

FROM: Audit and Risk Manager **SUBJECT:** Licensing Services
TO: Head of Health & Community Protection **DATE:** 7 December 2017
C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Regulatory Manager
Licensing Team Leader
Portfolio Holder (Cllr AT)

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in January 2015.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 **Background**

- 2.1 The Licensing Team is based within the Regulatory Division of Health and Community Protection. The team is responsible for issuing and managing a wide range of licences with the highest profile being premises licences and licences relating to hackney carriage and private hire vehicles.
- 2.2 As well as the processing of the license applications, members of the team are also responsible for specific enforcement activities to help ensure that licensees operate within the terms of their licenses.

3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Policies and procedures
 - Roles and responsibilities
 - Decision processes
 - Fee collection and licence issuing
 - Enforcement activity
 - Compliance and quality assurance.

3.3 The control objectives examined were:

- The Licensing function is discharged in accordance with the requirements of the relevant Acts (e.g. Licensing Act 2003 (as amended) and the Gambling Act 2005
- There is guidance available to officers and Members on dealing with licensing applications received
- Decisions regarding applications are reached at the appropriate level
- Staff and Members have received appropriate training to enable them to fully discharge their duties
- Appropriate decisions are reached on licence applications received
- All interested parties have the chance to comment on applications received
- The correct licence fees are being charged and there are adequate procedures for the receipt and banking of income
- Licences are only issued following approval and the receipt of the appropriate fee
- All licensable activities are carried out under the terms of the licences issued
- Monitoring performed ensures that licences have been issued appropriately
- Areas for potential improvement are identified.

4 **Findings**

4.1 **Recommendations from Previous Report**

4.1.1 The current position in respect of the recommendations from the audit reported in January 2015 is as follows:

Recommendation	Management Response	Current Status
1 The Licensing Team should liaise with NDR to arrange access to council held Rateable Value data.	NDR access to be arranged.	The Licensing Team Leader (LTL) advised that access to the system and the VO schedules has not been arranged.
2 When RVs are available the current bandings for premises licences should be compared.	Work will be undertaken annually or upon receipt of a new or variation of an existing application.	However, a six-monthly review of rateable values is now undertaken with the Finance Administration Officer (FAO) sending emails containing details of any potential changes.
3 Access should be arranged to Valuation Office schedules of changes to the Valuation List. They should be assessed regularly for any possible changes to premises bandings.	Access to valuations list to be arranged. Frequency of access to be determined.	(see 4.5.5 below)

4.2 **Policies & Procedures**

- 4.2.1 The Council has a number of relevant policies in place including a 'Statement of Licensing Policy', a Gambling Act 2005 Statement of Policy, enforcement policies (both Council-wide and service specific), and 'taxi' related policies (such as Relevant Convictions and Cautions). Where relevant, the policies set out licensing objectives as covered by the related Acts.
- 4.2.2 The latest copies of these documents are available from the Licensing pages on the Council's website. Upon review it was noted that some of the documents may require updating due to staffing changes, outdated links etc.

Risk

Current and prospective licence holders may not be aware of the Council policies that apply to them.

Recommendation

Policy documents should be reviewed to ensure that they remain current.

- 4.2.3 The LTL advised that procedure documents need to be reviewed and suggested that the drawing up of workflows and guidance documents had been scheduled. However, due to changing priorities (e.g. digitisation of records) these had not yet been completed. As this work is already planned, Internal Audit do not consider that a formal recommendation for these to be completed is warranted.

4.3 **Roles & Responsibilities**

- 4.3.1 There is a formal scheme of delegation in place that covers the functions that have been delegated to the relevant senior members of staff. This includes a section on those areas that have been delegated to the Head of Health & Community Protection, including the relevant licensing decisions.
- 4.3.2 There is also a spreadsheet 'matrix' in place that shows how these delegations have been devolved further within the Regulatory section and into the Licensing team.
- 4.3.3 Documentation is also in place that summarises how applications need to be dealt with, i.e. whether / when an application needs to go to committees or panels. This document is currently in the process of being reviewed.
- 4.3.4 The LTL advised that, although there is no formal training plan in place, staff dealing with the licences will receive training as and when there is a need. Specific staff members may go on the training and details will subsequently be disseminated to all staff via updates at team meetings.
- 4.3.5 Members' training is initially provided following each election cycle with the training log provided highlighting that the committee event is mandatory for all Councillors who sit on the Licensing & Regulatory Committee (including substitutes).

