



**Parking and Traffic Regulations Outside  
London Adjudication Joint Committee**

**Annual report to those charged with  
governance 2008/09**

16 September 2009

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# 1 Introduction

## Background and purpose of the report

- 1.1 The Parking and Traffic Regulations Outside London (PATROL) Adjudication Joint Committee (the Joint Committee) is responsible for the preparation of accounts which record its financial position as at 31 March 2009 and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Joint Committee's accounts 'present fairly' the financial position of the Joint Committee.
- 1.2 Under the Audit Commission's Code of Audit Practice we are also required to reach a conclusion on whether the Joint Committee has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').
- 1.3 The Audit Commission's Statement of Responsibilities, which sets out the respective responsibilities of the Joint Committee and the auditor in relation to the accounts and arrangements for securing economy, efficiency and effectiveness in the use of resources, have been re-produced in full in Appendices A and B and reflect the scope of our audit.
- 1.4 This report summarises the principal matters arising from our audit. The issues raised have been discussed with the Joint Committee's Head of Service and other officers as appropriate. Auditing standards require us, as the Joint Committee's external auditors, to report to those charged with governance certain matters before giving an opinion on the accounts and the Code of Audit Practice requires us to report key matters relating to our VFM conclusion. For the Joint Committee, this function will be carried out at its meeting on 22 September 2009.

## The accounts opinion

- 1.5 We have performed our audit of the 2008/09 accounts in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards.
- 1.6 At the time of reporting to the Joint Committee, the audit is substantially complete with the following matters outstanding:
  - obtaining and reviewing the Joint Committee's signed Letter of Representation
  - updating our Post Balance Sheet Events review to the date of signing the accounts

Subject to the resolution of these outstanding matters, we expect to issue **an unqualified opinion on the Joint Committee's accounts** by 30 September 2009. Further details of work to support our accounts opinion are given in section two.

## The VFM conclusion

- 1.7 We have completed our work on the Joint Committee's arrangements for achieving economy, efficiency and effectiveness in its use of resources and we expect to issue an **unqualified VFM conclusion** by 30 September 2009. This is based on our assessment that the Joint Committee has at least adequate arrangements, during 2008/09, in respect of all of the areas covered by the conclusion.
- 1.8 Further details of work to support our VFM conclusion are given in section three.

## Use of this report

- 1.9 This report has been prepared solely for use by the Joint Committee to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person. This report should be read in conjunction with the Joint Committee's draft letter of representation.
- 1.10 This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of the accounts and use of resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.

## Independence

- 1.11 We are able to confirm our independence and objectivity as auditors and note the following:
- we are independently appointed by the Audit Commission
  - the firm has been assessed by the Audit Commission as complying with its required quality standards
  - the appointed auditor and client service manager are subject to rotation periodically
  - we comply with the Auditing Practices Board's Ethical Standards

## Audit Fee update

1.12 The fee for the audit is £12,000 and is shown below:

| Audit area             | Actual fee<br>2008/09<br>(£) |
|------------------------|------------------------------|
| Accounts               | 10,000                       |
| Use of resources       | 2,000                        |
| <b>Total audit fee</b> | <b>12,000</b>                |

We have not carried out audit work outside of the Code of Audit Practice audit.

## Acknowledgements

1.13 We would like to record our appreciation for the co-operation and assistance provided to us by the Joint Committee's officers during the course of our audit.

**Grant Thornton UK LLP**  
**16 September 2009**

## 2 The accounts opinion

### Introduction

- 2.1 We summarise in this section matters arising from our audit of the Joint Committee's 2008/09 accounts which we are required, under auditing standards, to report to those charged with governance.

### Approach to the audit

- 2.2 We carry out work to enable us to report to the Joint Committee our opinion as to whether the financial statements 'present fairly' the financial position of the Joint Committee in accordance with applicable laws and regulations and the Statement of Recommended Practice ('the SoRP').
- 2.3 We have planned our audit in accordance with international auditing standards and the Audit Commission's Code of Audit Practice.

