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Dacorum Borough Council
Final Internal Audit Report
Licensing

October 2015

This report has been prepared on the basis of the limitations set out on page 12.

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Distribution List:	**Key Dates:**	
Ross Hill – Licensing Team Leader	Date of fieldwork:	August 2015
Mark Brookes - Group Manager - Legal Governance and Deputy Monitoring Officer	Date of draft report:	September 2015
	Receipt of responses:	October 2015
Steven Baker – Assistant Director – Chief Executive's Unit	Date of final report:	October 2015
David Skinner – Assistant Director – Finance and Resources		
James Deane – Corporate Director – Finance and Operations (Final Report only)		
Sally Marshall – Chief Executive (Final Report only)		

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1. Executive Summary

1.1. Background

As part of the Internal Audit programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Licensing.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Licensing, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation; Applications; Consultation and Appeals; Fees and Income Collection; Enforcement and Management Information. Further detail on the scope of the audit is provided in Section 2 of the report.

1.3. Summary Assessment

Our audit of DBC's internal controls operating over Licensing found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. Also, there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) 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.

Similarly, the assessment 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. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Licensing is shown in Section 3.

1.4. Key Findings

We have raised three priority 2 and one priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- The Licensing Team Leader should complete the review of the existing animal related application forms and once this has been completed they should be made available to applicants on the Council's website. (Priority 3);

- A further action log event should be added to the procedures within the Flare system for; Animal Boarding, Licensed Premises Gambling Machines and Piercing which requires the Licensing Team Leader to approve before the licence is granted. (Priority 2);

- The Licensing Team Leader should be provided with the appropriate training to be able to increase the functionality in the Licensing application action logs to facilitate an approval function. (Priority 2); and

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- Annual Invoices should be raised by Finance for all types of licences which require an annual fee (Priority 2).

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. Management Response

We received the management responses in a timely manner and these have been included in the main body of our report.

1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

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2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Licensing, with regards the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;

- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

- identification of control weaknesses and potential process improvement opportunities;

- discussion of our findings with management and further development of our recommendations; and

- preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

- **Policies, Procedures and Legislation**
  Policies and procedures are available to the Licensing Team which are reviewed on an annual basis. To keep up-to-date with legislation, management receive regular updates from external sources. The Council's licensing policy is available to staff and to the public via the internet. Information regarding licences is available to prospective applicants via the Council's website.

- **Applications**
  Applications received are assessed and processed in a timely manner, and in accordance with any legislative timescale. Applications are supported by appropriate documentation, and are authorised by management in line with Council policy.

- **Consultation and Appeals Processes**
  Applications under consultation are notified to the public in line with legislation. Any representations are resolved prior to the licences being approved.
  The appeals process is clearly documented and made available to all applicants. Appeals are resolved and decisions communicated in line with the timescales set by legislation.

- **Fees and Income Collection**
  Licences are only issued once payment is received. Invoices are automatically raised for renewals. Reconciliations regularly take place between expected income and actual income, and any variances are promptly investigated.

- **Enforcement**
  Scheduled and ad hoc inspections take place in accordance with the Council's enforcement policy. Any identified licence breaches are promptly dealt with.

- **Management Information**
  Performance reports are produced regularly and reviewed by management. The Licensing and Health and Safety Enforcement Sub Committee meets regularly.

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2.4   **Selection of Sample**

The sample of licences tested during the audit was selected from reports of all licence applications processed by the Council from April 2014 to August 2015. The sample is as follows;

- Taxis: four new driver applications, three new vehicle applications and one new operator application.
- Alcohol and Entertainment: one temporary event notice, two personal licences and four premises licences
- One Animal Boarding licence.
- Two piercing licences.
- Two Gambling licences

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3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures and Legislation	✔	✔	
Applications	≈	≈	**Recommendation 1, 2 and 3**
Consultation and Appeals Process	✔	✔	
Fees and Income Collection	≈	✔	**Recommendation 4**
Enforcement	✔	✔	
Management Information	✔	✔	

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

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4. Observations and Recommendations

Recommendation 1: New Animal Licence Application Forms (Priority 3)

Recommendation
The Licensing Team Leader should complete the review of the existing animal related application forms and once this has been completed they should be made available to applicants on the Council's website.
Observation
Where Animal Boarding Licence application forms have been completed in greater detail prior to the Enforcement Officer's inspection this will help increase efficiency of inspections and direct the Enforcement Officer to areas of concern.   Audit identified that the Animal Boarding licence application form required very little detail to be included by the applicant. Discussions with the Licensing Team Leader confirmed that this application form was currently under review.   Where there is a lack of detail on the Animal Boarding licence application form there is a risk that the inspections are not carried out efficiently and relevant details are not be identified.
Responsibility
Licensing Team Leader
Management response / deadline
This had previously been identified by the Licensing team as a potential area for improvement, and work is already underway to prepare more comprehensive application forms across the full range of animal welfare licences which are issued by the Council (animal boarding establishments, dangerous wild animal keepers, dog breeding establishments, pet shops, riding establishments, zoos), and update systems to store the more detailed range of data requested.   This work is expected to be completed for the full range of animal licences by the end of March 2016, although higher-volume applications (animal boarding establishments and pet shops) will be prioritised, with an implementation target for these formalities by the end of December 2015.

