

FINAL INTERNAL AUDIT REPORT
ENVIRONMENT & COMMUNITY SERVICES DEPARTMENT

REVIEW OF LICENSING

Issued to: Steve Phillips, Team Leader,
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Sarah Foster, Head of Performance Management & Business Support,
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Cc : Claire Martin, Head of Finance, Corporate & ECS,
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Prepared by: Principal Auditor

Reviewed by: Head of Audit

Date of Issue: July 16th 2019

Report No.: ECS/03/2019/AU

INTRODUCTION

1. This report sets out the results of our audit of Licensing. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. Bromley Council is the Licensing Authority under the Licensing Act 2003 and is responsible for the administration and enforcement of a range of permissions such as the sale and /or supply of alcohol through annual licences. There have also been changes in legislation relating to animal boarding businesses, dog breeders, pet shops and riding establishments that will be covered under the new legislation, the Animal Welfare (Licensing of Activities Involving Animals) Regulations 2018 that came into force on 1st October 2018.
3. There are different teams under the remit of the Head of Food Safety & Licensing including, Licensing. The majority of this audit related to the Licensing team remit, but also in part the Private Rented Sector Enforcement Team.
4. There have been changes in legislation in respect of houses in multiple occupation (HMO's). Given the changes occurring in the area this was also briefly examined. Currently, mandatory Licensing applies to HMO's of at least three storeys and five occupants comprising of two or more family units. The new changes will remove the three story rule and is covered by the Licensing of Houses in Multiple Occupation Order 2018 that came into force on 1st October 2018. The licence period for HMO's is for 5 years.
5. A committee report to the Public Protection & Enforcement Portfolio Holder on 3rd July 2018 detailed the proposed increase in HMO licence fees.
6. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

7. The original scope of the audit was outlined in the Terms of Reference issued on 24/04/2019 and included assessing the controls in place and compliance with legal and regularity requirements.
8. The key risks reviewed as part of this audit were :-
 - Operational procedures may not be in place and available to all staff
 - Licences are not issued in accordance to legal and regularity requirements
 - Licensing fees and charges may not be collected as expected.
9. There is a medium risk relating to the lack of processes to reconcile actual licence fee income against expected income held on service specific IT systems.
10. A random sample of licences were selected from the various licence types detailed on the website. This audit review included special treatment licences, premises licences and licences for houses in multiple occupation (HMO's).
11. The budget for Licensing is subsumed within the budget for public protection, which also includes Public Health, Nuisance Team, Trading Standards, Housing Enforcement and Environment Protection. The total net budget for public protection for 2019/20 is £1,671,450 which includes these areas.
12. The total income from licence fees in 2018/19 was £413,086.32 and for 2019/20 from April 1st to 4/7/19 is £95,535. The total income for HMO income for 2018/19 was £21,764.40 and for 2019/20 from April 1st to 4/7/19 is £96,869.

AUDIT OPINION

13. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	5	0

SUMMARY OF FINDINGS

Our testing identified the following issues which we would like to draw to management’s attention:-

14. Procedures provided at the start of the audit, of which there were many, had various dates although the Auditor was advised that this was not correct. The Team Leader advised that the procedures were in the process of being updated in respect of the changes in legislation in regard to the animal licenses. The updated procedures could not be tested as they were not provided to audit at the time of the review.
15. It was confirmed that the HMO team do not notify council tax of HMO properties within the borough. With the change in legislation regarding the mandatory Licensing classification of premises that came into force on 1st October 2018, it is likely that the number of HMO properties will increase.

