



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
2 APRIL 2009**

Report of the Head of Audit and
Risk Management

ITEM XX

Parking Enforcement – Call In

RECOMMENDATION

- 1.1 To seek explanations from management as to why the issue raised in recommendation 7 of the audit report on cash security at Saxon House reception has not been agreed.
- 1.2 To seek explanations from management regarding the reasoning for revising its responses to all other issues raised in the audit report.

SUPPORTING INFORMATION

- 2.1 At its meeting on 4 December 2008, the Committee considered recently finalised internal audit reports. One of the reports was on Parking Enforcement. Given that Audit had rated the control environment as “marginal” and because Members were concerned over the issue of the security arrangements at Saxon House reception highlighted by the audit report, the Parking Enforcement audit report was “called in”.
- 2.2 The original draft report was sent to the Parking Services Manager on 18 September 2008 for response. The report contained 11 recommendations, 6 were considered significant and 5 were classed as Merits Attention. The overall control environment was considered to be Marginal. Sending the draft to the Parking Services Manager followed the protocol that had been used for the two previous audits. The relevant line managers were informed by email on 18 September 2008 that the draft report had been sent to Parking Services Manager for response.
- 2.3 A response was received on 15 October 2008 from the Parking Services Manager. All the issues relating to the recommendations were accepted and action details were provided. The report was issued in its final version on 17 October 2008 to the Corporate Director – Regeneration and Community, Assistant Director – Highways and Transport, the Head of Traffic and the Parking Services Manager.
- 2.4 The Head of Traffic wrote to Audit on 23 October 2008 stating:

‘There are a number of areas in the report where I need to challenge my colleagues to ensure that commitments they appear to have made are deliverable and there are some areas where I also need to challenge the interpretation you have placed on comments offered’ (by the Parking Service Manager).

- 2.5 On 24 October 2008 Audit agreed to give the Head of Traffic the opportunity to resolve any issues and offered to participate in any discussions providing there was a response within two weeks. The revised response to the report was received on the 27 November 2008. Four of the issues relating to recommendations were now not accepted. Audit met with the Parking Services Manager and the Group Manager - Traffic Regulations and Parking Services on 4 December 2008 in an attempt to resolve the issues which were no longer being accepted. As a result of this meeting three issues were accepted but the issue (recommendation 7) on the open counter at Saxon House not providing adequate security for staff and the income collected remained Not Accepted.
- 2.5 When comparing the original responses to the revised versions there is a noticeable reduction in the level of control and security that will be achieved. Appendix 2 shows the two versions of responses from Management to each recommendation, together with comments from Internal Audit.

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Background papers:	
List of appendices:	Appendix 1 – Implications Appendix 2 – Recommendations from Internal Audit report and Management responses

IMPLICATIONS

Financial

1. None directly arising

Legal

2. Under the Accounts and Audit Regulations 2003, the Council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

Personnel

3. None directly arising

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

Appendix 2

Rec Ref.	Control Issue and Recommendation	Issue Accepted (Yes / No)	Action Details Inc. alternative solution (If no action please state reasons)	Action Date & Officer Responsible
1	<p>Significant</p> <p>Officers with responsibility for collecting cash were also able to cancel Penalty Charge Notices on the Chipside system.</p> <p>We recommend that a separation of duties is implemented whereby officers who collect cash are unable to cancel Penalty Charge Notices in the Chipside system. If this is impractical, management should undertake closer monitoring of transactions input to the Chipside system via regular review of reports, such as weekly PCNs cancelled with reasons; PCN charges suppressed with reasons.</p>	Yes	<p>Parking Services reception is scheduled to move to Derby Direct in due course. There are not enough staff members to have a permanent receptionist(s).</p> <p>The Manager/Supervisor will identify items for cancellation and annotate PCN appropriately – all cancellations will then be logged on 'Case Manager' with the decision making Managers/Supervisors name.</p> <p>For internal Audit purposes there is a specific report in 'Case Manager' that identifies who has cancelled and why.</p>	<p>Monday 20 October 2008</p> <p>Parking Services Manager/Parking Administrator</p>
	Revised response	<p>No</p> <p>Changed to Yes after further discussion</p>	<p>There are not enough staff members to have a permanent dedicated receptionist.</p> <p>Every PCN to be cancelled has a 'Cover sheet'. This has to be authorised by a Manager/Supervisor before the PCN can be cancelled in the system. These cover sheets will be held on file and will be available for future reference including Internal Audit scrutiny. Further, a number of completed cases will be randomly selected each month and will be scrutinised for conformity with procedure. These will then be held separately and be available for Internal Audit scrutiny.</p>	Parking Services Manager/Parking Administrator

