



**Final Internal Audit Report 2009/10
London Borough of Hammersmith &
Fulham
Parking (Pay & Display)
February 2011**

This report has been prepared on the basis of the limitations set out on page 20.

Contents

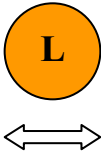
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Executive Summary

Introduction	<p>As part of the 2009/10 Internal Audit Plan, agreed by the Audit Committee on 11 March 2009, we have undertaken an internal audit of Parking (Pay & Display).</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out at Appendix B.</p>
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Audit Opinion (defined at Appendix A)	None	Limited	Substantial	Full
				

Rationale Supporting Award of Opinion and Direction of Travel	<p>The audit work carried out by Internal Audit (the scope of which is detailed in Appendix B) indicated that weaknesses in the system of internal controls are such as to put the client's objectives at risk and the level of non-compliance puts the client's objectives at risk.</p> <p>Weaknesses in control were identified in relation to procedural guidance not being in place; issues not being raised with RBKC such as pay machines not being emptied in line with the contract and the level of foreign coins not being investigated; reconciliations between RBKC income reports and the Council's financial system and meter readings not being regularly undertaken and there was no evidence available that variances identified have been investigated. Furthermore, management reporting was limited to the amount of income collected; the risk register did not include risks relating to parking pay & display and the 'Service Area Continuity Plan for Parking Services' had not been updated since September 2008.</p> <p>The Direction of Travel provides a comparison to the previous audit visit. In this case we have indicated, using the arrow above, that there has been no change compared to our previous audit (undertaken in 2006/07), for which limited assurance was given.</p>
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**Priority 1
Recommendations**

We have raised four priority 1 recommendations as a result of this internal audit. These are as follows:

- Procedures in relation to parking pay & display services should be established;
- The level of foreign coins received should be monitored;
- Reconciliations between income collected by RBKC and CedAr Financials should be undertaken on a monthly basis and be subject to independent review; and
- All variances identified between the income collected by RBKC and the income recorded as per the 'Metric' reports should be investigated.

Detailed Findings

Background

The Road Traffic Regulation Act 1984 defines the objectives for which parking regulations can be introduced. These can be summarised as:

- Safety;
- Maintenance of access to premises;
- Congestion reduction; and
- Management of the kerb space where demand for parking exceeds supply;

The Environment Services Department is responsible for operation and monitoring of the pay & display parking meters within the Borough. A partnership agreement with Royal Borough of Kensington and Chelsea (RBKC) sets out that RBKC collect the cash from pay & display meters in the Borough and provide reports to Hammersmith and Fulham on the actual income collected. The current contract runs from September 2009 to August 2010 and the cost is £432,660 per annum. The expected income to be collected for 2009/10 is £11.117 million.

Banking of the collected cash is outsourced to a cash transit security company. Income received at the bank is recorded on the Council's financial system, CedAr Financials. The following reconciliations are undertaken by the Environmental Department's finance team:

- Daily reconciliations between what the ASLAN meter reading system is reporting as income (per parking machine) and a report from RBKC as to income collected are undertaken.
- Monthly reconciliations between what has been recorded as banked in CedAr Financials and reports from RBKC as to what has been collected are also undertaken.

Area Summary	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				Priority 1	Priority 2	Priority 3
	Council and Service Objectives			1	0	0
	Partnership with Royal Borough of Kensington and Chelsea			0	1	0
	Meter Setting			0	0	0
	Meter Emptying			0	1	0
	Income and Banking			1	0	0
	System Reconciliations			2	0	0
	Public Notices and Enforcement*			0	0	0
	Management Information			0	1	0
	Risk Management and Business Continuity Management			0	1	0

* The detection and enforcement of expired or non display of tickets will be covered within the Parking PCNs 2009/10 audit.

Summary of Findings

In this section we set out a summary of our findings under each area of scope. This is a balanced summary where possible. Where weaknesses are identified, full details of these are included in the recommendations raised.

