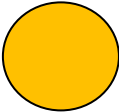


Internal Audit

Parking Permit Administration June 2016

Distributed to:

Interim Chief Executive
Commercial Director
Head of Customer Strategy & Programmes
Commissioning Director, Environment
Infrastructure and Parking Manager
Operations Director, CSG

	None	Limited	Satisfactory	Substantial
Audit Opinion				

1. Executive Summary

Introduction

As part of the 2015/16 Internal Audit Plan, agreed by the Audit Committee in April 2015, we have undertaken a review of Parking Permit Administration.

Background & Context

The responsibility for processing parking permit applications for Barnet residents has been contracted to CSG (Capita) by the Council. There is an overarching contract in place between the two parties which outlines the Council's requirements and includes a number of performance measures relating to CSG service delivery, however there are currently no Key Performance Indicators ("KPIs") or Performance Indicators ("PIs") relating to Parking Permit Administration.

There is an Operational Level Agreement ("OLA") in place for this aspect of the CSG service which was intended to address the fact that the CSG contract does not include specific requirements related to parking permit administration process, including timescales to deliver each aspect of the permit functions. The draft of the OLA was signed off on 23/02/2016. It was agreed and hence signed off by the Parking Client Team (PCT) Manager at the Council and the CSG Operations Manager and is now operational.

As the OLA was finalised one week prior to the commencement of the audit on 29/02/2016 it has not been possible to check operational effectiveness of new processes documented within the OLA, however the audit has reviewed the detail within the document and comments are made within the audit findings in relation to how the newly introduced processes will contribute to the control environment.

The parking permit administration process changed in October 2015. Previously, paper parking permits were issued at a flat rate charge of £40 for the first vehicle and £70 for subsequent vehicles with each household limited to a maximum of three vehicles. This process required the applicant to provide supporting documentation to evidence of the residency and the ownership of the vehicle. A permit would only be issued after the documentation was received and verified.

Members approved a change to the current process and from October 2015 parking permits have been issued based on the carbon emissions of the vehicle. The limit of the number of vehicles has also been increased to four. There is no longer a paper permit issued but instead an e-permit. In order to achieve these changes it has been necessary to make some significant configuration changes to the Parking IT system ICES.

Another significant change within the administration process is that supporting documentation will be checked after the application has been processed. Applications will be granted after the documentation is attached to the application which will then be reviewed by CSG team. Any issues or errors will subsequently be investigated, with the possibility of a permit being withdrawn if the documents provided are not in accordance with requirements.

The objective of this review is to assess the design and test the operating effectiveness of the key controls within the new process.

Corporate objectives and risks

The audit supports two of the four strategic objectives in the Corporate Plan 2015 –2020:

The Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

1. of opportunity, where people can further their quality of life; and
2. where services are delivered efficiently to get value for money for the taxpayer

Scope

As part of our work, we performed a detailed review of the design and tested the operating effectiveness of the key controls around the processing of parking permit applications and the contract management of the service.

Key Findings (informing Audit opinion)

This audit has identified one priority 1, two priority 2 and one priority 3 recommendations.

We identified the following areas of good practice:

- Staff involved in the management of parking permits have good knowledge of all parts of the Parking Permit Application Process, and at the time of the audit had already identified a number of areas where improvements could be made and have proactively taken steps to make these improvements including an introduction of a new Operational level agreement (“OLA”) document.
- We noted that with the recruitment of a Contract Performance Officer by the Council in November 2015, there is an allocated resource with the responsibility to monitor CSG activity in the administration of parking permits, and new processes have been introduced to strengthen the control environment.
- The Council have drafted a new Operational level agreement which includes a set of performance measures relating to the processing of applications, and defines the roles of both parties in the process as well as timescales for responding to issues and a new issue resolution form that is Parking Permit specific. The OLA has been agreed by the Parking Client Team (PCT) Manager at the Council and the CSG Operations Manager and is now operational.

