

Internal Audit report – Licensing (Taxis and Private Hire)

Audit Committee

Date: 17th November 2015

Author: Head of Internal Audit
Wards: None
Locality Affected: None
Parishes Affected: None

1. Purpose and Reasons

- 1.1 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.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. The Chair of Audit Committee requested that the results of the Internal Audit follow-up review of Licensing (Taxi and Private hire) be brought to the November meeting of the committee.

2. Recommendations

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

3. Detail

Background

- 3.1 An initial audit review of Licensing (Taxi and Private Hire) was requested by the Head of Planning, Regulatory Services, Heritage and Libraries on inheriting responsibility for this area. The initial review was completed in December 2014 and reported to the March 2015 meeting of the Audit Committee.
- 3.2 The 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.
- 3.3 The auditor therefore concluded that there were fundamental weaknesses in the internal control arrangements leading to a 'significant' risk to the Council.

Key Findings (initial report)

- 3.4 The key findings from the report are as follows:

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(a) Disclosure and Barring Service (DBS) checks

The audit found that Disclosure and Barring Service checks were only being conducted during the first application for a licence, contrary to best practice guidance from the Department of Transport who recommended three yearly checks. Consequently, many drivers, responsible for transporting children and adults around Swindon, had not had any CRB or DBS checks undertaken on them for many years.

(b) Income

All income received was allocated to the same income code despite their being up to fourteen different types of charge. No reconciliation between records of income due, collected, banked and recorded on the general ledger was carried out. There was a lack of segregation between the person recording expected income and accepting the cash payments. Since most of the £240,000 income received was in the form of cash, there was a risk that any errors / misappropriated income would not be identified.

(c) Charges

The licensing fees were 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.

(d) Document retention and data access

Document retention and data access arrangements required a number of improvements to ensure the Council do not have a breach of data security. These included:

- Hardcopy records must be filed securely for the appropriate retention periods
- Electronic access to the Licensing system must require password updates in line with the Council's Information Security Policy
- Licensing applications should also include a 'fair processing notice' to comply with data protection requirements.

- 3.5 As a number of Councillors are new to the Audit Committee this year they would not have had sight of the original audit report. This has therefore been included as Appendix 1.

Follow-up Review

- 3.6 Internal Audit has completed a follow-up review to establish progress in implementing agreed recommendations. The follow-up has been carried out some twelve months after the original audit. The results of this audit are included as Appendix 2.

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3.7 The key findings from the follow-up review are:

(a) Disclosure and Barring Service (DBS) checks

Significant progress has been made in implementing the audit recommendation that all licensed private hire and taxi drivers should have up-to-date Disclosure and Barring Service (DBS) criminal record checks. Further details are set out in the audit report attached.

(b) Income

The recommendation regarding the analysis and reconciliation of approximately £250,000 of income per year has still to be implemented. Central Finance has made further cash income analysis available for this purpose but these have not been used.

Another recommendation relating to the lack of segregation in duties between the collection of income and administration of the applications is also still to be implemented.

(c) Charges

Following the last audit the service fees have been reviewed by the Licensing Manager to ensure that they cover the cost of the service. The new licensing fees were subject to consultation and approved by Cabinet in July 2015.

(d) Document retention and data access

At the time of the follow-up audit the need to change passwords every 60 days to comply with the Council's IT Security policy was outstanding. However, it is understood that this has now been implemented.

3.8 The Head of Planning, Regulatory Services, Heritage and Libraries will be at Audit Committee to answer any questions that Members may have.

4. Alternative Options

4.1 Not Applicable

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 2015. The Internal Audit service also provides assurance to the Director of

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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.

7. Background Papers

7.1 None

8. Appendices

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

8.2 Appendix 2 – Internal Audit follow-up: *Licensing (Taxi and Private Hire)* (November 2015) *(To Follow)*