Council and Service Objectives

The Road Traffic Regulation Act 1984 defines the objectives for which parking regulations can be introduced. The Local Authority is not permitted to raise parking charges to generate revenue – only as part of an overall policy decision. The general practice is to raise charges in line with inflation.

It was identified that policies or procedures had not been documented relating to the administration of income received from pay & display machines. In addition, during the audit fieldwork, direct enquiries of staff identified a lack of clarity with regard to roles and responsibilities.

We have raised one recommendation as a result of our work in this area.

Partnership with Royal Borough of Kensington and Chelsea (RBKC)

There is a contract in place between the Council and RBKC, a copy of which was obtained. This Contract states the terms and conditions of the agreement between the two Councils with regards to the collection, counting and banking of income from LBHF's pay & display machines. Negotiations on updating the contract are currently being undertaken.

Quarterly meetings are held between the Council and RBKC in order to discuss matters associated with pay & display machines. Meeting minutes in relation to the last three meetings were obtained. In these three meetings, at least two representatives from each Local Authority had attended. However, action plans are not documented and monitored following these meetings.

We have raised one recommendation as a result of our work in this area.

Meter Setting

We obtained evidence from Council meeting minutes that pay & display tariffs were frozen in 2007/08 and that they increased by 12.5% for the 2008/09 financial year. Through examination of the Cleaner and Greener Scrutiny Committee meeting minutes, it was identified that there had been no change to parking charges since 2008/09 and that none were intended for next financial year.

We have made no recommendations as a result of our work in this area.

Meter Emptying

Guidelines for the emptying of pay & display machines are contained within the Contract between the Council and RBKC. This document states that, "Each machine shall be emptied once per week, the day of collection being scheduled through the Contractor's Proposals or Work plan subsequently agreed by the Authorised Officer. Where a collection is missed, that pay & display machine should be emptied within five working days of the missed collection date".

The contract requires that machines are emptied on a weekly basis. We were informed that machines are generally emptied on a weekly or fortnightly basis although this may vary according to need. A spreadsheet is maintained which details when the parking meters were emptied and how much was collected from each machine. It was identified that in the period between 17 November and the 14 December 2009, two machines had not been emptied and another 41 machines has only need emptied once.

No explanation could be provided as to why these machines had not been emptied within this period and we were unable to establish if this issue had been identified or raised with RBKC.

We have raised one recommendation as a result of our work in this area.

Income and Banking

The Council receives income reports from RBKC on a daily basis. It was identified that on the 13 November 2009, machine numbers 159, 163, 164, 165, 166, 168, 169 and 170 contained a total of 582 foreign coins. No explanation could be provided as to why this had occurred or what action had been taken in response to this.

An electronic report is generated listing the income taken from each machine across the borough. This 'Metric Report' lists which machines have been emptied, the date and time they were emptied, and the amount of income taken in by that machine since the last collection as per the meter reading. A Parking Officer generates these reports and posts them onto the shared folder, where the finance team can access them.

Income collected from the pay & display machines by RBKC is banked and recorded on CedAr – the Council's General Ledger. RBKC only bank full bags of coins and any excess income is held in RBKC's vault and periodically banked into the Council's account by RBKC.

We have raised one recommendation as a result of our work in this area.

System Reconciliations

Reconciliations are undertaken between the income collected by RBKC and the amount recorded in Cedar financials. It was identified that monthly reconciliations had not been undertaken promptly and that reconciliation spreadsheets had not been updated each month.

A daily reconciliation is undertaken between the amount of income recorded on RBKC's income reports and the amount stated as per the 'Metric Reports' (the amount of income recorded by the pay & display machine). Variances were identified between these amounts in each of the ten dates selected for testing. On the 20 November, a variance of £31,514.35 was identified between the two values. An explanation could not be provided as to why this variance had occurred.

We were informed that variances of £25 or more between the amount collected by RBKC and the amount recorded in the Pay & Display machine are investigated. Although a 'Discrepancy Log Book' is maintained recording these variances, no follow-up action or investigations are undertaken to identify the reasons for the variances. Direct enquiries of staff identified a lack of clarity with regard to responsibility for investigating variances. The shortages recorded since July 2007, discounting incorrect machine readings, totalled £426,388.99.

