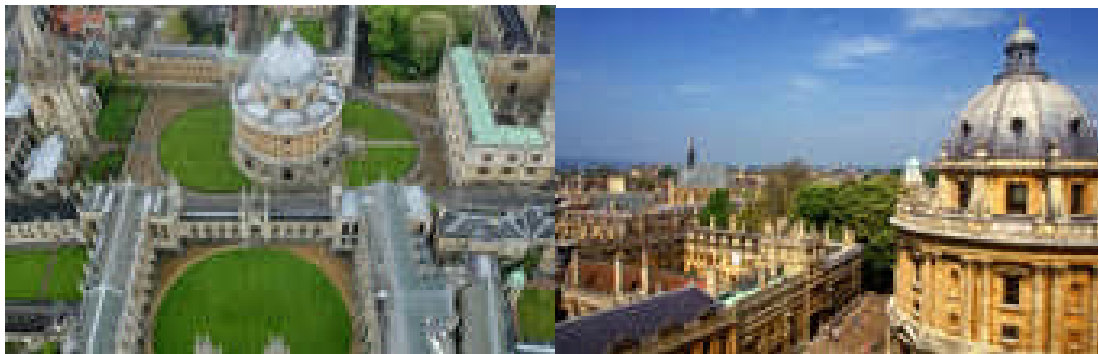


Car Parking Review

Internal Audit Final Report 09_10 1.14



Assurance rating this review	Moderate
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Distribution List
Chief Executive - Peter Sloman
Interim Executive Finance Director – Nigel Pursey
Heads of Finance - Penny Gardner/Sarah Fogden
Car Parking Manager – Andrew Bradfield-Barnes
Chief Accountant – Anna Winship
Executive Director City Services – Tim Sadler
Performance Board



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Background and scope

Introduction

This review was undertaken as part of the 2009/10 Internal Audit Plan agreed by the Audit Committee.

This report has been prepared solely for Oxford City Council in accordance with the terms and conditions set out in our letter of engagement. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

The Authority operates 14 car parks across the city of Oxford. Income is collected from all car parks by an outsourced collection agency who bank all levies on behalf of the Council. Revenue is also collected from Excess Charge Notices which are issued centrally by the Council's parking team. Total Revenue from car parking is approximately £7m per year. As at Period 8, car parking income was £75k under budget.

The prior year internal audit report identified a number of issues. The majority of these were in relation to accounting for car parking income collected and the information provided from the outsourced collection agency. The Council put in a dedicated action plan to address these issues and now performs periodic reconciliations between the income collected from machines and the amount banked.

Our review identified the following areas of best practice:

- Regular review of car parking charges
- Good controls over appeals, write offs and recovery of Penalty Charges
- Ongoing review of financial data

Approach and scope

Approach

Our work is designed to comply with Government Internal Audit Standards [GIAS] and the CIPFA Code.

Scope of our work

In accordance with our Terms of Reference (Appendix 1), agreed with the Council's Car Parking Manager and Heads of Finance, we undertook a limited scope audit of the car parking arrangements currently in place at the Council

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.



Staff involved in this review

We would like to thank all client staff involved in this review for their co-operation and assistance.

Name of client staff





Andrew Bradfield-Barnes – Car Parking Manager
Anna Winship – Chief Accountant
Jason Munro – Car Parks Supervisor
Gary Preston – Admin Assistant
Simon Barker - Admin Assistant

