

# Internal Audit reports identifying ‘significant’ risk or ‘of concern’:

## Licensing: Private Hire and Taxis

**Audit Committee**

**Date: 3<sup>rd</sup> March 2015**

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Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

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### **1. Purpose and Reasons**

- 1.1 Members requested that at least one individual audit report be presented to each meeting of the Committee. At the meeting in November 2014 Members requested that the Internal Audit report on *Licensing: Private Hire and Taxis* be brought to the next meeting of the Committee.
- 1.2 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.

### **2. Recommendations**

- 2.1 It is recommended that the contents of the report be noted.

### **3. Detail**

#### Background

- 3.1 The licensing function within the Council is governed by a number of pieces of legislation, but primarily, the Local Government (Miscellaneous Provisions) Act 1976 for Private Hire Vehicles, and the Town Police Clauses Act 1847 for Hackney Carriages (more commonly known as taxis). Taxi licensing became a responsibility of the Licensing Manager from April 2014 within the wider responsibilities of the Head of Planning.
- 3.2 Licensing contributes to a number of the Council's corporate objectives. Local transport has a significant impact in delivering "the right skills, right jobs, in the right places". The Licensing Business plan is geared towards making the service more efficient thereby "making the best use of resources inside and outside of the Council". However, key is the need to provide a safe taxi service for local residents, ensuring that the "Safer and Stronger Communities" vision in Stronger Together is achieved.

#### Key Findings

- 3.3 The Head of Planning requested that an Internal Audit review be carried out of Licensing: Private Hire and Taxis as he had only recently inherited the service.

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- 3.4 The Internal Audit review found that many aspects of the Licensing system were working effectively, for example the enforcement of licences, the regular inspection of vehicles and the appeals process. However, some fundamental internal controls that should ensure public safety, income is not misappropriated, legislation is complied with and Council objectives are achieved were missing.
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| 3.5 The auditor therefore concluded that there were fundamental weaknesses in the internal control arrangements leading to a ‘significant’ risk to the Council. |
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- 3.6 Taxi Licences are currently reviewed annually and limited to reviews of DVLA licences, plates and badges and confirmation of addresses. Disclosure and Barring Service checks have only been conducted during the first application for a licence, contrary to best practice guidance from the Department of Transport who recommend three yearly checks. Consequently, many drivers, responsible for transporting children and adults around Swindon have not had any CRB or DBS checks undertaken on them for many years. Moving to a three year licence renewal regime as approximately 50% of local authorities already use, could provide an opportunity to align other checks on criminal records, medical fitness and driving licences to a three yearly timescale and reduce the administrative burden on the team.
- 3.7 All income received is allocated to the same income code despite there being up to fourteen different types of charge. No reconciliation between records of income due, collected, banked and recorded on the general ledger is carried out. There is a lack of segregation between the person recording expected income and accepting the cash payments. Since most of the £240,000 income received is in the form of cash, there is a risk that any errors/misappropriated income would not be identified. The various income types should be allocated their own income code and reconciliations should take place at least weekly and the Council should look to encourage taxi/PHV drivers to use alternative methods of payment.
- 3.8 The current licensing fees are not based on the actual cost of delivering each element of the licensing service, but have been uplifted on an ad-hoc basis over a number of years. Whilst the service breaks even overall, it is unclear if the fees for the licences and services provided actually reflect the cost of providing those services. This would make it difficult to justify the fee levels if challenged by one of the licence payers. No formal benchmarking is undertaken to determine if the fees currently charged are reasonable and enable the identification and adoption of best practice from other local authorities.
- 3.9 Some staff stated that they were unaware of procedure guides during the course of the audit. However, in the audit report clearance process, procedures were provided albeit these were last reviewed in 2009. Although staff fully understood their respective roles and responsibilities, the procedural guides should be
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maintained and made available to all staff and supported by training to ensure consistent practice between staff members.

- 3.10 An issue was also found regarding the identification of taxi drivers who had paid the Council for permission to drive in Bus Lanes. A number of recommendations are suggested to the way drivers are charged for this permission and the way this is recorded on the car to avoid recent issues with fines being issued incorrectly to valid taxi drivers. During the review it was found that records to support taxi drivers who had paid to use bus lanes were not complete. Identifying those that could and could not use the lanes was not possible.
- 3.11 Document retention and data access arrangements require a number of improvements to ensure the Council do not have a breach of data security. Hardcopy records must be filed securely for the appropriate retention periods and electronic access to the Licensing system must require password updates in line with the Council's Information Security Policy to ensure confidential data is not released and that legislation is complied with.
- 3.12 Licence applications should also include a fair processing notice. This is to ensure drivers are made aware that their data could be used for the purposes of detecting and preventing fraud to ensure such data can be used in such a way going forward. This is to ensure the Council can fully comply with the Audit Commission's National Fraud Initiative (a legal requirement) and would be necessary for any internal data matching exercises.

#### Update

- 3.13 An updated Management Response has been provided by the Licensing Manager and is attached as Appendix 2. The updated status has not been verified by internal Audit. However, a follow-up audit is scheduled for inclusion in the 2015/16 Audit plan.
- 3.14 The Head of Planning and the Licensing Manager will be attending Audit Committee to provide an update on the progress of implementing agreed recommendations and answer any questions that Members may have.

#### **4. Alternative Options**

- 4.1 Not Applicable

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#### **5. Implications, Diversity Impact Assessment and Risk Management**

##### Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

##### Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2011. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

##### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

##### Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

##### Diversity Impact Assessment

- 5.5 Not Applicable

##### Risk Management

- 5.6 Not applicable

#### **6. Consultees**

- 6.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

- 6.2 The following Officers were consulted during the course of the Internal Audit review:

Board Director: Service Delivery

Head of Planning

Licensing manager

Taxi Licensing and Contracts Team Leader

Head of Finance: General Services

Senior Accounting Technician

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**7. Background Papers**

7.1 None

**8. Appendices**

8.1 Appendix 1 – Internal Audit report: *Licensing: Private Hire and Taxis* (December 2014)

8.2 Appendix 2 – Updated Management Response (February 2015)