We have raised two recommendations as a result of our work in this area.

Public Notices and Enforcement

We were provided with a Quality Plan which is used to create and amend public notices. This is used as a guide for staff undertaking projects on controlled parking zones. It provides staff with details with regards to which applications must be made and which approvals are needed.

Amendments to public notices need to be submitted to and approved by the Department for Transport. We identified from LBHF's 'Controlled Parking Zones and Tariffs' map that zones CC and G were due for amendment in December 2009. We were informed that approval for Zone CC has not yet been finalised and that approval for Zone G had been received. A signed letter from the Department for Transport was provided.

LBHF's 'Controlled Parking Zones and Tariffs' map is maintained and updated by the Highways and Engineering Team. It illustrates control times and the pay & display tariffs for each zone and is updated when any relevant amendments to the controlled parking zones are made.

We have made no recommendations as a result of our work in this area.

Management Information

We identified that information on income collected from pay & display machines is reported to Corporate Revenue Monitoring on a monthly basis. However no further information is provided to management such as variances between machine readings and income received and the level of use of foreign coins.

We have raised one recommendation as a result of our work in this area.

Risk Management and Business Continuity Management

The Environment Services Department has a departmental risk register in place which is available to staff via the Council's intranet and was last updated in January 2009. A Highways & Engineering divisional risk register was also obtained but this had not been updated since October 2007. It was also identified that the Highways and Engineering divisional risk register makes no reference to any risks relating to parking pay & display income.

A 'Service Area Continuity Plan For Parking Services' was also found and provided; however this had not been updated since September 2008.

We have raised one recommendation as a result of our work in this area.

Acknowledgement

We would like to thank the management and staff of Parking and Highways & Engineering for their time and co-operation during the course of the internal audit.

All staff consulted are included at Appendix C.

Recommendations

Council and Service Objectives

1. Procedures for Administration of Pay & Display Income

(Priority 1)

Recommendation		Rationale	
<p>Procedures in relation to parking pay & display services should be established. This should include guidance on:</p> <ul style="list-style-type: none"> • Reconciliations between income collected by RBKC and income recorded on CedAr Financials; • Reconciliations between income collected by RBKC and income recorded by the pay & display machines; • Investigation of identified variances in income; • Level of foreign coins received and banking of foreign coins; and • Information to be reported to senior management. 		<p>Having a formalised set of procedures helps to ensure that staff are aware of the processes required to complete key tasks such as reconciliations and investigation of discrepancies.</p> <p>It was identified that no policies or procedures have been documented relating to the administration of income received from pay & display machines.</p> <p>In addition, during the audit fieldwork, direct enquiries of staff identified a lack of clarity with regard to roles and responsibilities.</p> <p>Where policies and procedures are not documented and circulated to staff, there is an increased risk that the service will be inappropriately delivered as staff will be unaware of how to complete key tasks such as reconciliations and investigation of discrepancies in income collected. This may lead to the Council not receiving all the income that it is due.</p>	
Management Response			
Agreed.			
Responsibility	Trainee Accountant	Deadline	Implemented

Partnership with Royal Borough of Kensington & Chelsea

2. Action Points in Meeting Minutes

(Priority 2)

Recommendation		Rationale	
Meeting minutes taken at the 'Parking Liaison Group' should clearly identify the responsible officer and deadline for any follow-up action.		<p>Recording the decisions made and action points arising from Parking Liaison Group meetings helps ensure accountability and that any actions can be monitored and followed up.</p> <p>It was also identified that meeting minutes from the 'Parking Liaison Group' do not clearly identify action points, responsible officers or deadlines.</p> <p>Where the decisions made and action points arising from parking Liaison Group meetings are not adequately documented, there is an increased risk that failure to implement any agreed actions will not be identified. This may lead to performance issues not being addressed.</p>	
Management Response			
Agreed.			
Responsibility	Principal Parking Control Officer	Deadline	Implemented

