendix B – Advisory Comments

Ref	Advisory Comment
2.1.2	Evidence has previously been retained to confirm staff are provided with the most up-to-date guidance, but this practice has not been in place since 2021. It is advised that this control is re-introduced.
2.1.3	It is advised that the mix of qualifications and experience needs for the department is reviewed as part of the Local Government Reorganisation.
2.1.8	It is advised that the Operations Manager reports the quarterly updates to departments Senior Management as beneficial for management to view data in concise report.

## Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
<b>Limited/None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>



## Appendix D

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
<b>High</b>	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).