

Internal Audit Report

Premises, Licensing and Gambling May 2022

To: Executive Director of Assurance
Assistant Director, Counter Fraud, Community Safety & Protection
Interim Operations Director, Re
Regulatory Services Director, Re

Copied to: Group Manager, Licensing, Re
Licensing Team Leader, Re
Head of Finance: Exchequer

From: Head of Internal Audit
Internal Audit Executive

We would like to thank the management and staff of Re for their time and co-operation during the course of the internal audit.

Executive Summary

Assurance level	Number of recommendations by risk category				
Limited Assurance	Critical	High	Medium	Low	Advisory
	-	2	3	0	-
Scope					
<p>This review was undertaken as part of the London Borough of Barnet Internal Audit and Anti-Fraud Strategy and Annual Plan 2020/21 approved by the Council's Audit Committee on 14th July 2020. Due to competing priorities at the end of 2020/21 and the impact of COVID on service delivery, the fieldwork for this audit was delayed until 2021/22.</p> <p>The London Borough of Barnet is a licensing authority and issues licences under a variety of different licensing schemes.</p> <p>It is the responsibility of the London Borough of Barnet to ensure that the licensing schemes are operated effectively and efficiently and in accordance with relevant legislation such as the Licensing Act 2003 and the Gambling Act 2005.</p> <p>This audit reviewed how compliant the Council is with its roles and responsibilities as a licensing authority for its licensing schemes and how efficiently the roles are being delivered.</p> <p>The Service budget for income annually is £276,500.</p>					
Summary of findings					
<p>This audit has identified 2 high and 3 medium risk findings.</p> <p>We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> • Comprehensive Licensing - Inspection Regime (High) - We identified that inspections of premises for new licences are not carried out prior to the licence being granted and where inspections are carried out at a later date, they are not documented. • Invoices and Payments – Bad and Doubtful Debt (High) – We found 64 cases of debts relating to clients whose invoices were cancelled due to surrendered/cancelled licences. These invoices were reissued over subsequent years and credited, which has inflated the value of expected income and means inaccurate information about licences is held in the database. 9 of these debtors are between two and four years while 70 debtors are over one year old. • Comprehensive Licensing – Data Update (Medium) - We identified that there is no routine update of data within the Uniform system when there is a change in circumstances and no annual reconciliation to ensure the accuracy of the database. • Invoices and Payments - Debt Recovery (Medium) – We noted 32 cases (£10,881.50) of unresolved debtor queries (between 3 months and 4 years old), 19 cases (£3,720) of gone away debtors and 3 cases (£680) of missing payments. We also found delays in the Community Protection (regulation) team granting the AR team permission to take recovery action for unpaid invoices, a finding that was previously raised in the 2019/20 Accounts Receivable audit. 					

- **Policies and Procedures – Documentation and Version Control (Medium)** – The Gambling licensing procedure is not currently formally documented. We noted that 77% (10 out of 13) procedures were not version controlled, in 69% (9 out of 13) the date of last update was not clearly recorded; 92% (12 out of 13) the next review dates were not recorded while in 77% (10 out of 13) the documents were not approved or signed.

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action
1.	<p>Comprehensive Licensing - Inspection Regime</p> <p>We reviewed the Premises Licensing and Gambling team premises inspections regime to ensure that necessary steps are carried out to verify that applicants' premises are compliant with the licences issued and that clients abide by the provisions of the licences obtained.</p> <p>Our discussion with the team leader, Premises, Licensing and Gambling revealed that new applicants' premises are not inspected before issuing a new licence. There is a risk that the council might be issuing licences for unsuitable premises, a different licence to what is required, or applicants may be using fake addresses to obtain licences to be used in Barnet or other neighbouring boroughs. This has the potential to be very serious where organised crime is involved. There is also a risk that licences could be paid for outside of the Council's systems (see Finding 3 regarding the Uniform database not being up to date).</p> <p>We also found that there is no annual inspection timetable in place to enable the team to ascertain that the licences issued to the clients are not abused. Where inspections are conducted, records of the inspections are not documented for future reference. However, the team leader confirmed that although the inspection reports are not documented, they are discussed in the team meeting and action taken on them. Evidence of discussions were not documented or provided for the internal audit.</p> <p>At the discussion of the draft report, we were informed that a new inspection regime had been put in place. A new report template has been created. The paper version of the report will be imaged and attached to the system to evidence inspections carried out. The team is currently waiting for delivery of these from the printers.</p> <p>Internal Audit will review this at the follow-up of this action in Q2.</p>	<p>If inspection or verification of clients and the way they abide by the provision of the licences are not verified periodically, then inconsistent practices might go undetected leading to potential breach of legislation or backhand payments for licences not being identified.</p>	<p>High</p>	<p>a) <i>The team will produce an inspection timetable that will enable the council to ensure that licences are not misused, and clients who have not paid their invoices are not using their licences.</i></p> <p>b) <i>Inspection reports will be documented, signed by the inspector and the reviewer and be uploaded onto the database for future reference.</i></p> <p>Responsible officer:</p> <p>a) &b) Group Manager: Regulatory Services - Regulatory Services</p> <p>Target date:</p> <p>30th August 2022</p>