Meter Emptying

3. Emptying Pay & Display Machines

(Priority 2)

Recommendation	Rationale
<p>The Council should formally raise the issue of delays in collection from machines with RBKC to establish why these machines were not emptied on a weekly basis as per the contract.</p> <p>Where it is considered that these machines should have been emptied on a weekly basis, management should determine whether financial penalties should be issued against RBKC.</p> <p>Where weekly collection is considered excessive in relation to the level of income received from particular machines, consideration should be given to amending this clause through a contract variation.</p>	<p>Schedule 1, Section 13.1 of the 'Agreement for the collection, counting and banking of monies from Pay and Display machines' states that; "Each machine shall be emptied once per week, the day of collection being scheduled through the Contractor's Proposals or Work plan subsequently agreed by the Authorised Officer". In addition, Section 17 of the 'Agreement for the collection, counting and banking of monies from Pay and Display machines' states that; "For every pay and display machine not emptied within 5 Working Days of the relevant collection date the Contractor shall pay to the Council the sum of £9.64". The contract further states that "The Contractor shall not be liable to the Council for any liquidated damages where the total amount of liquidated damages for the relevant calendar month does not exceed £500".</p> <p>It was identified that two parking meters had not been emptied for four consecutive weeks between 17 November 2009 and 14 December 2009 (meter numbers 47U and 40V) and a further 41 meters had only been emptied once during this period.</p> <p>No financial penalties had been levied against RBKC when these delays occurred.</p> <p>Where meters are not emptied in a timely manner and this is not identified or addressed, there is an increased risk that income held in the meters may be subject to theft. There is an additional opportunity cost as the Council will not earn interest on the income until it is banked.</p>

Management Response

The revised agreement with RBKC was that not all machines need to be collected weekly, with agreement to carry out certain routes fortnightly and a few monthly and therefore reduce the cost to the Council of the contract. This will be reflected in the revised contract. The 41 machines collected once within the period stated, were collected fortnightly as agreed with RBKC.

Responsibility

Head of Parking

Deadline

Implemented

Income & Banking

4. Investigation of Foreign Coins

(Priority 1)

Recommendation		Rationale	
<p>The level of foreign coins received should be monitored. Where the amount of foreign coins received is in excess of an acceptable threshold this should be raised with the contractor.</p>		<p>Monitoring the number of foreign coins received and investigating pay & display machines with an excess of foreign coins will help to ensure that misuse of pay & display machines is promptly identified and appropriate follow-up action is taken.</p> <p>It was identified that, on the 13th November 2009, machine numbers 159; 163; 164; 165; 166; 168; 169; and 170 contained a total of 582 foreign coins. We were not provided with an explanation as to whether collection of excessive levels of foreign coins is raised with RBKC.</p> <p>Where fraudulent use of foreign coins and weighted disks is not identified and queried with RBKC, there is an increased risk that the Council will suffer continued financial loss, and potential reputational damage should this information be released into the public domain.</p>	
Management Response			
Agreed.			
Responsibility	Head of Parking Services	Deadline	Implemented

System Reconciliations

5. Monthly Reconciliations between income collected by RBKC and income recorded on CedAr Financials (Priority 1)

Recommendation		Rationale	
<p>Reconciliations between income collected by RBKC and CedAr Financials should be undertaken on a monthly basis.</p> <p>The reconciliations should be certified for correctness by the preparer and a second officer as evidence of independent review.</p>		<p>Undertaking monthly reconciliations between income collected by RBKC and income recorded on CedAr Financials will help to ensure any differences are promptly identified and investigated.</p> <p>It was identified that reconciliations between income collected by RBKC and CedAr Financials had not been undertaken on a monthly basis. At the time of the audit (January 2009), the most recent reconciliation undertaken was completed on the 13th November 2009. We were informed that the officer responsible was in the process of undertaking the January reconciliation.</p> <p>In addition, there was also no evidence to demonstrate that these reconciliations had been checked for accuracy and completeness by a second officer.</p> <p>Where reconciliations between income collected by RBKC and CedAr Financials are not undertaken on a monthly basis, there is an increased risk that errors and anomalies will not be identified in time for effective action to be taken. Furthermore, if reconciliations are not certified for correctness by a second officer, there is an increased risk the reconciliations may not be conducted promptly or correctly and this not being identified.</p>	
Management Response			
Agreed.			
Responsibility	Assistant Director of Finance and Resources	Deadline	Implemented