16. At the time of the audit it was noted that the Public Protection, Trading Standards & Community Safety Fees and Charges document does not currently include the fees and charges in relation to HMO's.
17. Supporting documentation could not found on Uniform in respect of some of the samples selected for review; applications, licences and details of payment method.
18. The Licensing team officers explained to the Auditor that problems were experienced by them in trying to determine whether individual licence fees had been received. Enquiries have been made to ensure that a report is made available to the team as well as access to the Discoverer reporting tool to enable the team to check on income received as and when required.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

19. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

REVIEW OF LICENSING 2019-20

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Procedures</u></p> <p>Current procedures were provided to the Auditor in respect of the various license types available and these are held on the N drive. The procedures are dated 11/9/17 and there is no review date recorded.</p> <p>The current procedures in respect of animal licenses are in need of review due to a change in the legislation that came into effect in October 2018.</p> <p>The whole set of procedures for Licensing are currently with the Performance Management and Business Support team who are updating the procedures and these will be moved from the shared area to the Sharepoint site. These will be reviewed by the Licensing team prior to these being circulated.</p> <p>It has not been possible to test the revised Licensing procedures as they were in the process of being updated during the audit.</p>	<p>Staff may operate to different working practices.</p> <p>Staff are not able to access procedural guidance.</p> <p>Procedures may not reflect current legislation.</p>	<p>Procedures should be updated to reflect the changes in legislation, regularly reviewed and updated. Procedure notes should be readily available and accessible to all relevant staff.</p> <p style="text-align: center;">Priority 2</p>	<p>The Performance Management Team are currently working on these procedures.</p>	<p>Head of Performance Management & Business Support October 31st 2019</p>

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
2.	<p><u>Notification of Houses In Multiple Occupation (HMO's) properties to Council Tax</u></p> <p>On 1st October 2018, a change in legislation came into force and mandatory Licensing will no longer be limited to certain HMO's that are three or more storey high, but will also include one or two storey, by means of the Licensing of Houses in Multiple Occupation Order 2018.</p> <p>As detailed within the committee report to the Public Protection & Enforcement Portfolio on July 3rd 2018, it was detailed that there were 82 HMO's registered under the current mandatory scheme and 16 were due for renewal.</p> <p>In June 2019, it was confirmed that there are currently 120 HMO's registered under the current mandatory scheme and 2 due for renewal</p> <p>The HMO team confirmed that they do not notify the Council Tax Department as a matter of course of the licenced HMO properties within the borough.</p>	<p>Additional council tax liabilities may not be identified resulting in loss of income.</p>	<p>A process should be put in place to ensure that the HMO Licensing team regularly notify Council Tax of all HMO licences granted in order that all council tax liabilities are identified. Procedures should be updated additionally.</p> <p style="text-align: center;">Priority 2</p>	<p>A draft procedure has been sent to Council Tax Department for their consideration. When a response is received amendments will be incorporated into the process and the procedure implemented.</p> <p>The Assistant Director of Public Protection requests that the Council Tax Department notifies the HMO team of all HMO's regularly.</p>	<p>Head of Food Safety & Licensing October 31st 2019</p>

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3.	<p><u>Fees & Charges</u> It was found during the audit that the current fees and charges for Public Protection, Trading Standards & Community Safety document do not include the fees and charges relating to houses in multiple occupation. It was confirmed by the Head of Performance Management and Business Support that the HMO fees and charges would now be included.</p>	<p>Incorrect fees and charges may be raised.</p>	<p>The Public Protection, Trading Standards & Community Safety fees and charges for 2019/20 should be updated to include the houses in multiple occupation fees and charges.</p> <p>Priority 2</p>	<p>The Performance Management & Business Support team to update Fees and Charges List.</p>	<p>Head of Performance Management & Business Support September 30th 2019</p>

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5.	<p><u>Licence Fee Income Report/Access to Discoverer</u></p> <p>The Licensing Team officers explained to the Auditor that problems were experienced by them trying to determine whether individual licence fee income has been paid. There is a process in place in that licences should be revoked if licence fees continue to be unpaid. Enquiries were made to ensure that a report could be made available to the Licensing Team in order for them to identify individual licence fee income easily.</p>	<p>Licence fee income is not reconciled.</p> <p>Unpaid debts are not identified and followed up.</p>	<p>A report should be made available to the Licensing team to ensure that that Licensing income can be easily identified and reconciled.</p> <p>Priority 2</p>	<p>Updated permissions to allow Team Lead Licensing to access "Discoverer" to run unpaid fees report for monitoring purposes. Chase up and response should be generated through income team in the normal way unpaid accounts would be pursued.</p>	<p>Team Leader</p> <p>August 31st 2019</p>

OPINION DEFINITIONS

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.