Rec Ref.	Control Issue and Recommendation	Issue Accepted (Yes / No)	Action Details Inc. alternative solution (If no action please state reasons)	Action Date & Officer Responsible
	<i>Internal Audit Comment</i>		<p><i>The separation of duties between staff who collect cash and access to cancel charges in any system is a fundamental control.</i></p> <p><i>Under the revised proposals there is no method of identifying all cancelled PCNs. The legitimate cancellations will of course have cover sheets. It is the cancellations that have been processed without authorisation that need to be identified. The cancellations report needs to be run and compared and agreed to the authorised cancellations. Alternatively management should review the staffing arrangements to ensure a separation of duties that no-one collecting cash should be able to cancel charges. This could be achieved by system access or changing duties.</i></p>	
2	<p>Significant</p> <p>Controlled stationery was not being appropriately secured. Staff were able to help themselves to receipt books.</p> <p>We recommend that all receipt books are securely held, with access restricted to officers designated with responsibility for stationery stocks. These officers should not also have any responsibility for collecting car parking income.</p>	Yes	<p>Records will be kept of all stationery using a controlled stationery sheet.</p> <p>Receipts/Receipt Books are now kept in the locked store room. Admin staff can obtain new stationery from either Lynn/Ben, who will obtain a signature from the requester at the same time.</p>	<p>Monday 20 October 2008</p> <p>Parking Administrator/Parking Administration Assistant</p>

Rec Ref.	Control Issue and Recommendation	Issue Accepted (Yes / No)	Action Details Inc. alternative solution (If no action please state reasons)	Action Date & Officer Responsible
	Revised response	Yes	<p>I believe that items 2 and 3 and are all linked because they essentially refer to the duplicate receipt books.</p> <p>All copies of unused duplicate receipt books are kept in the safe and are entered on our control stationery log sheet for verification and control purposes.</p> <p>The duplicate books will only be used on those occasions when the system fails to produce an electronic receipt and the books will be issued sequentially by the Parking Administrator. Once the system returns to normal use the duplicate book will be returned to its secure location and signed in.</p> <p>These books will form part of the annual audit of our control stationery stocks.</p>	<p>Parking Administrator</p> <p>and</p> <p>Parking Administration Assistant</p>
	<i>Internal Audit Comment</i>		<i>Both the responsible officers will also have cash collection duties so the recommendation has not been implemented. A member of staff with no cash collection duties should be responsible for controlled stationery.</i>	

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3	<p>Significant</p> <p>Controlled stationery was not being appropriately recorded and stocks were not being independently checked and reconciled. Records were not being maintained which would show the receipt books held in stock or whom receipt books had been issued to. Receipt books were being used out of sequence.</p> <p>We recommend that a controlled stationery record of receipt books is maintained. Stocks of receipt books should be controlled by an independent person who records their issue. Receipt books should be issued sequentially. There should be an independent check that all receipt books issued can be accounted for and have been used correctly. An annual stock take of receipt books should be undertaken by a suitably independent officer to verify that stocks are intact.</p>	Yes	<p>As No 2 above</p> <p>A strict control of receipt pads and receipt books will be administered; these will be recorded and signed for.</p> <p>Existing stock of receipt pads will be numbered with numbering machine and will be issued in numerical order.</p> <p>The old type unused receipt books have all be traced and are now kept in safe. These will be used in case of breakdowns/emergencies.</p> <p>All the old receipt books have been boxed and are locked in store room.</p>	<p>Monday 20 October 2008</p> <p>Parking Administrator</p> <p>Actioned today 15/10/08 Parking Administrator/Technical Administration Manager</p>
	Revised response		See note 2 above	<p>Parking Administrator</p> <p>and</p> <p>Parking Administration Assistant</p>