6. Investigation of Variances

(Priority 1)

Recommendation	Rationale
<p>All variances identified between the income collected by RBKC and the income recorded as per the 'Metric' reports should be investigated.</p> <p>Responsibility for investigating shortages and surpluses over £25 should be clearly defined and records of investigations conducted should be retained.</p> <p>Consideration should also be given to defining a threshold above which variances are reported to management.</p>	<p>A 'Metric Report' is generated for each Pay & Display machine showing the amount of income received. Investigating variances between the RBKC income reports and Metric Reports will help to ensure any discrepancies in income collected are promptly investigated and resolved.</p> <p>From a sample of ten collection dates selected, variances between the income collected by RBKC and the income recorded as per the 'Metric' reports were identified on all ten days. On one of these days (20th November 2009) a variance of £31,514.35 was identified which was assumed to be a meter reading error. No explanation could be provided as to why these variances had occurred.</p> <p>We were also informed that, where discrepancies are identified, these are reported to the engineers responsible for maintaining the machines and a log book is maintained as a record of these variances. The total shortages recorded in the log book since July 2007 were £700,651.39 and surpluses totalled £9,801.95. Discounting incorrect meter readings of £274,262.40 during this period gave total shortages of £426,388.99.</p> <p>No evidence was provided to demonstrate that these variances had been sufficiently investigated and we were also unable to clarify who is ultimately responsible for investigating these variances and taking any corrective action required.</p> <p>Where variances between the income collected by RBKC and the income recorded on Metric Reports are not investigated, there is an increased risk that fraud or misappropriation of</p>

	income will remain unidentified and will continue to result in financial loss to the Council.
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Management Response

Actions now in place

All variances greater than £25 are fully investigated and reported to Parking by Finance.

All records of investigation and follow up are detailed on a shared file so that actions can be recorded and reviewed.

Discrepancies between Metric reports and Cash coin count

Readings are sometimes received either side of the collection day for a particular route, resulting in a surplus on the day that can be explained by a corresponding shortage. The discrepancy of £31,514.35 reported on 20th November is partly explained by readings for routes 52 and 69 being received on 19th November (totalling £25,879.10), with an additional £1,877.30 of collections on these routes from machines that were not communicating. The rest of the difference would be due to other machines that were not communicating.

The log book used to extract the figures shown here overstates the shortage amount and understates the surplus. In the 3 years from April 2007 – March 2010, there was an overall surplus of £1.7m.

Mitigating Actions

A new log book system is now in use, which will match the total overall discrepancy to avoid confusion over the discrepancy amount. Daily discrepancies and investigations are included as an agenda item at the monthly meeting with RBKC, and any current investigations are discussed.

Policies and Procedures document

Responsibilities are outlined in a policies and procedures document produced in February 2007, which is being updated to reflect changes in procedures. A shared folder between Environment Finance and Parking Services is in use to log investigation progress.

Responsibility	AD Finance and Resources / Head of Parking	Deadline	Implemented (See Mitigating actions)
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Management Information

7. Management Reporting

(Priority 2)

Recommendation		Rationale	
<p>Information in relation to income received from RBKC should be reported to management on a monthly basis. This information should include:</p> <ul style="list-style-type: none"> • Trend analysis, both borough wide by and by locality; • The level of variances between machine readings and income received; and • The amount of foreign coins/weighted disks collected from pay& display machines. 		<p>Producing and presenting sufficient information to management will help to ensure appropriate management decisions are made, based on accurate, complete and timely information.</p> <p>We identified that information on income collected from pay & display machines is reported to Corporate Revenue Monitoring on a monthly basis. However, no further information is provided to management such as discrepancies between machine readings and income received and the level of use of foreign coins.</p> <p>Where senior management are not provided with sufficient management information, there is an increased risk that management may not be aware of issues related to the collection of pay & display income and that incorrect decisions may be made or corrective action not taken.</p>	
Management Response			
Report now produced monthly for management.			
Responsibility	Finance Team	Deadline	Implemented

