INTERNAL AUDIT REPORT

LICENSING
2015-16

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LICENSING 2015/16

EXECUTIVE SUMMARY

1. INTERNAL AUDIT OPINION

The Licensing function at Harborough District Council is delivered in-house. Licensing is a statutory function as laid out in the Licensing Act 2003, Gambling Act 2005, Local Government Act 1982 and legislation surrounding the licensing of Hackney and Private Hire operators, drivers and vehicles. Local authorities are required to carry out their licensing duties in order to contribute to national licensing objectives: the prevention of crime and disorder; increased public safety; the prevention of public nuisance and to increase protection of children from harm. It is therefore important that the Licensing function ensures that all premises, vehicles and persons for whom the Council is the licensing authority, meet the necessary statutory requirements.

Officers were able to demonstrate that well established procedures are in place to enable the licensing function to operate in a timely and efficient way. Appropriate training and guidance is available to those responsible for processing licence applications and renewals, although minor improvements could be made to ensure procedure notes are more robust. Sample testing conducted in order to verify the accuracy and legitimacy of new and renewal licences issued confirmed compliance with prescribed procedures. However, the audit identified opportunities to improve the Uniform licensing system used to maintain master licensing records and administer applications. Further details can be found in section 2 and in the action plan of this report.

Based upon the audit review completed, it is the Auditor's Opinion that the current design and operation of controls provides **Substantial Assurance**. The audit was carried out in line with the scope set out in the approved Audit Planning Record. The Opinion is based upon testing of the design of controls to manage the two risks as summarised below.

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance	N/A				
Risk	Design	Comply	Recommendations		
			H	M	L
Risk 1 – Non-compliance with Policies and Procedures for processing new applications and renewals	Substantial	Substantial	0	0	3
Risk 2 – Licensing fees are not reviewed and income due is not collected	Substantial	Substantial	0	0	1
Risk 3 – Appeals are not dealt with in a consistent or timely manner	Substantial	N/A	0	0	0
Total Number of Recommendations			0	0	4

2.   SUMMARY OF FINDINGS

Risk 1 – Non-compliance with Policies and Procedures for processing new applications and renewals

The Council's formal licencing policies were subject to review by the Council at the time of audit. Examination of the draft versions confirmed that these are adequate in detail. It was confirmed that an appropriate target date for completion of the review has been set and that once finalised the policies will be made available to the public via the Council's website.

The audit determined that appropriate training and guidance resources have been made available to those responsible for the licensing process. Discussions held with Licensing Officers confirmed that they demonstrated good knowledge of all key areas and processes. The Uniform Licensing system has also been set up to provide officers with relevant prompts to ensure that evidential requirements have been met before licences are issued. Sample testing of 20 new licences and 20 renewal licences processed within the last 12 months confirmed 100% compliance with the required mandatory checks. All 40 were supported by appropriate source documentation to validate that the licence conditions had been met at the time of issue.

Locally documented procedure notes are available to assist officers with undertaking key licensing tasks, particularly for key licences which are processed on a daily basis, such as the Hackney and Private Hire driver and vehicle licences. It was noted, however, that procedure notes for such licences are inconsistent in detail, particularly in terms of updating the required data-fields on the Uniform system.

Review of a sample of 40 licences (20 new and 20 renewals) identified some minor inconsistencies in the way in which officers populate Uniform. It was also noted that there were 87 records where checks remain 'outstanding'. Officers asserted that it is likely that these relate to cases added in error by customer services which have not yet been deleted. Such records should be deleted to prevent potential confusion and improve the overall accuracy of records held. Although not enough to weaken controls, such inconsistencies and housekeeping issues could potentially cause problems with data migration if the Council were to upgrade or move to a new system.

Procedure notes could be made more robust, for example to include Uniform system screenshots, to ensure that all officers are populating Uniform correctly and making use of the system notes facility. Given that the Council's licensing policies are being revised at present, it would be advisable to ensure that procedure notes are updated to reflect policy changes. **Refer to recommendations 1 and 2 in the action plan.**

Risk 2 – Licensing fees are not reviewed and income due is not collected

A review of policies and procedures and interviews held with licensing staff confirmed that the Council does not issue licenses until the correct fee has been received in full. Sample testing of 20 new licence applications and 20 renewal applications confirmed compliance with this policy.

Non-statutory licence fees are included within the Council's schedule of fees and charges. Review of reports submitted to the full Council in February 2015 confirmed that the current non-statutory licence fees and charges were subject to formal review and approval.

With regards to setting non-statutory fees, it was confirmed that a systematic approach was taken to analyse the costs of providing the associated services when setting the agreed fees.

It was noted that there were some minor calculation errors related to the associated administrative costs; however the errors are immaterial and have not resulted in fees being set which have a detrimental impact to the Council. Although the errors are minor, there is an increased risk that the Council is exposed to legal challenge should an external query be received as to how the fees were calculated. **Refer to recommendation 3 in the action plan.**

Review of the licence pages on the Council's website confirmed that the correct 2015/16 fees had been advertised with the exception of four licences which were still showing the 2014/15 rates. Prompt action was taken during the audit to correct these; a formal recommendation has therefore not been made.

