

Audit and Governance Committee

15 January 2008

Report of the Assistant Director of Resources (Audit & Risk Management)

Follow Up Audit of Car Parking

Summary

- 1 The purpose of this report is to advise Members of the findings of follow up testing undertaken by Internal Audit on the Council's car parking arrangement and associated controls, and also the actions taken by management to address the outstanding issues.

Background

- 2 The Council receives approximately £6 million income from car parks across the city each year. This is collected through 111 machines in York, at both on-street and car park locations. The Council also operates a further 7 machines on behalf of the University of York.
- 3 As part of the 2004/05 internal audit plan, a review of car parking services and operations was undertaken by Internal Audit. The audit identified a number of significant control weaknesses. The overall opinion of the audit of Parking Services at that time was 'not acceptable'. The final report and findings were accepted by management and an action plan was agreed to address the identified control issues. Most of the issues identified in the report have been addressed, as described in the Review of Parking Services report which was considered by the Executive in September 2007.
- 4 In September 2007, the Audit Commission presented their Annual Governance report for 2006/07, to this Committee. The report included details of significant governance related matters identified by the external auditors during the course of their work to complete the 2006/07 audit. In respect of the car parking system, the external auditors noted that:
 - there was no formal reconciliation between the income recorded by each car park machine and the income that is counted by the cashiers and which is banked, and
 - there was no control to ensure that all the boxes collected from the car park machines are delivered to the cashiers, as the cashiers have no record of which boxes to expect.

These control issues remained unresolved by City Strategy following the 2004/05 audit.

- 5 Members asked that a further report be brought to this meeting to identify the progress made by City Strategy to address the specific control weaknesses included by the Audit Commission in the Annual Governance report. As part of the 2007/08 Audit Plan, Internal Audit was also due to verify the progress made to resolve the other control weaknesses identified during the 2004/05 audit.

Results of Follow Up Audit

- 6 The initial follow up work has focused on the income collection systems within the car parking service. Further work is ongoing in respect of the system for processing Penalty Charge Notices. Once this work is complete a draft audit report will be issued to management.
- 7 The Council introduced the new Parkeon car parking system at the end of November. The system controls and monitors the issue of car park tickets, the receipt of income and the collection of cash boxes from machines. It also reports when the machines are full and any faults. As this system had only recently been installed it has not been possible to fully test its operation at this stage.
- 8 In respect of the two control weaknesses identified by the external auditors, it has been found that although these issues had not been fully resolved at the time of the follow up work, management actions are now being taken to resolve them. The findings of Internal Audit are as follows;

Income Reconciliation Arrangements

- 9 Although a cash income reconciliation is completed for the University car parks (for which the Council collects income under contract), prior to October 2007 a full daily reconciliation of the other cash income collected was not being completed, due to resource constraints within the department. As a result there was a risk to the Council that accounting records were inaccurate and that money which was lost or stolen, could not be easily and promptly identified.
- 10 To address the concerns raised by Internal Audit following the 2004/05 audit, the City Strategy Finance Team have for the past two years checked a single week's income in total and compared this to the record on the Council's ledger. Small discrepancies have been identified as a result of this exercise, i.e. £10-20, but these are considered to be acceptable when compared to the average weekly budget of approximately £120k.
- 11 The Finance Team also maintain spreadsheets detailing income received and other related information produced from the parking system. This information is used for analytical review purposes and helps to identify significant variances compared with prior year figures

and current year budgets. Any significant variances identified are then investigated.

- 12 Since the beginning of November 2007, when more resources became available, the City Strategy Finance Team have been trialling a reconciliation of the daily car park machine reports against the income on the ledger. The reconciliation was backdated to October 2007. It is proposed that this reconciliation will continue to be carried out in the future, supported by the information provided by Parkeon. The reconciliation process will include the establishment of procedures to report and investigate any material variances.

Cash Box Numbers

- 13 Similarly, at the time of the follow up audit, there were no controls in place to ensure all the cash boxes collected had been delivered to Cashiers. As a result, the Council was exposed to the risk that cash boxes, which were removed from car park machines might be lost or stolen, rather than being deposited at the City Finance Centre. Any missing cash boxes would not immediately be identified. This control weakness was compounded by the lack of a daily cash income reconciliation, prior to October.
- 14 The auditors confirmed that the Parking Patrol Supervisor (at the parking office at Foss Bank Car Park) was not informing Cashiers of the number of boxes that have been collected during the day. However, since the 1 January 2008, this information has been supplied to the Chief Cashier using the new Parkeon system. Any discrepancies identified by the Chief Cashier will be investigated by the Parking Patrol Supervisor.
- 15 When the boxes are deposited at the Cashier's Officer, a receipt should be signed by both the Chief Cashier and the Cash Collectors who have collected the boxes, to confirm the deposit. However, audit testing has established that these receipts are not always signed by the Cash Collectors.
- 16 Internal Audit has therefore recommended that the receipts for depositing cash boxes from the car park machines should be signed by both the Cash Collectors and the member of staff in Cashiers who has received them. In response, Parking Management have recently issued instructions to emphasise the need for receipts to be signed.
- 17 In addition, it has been found that the car park income reports produced by the car park machines have not been kept for the required 6 years. There is therefore a lack of a complete audit trail and the risk that the Council is in breach of VAT regulations.
- 18 It has therefore been recommended by audit and agreed by management that the reports listing the value of cash collected from each car park machine will be retained for a minimum of six years in accordance with HM Revenue & Customs requirements.

Consultation

19 Not relevant for the purpose of the report.

Options

20 Not relevant for the purpose of the report.

Analysis

21 Not relevant for the purpose of the report.

Corporate Priorities

22 This report contributes to the Council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do. It also contributes to all the improving organisation effectiveness priorities.

Implications

23 The implications are;

- **Financial** – there are no financial implications.
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** - there are no equalities implications to this report.
- **Legal** - there are no legal implications to this report.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** - there are no IT implications to this report.
- **Property** - there are no property implications to this report.

Risk Management Assessment

24 The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if the results of audit work are not reported to those charged with governance. This in turn would adversely impact on the Council's CPA score for the Use of Resources and therefore its overall CPA score when it is re-assessed.

Recommendation

25 Members are asked to:

- note the initial findings and recommendations of the follow up review carried out by Internal Audit, and the actions taken by Parking Management to address the identified control issues.

Reason

To enable Members to consider the adequacy and effectiveness of the Council's control environment.

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Report Approved



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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

- 2004/05 Car Parking Internal Audit report
- 2006/07 Annual Governance Report of the District Auditor

Annexes

None