Risk Management and Business Continuity

8. Highways and Engineering Risk Register and Service Area Continuity Plan for Parking Services (Priority 2)

Recommendation	Rationale
<p>The Highways and Engineering divisional risk register should be reviewed on an annual basis. The risk register should be updated to include risks associated with pay & display income.</p> <p>Furthermore, the 'Service Area Continuity Plan for Parking Services' should also be reviewed and updated on an annual basis.</p>	<p>Updating the divisional risk register on a regular basis will help to ensure any emerging risks pertinent to the organisation are promptly identified and mitigating actions put in place. Including risks related to parking pay & display income into the divisional risk register will help to ensure that appropriate management action is taken to manage these risks. Reviewing the 'Service Area Continuity Plan for Parking Services' on an annual basis helps ensure that the Council is adequately prepared for business interruptions.</p> <p>It was identified that the Highways & Engineering divisional risk register had not been updated since October 2007 and did not include any risks related to parking pay & display income.</p> <p>In addition, we were unable to obtain evidence that the 'Service Area Continuity Plan for Parking Services' had been updated since September 2008.</p> <p>Where the Highways and Engineering divisional risk register is not updated on a regular basis and does not include risks relating to parking pay & display income, there is an increased risk that risks pertinent to the service will materialise, impacting on service delivery. Furthermore, where the 'Service Area Continuity Plan for Parking Services' is not reviewed and updated on a regular basis, there is an increased risk that avoidable business interruptions will occur.</p>

Management Response			
Agreed.			
Responsibility	Head of Parking Services	Deadline	Implemented

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 internal audit 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 internal audit 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 internal audit 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. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit 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 audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

London

February 2011

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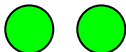



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Appendix A – Definition of Audit Opinions, Direction of Travel, Adequacy and Effectiveness Assessments, and Recommendation Priorities

Audit Opinions




We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

	Full	<p>There is a sound system of internal control designed to achieve the client's objectives.</p> <p>The control processes tested are being consistently applied.</p>
	Substantial	<p>While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.</p> <p>There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.</p>
	Limited	<p>Weaknesses in the system of internal controls are such as to put the client's objectives at risk.</p> <p>The level of non-compliance puts the client's objectives at risk.</p>
	None	<p>Control processes are generally weak leaving the processes/systems open to significant error or abuse.</p> <p>Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.</p>

The assurance gradings provided above 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 Assurance' does not imply that there are no risks to the stated objectives.

Direction of Travel

The Direction of Travel assessment provides a comparison between the current assurance opinion and that of any previous internal audit for which the scope and objectives of the work were the same.

	Improved since the last audit visit. Position of the arrow indicates previous status.
	Deteriorated since the last audit visit. Position of the arrow indicates previous status.
	Unchanged since the last audit report.
No arrow	Not previously visited by Internal Audit.

Adequacy and Effectiveness Assessments

Please note that adequacy and effectiveness are not connected. The adequacy assessment is made prior to the control effectiveness being tested.

The controls may be adequate but not operating effectively, or they may be partly adequate / inadequate and yet those that are in place may be operating effectively.

In general, partly adequate / inadequate controls can be considered to be of greater significance than when adequate controls are in place but not operating fully effectively, i.e. control gaps are a bigger issue than controls not being fully complied with.

	Adequacy	Effectiveness
	Existing controls are adequate to manage the risks in this area	Operation of existing controls is effective
	Existing controls are partly adequate to manage the risks in this area	Operation of existing controls is partly effective
	Existing controls are inadequate to manage the risks in this area	Operation of existing controls is ineffective

Recommendation Priorities

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

Priority 1	Major issues for the attention of senior management and the audit committee.
Priority 2	Important issues to be addressed by management in their areas of responsibility.
Priority 3	Minor issues resolved on site with local management.