Our opinion and assurance statement

Introduction

This report summarises the findings of our review of Car Parking

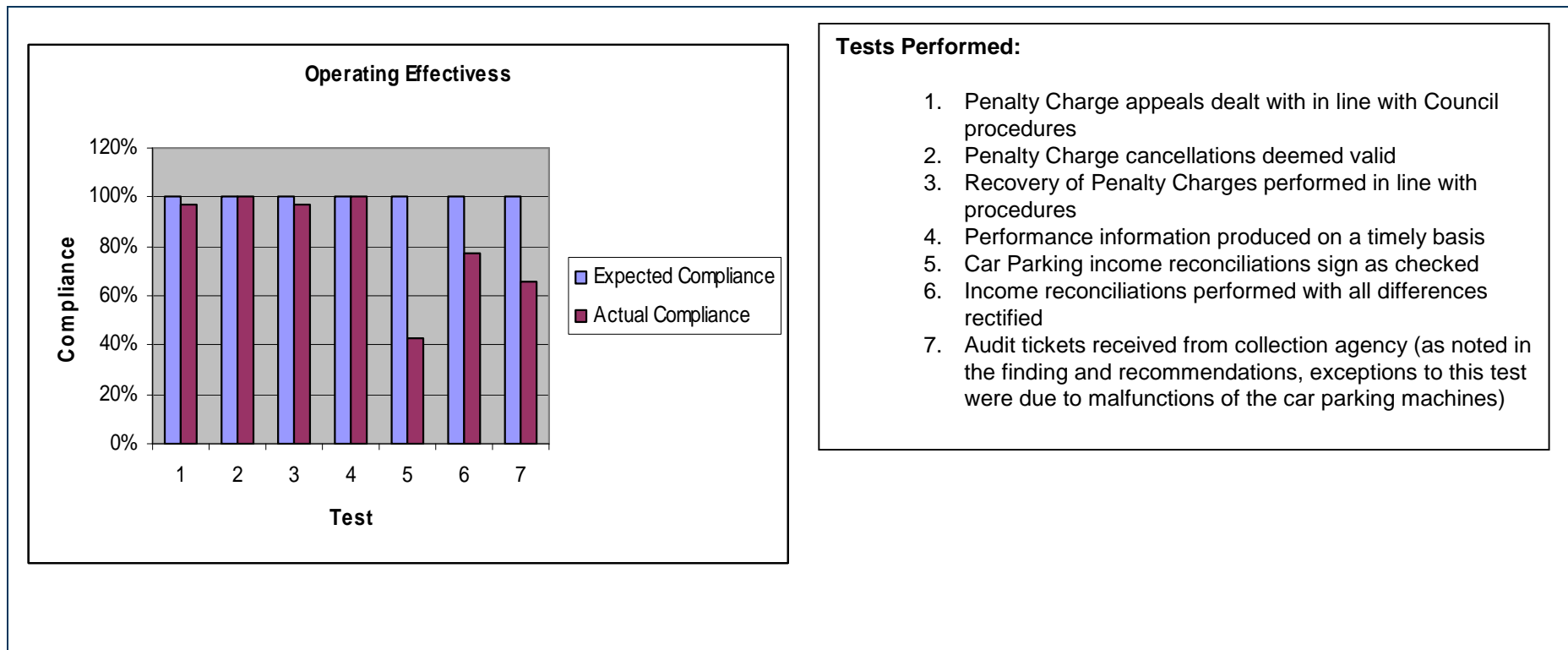
Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the authority's objectives in relation to: the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> • has a low impact on the achievement of the key system, function or process objectives; • has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Executive Summary

<p>Department: Audit Owner: Andrew Bradfield-Barnes</p> <p>Date of last review: September 2008</p>	<p>Overall Opinion: Moderate assurance</p> <p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>	<p>Direction of Travel</p> <p>No previous review has been conducted by PwC. Follow up on previous auditors recommendations has been detailed below.</p>	<p>Number of Control Design issues identified</p> <p>0 Critical 0 High 1 Medium 1 Low</p>	<p>Number of Controls Operating in Practice issues identified</p> <p>0 Critical 0 High 1 Medium 2 Low</p>																				
<p>Follow up of prior year issues</p> <table border="1"> <thead> <tr> <th>Rating</th> <th>Implemented or not applicable</th> <th>Outstanding or Partially implemented</th> </tr> </thead> <tbody> <tr> <td>Critical</td> <td>0</td> <td>0</td> </tr> <tr> <td>High</td> <td>0</td> <td>1</td> </tr> <tr> <td>Medium</td> <td>5</td> <td>0</td> </tr> <tr> <td>Low</td> <td>0</td> <td>0</td> </tr> </tbody> </table>			Rating	Implemented or not applicable	Outstanding or Partially implemented	Critical	0	0	High	0	1	Medium	5	0	Low	0	0	<p>Other Considerations</p> <table border="1"> <tr> <td>Use of Resources-related None noted</td> <td>Corporate Plan- related None noted</td> </tr> <tr> <td>VFM-related None noted</td> <td>Financial Reporting related Debtors balance may be misstated if Penalty Charge debtors are omitted</td> </tr> </table>		Use of Resources-related None noted	Corporate Plan- related None noted	VFM-related None noted	Financial Reporting related Debtors balance may be misstated if Penalty Charge debtors are omitted	<p>Scope of the Review</p> <p>To review the design and effectiveness of the Councils arrangements for car parking.</p>
Rating	Implemented or not applicable	Outstanding or Partially implemented																						
Critical	0	0																						
High	0	1																						
Medium	5	0																						
Low	0	0																						
Use of Resources-related None noted	Corporate Plan- related None noted																							
VFM-related None noted	Financial Reporting related Debtors balance may be misstated if Penalty Charge debtors are omitted																							