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	<i>Internal Audit Comment</i>		<i>Both the responsible officers will also have cash collection duties so the recommendation has not been implemented. A member of staff with no cash collection duties should be responsible for controlled stationery.</i>	
4	<p>Significant</p> <p>Receipts intended to only be used in conjunction with the cash receipting system printer were being used as handwritten receipts. These receipts were not numbered or duplicated so there was no audit trail when the amounts receipted were handwritten.</p> <p>We recommend that the receipts for the cash receipting system are withdrawn and destroyed. A properly printed and numbered receipt should be developed and introduced as controlled financial stationery. In the mean time the standard duplicate receipts should be used.</p>	Yes	<p>Action already implemented as from 30/05/2008</p> <p>Interim agreement that present receipts are numbered</p> <p>When a supply of numbered receipts are available from the Income and Post Manager these will be used immediately.</p>	<p>With immediate effect</p> <p>Monday 20 October 2008</p> <p>Parking Administrator</p>

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	Revised response	No Changed to Yes after further discussion	<p>The pre-printed receipt pads were issued to us from Central Finance.</p> <p>The pads are principally for use with the ACR terminal and this ensures that each receipt from the pad is printed with the unique PCN number to which it relates. On the infrequent occasions that the ACR terminal developed a fault, members of the Administration Team were accustomed to using these pads to produce a hand-written receipt, which was acknowledge as a flawed process and this act was curtailed in line with recommendations from the Audit Report last year. Consequently, on those occasions when the ACR terminal is inoperable the Admin Team will revert to the use of the books of standard duplicate receipts. These standard duplicate books are currently part of our controlled stationery regime, alongside our parking permits, visitor permits, business permits, season tickets, staff permits and our on and off-street parking tickets.</p> <p>A stock of pre-numbered pads is being obtained from the Printers.</p>	Parking Administrator
	<i>Internal Audit Comment</i>		<i>The new response suggests that the receipts for the ACR terminal are not being treated as controlled stationery. This means that there are no controls over receipted income until the new pads are received and introduced.</i>	

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5	<p>Merits Attention</p> <p>Only one person was opening the post which contains payments for Penalty Charge Notices.</p> <p>We recommend that all post is collected from the post box and opened in a secure area by two officers. Any cheques or cash received should be recorded in a dedicated postal remittance record which is signed and dated by both officers. The officer receiving the postal remittances for income allocation and banking purposes should sign and date the postal remittance record to evidence that they have taken custody of all the remittances listed thereon.</p>	Yes	Two members of staff will be assigned to open the post. A check sheet will be signed and witnessed.	<p>Monday 20 October 2008</p> <p>All Administration Assistants/ Parking Administrator</p>
	Revised response	No Changed to Yes after further discussion	We will endeavour to ensure that two members of staff will be assigned to open the post. A check sheet will be signed and witnessed.	All Administration Assistants/ Parking Administrator
	<i>Internal Audit Comment</i>		<i>It was necessary to remind the Parking Services manager and the Group Manager - Traffic Regulations and Parking Services that two people opening post is a specific financial procedure and yet the response still suggests this may not happen.</i>	
6	<p>Significant</p> <p>Administration Assistants were counting, reconciling and banking their own daily collections without another Council officer checking that the amounts collected per the Cash Receipting System had</p>	Yes	Will comply with recommendations.	Monday 20 October 2008

