



**FINAL  
INTERNAL AUDIT  
REPORT SRBC 01/18-19**

**Review Of Licensing Services**

Struan Jackson  
Auditor  
2<sup>ND</sup> October 2018



Certificate Number 1415

# Background Document

## Appendix 2

F5 - Audit Report (Revised May 2018)

1	REASONS FOR AUDIT / SCOPE
1.1	Licensing Services is an important statutory activity of the Council. Over the last few years significant procedural and staff changes have taken place. It is essential that these changes are operating effectively and that application and enforcement activity is undertaken in accordance with the appropriate regulatory requirements.
1.2	A review of Licensing Services was therefore included in the 2018/19 Internal Audit Plan.
1.3	The review focussed on key risks and mitigating controls contained in the operational risk register.
1.4	<p>Our work included the following:</p> <ul style="list-style-type: none"> <li>Undertaking background reading to gain an understanding of the subject under review;</li> <li>Ensuring that the risk register on GRACE is complete and contains all relevant risks and controls;</li> <li>Carrying out checks to determine if the controls are operating as intended for any red or amber inherent risks;</li> <li>Assessing if the systems for performance reporting are robust and checking the accuracy of outturn figures.</li> </ul>

2	ASSURANCE RATING																																							
2.1	The level of risk for this review was determined as Major and as such the control ratings available for this review are within the Major risk rating row.																																							
2.2	We found that the management and operational controls have substantially improved since our last audit and testing confirmed that the overall controls in place are operating as intended.																																							
3.3	<p>Some minor control weaknesses have been identified and an <b>Amber 6 Substantial</b> rating has been awarded for this review for the following reasons:</p> <ul style="list-style-type: none"> <li>In one instance tested, a Hackney Carriage driver application had been processed and approved when payment in full had not been received;</li> <li>Income management controls can be improved by the introduction of a refund process.</li> </ul>																																							
<b>KEY</b>																																								
<p><b>Risk Rating</b></p> <p>Minor, Standard, Major or Critical reflects the relative risk of each system and the impact on the Council if it was to fail.</p> <p>The risk rating for each audit has been agreed following a detailed risk assessment by Internal Audit and approval by Senior Management.</p>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <tr> <td rowspan="4" style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Risk Rating</b></td> <td>Critical</td> <td style="background-color: #e67e22;">4</td> <td style="background-color: #e67e22;">8</td> <td style="background-color: #c0392b;">12</td> <td style="background-color: #c0392b;">16</td> </tr> <tr> <td>Major</td> <td style="background-color: #27ae60;">3</td> <td style="background-color: #e67e22;">6</td> <td style="background-color: #e67e22;">9</td> <td style="background-color: #c0392b;">12</td> </tr> <tr> <td>Standard</td> <td style="background-color: #27ae60;">2</td> <td style="background-color: #27ae60;">4</td> <td style="background-color: #e67e22;">6</td> <td style="background-color: #e67e22;">8</td> </tr> <tr> <td>Minor</td> <td style="background-color: #27ae60;">1</td> <td style="background-color: #27ae60;">2</td> <td style="background-color: #27ae60;">3</td> <td style="background-color: #e67e22;">4</td> </tr> <tr> <td colspan="2"></td> <td>Full</td> <td>Substantial</td> <td>Adequate</td> <td>Limited</td> </tr> <tr> <td colspan="6" style="text-align: center;"><b>Control Rating</b></td> </tr> <tr> <td colspan="6" style="padding: 5px;"> <p><b>Control Rating</b></p> <p><b>Limited</b> - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist. <b>Adequate</b> - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. <b>Substantial</b> - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. <b>Full</b> – the Authority can place complete reliance on the controls. No control weaknesses exist.</p> </td> </tr> </table>	<b>Risk Rating</b>	Critical	4	8	12	16	Major	3	6	9	12	Standard	2	4	6	8	Minor	1	2	3	4			Full	Substantial	Adequate	Limited	<b>Control Rating</b>						<p><b>Control Rating</b></p> <p><b>Limited</b> - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist. <b>Adequate</b> - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. <b>Substantial</b> - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. <b>Full</b> – the Authority can place complete reliance on the controls. No control weaknesses exist.</p>					
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<b>3. RISK &amp; CONTROL EVALUATION</b>	
<b>Risks &amp; Controls</b>	<b>Control Evaluation</b>
<b>R1 - Breach of regulations/statute</b>	
Licence register	Working as Intended
Regular licence checks/inspections	Working as Intended
Random licence checks	Working as Intended
Ongoing surveillance of the borough	Working as Intended
Official applications forms	Working as Intended
Statutory compliance checks	Working as Intended
Responsive to information	Working as Intended
Officer Guidance (*)	Working as Intended
<b>R2 - Burdensome administration</b>	
Burdensome administration	Working as Intended
<b>R3 - Incorrect fee paid</b>	
All issues authorised	Working as Intended
Official applications forms	Working as Intended
Segregation of duties	Action 1
<b>R4 - Incorrect information</b>	
Licences controllable stationery	Working as Intended
Official applications forms	Working as Intended
All issues authorised	Working as Intended
Regular licence checks/inspections	Working as Intended
Licence register	Working as Intended
<b>R5 - Loss of records</b>	
Computer records back-up	Working as Intended
Premise file storage procedures	Working as Intended
Restricted Access	Working as Intended
Paper records not adequately stored	Working as Intended
<b>R6 - Income Management</b>	
Licence register	Working as Intended
Performance standards set	Working as Intended
Regular licence checks/inspections	Working as Intended
Visits to non-renewals	Working as Intended
Renewal notices are served	Working as Intended
Segregation of duties	Action 1
Refunds are correctly approved (*)	Action 2
<b>R7 - Unlicensed Vendors/Establishments</b>	
Visits to non-renewals	Working as Intended
Regular licence checks/inspections	Working as Intended
Official applications forms	Working as Intended
Ongoing surveillance of the borough	Working as Intended
Licences controllable stationery	Working as Intended
Renewal notices are served	Working as Intended
Licence register	Working as Intended
Responsive to information	Working as Intended

(\*) Additional risks & controls added to GRACE by the audit process

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### 4. MANAGEMENT ACTION PLAN

NO.	CONTROL ISSUES	AGREED ACTIONS	OFFICER & DATE
1	<p>In one instance tested a Hackney Carriage driver application had been processed and approved when payment in full had not been received.</p> <p>The payment error was caused through the Firmstep system presenting the application as complete.</p>	<p>Agreed Licensing will liaise with ICT to update the script, preventing this error reoccurring.</p>	<p>Head of Licensing 31/03/2019</p>
2	<p>Income management controls can be improved by the introduction of a refund process</p>	<p>Agreed A refund policy has been drafted, this will be submitted for committee approval prior to being implemented.</p>	<p>Head of Licensing 31/03/2019</p>

**A lack of timely implementation of the agreed actions may be reported to the Governance Committee.**

All internal audit work is conducted in compliance with the Public Sector Internal Audit Standards, issued by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.