4.3.6 The Democratic Services Manager & Deputy Monitoring Officer advised that any Members appointed to the Committee outside of this cycle would receive training directly from the Head of Health & Community Protection. It was also highlighted that a recent Committee meeting had been devoted to a training session for Members.

4.4 **Decision Processes**

4.4.1 Upon discussion with the LTL it was established that the authorisation of most licence applications is more of an administrative function than a formal authorisation process.

4.4.2 Licenses are generally approved unless relevant supporting documentation has not been provided, the applicant does not meet the relevant policy criteria (e.g. taxi applications from people with convictions etc.) or objections have been received during the consultation periods.

4.4.3 In some cases, the Police or other interested parties may negotiate directly with the applicant in order to resolve issues that would otherwise result in the application being objected against. In these instances the Licensing team will play no part in the negotiations but will be informed of the outcome.

4.4.4 Where there isn't a positive outcome from the negotiations or where appeals are received in respect of licenses that have been refused, the application will go before a Licensing & Regulatory Panel.

4.4.5 Sample cases for different license types were reviewed with the LTL with relevant details being seen on the Civica APP system. Supporting documentation was also reviewed as required. This confirmed that, unless a committee decision was required, the licences were being issued directly with no further authorisation required.

4.5 **Fee Collection & Licence Issuing**

4.5.1 The Council has the ability to set fees for a number of different types of licence whereas others are set out within legislation. Where fees are set locally work is undertaken to identify all relevant costs, with time recording exercises being performed and detailed spreadsheets being maintained for each type of licence.

4.5.2 The fees are agreed as part of the annual, Council-wide fees and charges report. The report is initially presented to Executive who then recommend the fees to Council. Fees for 2017/18 were duly approved, although some queries were raised initially regarding the taxi fees recovery elements.

4.5.3 The fee setting report shows separately the deficit recovery elements for each relevant licence fee as the budgets are ring-fenced and are expected to break even over a three year rolling cycle.

4.5.4 Sample testing was undertaken across the different license types to ensure that the correct fees were being charged. This test proved satisfactory.

- 4.5.5 Testing was also undertaken on the NNDR charges return provided by the LTL as part of the review of the recommendations from the previous report (see 4.1.1 above).
- 4.5.6 Upon review it was noted that a number of errors had been made. Results were, therefore, provided to the LTL, with the accounts subsequently being updated accordingly by the FAO.
- 4.5.7 Subsequent testing was undertaken on the cases where the annual invoices were raised in November. Upon review of TOTAL it was confirmed that the invoices had been raised for the correct amounts.
- 4.5.8 The LTL advised that payments are accepted in many forms, with cash payments still being accepted at present as well as cheques and on-line payments (which are being encouraged). Phone payments will also soon be taken which will also allow for refunds to be processed accordingly.
- 4.5.9 The sample testing (as per 4.5.4 above) also covered the coding of receipts and it was confirmed these payments had been coded correctly.
- 4.5.10 A separate review was also undertaken on TOTAL with an attempt being made to match the income received against each relevant subjective code on the Licensing & Registration cost centre with the relevant licence fees.
- 4.5.11 A large number of instances were identified where the amount receipted did not directly match to the relevant fees. The LTL advised that the Business Support Officer will, at various points in the year, go through the codes and will vire monies if any miscodes have been noted.
- 4.5.12 She also suggested that where income is received via Reception or CST, payments can get miscoded, especially if payments are being made for multiple items. However, with the general move to digital payment methods, these issues should reduce.