Ref	Finding	Risks	Risk category	Agreed action
2.	<p>Invoices and Payments: Bad and Doubtful Debt</p> <p>We reviewed the aged-debtors list to confirm if the debts are still recoverable and to know how much money is at risk of not being paid.</p> <p>This analysis established that:</p> <ul style="list-style-type: none"> • 9/338 debts (valued £3,410) are between two and four years old. The nine debtors are at risk of going bad if the necessary action is not taken shortly. • 70/338 cases (valued at £18,717) are over one year old. This set of debts are becoming doubtful and should be reviewed. • 259/338 cases (valued at £58,601) are below one year old. <p>There is a risk of an increase in the council's unrecoverable debts and subsequent loss of income if recovery action is not taken in the near future, in line with the Council's debt management policy. The policy states that 98.5% of debt should be collected within 1 year, whereas 27% of the current debt is now over 1 year old.</p> <p>Furthermore, analysis of the bad debts revealed 64 cases of clients (valued at £12,610) whose invoices were cancelled in previous years because of surrendered/cancelled licences but they were invoiced again during the year, which inflated the number of invoices issued in the year. These cases include some clients whose invoices have been cancelled in 2019, 2020 and 2021.</p> <p>Discussion with the AR team suggested that some of the cases are related to surrendered/cancelled licences that were not removed from the database leading to erroneous information, incorrect invoicing and therefore incorrect statistics around the expected income.</p> <p>Non-Payment – Where the service can be stopped, and no debt will be owed to LBB:</p>	<p>If surrendered licences and previously cancelled invoices are reissued, then the councils' debtors will increase incorrectly, and income information provided by the PLG team will be inaccurate and unreliable.</p>	<p>High</p>	<p><i>a) Management will review the debtors and ensure that unrecoverable debts are written off to ensure accuracy of the debt lists.</i></p> <p><i>b) The PLG team will review the 64 cases of re-issued invoices and ensure that surrendered or cancelled licences are removed from the database to eliminate the re-occurrence of these erroneous invoices.</i></p> <p><i>c) Any customers whose invoice is cancelled, written-off or stopped before the debt materialises or goes bad in previous year will be asked to pay the debt before a licence is reinstated.</i></p> <p><i>d) The PLG team will ensure that where services and therefore invoicing can be stopped due to licences being suspended, that this is actioned in a timely manner, as agreed in the January 2020 Accounts Payable audit.</i></p> <p>Responsible officer: Group Manager: Regulatory Services - Regulatory Services</p> <p>Target date: 31st July 2022</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>Our testing of the debtors also revealed non-implementation of one of the agreed actions after the January 2020 Accounts Receivable audit. This relates to licences where it is legally required to contact the clients twice before licences are suspended and the services withdrawn, such as LA03, GA05, Perm Street Trading and Animal Health. The agreement between the PLG and the AR team was that PLG should review all invoices issued monthly and stop services / cancel invoices where payment has not been received. Services should be stopped before the debt materialises or goes bad. The majority of the invoices relating to this agreement are overdue for review and possible cancellation.</p> <p>The team leader stated that the process has been delayed by capacity issues and Covid 19 pandemic related problems. Whilst it is understood that desk top assessment and other communications would be conducted during the pandemic when physical visits and business closures were in place, since September 2021 visits could take place so the business recovery should be evident.</p>			
3.	<p>Comprehensive Licensing – Data update</p> <p>We reviewed the Premises Licensing and Gambling team database to confirm that the information is updated to ensure that all ‘live’ premises and services within the borough which must operate under the licensing/registration system have been captured.</p> <p>Our review established that there is no timetable for data to be updated in the Uniform system. Information, such as emails from clients and credit notes showing that debts are cancelled because of cancelled or surrendered licences, is not routinely transferred into the system. There is no evidence to show that the system is reconciled annually to remove information relating to surrendered and cancelled licences during the year.</p> <p>Our discussion with the Team Leader Licensing, Community Protection revealed that the Uniform database has not been reconciled in the last eight years since its introduction in 2014. The</p>	<p>If there is no central management system or an accurate database of information then there is a risk that updated information will be missed, leading to lost income, breach of legislation and reputational damage.</p>	Medium	<p>a) A timetable will be agreed for ensuring the ongoing update of the database. This will involve updating information related to surrendered licences, cancelled licences, or transferred licences.</p> <p>b) The PLG team will ensure that the Uniform database is reconciled annually to confirm that all surrendered and cancelled licences have been removed.</p> <p>c) The reconciliation documents will be signed by the officer that reconciled it and the senior officer</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>Team Leader confirmed that additional resources are being secured to update and reconcile the database up to 2021/22.</p> <p>There is a risk that the database will not give an accurate overview of the licences issued by the council and the information will be unfit for purpose, inaccurate for client invoicing, leading to loss of funds by the council.</p> <p>We also noted that the data issues carried over when the 'Uniform' system was introduced in 2014 are yet to be cleansed. The Team Leader Licensing, Community Protection has to review and check every report produced by the system for invoicing to remove inappropriate information before invoices are produced and sent to clients. Invariably this causes delay in issuing invoices to clients.</p> <p>However, during the audit management verbally confirmed that the team is planning to cleanse the system within the first 6 months of the next financial year i.e. by 30th September 2022. If the information is not cleansed and data updated, there is a risk of delay in invoice processing and inaccurate invoicing leading to a loss of funds to the council. There is also a risk poor budgeting and planning as any forecast provided through the database will be inaccurate.</p>			<p><i>that reviewed the correctness of the process.</i></p> <p><i>d) PLG management will confirm resourcing for the data cleanse and will consider giving higher priority to it i.e. sooner than within the planned 6 months, to ensure accuracy of the information and the invoicing process.</i></p> <p>Responsible officer:</p> <p>a) to (d) Group Manager: Regulatory Services - Regulatory Services</p> <p>Target date:</p> <p>30th August 2022</p>
4.	<p>Invoices and Payments: Debt Recovery</p> <p>We reviewed the payments and debt collection process to confirm that there is an appropriate invoicing, payments, debt collection and aged debt management system in place.</p> <p>We noted that the Debtors Age analysis report is been produced and provided for all stakeholders monthly. The debt analysis is comprehensive and provides the necessary information required to adequately manage the debtors. However, these reports are not routinely being responded to by the PLG team.</p> <p>We reviewed the debtors age analysis report produced on 3 February 2022. Our analysis of the report revealed that:</p>	<p>If there is no control or effective process in place to ensure prompt payments for licence renewals and registrations, then there is a risk of accumulation of large debts from unpaid fees/invoices.</p>	Medium	<p><i>a) The Premises Licensing and Gambling team will implement a process to provide authorisation for the AR team every month to take recovery action against unpaid invoices when the premises cease trading.</i></p> <p><i>b) The PLG team will ensure that all cancelled and surrendered licences are removed from its database and customers are not invoiced in subsequent years.</i></p>









