

Dacorum Borough Council

Final Internal Audit Report

Parking

December 2015

This report has been prepared on the basis of the limitations set out on page 10.

CONFIDENTIAL

Distribution List:

Steve Barnes – Parking Services Team Leader
Nick Brown – Group Manager (Commercial Assets and Property Development)
David Skinner – Assistant Director (Finance and Resources)
James Deane – Corporate Director (Finance and Operations) (Final Report Only)
Sally Marshall – Chief Executive (Final Report Only)

Key Dates:

Date of fieldwork:	September/October 2015
Date of draft report:	November 2015
Receipt of responses:	December 2015
Date of final report:	December 2015

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 1 April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Dacorum Borough Council. This report 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, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Contents

1. Executive Summary	1
2. Scope of Assignment	3
3. Assessment of Control Environment.....	4
4. Observations and Recommendations	5
Recommendation 1: Detailed Parking Enforcement contract (Priority 2).....	5
Recommendation 2: Monthly invoices should be checked against annual contact value (Priority 2)	6
Recommendation 3: Contract monitoring meetings (Priority 3).....	7
Appendix A - Reporting Definitions	8
Appendix B - Staff Interviewed.....	9
Statement of Responsibility.....	10

1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2015/16, we are required to undertake a risk based audit of the processes in place for Parking.

Parking Enforcement at Dacorum is contracted out to Watford Borough Council who has contracted with Vinci Park for the provision of services. The contract started in February 2008 and runs until February 2018.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Parking, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation, Contract Management, Income Collection, PCN Cancellations, Budget Management and Reconciliations.

1.3. Summary Assessment

Our audit of the Council’s internal controls operating over Parking found whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Parking is shown in Section 3.

1.4. **Key Findings**

We have raised two priority 2 and one priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Prior to the parking enforcement contract end date of 2018, consideration should be given to determining the requirements to be included in the new contract. (Priority 2)
- Monthly invoices should be checked against expected annual contract value as detailed in the purchase order. (Priority 2)
- Contract monitoring meetings should be held on a monthly basis as per the contract agreement. (Priority 3)

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. **Management Response**

We received the management responses in a timely manner and these have been included in the main body of our report.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Parking, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures and Legislation

Policies and procedures are available to the parking staff which is reviewed on an annual basis. Dacorum's Enforcement Strategy is regularly reviewed to ensure it is relevant and meets legislative requirements. Parking information is available to staff and to the public via the internet.

Contract Management

A detailed contract is in place with the service provider which sets out the roles and responsibilities of both parties. Contractor performance indicators are monitored and reported to relevant management and members. Regular contract meetings are held with Watford's Parking Services Manager to discuss contractor performance management. Information provided to the Council by the contractor is verified for accuracy.

Income Collection

Pay and Display machine repairs are carried out promptly in order to maximise income. Ringo payments are correctly accounted for in sales income. Income reports received from the contractor are reconciled to audit tickets from Pay and Display machines on a sample basis. Any variations identified are investigated and reported back to the contractor for resolution. Income is banked is reconciled to expected income.

PCN Cancellations

Supporting documentation is available to justify PCN cancellations. Refunds are appropriately authorised prior to payment. Analysis of reasons for cancellation is carried out and, where appropriate, concerns are reported to the contractor.

Budget Management

Annual budget is set appropriately and monitored regularly. Monthly invoices are checked and authorised prior to payment to ensure overspends do not occur.













Reconciliations

Monitoring information received from contractor relating to On Street income, Parking Permits, Season Tickets and arrears recovery action is verified for accuracy.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies Procedures and Legislation			Recommendation 1
Contract Management			Recommendations 2 and 3
Income Collection			
PCN Cancellations			
Budget Management			
Reconciliations			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Detailed Parking Enforcement contract (Priority 2)