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	<p>been banked in full.</p> <p>We recommend that::</p> <ul style="list-style-type: none"> • A supervising officer obtains the daily collection report from the cash receipting system rather than the Administration Assistants. • Administration Assistants are required to count the amount collected without knowledge of the total per the Cash Receipting System. • The Administration Assistants should record and report the amount counted to the supervising officer, who should record and investigate any collection discrepancies. • The agreed collections should be transferred to the supervising officer, and the transfer should be evidenced with the signature of the receiving officer. • The supervising officer should prepare the income collection for banking and complete a Bank Credit Analysis sheet for each day's collection. • Each days income collection should be placed in a sealed bag, held in the safe, until collected for banking. Daily collection bags should not be opened to produce a combined banking. • Records of daily collections and bankings should be produced and maintained by the supervising officer from the prime income and banking documents (i.e. a Collection and Deposit record). This record should highlight any collection discrepancies and should demonstrate that all collections have been banked intact. 		<p>"</p> <p>"</p> <p>"</p> <p>Will comply with recommendations.</p> <p>"</p> <p>"</p> <p>"</p>	<p>All Administration Assistants/ Parking Administrator</p>

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	<p>It should also provide an audit trail to the prime documents which support the collection and banking figures.</p> <ul style="list-style-type: none"> • Prime documents which the income collection and banking process should be held securely for six years in accordance with the Council's document retention schedule. • The Collection and Deposit record should be passed the Department's Accountancy Team on a monthly basis so that the amounts banked can be checked to the Council's bank statements. 		<p>Already compliant with this recommendation.</p> <p>These will be sent daily to Principal Accountant - Systems Control</p>	

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	Revised response	Yes	<p>Following the last audit report our Admin. Section have undertaken daily banking, which has helped to investigate and identify any discrepancies. This has enabled us to reconcile and account for the daily income, as well as preparing the bags for Securicor's twice weekly collections.</p> <p>Once reception has closed for the day, and the doors securely fastened, the receptionist will count and record the days takings, independent of the CRS and sign to indicate that the totals are a true record.</p> <p>The Admin Supervisor, or any other team member independent of the days reception duties, will also count the days takings and investigate any discrepancies found. On completion of this particular count, a receipt will be obtained electronically from the CRS to check against the total collected for the day. Again, any discrepancies will be investigated and reconciled</p> <p>Each days income is then placed in a sealed bag and placed in the safe until collection for banking by G4 Security. The bags are not opened to produce a combined banking.</p> <p>The introduction of this procedure has been of benefit to our service.</p>	All Administration Assistants/ Parking Administrator

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	<i>Internal Audit Comment</i>		<i>The revised arrangements do not refer to a collection and deposit record so it should be ensured that this record is being maintained.</i>	
7	<p>Significant</p> <p>The open counter at Saxon House, where payments for PCNs were being received, did not provide adequate security for staff and the income collected. Cash was kept in an unlocked cash tin in an unlocked drawer in full view of the public.</p> <p>We recommend that management arranges to make security improvements to enable a sufficiently secure payment counter at Saxon House. This should include a complete physical barrier between staff and members of the public, panic alarms etc. See also recommendation 10.</p>	Yes	<p>From 30/05/2008 Receptionists have kept the drawer and money box locked up when away from reception.</p> <p>Given that Derby Direct will eventually take reception, Senior Management will not entertain additional expense of recycling equipment from old cashiers office at the Council House.</p>	<p>Implemented</p> <p>All Administration Assistants/ Parking Administrator</p>
	Revised response	No	<p>Since 30/05/2008 Receptionists have kept the drawer and money box locked up when away from reception.</p> <p>We have made a conscious decision to operate with an open plan counter, presenting a friendly customer facing image, which, I believe, contributes to the fact that we experience few acts of aggression or nuisance behaviour from our customers. Equally, no thefts of cash have occurred either.</p>	<p>Implemented</p> <p>All Administration Assistants/ Parking Administrator</p>

