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| |  | | --- | | **DRAFT**  **INTERNAL AUDIT**  **REPORT**  **SRBC 05/19-20**  **Car Parks Management & Enforcement** |      |  |  | | --- | --- | |  | Issued by Janice Bamber  Interim Head of Shared Assurance  Lead Auditor: Struan Jackson  Date: 31st March 2020 | |

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| **1** | **REASONS FOR AUDIT / SCOPE** |
| 1.1  1.2  1.3 | The Council’s Off Street Parking Order of December 2015, describes the Councils enforcement powers under the Road Traffic Act sections 32, 33, 34 and 35, and part 6 of the Traffic Management Act 2004 (Civil Enforcement Area), Section 39(3) of the 1984 Act in accordance with Part III of Schedule 9 to the Act.  Car Park enforcement is delivered by NSL through a framework agreement hosted by Lancashire Parking Services. This agreement has recently been extended for a further 2 years and this review will establish whether appropriate authority has been received to extend this contract and whether Contract Procedure Rules have been complied with.  Work undertaken as part of this review focused on identifying the risks and controls and determining whether the governance arrangements and controls are operating as intended in the following key areas:   * Car park inspection and maintenance processes are in place and comply with legislative requirements; * Car park income management processes are effective and ensure that all fees & charges are appropriately collected and banked; * Car park enforcement and the administration of Penalty Charge Notices is effectively managed; * Suitable contract management processes are in place with both NSL Ltd. to ensure that performance for income collection and enforcement is maintained. |
| 1.4 | The review of car parks management and enforcement is included in the 2019-20 Internal Audit Plan, approved by the Governance Committee on the 14th March 2019. |
| 1.5 | ***Details of the controls tested are included in the risk and control evaluation table attached as item 5 of this report.*** |

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| **2** | **Assurance Rating** |
| 2.1 | Internal Audit provide an independent and objective opinion on the adequacy of the Council’s control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each area reviewed. The level of assurance is based on the auditor’s assessment of the extent to which system objectives are met, the effectiveness of controls operating within systems and the resultant extent to which risks are mitigated. |
| 2.2 | The review of processes / procedures in place in respect of car parks management and enforcement has identified that whilst there are a number of areas of good practice designed to achieve system objectives there are significant weaknesses in the governance framework and the application of controls in this area, as a car parks maintenance and inspection policy is still not in place even though this was identified by Internal Audit in 2017, leaving the Council open to significant risk. This has resulted in the Internal Audit opinion that **Limited Assurance**can be placed on the control environment and the extent to which risks are mitigated in regard to car parks management and enforcement. |
| 2.3 | **Control Rating Key**  **Full –** the Authority can place complete reliance on the controls. No control weaknesses exist.  **Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.  **Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.  **Limited** - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist |

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| **3** | **Summary of Findings** |
| 3.1 | The testing undertaken as part of the audit of Car Parks Management and Enforcement identified areas where governance arrangements are in place and controls are working effectively to minimise risks in those areas. However, it was identified that there are further areas where governance arrangements are not in place and controls are not operating effectively leaving the Council open to risks. Information below outlines those areas where governance is in place and controls are operating effectively and where there is a lack of governance and / or controls are not effective leaving the Council vulnerable to risk in those areas. |
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| 3.2 | Identified areas of good practice and / or where governance arrangements are in place and the controls are operating effectively include;   * The Council’s Off-Street Parking Order provides clear guidance to users and describes the Councils enforcement powers under the Road Traffic Act 1984, this provides an effective governance framework and guidance by which to operate off street parking; * Controls are in place ensuring that car park income management and reconciliation are managed effectively, risk of loss of monies or potential fraud is mitigated; * Car Park Permits have been correctly issued, and income for these accurately receipted and recorded within the financial system; * Effective and efficient processes are in place for the issuing and monitoring of Penalty Charge Notices (PCNs) with all information being accurately recorded within the SI-DEM database; * PCN appeals are appropriately processed and monitored through the Traffic Penalty Tribunal Service. |
| 3.3 | Identified areas of control weakness where audit believe the control environment requires strengthening are as follows:   * An approved risk based car parks maintenance and inspection policy, identifying the council’s maintenance and inspection requirements is not in place. Previous audit reports SRBC 01/ 11-12 & SRBC 12/16-17 recommended actions to address this weakness, however, these have not been implemented. Whilst a maintenance and inspection policy was drafted in 2017, this has not been formally approved and adopted by the Council and, as such, the Council cannot demonstrate that effective governance arrangements are in place. There is a risk that the Council’s defence in respect of any claims / incidents would be compromised; * An Off-Street Parking Order clearly states the council’s enforcement powers’ however, the order does not incorporate the recently introduced electric car charging points and restrictions, and therefore requires review and updating; * Car parks enforcement services are contracted out to NSL through a framework agreement hosted by Lancashire Parking Services. However, there is no evidence to support that an approved and signed framework agreement is in place, therefore the council would not if required be able to demonstrate compliance with the contract’s terms and conditions. In addition, whilst contract performance is being managed through regular meetings with NSL, meetings are not minuted and therefore no evidence is available which clearly records the outcome of any actions required following the meetings. There is a risk that the framework agreement is not being adequately managed and/or performance is not being measured effectively; * Car park fees and charges have not been formally reviewed since 2017, whilst Cabinet agreed to keep the car park fees and charges at 2018/19 levels, this does not comply with Financial Regulations No 2 - Revenues Expenditure as section 2.3 states “Chief Officers should review the fees and charges levied for council services and make appropriate recommendations to the appropriate Executive member for approval by delegated decision. All fees and charges must be reviewed at least annually in line with the budget strategy”. |