<p>Recommendation</p> <p>Prior to the parking enforcement contract end date of 2018, consideration should be given to determining the requirements to be included in the new contract. Key elements should include the annual contract sum or pricing schedule and KPIs for monitoring performance of the contractor. Furthermore, consideration should be given to determining a Parking Strategy for Dacorum which will inform the detail to be included in the service specification.</p>
<p>Observation</p> <p>A detailed contract which sets out the roles and responsibilities of both parties, and the service to be provided will help to facilitate the effective management of the Parking Enforcement service.</p> <p>Parking Enforcement at Dacorum is contracted out to Watford Borough Council who has contracted with Vinci Park for the provision of the service. The contract started in February 2008 and runs until February 2018.</p> <p>Our testing confirmed that a contract between Dacorum and Watford was signed by both parties, however on examination of the contract we found the following issues:</p> <ul style="list-style-type: none"> • The contract documentation did not include details of the service to be provided by the contractor • There was no performance framework in place against which the performance of the contractor can be measured • There was no information relating to how the target costs were calculated, or what percentage of those costs were Dacorum's responsibility. <p>Where there is no detailed contract documentation in place, there is no means of determining if the Council is receiving the expected services, or whether the monthly contract payments are appropriate.</p>
<p>Responsibility</p> <p>Assistant Director – Finance & Resources</p>
<p>Management response / deadline</p> <p>This contract was made prior to any of the current management being involved.</p> <p>The contract terminates in 2018 when terms can be renegotiated or an alternative parking partner sought. V4 consultancy has been engaged to review the contract with a view to making an earlier decision concerning the possibility of renegotiation or early termination of the contract.</p> <p>Deadline April 2016</p>

Recommendation 2: Monthly invoices should be checked against annual contract value (Priority 2)

<p>Recommendation</p> <p>Monthly invoices should be checked against expected annual contract value as detailed in the purchase order. Any variances should be investigated.</p>
<p>Observation</p> <p>Regular monitoring of monthly invoices against annual contract value will help to ensure effective budget management is in place.</p> <p>We identified that the 2015/16 Budget Book stated an expected cost of £ 654,460 for Services (Car Parking) for the year, giving an estimated monthly contract cost of £54,538. From a sample of invoices received for the current financial year, we determined that average invoice amounts were approximately £2,000 higher than the estimated monthly contract cost.</p> <p>Our testing found that there was no evidence available to explain where the differences had arisen, due to lack of contractual documentation relating to contract value.</p> <p>Where monthly invoice variances are not investigated, there is a risk of budget overspend resulting in financial loss to the council.</p>
<p>Responsibility</p> <p>Parking Services Team Leader</p>
<p>Management response / deadline</p> <p>Parking Services Team Leader will set up a spreadsheet to record and monitor the value of monthly invoices against the profiled projected invoice costs and investigate any discrepancy.</p> <p>Deadline January 2016</p>





Recommendation 3: Contract monitoring meetings (Priority 3)

<p>Recommendation</p> <p>Contract monitoring meetings should be held on a monthly basis as per the contract agreement.</p>
<p>Observation</p> <p>The Agreement between Dacorum Borough Council and Watford Borough Council signed in December 2009 in Chapter 7 states : "Watford's Parking Service Manager will hold monthly meetings with Dacorum's Head of Environmental Services or other authorised officer of Dacorum to ensure that the parking management contract is being implemented by Watford's contractor Vinci or any other contractor providing parking enforcement services under a contract with Watford in the interests of Dacorum and to monitor the performance of such contractor and to discuss the management of the contractor's staff."</p> <p>We tested a sample of four monthly meetings from 2015. We found that in two instances the meetings did not take place.</p> <p>Where monthly meetings are not held, there is a risk that opportunities to discuss performance issues are not taken, which could lead to the objectives of the service not being met.</p>
<p>Responsibility</p> <p>Group Manager – Commercial Assets & Property Development</p>
<p>Management response / deadline</p> <p>The Head of Service position has been replaced by Assistant Director and Group Manager posts. The Group Manager will set the dates in advance for the subsequent financial year each March.</p> <p>Deadline March 2016</p>

Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Steven Barnes Parking Services Team Leader
- Daniel Rodgers Parking Operations Officer
- Lucy Tash Accountant: Finance & Operations
- Cat Hamilton Lead Officer (Payments, Income and RTB)

We would like to thank the staff involved for their co-operation during the audit.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

December 2015

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 4585162.

Mazars Public Sector Internal Audit Limited is a subsidiary of Mazars LLP. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.