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	<i>Internal Audit Comment</i>		<i>The authority is moving away from cash payment counters with the closure of the cash office at the Council House. There is an anomaly in closing a purpose built facility whilst keeping an insecure location open. Saxon House reception has full access to the cash receipting system and therefore could accept payments for other Council departments. If a payment facility is still deemed necessary it is still possible to have an open counter and offer protection for staff with screens that would activate when needed. Other departments within the authority, (some within the Heritage Gate complex) offer full protection for staff accepting payments for far less emotive things than parking fines. Perhaps our insurers should be asked to comment on the existing arrangements.</i>	
8	<p>Merits Attention</p> <p>Any member of Parking Services administration staff could access the safe as they all had access to the keys. Safe keys were retained on the premises overnight in a locked key cupboard.</p> <p>We recommend that safe keys are issued to senior members of staff. A record should be maintained of safe key holders. Safe keys should be kept on the person at all times and not left on the premises.</p>	Yes	Will comply with recommendations.	<p>Monday 20 October 2008</p> <p>Parking Services Manager/Parking Administrator</p>
	Revised response		<p>We will have four designated key holders to cater for:</p> <p>Annual Leave/ WLB, Illness, Mis-placement of key and other Unforeseen Circumstances.</p>	Parking Services Manager/Parking Administrator

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	<i>Internal Audit Comment</i>		<i>We accepted the response after discussion with management as to who key holders were going to be.</i>	
9	Merits Attention There was no record of the amounts of float held or records of the transfers of floats between staff. We recommend that a record of the float and its exchanges between staff is maintained in accordance with the Council's Financial Procedure Rule I17.	Yes	The float will be recorded on the daily sheets and signed off	Monday 20 October 2008 All Administration Assistants/ Parking Administrator
	Revised response	Yes	The float will be recorded on the daily sheets and accounted for.	November 2008 All Administration Assistants/ Parking Administrator
	<i>Internal Audit Comment</i>		<i>Revised response acceptable</i>	
10	Merits Attention Cash and cheques were not being retained securely on reception and insurance limits were being regularly exceeded. We recommend that if payments continue to be made at Saxon House Reception a proper secure cash drawer is fitted. This should always be kept locked when reception is left unattended. No more than £200 in cash should be kept in the drawer at any time.	Yes	The amounts kept in the cash box will be monitored and any excess of cash over £200 and Cheques over £2000 to be removed, signed for and placed in the safe.	Monday 20 October 2008 All Administration Assistants/ Parking Administrator

Rec Ref.	Control Issue and Recommendation	Issue Accepted (Yes / No)	Action Details Inc. alternative solution (If no action please state reasons)	Action Date & Officer Responsible
	Revised response	Yes	Our daily cash amounts have never exceeded £200; however, in the unlikely event that we do exceeded the £200 limit, it will be removed from reception and secured in the safe. Likewise, any daily accumulation of cheques totalling over £2000 will be dealt with in a similar manner. We are attempting to source a purpose built cash drawer.	November 2008 All Administration Assistants/ Parking Administrator
	<i>Internal Audit Comment</i>		<i>We noted several instances where cash amounts have exceeded £200. See also recommendation 7 response.</i>	
11	Merits Attention The counting of cash was not being conducted in a secured area and cash was being left unattended. We recommend that a secure private area is provided for the counting of cash. Cash should not be left unattended.	Yes	No secure area available. Will ensure staff do not leave desk when counting cash ready for banking. To ensure that whilst staff member carries out these duties field telephone calls so they are not disturbed.	Monday 20 October 2008 All Administration Assistants/ Parking Administrator
	Revised response	Yes	No secure area available. We will ensure that staff do not leave their desk when counting cash ready for banking; also, we will ensure that the other team members field the telephone calls so that they are not disturbed.	Monday 20 October 2008 All Administration Assistants/ Parking Administrator
	<i>Internal Audit Comment</i>		<i>We believe that an office or other room should be provided for the counting and checking of cash to ensure security for both revenues and staff.</i>	