Compliance Summary



- Tests Performed:**
1. Penalty Charge appeals dealt with in line with Council procedures
 2. Penalty Charge cancellations deemed valid
 3. Recovery of Penalty Charges performed in line with procedures
 4. Performance information produced on a timely basis
 5. Car Parking income reconciliations sign as checked
 6. Income reconciliations performed with all differences rectified
 7. Audit tickets received from collection agency (as noted in the finding and recommendations, exceptions to this test were due to malfunctions of the car parking machines)

Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Car Parking, subject to the following limitations.

Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of controls relating to Car Parking is that historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Findings and recommendations

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Control design						
1	<p>The Council's debtor balance may be misstated.</p> <p>The accruals principal is not being followed consistently. The Councils Accounting Policies are therefore being breached.</p>	<p>The Council does not recognise Excess Charge Notices (ECNs) due as debtors on the Agresso (General Ledger) system. Instead income is recognised when paid. The total value of the liable debt at the date of audit was approximately £177k.</p> <p>Unpaid ECNs meet the definition of a debtor as a current obligation (fine) arising from a past event (parking transgression) and so should appear on the Councils balance sheet as such.</p>	<p>● Medium</p>	<p>Further investigation should be undertaken to establish the Excess Charge debtor that should be included within the Councils management and financial accounts.</p>	<p>Agreed</p> <p>Investigations will be held to ascertain how debtor balances can be transferred to Agresso for inclusion in the accounts.</p>	<p>Andrew Bradfield Barnes</p> <p>1st April 2010</p>

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
2	Refunds may not be noted on a timely basis and may incur a cost (albeit trifling) to the council.	<p>Charge notices are charged by the Council at £100 with a discount to £50 if paid within 14 days. If payments are made on the internet, there is no control to prevent additional payments being made if the debt is cleared early. In addition, no exception reports are run to identify credit balances.</p> <p>It was brought to the attention of audit that the cost of raising a cheque for refund of a penalty charge is £52. The Council therefore incurs a £2 charge for each refund awarded.</p>	<p>● Low</p>	The functionality of the online payment system should be reviewed to ensure that additional payments cannot be made for fines. If this is not feasible, the use of exception report should be examined to identify those accounts eligible for refund.	<p>Agreed</p> <p>The Councils new cash system will include a facility on the website to display the balance due for a fine. This will mitigate against the risk of overpayments being made.</p>	<p>Gillian Ratcliffe 1st February 2010</p>
Operating Effectiveness						
3	Appeals are not processed on a timely basis.	The Council aims to ensure that all appeals against penalty charges are processed within 10 days of receipt. In 1/30 appeals tested this timescale was exceeded. (20 days)	<p>● Low</p>	Efforts should be made to ensure that appeals against penalty charges are processed on a timely basis.	<p>Agreed</p> <p>On this occasion the penalty charge was not raised within the 10 day target, Officers are aware of this target and this occasion is isolated.</p>	<p>Andrew Bradfield Barnes With Immediate Effect</p>

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
4	Errors and omissions in cash received may not be identified and rectified on a timely basis.	No reconciliations were performed between the RingGo system (car parking payment by phone) and cash banked until December 2009. It should be noted that a cumulative reconciliation was performed at this point with no difference noted.	● Low	Periodic reconciliations should be performed between the RingGo system and cash banked. All reconciling items should be investigated and cleared on a timely basis.	Agreed The reconciliation was not performed due to personnel changes within the finance team. However, the newly appointed City Works accountant has rectified the issues with the reconciliation and is now performing this on a monthly basis.	Punam Kapoor With Immediate Effect