### Key audit findings

- 2.4 We summarise our key audit findings below:

| Area                              | Key messages                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accounting policies and practices | <p>The Joint Committee has adopted appropriate accounting policies, in accordance with the SoRP.</p> <p>We are satisfied that the relevant financial information disclosed in the Explanatory Foreword is consistent with the accounts.</p> <p>In last year's Annual Report to those Charged with Governance we reported a number of areas where disclosure of accounting policies and supporting notes to the accounts could be improved. The Joint Committee has responded positively to our recommendations and made a number of changes to the 2008/09 accounts.</p> <p>As a result of our audit of the 2008/09 accounts, we proposed some further minor amendments to disclosures within supporting notes to the accounts, which the Joint Committee has agreed to process.</p> <p>We are required to report to you all unadjusted misstatements that we have identified during the course of our audit, other than those that are clearly trivial. There are no unadjusted misstatements for us to bring to the attention of members.</p> |

| Area                        | Key messages                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Systems of internal control | <p>As part of our audit, we consider the systems of accounting and financial control and report to you any material weaknesses identified.</p> <p>We have not identified any material weaknesses in systems of internal control. There are, however, two areas which we would wish to bring to members' attention.</p> <p><b>Validation of returns from member Councils</b></p> <p>Member Councils of the Joint Committee are required to submit quarterly estimates of the number of penalty charge notices (PCNs) they expect to issue. Invoices for levies are raised by the Joint Committee based on these estimates. Subsequently, Councils send actual quarterly figures for the quarter and future invoices are adjusted to reflect the actual number of PCNs issued.</p> <p>The Joint Committee validates the accuracy of the actual figures by sending an 'audit certificate' to each Council listing the actual figures provided in the year. Parking Managers at each Council review this list and sign the certificate to confirm its accuracy.</p> <p>We recommend that the Joint Committee explores the possibility of gaining further assurance over the accuracy of PCN figures to ensure that the correct levy income is received. Validation exercises could include:</p> <ul style="list-style-type: none"> <li>• spot check visits to Councils to agree figures provided to underlying system records</li> <li>• obtaining the Councils' underlying system information to support the quarterly returns</li> <li>• corroborating actual figures to information provided to other agencies (e.g. Department for Transport)</li> <li>• obtaining certification of actual figures from Councils' Chief Financial Officer or Internal Audit.</li> </ul> <p><b>Future accounting arrangements</b></p> <p>As at 1 April 2009, the Joint Committee has transferred its accounting arrangements from the ledger at the Lead Authority, Manchester City Council, to a Quick Books ledger accounting system, which will be maintained by PATROL staff. An internal audit review of the new arrangements will be undertaken during 2009/10.</p> <p>We are aware that, to date, some opening balances have been input onto the Quick Books ledger. The Joint Committee should seek to agree all opening balances at the earliest opportunity to resolve any issues on a timely basis.</p> <p>Our recommendations and agreed responses from the Joint Committee are included in an action plan at Appendix C to this report.</p> |

| Area                         | Key messages                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Material risks and exposures | <p>The Joint Committee has confirmed in its draft letter of representation that it has no material risks and exposures, to date, which should be reflected in the accounts.</p> <p>Our audit procedures have not identified any significant risks and exposures to the Joint Committee, to date, which should be reflected in the accounts.</p> <p>This review will be updated on the date the Joint Committee signs the final letter of representation and we sign our audit opinion.</p>                                                                                                                                                             |
| Other matters                | <p>The overall quality of the Joint Committee's working papers to support the 2008/09 accounts was good. We received, and the Joint Committee approved, the draft accounts on 30 June 2009.</p> <p>We agree that it is appropriate for the Joint Committee to account on a going concern basis.</p> <p>The Annual Governance Statement is consistent with our knowledge of the Joint Committee.</p> <p>We have not identified any matters, that we have not already reported, that require the attention of the Joint Committee.</p> <p>We have discussed these and other matters arising with the Joint Committee's Head of Service and her team.</p> |

## Next steps

- 2.5 We will continue to work with the Joint Committee to ensure that outstanding finalisation issues are completed in time for the accounts opinion to be formally signed by 30 September 2009.
- 2.6 Subject to satisfactory resolution of a small number of outstanding issues, we expect to issue an **unqualified opinion on the Joint Committee's accounts**.