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| **4** | **Conclusions** |
| 4.1 | The failure to adopt a suitable car park inspection policy and put in place effective car park inspection and maintenance arrangements exposes the council to risk of increased maintenance costs, litigation action arising from slips, trips and / or falls potentially caused by alleged failures of the fabrics of the car park, lighting. In addition, a signed framework agreement is not in place, therefore the council would not if required be able to demonstrate compliance with the agreements’ terms and conditions. |

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| **5. RISK AND CONTROL EVALUATION** |

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|  | **Risks** | **Risk 1** | **Risk 2** | **Risk 3** | **Risk 4** | **Test (Y/N)** | **Control is operating Y/N/Partly** | **MA** |
| Controls | **Risk And Control Evaluation -** | Non-compliance with statutory requirements | Non-compliance with Council policies and procedures | Non-compliance with contractual arrangements | Fraud or misappropriation of Council funds. |  |  |  |
| C1 | There is a car parks enforcement contract in place, |  |  |  |  | Y | No | MA 3 |
| C2 | Contract monitoring arrangements |  |  |  |  | Y | Partly | MA 4 |
| C3 | Annual review of fees and charges |  |  |  |  | Y | Partly | MA 5 |
| C4 | Income management and reconciliation processes |  |  |  |  | Y | Yes |  |
| C5 | Issuing and payment of car park permits |  |  |  |  | Y | Yes | MA 6 |
| C6 | Car parks maintenance and inspection policy, scheduling of car parks inspections |  |  |  |  | Y | Partly | MA 1 |
| C7 | Issuing and sign off of car park repairs and maintenance work (In house) |  |  |  |  | Y | Yes |  |
| C8 | Issuing and sign off of car park repairs and maintenance work (external) |  |  |  |  | No | N/A |  |
| C9 | Issuing of PCN's (Enforcement action), in line with the off-Street Parking Order 2015 and payment |  |  |  |  | Y | Partly | MA 2 |
| C10 | PCN appeals management |  |  |  |  | Y | Yes |  |

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| **6. MANAGEMENT ACTION PLAN** |