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
5	Errors and omissions in cash collected from car parking may not be identified on a timely basis. Differences in cash collected may be indicators of fraud.	<p>The Council has addressed the issues around cash collection and now performs daily reconciliations between:</p> <ul style="list-style-type: none"> • Cash banked; • Cash collected by G4S; • Cash collected as per ticket machines <p>The following issues were noted when testing 30 daily reconciliations:</p> <ul style="list-style-type: none"> • 17/30 reconciliations were not signed as prepared; • Unexplained variances between the audit tickets and income banked and recorded occurred in 8/30 cases. These did not exceed £10 in any case; • In 10/30 days tested, the ticket machines did not produce valid audit tickets and therefore the reconciliation could not be performed in full. <p>The effectiveness of this control has improved over the year.</p>	<p>● Medium</p>	<p>Efforts should be made to improve the reconciliation process for car parking cash. All reconciliations should be signed and reconciling items investigated.</p> <p>The Council should independently verify that the car parking machines are malfunctioning and seek to rectify any issues noted. Mitigating controls should be put in place to verify the income collected by G4S when tickets are not produced.</p>	<p>Agreed</p> <p>Reconciliations should be signed as performed</p> <p>All differences over £10 are investigated and therefore no further work would be performed on those 8 cases cited by audit.</p> <p>Car Parking machines retain 5 audit tickets at one time. Additional efforts will be made to retrieve this information when audit tickets are not produced by G4S</p>	<p>Andrew Bradfield Barnes</p> <p>With Immediate Effect</p>

Follow up of prior year recommendations

Recommendation	Significance	Response to recommendation	09/10 update
<p>1</p> <p>Communication of the business plan should be made to all management levels of the car parking section to ensure that they are aware of the business plan objectives and associated targets. This will assist in business continuity and ensure that performance is measured, monitored and reported in accordance with the plan.</p> <p>Objectives set out in the documented car parks Business Plan should be reviewed to ensure that they are appropriate, and a revised Plan/Strategy developed.</p> <p>The car parks plan should also be reviewed to ensure that milestones and performance indicators are more specific in terms of timeliness and deliverables.</p>	<p>●</p> <p>Medium</p>	<p>The Council's restructure has appointed the Head of City Works as having this responsibility. In addition the new City Works organisation structure has created a new post of "Service Manager – Engineering and Parking" which has responsibility for performance management and business planning functions. In addition, this post also creates direct links for the maintenance recommendations in 4a & 4b. Recruitment to the post is imminent, and upon recruitment issues arising will be addressed.</p>	<p>Implemented</p>

Recommendation	Significance	Response to recommendation	09/10 update
<p>2</p> <p>The Authority should request cash collection reports from G4S on a daily basis. These should contain all the required information including the days to which cash relates.</p> <p>On a weekly basis the amounts as per the G4S reports, bank statements and ledger should be reconciled. The reconciliation should be signed and dated by the preparer and reviewer.</p> <p>The Authority should request that G4S return all audit tickets to the Authority on a monthly basis. These should be used by the Authority to perform sample checks on reports and actual audit tickets.</p> <p>All instances where a report details a variance between the audit ticket and the cash vault should be investigated and recorded on the audit report.</p> <p>Requests for the above management information should be included within the SLA with G4S when reviewed.</p> <p>Procedure notes should be updated showing the cash collection and reconciliation procedures.</p>	<p>●</p> <p>High</p>	<p>We have asked G4S to provide daily reports and expect these to be implemented shortly.</p> <ul style="list-style-type: none"> •Weekly reconciliations of G4S reports to bank and general ledger are now produced. •We have asked G4S to return audit tickets on a weekly basis and expect this to be implemented shortly. •Procedure notes will be updated by 30th September 2008. 	<p>Partially Implemented</p> <p>See issue '7</p>