## 3 The VFM conclusion

### Introduction

- 3.1 Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether the Joint Committee has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion'). In meeting this responsibility we review evidence that is relevant to the Joint Committee's corporate performance management and financial management arrangements, which are assessed against a range of criteria specified by the Audit Commission.

### VFM conclusion

- 3.2 We have completed our work on the Joint Committee's arrangements for achieving economy, efficiency and effectiveness in its use of resources and we expect to issue an **unqualified VFM conclusion** by 30 September 2009.
- 3.3 Our conclusions for each of the 12 Code criteria are set out in the table below:

| Code area                                                                | Arrangements adequate? |
|--------------------------------------------------------------------------|------------------------|
| Setting, reviewing and implementing strategic and operational objectives | Yes                    |
| Communication with service users and other stakeholders and partners     | Yes                    |
| Management of performance against strategic objectives                   | Yes                    |
| Monitoring the quality of published performance information              | Yes                    |
| Maintaining a sound system of internal control                           | Yes                    |
| Managing significant business risks objectives                           | Yes                    |
| Managing and improving value for money                                   | Yes                    |
| Maintaining a medium-term financial strategy                             | Not applicable         |
| Ensuring that spending matches available resources                       | Yes                    |
| Managing performance against budgets                                     | Yes                    |
| Managing the asset base                                                  | Not applicable         |
| Promoting and ensuring probity and propriety in the conduct of business  | Yes                    |

## Appendix A Statement of responsibilities - accounts

The accounts, which comprise the published accounts of the audited body, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources.

It is the responsibility of the audited body to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions
- maintain proper accounting records
- prepare accounts that present fairly the financial position of the body and its expenditure and income.

The audited body is also responsible for preparing and publishing with its accounts a statement on internal control.

Auditors audit the accounts and give their opinion, including:

- whether they present fairly the financial position of the audited body and its expenditure and income for the year in question
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

Subject to the concept of materiality, auditors provide reasonable assurance that the accounts:

- are free from material misstatement, whether caused by fraud or other irregularity or error
- comply with statutory and other applicable requirements
- comply with all relevant requirements for accounting presentation and disclosure.

Auditors examine selected transactions and balances on a test basis and assess the significant estimates and judgements made by the audited body in preparing the statements.

Auditors evaluate significant financial systems, and the associated internal controls, for the purpose of giving their opinion on the accounts. Where auditors identify any weaknesses in such systems and controls, they will draw them to the attention of the audited body, but they cannot be expected to identify all weaknesses that may exist.

Auditors review whether the Annual Governance Statement has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which the auditor is aware. In doing so auditors take into account the knowledge of the audited body gained through their work in relation to the audit of the accounts and through their work in relation to the body's arrangements for securing economy, efficiency and effectiveness in the use of its resources. Auditors are not required to consider whether the statement on internal control covers all risks and controls, nor are auditors required to form an opinion on the effectiveness of the audited body's corporate governance procedures or risk and control procedures.

## Appendix B Statement of responsibilities - VFM

It is the responsibility of the audited body to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives
- determining policy and making decisions
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working
- ensuring compliance with the general duty of best value, where applicable
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body
- monitoring and reviewing performance, including arrangements to ensure data quality
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The audited body is responsible for reporting on these arrangements as part of its annual statement on internal control.

Auditors have a responsibility to satisfy themselves that the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In meeting this responsibility auditors should review and, where appropriate, examine evidence that is relevant to the audited body's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements.

Auditors are responsible for reporting annually their conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors report if significant matters have come to their attention that prevent them from concluding that the audited body has put in place proper arrangements. However, auditors are not required to consider whether aspects of the audited body's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning their audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, auditors consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the audited body's statutory functions and objectives, which apply to the audited body and are relevant to auditors' responsibilities under the Code, and the arrangements it has put in place to manage these risks. The auditor's assessment of what is significant is a matter of professional judgement and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. Auditors discuss their assessment of risk with the audited body.