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Recommendation 2: Animal, Gambling and Piercing Flare Procedures (Priority 2)

Recommendation

A further action log event should be added to the procedures within the Flare system for; Animal Boarding, Licenced Premises Gambling Machines and Piercing which requires the Licensing Team Leader to approve before the Licence is granted.

Observation

Where there is a requirement for Licensing Team Leader to complete and an action to approve a Licence within the Flare system this will help to ensure that there is accountability and that only appropriate licenses are approved.

Testing of a sample of 1 animal boarding application, 2 licence premises gambling machine applications and 2 piercing applications identified that in 2 cases there was no signature on the granted licence certificate and in 3 cases there was an automated electronic signature on the granted licence certificate which does not confirm who had approved the application.
In all five cases in the application action log on the Flare confirmed the officer who produced the Licence Certificate as the Licensing Support Officer and hence there was no evidence to confirm that the Team Leader had authorised the approval of the licence.

If there are not appropriate approval functionality within the Flare system then there is a risk that inappropriate licences will be granted.

Responsibility

Licensing Team Leader

Management response / deadline

For lower-risk administrative authorisations, the adopted scheme of delegation allows licensing officers below the Licensing Team Leader to approve the grant of an authorisation. However, it is accepted that the recording of the approval process for these lower-level authorisations could be improved.

A process for electronically recording approval has previously been implemented within Civica APP (a.k.a. Flare) records for certain authorisation types (e.g. private hire operator licences), as a trial for replacing paper authorisation records ('signoff sheets'). This will now be expanded to all authorisation types.

Given the number of authorisation types that will need to be amended, and the current restrictions on Civica APP administration (see next recommendation), a target of end March 2016 for implementation of this recommendation is suggested.

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Recommendation 3: System Improvement Training (Priority 2)

Recommendation
The Licensing Team Leader should be provided with the appropriate training to be able to increase the functionality in the Licensing application action logs to facilitate an approval function. See recommendation 2.
Observation
Where officers within the Licensing Team have the required skills and ability to adapt the Flare system to help ensure that the appropriate approval controls are in place, this will allow for a more efficient and dynamic system and improve the way the Licensing department can process applications.
There is currently one officer in the Regulatory Services department (they also use the Flare system) who is acting as the system administrator and can make system amendments like adding in additional action log requirements and procedures.
Where there is only one officer with the ability to increase the functionality of the system there is a risk that the necessary changes will not be made in a timely manner.
Responsibility
Licensing Team Leader
Management response / deadline
Discussions are now taking place on the future arrangements for supporting all departments which use Civica 'Authority for Public Protection' (a.k.a. Flare), which is likely to include additional training and access being granted for identified 'super users' within the Licensing team.
Until such training has been completed and additional system access granted, licensing officers are unable to complete these changes, and with almost 200 licensing application types to implement electronic approval for, it is unlikely that the current System Administrator in Regulatory Services will have sufficient capacity to deliver the necessary changes alone.
Deadline for implementation of this recommendation is therefore subject to a number of factors, including the identification of budget for one or more licensing officers to undertake the APP System Administration training course, which is delivered externally, and the availability of training courses. Assuming that the additional training/access can be delivered, a target of March 2016 for implementation on the areas identified in recommendation 2, and for other high-frequency application types (taxis, premises licences, personal licences, etc) is considered achievable, with the full suite to be completed by June 2016.

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Recommendation 4: Invoices raised for annual licence fees (Priority 2)

Recommendation
Annual invoices should be raised by Finance for all types of licences which require an annual fee.
Observation
Where invoices are raised for annual fees by finance this will help identify expected income. Furthermore this will help improve efficiency by reducing the time spent chasing income due to a lapse of the licence. Testing confirmed that alcohol/entertainment premises licences and club premises certificates are all invoiced by Finance. However, it was noted that these are currently the only annual fees collected in this way. The Licensing Team Leader has been in discussions with the Finance Group Manager with a view to adopting this process for all types of annual fee licences. The other licence categories with annual fees are gambling premises licences (16 licences, amount dependent on category), gaming machine permits (c.30 permits @ £50 each), and lottery registrations (c.100 registrations @ £20 each). Reminder letters are currently sent for the other types of annual fees, and for all licence renewals. Where invoices are not raised by Finance there is a risk that the Licensing Team are not working in the most efficient manner which in turn could lead to the risk of the expected income not being received, which in turn could lead to a financial loss to the Council.
Responsibility
Licensing Team Leader
Management response / deadline
As noted, implementation of this recommendation is already underway, and is expected to be completed by the end of December 2015.

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Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full	✔	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial	≈	Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	?	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil	✘	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here 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' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

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Appendix B - Staff Interviewed

The following personnel were consulted:

Ross Hill – Licensing Team Leader

Richard Mabbitt - Licensing Enforcement Officer

Sally Taylor – Licensing Support Officer

Mark Brooks - Group Manager - Legal Governance and Deputy Monitoring Officer

We would like to thank the staff involved for their co-operation during the audit.

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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 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 our 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 us 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. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our 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 work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

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