

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 19 November 2013

**BY:** Depute Chief Executive – Resources & People Services

**SUBJECT:** Internal Audit Report – Licensing

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Licensing.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan for Licensing.

## **3 BACKGROUND**

- 3.1 A review of Licensing was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to ensure that the internal controls in place for administering the Licensing process were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 EQUALITIES IMPACT ASSESSMENT**

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

## **6 RESOURCE IMPLICATIONS**

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

## **7 BACKGROUND PAPERS**

7.1 None

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<b>DATE</b>	7 November 2013

## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT LICENSING**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

A review of the internal controls surrounding the administration of the Licensing process was undertaken as part of the Audit Plan for 2013/14. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- An independent Licensing Board has been established with responsibility for issuing and reviewing alcohol and gambling licences in accordance with legislation.
- The Council has a Licensing Sub-Committee in place that deals with the issue and review of all other licences.
- Appropriate guidance and information is available on the Council's website to assist applicants with their licence applications.
- Adequate documentation is in place to support licence applications granted.
- Arrangements are in place to ensure that licence fees are set in accordance with legislation.

#### **1.3 Areas with Scope for Improvement**

- The existing practice of backdating licence applications that are received late requires review. *Risk – failure to comply with legislation.*
- There was a failure to ensure that fee details recorded on application forms and guidance notes were up to date. *Risk – incorrect payments may be made.*
- There was a lack of a clear audit trail to support licence fees received by the Council. *Risk – errors or irregularities may occur and remain undetected.*
- The Northgate system is not being used to its full potential – the licensing register functionality is not being utilised and all licensing information is not currently being recorded on the system. *Risk – information held may be incomplete or inaccurate.*
- The information contained in the alcohol register in respect of premises licences requires review. *Risk – failure to comply with legislation.*
- No reconciliations are carried out between licence fee income collected through the Income Management System and income recorded on the Great Plains general ledger. *Risk – errors or irregularities may occur and remain undetected.*

#### **1.4 Summary**

Our review of the Licensing process identified a number of areas with scope for improvement. Detailed recommendations and opportunities for improvement are contained in our main Audit Report.

**Mala Garden**  
**Internal Audit Manager**

**November 2013**

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT  
LICENSING**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.1.3	Management should review and amend the Scheme of Delegation which forms part of the Statement of Principles, to ensure that it accurately reflects the provisions of the Gambling Act 2005.	Medium	Corporate Legal Adviser	Agreed – the Scheme of Delegation will be amended to remove ambiguity.		December 2013
3.2.1	All application forms should be reviewed to ensure that they have the facility for recording the date of completion by the applicant.	Medium	Corporate Legal Adviser		Yes – the date of completion is not required and is irrelevant. In any event some of the forms are prescribed by statute and cannot be reviewed or amended.	

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3.2.1 (cont)	Management should ensure that all information held on the Council's website is accurate and complete.	Medium	Corporate Legal Adviser	Agreed – the website information will be thoroughly reviewed to ensure accuracy and thereafter regular checks will be undertaken every 3 months.		December 2013
3.2.3	Management should review the existing practice in place for recording licence information. Consideration should be given to recording and scanning all licensing information on the Northgate system.	Medium	Corporate Legal Adviser	Agreed – this will be undertaken for all new applications and a programme will be established for scanning all information relating to existing licences.		Ongoing – back scanning by June 2014.
3.3.1	Monitoring should be undertaken of licences that are due to expire.  Consideration should be given to issuing renewal reminder letters to all licence holders prior to the expiry date of the licence.	Medium	Corporate Legal Adviser	Agreed – monitoring will be undertaken.  Agreed – the costs and time involved will be explored and balanced against the benefit to the applicants/Police.		Ongoing  March 2014

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3.3.1 (cont)	<p>Where a renewal application form is not submitted by the due date, notification should be provided to the licence holder and Police Scotland that the licence has expired.</p> <p>The existing practice of backdating late licence applications requires review.</p>	Medium	Corporate Legal Adviser	<p>Agreed</p> <p>Agreed</p>		<p>March 2014</p> <p>January 2014</p>
3.4.1	<p>Consideration should be given to fully utilising the licensing register functionality of the existing Northgate system.</p> <p>The licensing register should be regularly updated to reflect changes which include removing surrendered or revoked licences.</p>	Medium	Corporate Legal Adviser	<p>Agreed – this will be undertaken once the work to enable online applications is complete and an upgrade to the software has been installed.</p> <p>Agreed – this work will be undertaken.</p>		<p>September 2014</p> <p>Ongoing</p>
3.4.2	<p>Consideration should be given to making all licensing registers readily accessible for inspection by members of the public via the Council’s website.</p>	Low	Corporate Legal Adviser	<p>Agreed – we will move towards making them available on the website but this is not a risk for the service at the moment.</p>		September 2014

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3.4.3	<p>Management should ensure that the information held on the alcohol register in respect of premises licences is in accordance with legislation.</p> <p>A review should be carried out of all licence registers to ensure compliance with legislation.</p>	Medium	Corporate Legal Adviser	<p>Agreed – the alcohol register will be updated.</p> <p>Agreed – a review will be carried out.</p>		<p>June 2014</p> <p>June 2014</p>
3.5.2	<p>All key documentation in respect of licences should refer applicants to the fee list held on the Council's website, thereby avoiding the need to record and annually update the fee rates on the actual application forms and guidance notes.</p> <p>The fee list on the Council's website should be updated timeously to reflect the revised fee rates.</p>	Medium	Corporate Legal Adviser	<p>Agreed – this work will be undertaken.</p> <p>Agreed – task already undertaken and will be regularly reviewed.</p>		<p>March 2014</p> <p>Ongoing</p>

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3.5.3	Appropriate checks should be carried out to ensure that all licence applications are accompanied by the correct fee.	Medium	Corporate Legal Adviser / Customer Services Manager	Agreed – applications are received both at customer services desks and directly. We will assist in the training of customer services staff in this regard.		Ongoing
3.6.1	<p>For all licence fees received, the name of the payee should be entered on the daily reports from the Income Management System to ensure a clear audit trail exists for each individual licence fee received.</p> <p>Management should remove the duplicate entries from the daily reports generated from the Income Management System.</p> <p>Regular reconciliations should be carried out between the fee income recorded by the Licensing Service and fees received through the Income Management System.</p>	Medium	<p>Corporate Legal Adviser</p> <p>Systems Development Officer</p> <p>Corporate Legal Adviser</p>	<p>Agreed – reconciliation sheets from the customer services desks with the name of the payee will be attached to the reports from the Income Management System.</p> <p>Agreed</p> <p>Agreed – this will be undertaken weekly and any anomalies resolved.</p>		<p>January 2014</p> <p>In Place</p> <p>January 2014</p>



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3.6.2	<p>Regular reconciliations should be carried out between the fee income collected through the Income Management System and the amounts posted to the general ledger.</p> <p>Management should ensure that staff members within the Licensing Section are given access to Great Plains to enable BACS payments to be identified and to allow reconciliations to be carried out.</p>	Medium	Corporate Legal Adviser	Agreed		January 2014

### **Grading of Recommendations**

To assist Management in using our reports, our recommendations are categorised according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.