Risk

Officer time may be wasted if payments need to be reviewed for incorrect coding.

Recommendation

Whilst physical income is still accepted, Reception and CST should be issued with reminders about the relevant coding of income.

- 4.5.13 The LTL advised that letters are sent for most renewals with Civica APP including reminders to staff on relevant dates. Regular reporting is also performed in relation to the 'larger' licence types to flag those licences that are due to expire and sample reports were provided to confirm that the process was operating.

4.6 Enforcement Activity

- 4.6.1 The LTL highlighted that there is no one way of identifying all licensable premises or activity. Where the Council knows about the premises there will be records on CIVICA APP (Flare) and on the public register. Intelligence will

also be obtained via social media channels, local knowledge, and liaison with other sections (such as the Food team) and departments.

- 4.6.2 Multi Agency Licensing Enforcement Meetings (MALEM) are now held regularly with representatives from the relevant agencies such as the Police and Trading Standards attending. These meetings allow the parties to discuss concerns over licence holders which may result in targeted inspections being performed.
- 4.6.3 Scheduled inspections will also be undertaken at varying frequencies depending on licence type and the LTL also highlighted that a risk-based rating system for premises is being developed, along with the relevant inspection criteria, which will allow the frequency of visits to be varied depending on the scores achieved. This will be built into the system so that it will automatically calculate when the next visit will be due.
- 4.6.4 Where a breach of licensing terms is noted, the Council may take various steps to resolve the issue. Letters will initially be sent to the license holder and, if issues continue, face-to-face meetings will be held. If the license relates to a 'big operator' (e.g. a pub run by a brewery), the issues may also be escalated to their area manager.
- 4.6.5 If problems persist, prosecutions may be instigated. Not many cases get to this stage but a recent breach for which a successful prosecution had been instigated was reviewed, with relevant paperwork found to be in place.

4.7 **Compliance & Quality Assurance**

- 4.7.1 The LTL highlighted that Flare includes lists of scheduled actions for each member of staff. This will show any overdue action, work due at the present time and items due at a future date. If the overdue work list is large, the staff member will not take on any additional work from the new applications received until their backlog is cleared. Generic email addresses are also used so that work is not received directly by individual members of staff.
- 4.7.2 If a member of staff is off sick for an extended period, the LTL can redirect work to other members of staff. Plans for allocating work may also be in place if a known event is due which will take up a lot of time for the relevant member of staff (e.g. dealing with objections to an application for a sexual entertainment venue licence).
- 4.7.3 Regular team meetings are held with minutes being taken and signed off accordingly. Specific cases are discussed at the meetings as well as overall workloads and big upcoming events. Training received will also be cascaded to other team members.
- 4.7.4 The LTL advised that there are no customer surveys undertaken, although the team attend meetings such as 'Driver & Operator Forums' and would take comments as appropriate.

4.7.5 She also highlighted that no complaints had been made via the corporate complaints process, which was seen as a positive reflection on the work of the team.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Licensing Services are appropriate and are working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 Minor issues were, however, identified relating to:

- The need to update relevant policy documents.
- Incorrect coding of physical income receipts.

6 **Management Action**

6.1 The recommendation arising above is reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Licensing Services – December 2017

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.2	Policy documents should be reviewed to ensure that they remain current.	Current and prospective licence holders may not be aware of the Council policies that apply to them.	Low	Licensing Team Leader / Regulatory Manager	Licensing Act 2003, Gambling Act 2005, Taxi Handbook and Street Trading Policies are all due to be formally reviewed in 2019. All other policies will be reviewed accordingly.	2019 July 2018
4.5.12	Whilst physical income is still accepted, Reception and CST should be issued with reminders about the relevant coding of income.	Officer time may be wasted if payments need to be reviewed for incorrect coding.	Low	Licensing Team Leader	Reception and CST have been issued with Fee Information for 2018 that includes the licence name, fee and cost centre it should be allocated against. Conversations have taken place with Finance about improving the PARIS system, which is used for receipting income.	Complete but also on-going.

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.