Appendix B – Audit Objectives & Scope

Internal Audit Objective and Scope

The overall objective of this internal audit was to provide the Members, the Chief Executive and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls relating to the following management objectives:

Council and Service Objectives

The business objectives are identifiably linked to key priorities of the Council and this is documented (including the consideration of moving to a credit card system against issues of exclusion)

Clear and measurable progress and performance targets are established (parking charges have been set in accordance with trends analysis and income targets that have been benchmarked against other authorities; these have been submitted and approved)

Policies and procedures are established for complying with legislation and business objectives.

Partnership with Royal Borough of Kensington and Chelsea

Contractual arrangements exist to formalise the relationship between LBHF and RBKC.

Regular meetings are held to discuss the performance delivered under the contract.

Actions are agreed on and followed-up on to resolve any issues arising in respect of performance.

Meter Setting

The setting of tariffs within meters is accurate, complete and undertaken timely in accordance with approved changes

Meter Emptying

Meters are regularly emptied, and income is appropriately safeguarded.

Income and Banking

Parking meter income is completely, accurately, validly and timely collected, allocated and recorded in the authority's accounts and banked in compliance with management requirements.

**Internal Audit
Objective and
Scope**

System Reconciliations

Reconciliations are undertaken to identify any difference between income collected by Kensington & Chelsea and that recorded in Cedar Financials and received in the bank.

What the ASLAN meter reading system is reporting as income (by individual parking machine) equals the actual amount being reported as counted by Kensington & Chelsea (minus valid exclusions such as forged coins / metal weights).

Public Notices and Enforcement

Public notices are appropriately displayed in compliance with regulatory requirements, and instances of expired or non display of tickets are detected and enforced in a timely manner.

Management Information

Periodically, the service is reviewed for effectiveness taking into account primary legislative requirements and policy drivers, (for instance, differential charging to encourage turnaround of available places)

Information on income from RBKC (including coverage of aged debt analysis, trends analysis corporately, by area and by location; with further sub-analysis of income reduction and fraudulent use of foreign coins/similar weighted objects) is completely, accurately, validly and timely produced and secured to allow for effective monitoring and decision making as part of the setting, levying, collecting and recovery of parking meter income (including setting of check points for review/evaluation of success (set dates plus maximum variance / tolerance to trigger review)

Risk Management and Business Continuity Management

A current risk register is in place that has been approved by the service head.

A current business continuity plan is in place that has been approved by the service head.

The business continuity plan is tested on at least an annual basis.

Internal Audit Approach and Methodology

The internal audit approach is developed through an assessment of risks and management controls operating within the agreed scope.

The following procedures were adopted:



- Identification of the role and objectives of each area;
- Identification of risks within each area which threaten the achievement of objectives;
- Identification of controls in existence within each area to manage the risks identified;
- Assessment of the adequacy of controls in existence to manage the risks and identification of additional proposed controls where appropriate; and
- Testing of the effectiveness of key controls in existence within each area.

Management should be aware that our internal audit work was performed in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 standards 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.

Our internal audit testing was performed on a judgemental sample basis and focused on the key controls mitigating risks. Internal audit testing was designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that, in relation to the agreed scope, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it was not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

Appendix C – Audit Team & Staff Consulted

AUDIT TEAM	STAFF CONSULTED
General Manager	Assistant Director of Finance
Deputy Sector Manager	Head of Parking Services
Audit Manager	Parking Projects Manager
Auditor	Trainee Accountant
Contact Details:  Ext 2550  Ext 2590	

Appendix D – Audit Timetable

	DATES
Planning Meeting	25/01/2010
Fieldwork Start	25/01/2010
Exit Meeting	12/03/2010
Draft report issued	12/04/2010 and 20/07/2010
Final report issued	16/02/2011