We identified the following issues as part of the audit:

- **Roles and responsibilities** – The overarching CSG contract sets out at a high level the services that are to be provided through the contract and is orientated around outcomes. It does not detail specific roles and responsibilities around the provision of services in relation to Parking Permit Applications. This has resulted in a lack of clarity around requirements around the extent of procedures that were to be performed by CSG in verifying Parking Permit applications as well as other service standards such as the target timescales in performing key parking administration processes. In addition there was no adequate performance

management framework in place to identify and resolve performance issues in relation to the Parking Permit Application process to ensure an appropriate service was being provided by CSG. It should be noted that the OLA that has recently been agreed with management defines roles and responsibilities and addresses some of the issues identified however new arrangements were not fully embedded into procedures at the date of testing. **(Finding one, priority 1).**

- **Chaser letters for missing documentation** - In line with the new procedures implemented in October 2015, when the details of an application are verified and the documentation is subsequently found to be incorrect, the individual should be contacted with a follow up letter requesting missing information. This is currently processed manually, with the individual being added to a spreadsheet at CSG which is sent to a separate officer responsible for issuing the letters. Our testing identified two out of 25 cases (8%) where follow up letters were not sent for missing information. **(Finding two, priority 2).**
- **Site visits to CSG** - On a monthly basis, the Council's Contract Performance Officer undertakes a site visit to CSG in Coventry where the parking permit administration process is completed. The site visit includes reviewing compliance with the agreed procedures. Our testing identified that in July 2015, no report had been produced for the site visit. Discussion with management confirmed that prior to the recruitment of the Contracts Performance Manager in November 2015; these visits were not performed as no other individual had responsibility or capacity for carrying out these reviews and documenting the reports. **(Finding three, priority 2).**
- **Review of training and guidance notes** - We reviewed the training materials available to CSG and Council staff responsible for the administration of parking permits. This included guidance available to customers, training materials on the Parking Permit Process and Process Maps used by Council and CSG staff. However, there does not appear to be clear definition as to who has responsibility for ensuring that each of these is reviewed and kept up to date and how often the review needs to be undertaken. **(Finding four, priority 3).**

Limitation of scope

When the new parking permit administration procedures were introduced in October 2015, it was necessary for the existing paper permit holders to make a new application rather than requesting to renew their permit as would have been the case in previous years. Permitholders were required to submit a new application to join the new Emissions based permit system, due to the fact that all applicants had to agree to the new terms and conditions related to the new types of permits.

As a result of the implementation of the Emissions based permit system, existing paper permit holders were not given the option to renew their permit, but had to register online and supply supporting documentation as a new applicant.

It was confirmed that as a result of the change in procedure, there have been no renewals processed for e-Permits between 16 October 2015 and 29 February 2016, as no new e-Permits would have expired during this period. We therefore did not test renewals as originally planned within the Terms of Reference.

We attempted to obtain a listing of all paper permits that expired between the period 1 April 2015 and 29 February 2016 to examine whether reminder letters had been issued for these. We confirmed that it was not possible to determine whether a new application on the system related to a renewal of an existing permit holder or a first-time application. As a result, we were unable to perform any detailed testing of these.

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Number of Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Processing of Parking Permit Applications			1	1	1
Contract Monitoring				1	-

Acknowledgement	We would like to thank management and staff of the Parking Permit and CSG teams for their time and co-operation during the course of the internal audit.
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2.1 Roles and responsibilities

