

Final Internal Audit Report

Licensing Income

September 2016

Distribution: Executive Director of Place (Final)
Director of Safety
Licensing Manager

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	1
	Priority 3	1

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This report has been prepared on the basis of the limitations set out in Appendix 3.

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1. Introduction

- 1.1 The Council as a licensing authority has a number of powers and duties relating to a range of licenses and approvals resulting from legislative requirements and discretionary functions agreed locally.
- 1.2 The Licensing Act 2003 is the main legislation governing the process and prescribing certain fees, providing a clear focus on the promotion of four statutory objectives which must be addressed when licensing functions are undertaken.
- 1.3 The Council is able to impose fees for the granting and renewal of licences under the Act as well as other discretionary fees e.g. street trading and special treatments. Fees must be proportionate to the cost of administration and enforcement/compliance.
- 1.4 This audit has been undertaken as part of the agreed Internal Audit Plan for 2016/17.

2. Key Issues

Priority 2 Recommendations

Reconciliations are not currently carried out between the General Ledger and Licensing System (Rec. 1).

3. Actions and Key Findings/Rationale

Control Area 6: Income Reconciliations			
Priority	Recommendation 1	Detailed Finding/Rational	
2	Monthly reconciliations to be carried out between the value of licenses issued on the Licensing System and the General Ledger.	<p>In order to ensure completeness of income, detect errors and omissions and possible instances where income has not been collected and banked, regular reconciliations between the Licensing system and the general ledger should be conducted.</p> <p>Discussion with the Cash and Control Manager and sample testing confirmed that, while daily reconciliations are undertaken of licensing income to that banked and the General Ledger, there is no reconciliation between the total value of the licenses issued on the Licensing System and the General Ledger.</p> <p>Where reconciliations between the Licensing System and the General Ledger are not carried out, there is a risk that errors and omissions may not be identified and resolved in a timely manner.</p>	
Management Response		Agreed/Disagreed	Responsible Officer
I will liaise with Finance and my director to explore this.		Agreed	Licensing Manager
		Deadline	November 2016

4. Priority 3 Recommendation

Agreed Action/s	Detailed Finding/Rational
<p>a) Appropriate records of training provided should be maintained.</p>	<p>Examination of a Safety and Licencing Officer's Training Log established that, while details of the course title, cost and location of training were maintained, evidence that the training course had actually taken place was not available. Additionally, evidence was not held to confirm that the other members of the Licensing Team had been provided with all necessary training.</p> <p>Where training is not provided, there is a risk that staff may lack the necessary knowledge and skills needed to ensure correct procedures are followed and that they remain up to date with legal and technical developments in their profession.</p>

TERMS OF REFERENCE

LICENSING INCOME

1. INTRODUCTION

- 1.1 The Council as a licensing authority has a number of powers and duties relating to a range of licenses and approvals resulting from legislative requirements and discretionary functions agreed locally.
- 1.2 The Licensing Act 2003 is the main legislation related to licensing and provides a clear focus on the promotion of four statutory objectives, which must be addressed when licensing functions are undertaken.
- 1.3 The Council is able to impose fees for the granting or renewal of licences under the Local Government (Miscellaneous Provisions) Act 1982. These relate to a range of activities including retail sale of alcohol, gambling, animals, street trading. Under the act, the fees must be proportionate to the cost of administration and enforcement.
- 1.4 This audit is part of the agreed Internal Audit Plan for 2016/17.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 This audit will examine the Council's arrangements for collecting licensing income and will include the following areas:

Control Areas/Risks	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Management, Organisational and Regulatory Requirements;	0	0	1
Fee Setting Process;	0	0	0
Application and issue of licences including renewals;	0	0	0





Licensing Income 2016/17

Receipting;	0	0	0
Accounting and Banking; and	0	0	0
Income Reconciliations.	0	1	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

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

September 2016

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