Recommendation		Significance	Response to recommendation	09/10 update
3	The Authority should ensure that car parking tariffs are reviewed and updated on a collective basis	● Medium	This will be considered as part of the next budget round.	Implemented
4a	A minimum standard for car parks should be developed to ensure that the car parks are maintained to a good standard. This could be based on the ParkMark standards and should incorporate health and safety considerations. A cyclical 1-3 year programme of works should be developed so that Car Parking management can budget maintenance expenditure according to needs.	● Medium	A maintenance programme will be produced to inform maintenance expenditure in priority order. A schedule of costs will accompany the maintenance programme to initiate works rather than await quotations. Categories of repair response times will accompany the schedule and an emergency priority order will be assigned to repairs giving rise to health and safety implications. All repair documentation will be updated on the maintenance schedule in a timely manner when completed.	Not covered in scope. Dedicated work to be performed on City Works
4b	The Car Parking team should review the maintenance schedule and sign off that each repair has been completed.	● Medium	As above	Not covered in scope. Dedicated work to be performed on City Works
5	Allocation of cash received from Ring Go and Verrus to the car park cost centres has not been performed for the financial year to date. No reconciliation has been performed to match the amounts as per the daily RingGo emails, banks statements and general ledger. We understand that this is due to a change in post at the end of March	● Medium	Procedures have now been put into place.	Implemented

Appendix 1 - Terms of Reference

Objectives and deliverables

Objectives

To ensure that car parking income is receipted and accounted for safely and accurately.

Deliverables

Our deliverable will be a report detailing our findings with regard to our assessment of the design and effectiveness of controls in place over the Car Parking process.

Information requirements

Listed below is information that may be required at the commencement of the audit:

- Copies of procedure notes;
- Listing of all car parking charges levied and permits granted for the year
- Access to cash collection and banking documentation
- Evidence that car parking prices have been reviewed in year
- Copies of reconciliations between the Car Parking System and the other accounting systems (e.g. General Ledger and Cash systems).

The list is not intended to be exhaustive. Evidence should be available to support all operating controls. Other information arising from our review of the above documentation may be requested on an ad hoc basis.

Our scope and approach

Scope and approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Documenting the underlying guidance, policy and processes in place and identifying key controls;
- Considering whether the policies and procedures in place are fit for purpose; and
- Testing key controls.

The key points that we will focus on are:

- All car parking income collection points are known;
- Cash is adequately safeguarded;
- Appropriate arrangements are in place to ensure that cash is banked promptly;
- Cash receipted is accurately fed into the accounting system and regularly reconciled;
- Effective monitoring information is produced for car parks to ensure efficiency is maintained;
- Effective controls are in place over the issuing of permits;
- Collection of levies for car parking fines is recovered promptly.

We will discuss our findings with the Car Parking Administrator or nominated representative to develop recommendations and action plans. A draft report will be issued to the Heads of Finance and any other relevant officers for review and to document management responses.

Limitation of scope

The scope of our work will be limited to those areas identified in the terms of reference.

Stakeholders and responsibilities

Role	Contacts	Responsibilities
Chief Accountant	Anna Winship	<ul style="list-style-type: none"> ▪ Review draft terms of reference ▪ Review and meet to discuss issues arising and develop management responses and action plan ▪ Review draft report. ▪ Implement agreed recommendations and ensure ongoing compliance.
Car Parking Administrator	Andrew Bradfield Barns	
Heads of Finance	Penny Gardner/Sarah Fogden	<ul style="list-style-type: none"> ▪ Receive agreed terms of reference ▪ Receive draft and final reports.
Interim Executive Finance Director Chief Executive	Nigel Pursey Peter Sloman	<ul style="list-style-type: none"> ▪ Receive final report

Our team and timetable

Our team

Interim Chief Internal Auditor	Chris Dickens
Audit Manager	Katherine Bennett
Auditor	George Hynds

Timetable

Steps	Date
TOR approval	October 2009
Fieldwork commencement	23 rd November (T)
Fieldwork completed	T + 2 weeks
Draft report of findings issued	T + 4 weeks
Receipt of Management response	T + 6 weeks
Final report of findings issued	T + 7 weeks

Budget

Our budget for this assignment is 5 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.



Terms of reference approval

These Terms of Reference have been reviewed and approved:

.....

Penny Gardner/Sarah Fogden
Signature (Heads of Finance)

.....

Chris Dickens
Signature (Chief Internal Auditor)

Appendix 2 - Assurance ratings

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
Moderate	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
Limited	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
No	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>



In the event that, pursuant to a request which Oxford City Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. Oxford City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Oxford City Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Oxford City Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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