Although sample testing confirmed compliance with procedures, testing did highlight minor issues regarding the quality of Uniform system controls. Useful monitoring reports cannot currently be extracted into excel to assist the Council in identifying annual fees and licence renewals due. The current monitoring process requires the designated officer to manually review each record flagged by system filters and to generate each reminder letter individually. In addition, the 'next payment due' data-field does not require mandatory system input. Consequently there is an increased risk of human error occurring, which could potentially result in records not being picked up by the monthly check process. For the sample of 40 licences reviewed, 'next payment due' dates had not been input for 28% of records sampled. Furthermore, it was noted that the system report provided had pulled through some incorrect data-fields from the system despite the correct data being input; this issue could potentially corrupt management monitoring information. **Refer to recommendation 4 in the action plan.**

Risk 3 – Appeals are not dealt with in a consistent or timely manner

The audit confirmed that the Council has established appropriate controls to direct the appeals process and ensure that appeal requests received are appropriately dealt with.

Before licence applications are refused, officers will contact the applicant to explain why a licence will be refused and seek to obtain further evidence if applicable. If it is unlikely that the applicant will be successful they are informed as to the reasons why. This approach has been effective to date, it was confirmed that no licensing appeals have been formally lodged within the last 12 months.

The Action Plan provides recommendations to address the opportunities for improvement identified by the audit. If accepted and implemented, these should further improve the control environment and aid the Council in effectively managing its risks.

3. LIMITATIONS TO THE SCOPE OF THE AUDIT

The Auditor's work does not provide absolute assurance that material error; loss or fraud does not exist.

ACTION PLAN

Risk 1: Non-compliance with Policies and Procedures for processing new applications and renewals						
Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date
1.	Testing identified some minor inconsistencies in the way in which officers populate the Uniform system. Given that the Council's licensing policies are being revised at present, it would be advisable to ensure that procedure notes are updated to reflect policy changes.	Once the Licensing policies have been finalised, it is recommended that the Senior Licensing Officer: • reviews procedural guidance material to ensure that policy changes are reflected; and • strengthens Uniform instructions contained within procedure notes (e.g. include screenshots) to assist officers to correctly populate the system.	Agreed. As policies are reviewed/ developed the procedure guidance will be updated at the same time. For those procedures where there are no policy changes the update shall be completed by 31st March 16.	L	Service Manager – Regulatory Services	31/03/16

Risk 1: Non-compliance with Policies and Procedures for processing new applications and renewals						
Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date
2.	There are 87 records where checks remain 'outstanding' and may need deleting. The audit trail could be strengthened to show any additional phone calls made by the licensing team such as to verify crowd control measures at temporary events. The notes facility could also be better utilised to account for discrepancies between actual payments received and amounts due as per the approved fees & charges (e.g. where customers have paid more to keep an account in credit or where DBS deductions were made).	Senior Licensing Officer to: • take action to ensure that the 87 outstanding records are reviewed and if necessary deleted; • raise the quality of data input at the next team meeting, to ensure that the system notes facility is used and that inaccurate records created by customer services are deleted as soon as they are identified; and • provide refresher training where necessary or issue a reminder to customer services staff to mitigate similar errors occurring in future.	Agreed. The data cleansing may take some time to complete due to other work, therefore would suggest a target of 31/03/16. The training sessions for both licensing staff and customer services should be completed by 31/12/2015.	L	Service Manager – Regulatory Services	31/03/16 for data cleansing. 31/12/15 for training.
3.	Although the calculation errors in administrative costs were minor, there is an increased risk that the Council is exposed to legal challenge should an enquiry from an external stakeholder be received requesting information as to how the non-statutory licence fees were set.	Services Manager – Regulatory Services to • ensure that the annual fee calculations are subject to secondary review to assure accuracy of the data.	Agreed. Annual fees will be reviewed by another team leader before being submitted for approval.	L	Service Manager – Regulatory Services	31/12/15

Risk 2: Non-compliance with Policies and Procedures for processing new applications and renewals						
Rec No.	ISSUE	RECOMMENDATION	Management Comments	Category	Officer Responsible	Due date
4.	Although sample testing of licences confirmed compliance with procedures, testing did highlight minor issues regarding the quality of Uniform system controls.	Senior Licensing Officer contacts the software provider to: • ensure that the 'next payment due date' and 'reminder date' data-fields on Uniform are set to require mandatory input (with a N/A option where required); • establish whether monitoring reports could be written by the software provider and extracted by officers via Microsoft Excel to flag reminders and renewal applications and fees due; • establish whether reminder letters could be generated in bulk for those identified as due; and • ensure that the quality of report data is reviewed so that system reports are pulling through the correct data.	Agreed. It is hoped that these actions can be rectified internally rather than going to the software provider. Training may be required and will be arranged as necessary regarding access reports and document template writing.	L	Service Manager – Regulatory Services	31/12/15

GLOSSARY

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management relay and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendation

The Auditor categorises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Category	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives.
LOW	Management action will enhance controls or improve operational efficiency.

Limitations to the scope of the audit

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error; loss or fraud does not exist.