P	Detailed finding	Risk	Recommendation
1	<p>Control design</p> <p>The overarching CSG contract sets out at a high level the services that are to be provided through the contract and is orientated around outcomes and deliverables. The contract does not go into detail regarding roles and responsibilities around the provision of services in relation to Parking Permit Applications and this resulted in a number of control issues arising:</p> <p><u>Verification Checks carried out on Parking Permit Applications</u></p> <p>There was a lack of clarity around verification procedures required in relation to parking permit applications. We were initially informed by the system change Project Manager that a sample of 10% of all applications would be reviewed by CSG to ensure documentation had been provided to support the details in the application, however it was later noted that the Council's Parking Client Team who manage this contract had notified CSG that 100% checks should be performed and this has been confirmed via the documented process requirements within the new OLA. At the point of introduction there were no clear or documented requirements around sampling methodology and requirements in place, however this is now in place due to the OLA. We believe that this discrepancy has led to confusion and the following findings:</p> <p>We selected a sample of 25 parking permit applications processed under the new procedures between 16 October 2015 and 29 February 2016, testing to ensure that the applications had supporting documents that had been verified against the requirements for the given permit type. In six out of 25 cases (24%), we were unable to confirm that the supporting documents for the application had been verified.</p> <ul style="list-style-type: none"> - In three cases (12%), the application had been processed by a Council officer, and we were unable to examine the supporting documents on the system or obtain evidence that verification procedures had been performed. Management stated that the 	<p>A lack of detailed performance measures in the contractual arrangements between the Council and CSG for the administration of parking permits may result in the Council not being able to assess and evaluate the quality of service provision. This may result in poor areas of performance not been identified and customer dissatisfaction where the Council is not able to adequately respond to the needs of service users.</p> <p>Parking permit applications may be approved for residents who are not eligible or have applied fraudulently or an incorrect permit may be issued where supporting documentation provided by an applicant is not validated and inaccuracies and errors are not identified.</p>	<p>It is recognised that the introduction of the new OLA will improve the control environment in place and alleviate the control issues identified and therefore management should:</p> <ul style="list-style-type: none"> a) Embed the arrangements set out in the OLA into procedures in relation to Parking Permit administration; and b) On an ongoing basis the Parking Client Team should assess performance against the new performance measures in place and highlight performance issues arising to the Commercial Team to consider the escalation of performance measures relating to Parking Administration to contractually enforceable standards as a PI or KPI.

<p>officer had processed certain application types within the Council after responsibility had passed to CSG as the customer address had been lost following issues with the implementation of the new E-Permit management system; and</p> <ul style="list-style-type: none"> - In three cases (12%), we were unable to confirm whether any verification had been carried out of the supporting documentation. In one case, the incorrect documents had been attached to the application and the permit had still been issued. There was no evidence available to demonstrate that the remaining two applications had been validated. <p><u>Service standards and performance management</u></p> <p>We found:</p> <ul style="list-style-type: none"> - There were no defined service standards in place around target timescales for key elements parking permit administration process including how long an application should be open form, time for responding to an incoming online application and time allowed for an applicant to provide further information/respond to LBB; - The Key Performance Indicator's ("KPIs") and Performance Indicator's ("PIs") in the CSG contract do not include any specific measures relating to the administration of parking permits. As part of contract performance management arrangements, the Council does receive overarching customer satisfaction information around the timeliness of response to calls, customer advocacy and specific complaints however there were no measures in place to allow the Council to monitor the performance of key processes in relation to parking permit administration including the time taken to respond and process applications; and - The overarching Issue Escalation form for the CSG contract does not contain a separate section for Parking Permits Administration and escalation procedures are not formalised within the documented CSG contract management procedures. <p><u>Operational level Agreement (OLA)</u></p> <p>At the time of audit fieldwork it is noted that an OLA has been</p>	<p>Without formal timescales, key stages of the parking permit application may not be processed promptly resulting in a rise in customer complaints and customer dissatisfaction where delays are experienced.</p> <p>The reporting and escalation structure within parking permit administration may not allow the Council to identify and intervene where poor performance/ contract non-compliance is identified and hold CSG accountable for the quality of service provided.</p>	
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<p>prepared and agreed by the Parking Client Team Manager at the Council and the CSG Operations Manager. This document sets out key roles and responsibilities in relation to parking permit administration to supplement the CSG contract including the following key areas:</p> <ul style="list-style-type: none">- Performance measures relating to the processing of applications, targets, reporting requirements and defines the roles of both parties in the process;- Details regarding service specification including the requirement to perform validation for 100% of permits issued and target timescales for processing applications; and- Escalation protocol including timescales for responding to issues and a new issue resolution form that is Parking Permit specific. <p>Whilst it is acknowledged that the implementation of the OLA will alleviate the control weaknesses identified as part of the audit the document was agreed a week before the commencement of the audit and therefore the new arrangements were not fully embedded into procedures at the date of testing.</p>			
Management Response	Responsible Officer	Deadline	

As has been noted above the new Operational Level Agreement has been introduced which addresses the lack of specific requirements in the CSG Contract in relation to this service area. The development of the OLA followed a detailed review of the existing process and procedures and it also sort to incorporate the changes required in process to accommodate the Emissions Based and e- permit.