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| **NO.** | **CONTROL ISSUES / RISK** | **PROPOSED MANAGEMENT ACTIONS** | **AGREED ACTIONS** | **OFFICER**  **& DATE** |
| 1 | An approved risk-based car parks maintenance and inspection policy is not in place. Previous audit reports SRBC 01/ 11-12 & SRBC 12/16-17 made recommendations for management to address this weakness. Whilst a maintenance and inspection policy was drafted in 2017 this has yet to be formally approved and adopted by the Council.  The failure to inspect, repair and maintain car parks to an adequate standard could result in harm to individuals thereby exposing the Council to the risk of statutory, reputational and financial damage. | The Assistant Director of Neighbourhoods should ensure that a risk-based car parks inspection policy is developed, approved and adopted.  Following this car park inspection and maintenance requirements should be updated to comply with the approved policy. | A risk-based car park inspection policy will be developed and present for approval.  Maintenance and inspection requirements will be reviewed to ensure compliance with the approved policy. | Assistant Director of Neighbourhoods  31/07/2020 |
| 2 | The Off Street Parking Order offers clear guidance to car park users and is based on legislative requirements. However, the order requires amending to take account of the newly restricted Electric Vehicle charging points (spaces), as currently these are not listed in the Off Street Parking Order and therefore enforcement action cannot be taken for these spaces. | The Assistant Director of Neighbourhoods should ensure:   * that the car parks which are to receive electric car charging points are determined. * the councils “Off Street Parking Order “is amended to clearly document the restrictions and identify the restricted spaces on the car park maps. * Legal Services are instructed to complete the amendments. * Member approval for the amended order is obtained. | The Off Street Parking Order will be update to include electric charging points and restrictions. Following this:   * Member’s approval will be obtained. * Legal Services will be instructed to complete the required amendments. | Assistant Director of Neighbourhoods  31/07/2020 |
| 3 | A signed framework agreement is not in place, and therefore the council would not if required be able to demonstrate compliance with the contract’s terms and conditions. In addition Internal Audit are unable to verify what performance targets if any, are in place.  There is a risk that the framework agreement is not being adequately managed and/or performance is not being measured. | The Assistant Director of Neighbourhoods should obtain a copy of the signed framework agreement from Lancashire Parking Services and confirm what if any performance targets are specified. | A copy of the agreement will be requested from Lancashire Parking Services.  On receipt the performance requirements will be verified and where required management arrangements will be put in place which ensures compliance with the agreements terms and conditions. | Assistant Director of Neighbourhoods  31/07/2020 |
| **NO.** | **CONTROL ISSUES / RISK** | **PROPOSED MANAGEMENT ACTIONS** | **AGREED ACTIONS** | **OFFICER**  **& DATE** |
| 4 | Contract meetings with LPS and NSL are held on a six-monthly basis. However, the meetings are not minuted and therefore no evidence is available which clearly records the outcome of any actions required following the meetings. | The Assistant Director of Neighbourhoods should ensure that meeting minutes are retained to clearly demonstrate the outcome of performance / contract meetings. | The frequency of meetings will be reviewed to ensure compliance with the agreement.  The minutes and action plans will be retained and where required any issues resolved. | Assistant Director of Neighbourhoods  31/07/2020 |
| 5 | Car park fees and charges have not been formally reviewed since 2017, whilst Cabinet agreed to keep the car park fees and charges at 2018/19 levels, this does not comply with the Financial Regulations No 2 - Revenues Expenditure as section 2.3 states “Chief Officers should review the fees and charges levied for council services and make appropriate recommendations to the appropriate Executive member for approval by delegated decision. All fees and charges must be reviewed at least annually in line with the budget strategy”  A review would provide Cabinet with up to date and accurate information, allowing them to make an informed decision as to whether the fees and charges should be updated. | The Assistant Director Neighbourhoods should ensure that an annual review of fees and charges is undertaken, as required by Financial Regulations No 2 Revenues Expenditure, section 2.3. | Members have requested that fees and charges are reviewed by an external company.  Currently, a low value procurement exercise is currently underway to appoint a consult, this should be completed by 31/05/2020. Following this, fees and charges will be reviewed. | Assistant Director of Neighbourhoods  31/07/2020 |
| 6 | The Councils website contains misleading and incorrect car park permit fee information, this requires updating to ensure that customers have access to accurate information. | The Assistant Director of Neighbourhoods should ensure that the councils website is updated to correctly display the fees chargeable for car park permits. | The councils website is currently being refreshed, as part of this, Neighbourhoods Services information will be updated to ensure that its contents is accurate and all service charges are correctly stated, this includes fees and charges. | Assistant Director of Neighbourhoods  31/07/2020 |

**A lack of timely implementation of the agreed actions may be reported to the Governance Committee.**

All internal audit work is conducted in compliance with the Public Sector Internal Audit Standards, issued by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.

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| **Statement of Responsibility** |
| 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. |