When assessing risk auditors consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type
- other risks that apply specifically to individual audited bodies
- the audited body's own assessment of the risks it faces
- the arrangements put in place by the body to manage and address its risks.

In assessing risks auditors have regard to:

- evidence gained from previous audit work, including the response of the audited body to previous audit work
- the results of assessments of performance carried out by the Commission
- the work of other statutory inspectorates
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where auditors rely on the reports of statutory inspectorates as evidence relevant to the audited body's corporate performance management and financial management arrangements, the conclusions and judgements in such reports remain the responsibility of the relevant inspectorate or review agency.

In reviewing the audited body's arrangements for its use of resources, it is not part of auditors' functions to question the merits of the policies of the audited body, but auditors may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the audited body to decide whether and how to implement any recommendations made by auditors and, in making any recommendations, auditors should avoid any perception that they have any role in the decision making arrangements of the audited body.

While auditors may review audited bodies' arrangements for securing economy, efficiency and effectiveness in the use of resources, they cannot be relied on to have identified every weakness or every opportunity for improvement. Audited bodies should consider auditors' conclusions and recommendations in their broader operational or other relevant context.

Auditors are not required to report to audited bodies on the accuracy of performance information that the audited bodies publish. Auditors' work is limited to a review of the systems put in place by the audited body to collect, record and publish the information, in accordance with guidance issued by the Commission.

Audit work in relation to the audited body's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it auditors' responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although they will be alert to the possibility and will act promptly if grounds for suspicion come to their notice.

## Appendix C Action Plan

| Rec. | Matter Arising                                                                                                                                                                                                                                                                                                                                                  | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Priority | Management Response                                                                                                                                                                                                                          | Implementation Details                                          |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| 1    | <p><b>Validation of returns from member Councils</b></p> <p>The Joint Committee validates the accuracy of actual figures provided by member Councils by sending an 'audit certificate' to each Council listing the actual figures provided in the year. Parking Managers at each Council review this list and sign the certificate to confirm its accuracy.</p> | <p>The Joint Committee should explore the possibility of gaining further assurance over the accuracy of PCN figures to ensure that the correct levy income is received. Validation exercises could include:</p> <ul style="list-style-type: none"> <li>• spot check visits to Councils to agree figures provided to underlying system records</li> <li>• obtaining the Councils' underlying system information to support the quarterly returns</li> <li>• corroborating actual figures to information provided to other agencies (e.g. Department for Transport)</li> <li>• obtaining certification of actual figures from Councils' Chief Financial Officer or Internal Audit.</li> </ul> | Medium   | <p>The Head of Service will explore these matters initially with the Advisory Board at their meeting December 2009 with a view to presenting a paper to the PATROL Adjudication Joint Committee Executive Sub Committee in January 2010.</p> | <p>The Head of Service.<br/>December 2009 and January 2010.</p> |

| Rec. | Matter Arising                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Recommendation                                                                                                                                      | Priority | Management Response                                                                                                                                                                                                                                                                                                | Implementation Details                                            |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| 2    | <p><b>Future accounting arrangements</b><br/>As at 1 April 2009, the Joint Committee has transferred its accounting arrangements from the ledger at the Lead Authority, Manchester City Council, to a Quick Books ledger accounting system, which will be maintained by PATROL staff. An internal audit review of the new arrangements will be undertaken during 2009/10.</p> <p>We are aware that, to date, some opening balances have been input onto the Quick Books ledger. The Joint Committee should seek to agree all opening balances at the earliest opportunity to resolve any issues on a timely basis.</p> | <p>The Joint Committee should seek to agree and input the opening balances at the earliest opportunity to resolve any issues on a timely basis.</p> | High     | <p>PATROL Officers will continue working with the PATROL Treasurer and his officers to finalise the closing and opening balances with a view to completion in time for budget monitoring to the Advisory Board in December 2009 and submission to the Joint Committee Executive Sub Committee in January 2010.</p> | <p>The Head of Service<br/>December 2009 and<br/>January 2010</p> |



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