We recognise some of the shortfalls which are why significant work has been done with implementing the OL and supporting CSG with training and ensuring all process maps and documentation has now been updated. We welcome a secondary audit follow up so that Assurance can see that the recommendations have been dealt with and we are confident the changes made will give much better assurance at a follow up audit.

Contract Performance
Monitoring Officer

The OLA is already in place and CSG are working in accordance with the requirements of this document. The Monthly monitoring reports have been produced to confirm performance against these new requirements and improvement actions will be instigated on an on-going basis for each and every non-compliance identified. The Monthly reports are being provided to the Commercial Team so that they are fully appraised on the performance being achieved and to allow them to act as they see fit.

2.2 Chaser Letters issued for incorrect documentation

P	Detailed finding	Risk	Recommendation
2	<p><i>Operating effectiveness</i></p> <p>In line with the new procedures implemented in October 2015, when the details of an application are verified and the documentation is subsequently found to be incorrect, the individual should be contacted with a follow up letter requesting missing information.</p> <p>This is currently processed manually, with the individual being added to a spreadsheet by CSG which is sent to a separate officer responsible for issuing the letters.</p> <p>We selected a sample of 25 parking permits issued between 16 October 2015 and 29 February 2016, testing to ensure that in those cases where incorrect documents had been provided, that the individual had been contacted by a member of CSG to rectify their documents.</p> <p>We noted that in two out of 25 cases (8%), although the incorrect documents had been provided, the applicants had not been added to the spreadsheet and no follow up letter had been sent. However, despite the documents being verified and flagged as being incorrect, the applicant had still received a permit upon payment.</p> <p>We noted that with the recruitment of a Contract Performance Officer by the Council in November 2015, a new Operational level agreement has been implemented. Review of the current version confirmed that it includes a requirement for all non-conformities to be tracked on a daily basis and followed thorough in a timely manner by CSG.</p>	<p>Insufficient validation of parking permit applications may result in the Council issuing permits to individuals who do not meet the published criteria. This may result in customer dissatisfaction if permits are not issued to those most in need.</p>	<p>a) In line with the new OLA, management should make sure that incorrect documents are recorded on a daily basis by staff onto the spreadsheet, ensuring that applicants can be informed of the required information on a timely basis.</p> <p>b) Officers should be reminded of the importance of cancelling parking permits for invalid applications in line with the defined process.</p>
Management Response			<p>Responsible Officer</p> <p>Deadline</p>

<p>The new process (OLA 0008) introduced as part of the new OLA, sets out the process to be followed on a step by step basis to ensure that 100% of documents are reviewed and that those that are identified as not meeting requirements will be followed up via a new 3 step process. The new process identifies that if it has not been possible to receive the required documents and as such it has not been possible to verify the applicants eligibility to have a permit the final stage of the process is for the applicant to be informed that the permit has been cancelled. This will be subject to on-going performance monitoring by the PCT. A follow up audit will be able to test the effectiveness of the controls that we have put in place.</p>	<p>Contract Performance Monitoring Officer</p>	<p>Already Implemented and being monitored on an on-going basis.</p>
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2.3 Site visits to CSG

P	Detailed finding	Risk	Recommendation
2	<p>Operating effectiveness</p> <p>On a monthly basis, the Council's Contract Performance Officer undertakes a site visit to CSG in Coventry where the parking permit administration process is undertaken. The site visit includes the following:</p> <ul style="list-style-type: none"> i) Listening into customer calls undertaken by a CSG officer ii) Assessing the processes used by CSG iii) Identifying risks in processes used by CSG iv) Other audit procedures based on the nature of the trip <p>We selected a sample of two months between 01/04/2015 and 29/02/2016, testing to ensure that a report of the results of the site visit had been produced and issued to CSG.</p> <p>We noted that in July 2015, no report had been produced. Discussion with management confirmed that prior to the recruitment of the Contracts Performance Manager in November 2015; these visits were not performed as no other individual had responsibility for carrying out these reviews and documenting the reports.</p>	<p>There may be insufficient capacity or expertise within the Council to provide appropriate scrutiny over CSG activity. This could result in instances where CSG have not adequately undertaken their responsibilities not being identified, escalated and resolved promptly.</p>	<ul style="list-style-type: none"> a) Ensure that site visits are carried out and reports documented for all future months. b) Create a site visit checklist to outline the procedures to be carried out as a minimum at each visit.

<p>Site visits are deemed to be best practice and are not a compulsory contract monitoring tool. Although it is recognised that site visits were not required and hence were not performed prior to November 2015, we could not obtain evidence of an alternative oversight mechanism being in place between 1/04/2015 and 1/11/2015.</p>		
Management Response	Responsible Officer	Deadline
<p>a) At the time the audit was conducted it was pointed out to the Auditor that the site visit audits had commenced following the appointment of the Contracts Performance Officer. This role had been created as it had been recognised that the PCT did not have the resources to conduct the level of checking (including site visits/audits) that was deemed appropriate in order for the PCT to satisfy themselves that the Parking Permits element (and other services conducted by CSG in relation to parking) was being performed to acceptable standards.</p> <p>From the point that the Contract Performance Officer commenced in November 2015 these visits have commenced with evidence provided to the Auditor for the visits undertaken in Dec 2015, Jan & Feb 2016. Again we welcome a follow up audit where we are confident assurance levels will be significantly better following the implementation of the recommendations and changes instigated for enhanced controls. .</p> <p>b) The suggested checklist has now been put in place.</p>	<p>Contract Performance Monitoring Officer</p>	<p>Already Implemented with on-going Monthly Performance Monitoring</p>

2.4 Review of Training and Guidance Materials

P	Detailed finding	Risk	Recommendation
3	<p>Control design</p> <p>We reviewed the training materials available to CSG staff responsible for the administration of parking permits.</p> <p>We found a number of training materials developed by both CSG and the Council relating to the Parking Permits process. These include:</p> <ul style="list-style-type: none"> • The Training Manual used by CSG Staff • Presentations used for staff new to the Parking Permit Process • Process maps 	<p>A lack of review of training and guidance available to staff may result in inconsistent practices operating or practices which are not aligned to the procedure approved by the Council.</p>	<p>a) The Council should ensure that a designated officer is appointed to review the training materials used by staff in the processing of Parking Permits at least on an annual basis or when significant changes are made to the process, to ensure that these are kept up to date.</p>

<ul style="list-style-type: none"> • Training provided by system providers (ICES Parking System) <p>We noted that with the recruitment of a Contract Performance Monitoring Officer by the Council in November 2015, a new Operational level agreement has been introduced. Review of the current version confirmed that it details the roles and responsibilities of the Council and the CSG with regards to training and creation of training materials (sections 4.1.m and 4.2.l) but does not state how often the training materials need to be reviewed and who holds the responsibility for review of each type of the training material.</p>		
Management Response	Responsible Officer	Deadline
<p>A training review will be carried out on a monthly basis as part of the Contract Performance Site Visit/Audits. A training matrix is already available highlighting that existing staff have received the correct level of training in dealing with issues related to parking permit processing.</p> <p>The new OLA identifies a number of responsibilities for both CSG and the PCT and this includes who is responsible for reviewing and instigating adequate training.</p>	Contract Performance Monitoring Officer	Already Implemented with on-going monitoring taking place

Timetable	
Terms of reference	2 November 2015
Fieldwork completed	10 March 2016
Draft report issued	23 March 2016
Management responses received	24 June 2016
Final Report Issued	04 July 2016





Appendix A: 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.

Appendix B: Guide to assurance and priority

The following is a guide to the assurance levels given:

	Substantial Assurance	There is a sound system of internal control designed to achieve the system objectives. The control processes tested are being consistently applied.
	Satisfactory Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the system objectives at risk.
	Limited Assurance	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the system objectives at risk.
	No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Priorities assigned to recommendations are based on the following criteria:

1 - High – Fundamental issue where action is considered imperative to ensure that the Council is not exposed to high risks; also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.

2 - Medium – Significant issues where action is considered necessary to avoid exposure to significant risk. Action to be effected within 3 – 6 months.

3 - Low – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.