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	<ul style="list-style-type: none"> • 28 debtors with a total debt of £8,119.50 are under query. The queries are pending with the Licensing team for resolution. The ages of these debtors are between 3 months and 4 years. The queries include invoices rejected by the customers for showing an incorrect amount. These debtors' cases are required to be reviewed and corrected to enable the Accounts Receivable team to take the appropriate action in recovering the debts. • 19 cases valued at £3,720 are no longer using their premises. The cases are tagged 'Gone away' in the debtors list. According to our examinations, these are invoices returned by the Royal Mail because customers are no longer at the address used by the licensing team for the invoices. The Licensing team is required to review these 19 cases by conducting urgent inspections of the sites to confirm the reasons why their invoices are returned and give feedback to the AR team to enable them to take appropriate action on the debts. • 3 cases of missing payments valued at £680. These are cases where payments have been made with wrong codes or without adequate information to link payments with the clients. The clients have the proof of payments and insist that they have paid but the payment could not be linked to their accounts. <p>There is a risk that debtors will increase, and the council will lose income if all the above problems are not resolved.</p> <table border="1" data-bbox="181 1141 981 1433"> <thead> <tr> <th colspan="5" data-bbox="181 1141 981 1193">Analysis of Debtors</th> </tr> <tr> <th data-bbox="181 1193 264 1278">S/ N</th> <th data-bbox="264 1193 546 1278">Description</th> <th data-bbox="546 1193 696 1278">Number of Cases</th> <th data-bbox="696 1193 792 1278">%</th> <th data-bbox="792 1193 981 1278">Value (£)</th> </tr> </thead> <tbody> <tr> <td data-bbox="181 1278 264 1329">1</td> <td data-bbox="264 1278 546 1329">With Debt Collector</td> <td data-bbox="546 1278 696 1329">21</td> <td data-bbox="696 1278 792 1329">6%</td> <td data-bbox="792 1278 981 1329">9,150.50</td> </tr> <tr> <td data-bbox="181 1329 264 1380">2</td> <td data-bbox="264 1329 546 1380">Under Query</td> <td data-bbox="546 1329 696 1380">32</td> <td data-bbox="696 1329 792 1380">9%</td> <td data-bbox="792 1329 981 1380">10,881.50</td> </tr> <tr> <td data-bbox="181 1380 264 1433">3</td> <td data-bbox="264 1380 546 1433">Gone Away</td> <td data-bbox="546 1380 696 1433">19</td> <td data-bbox="696 1380 792 1433">6%</td> <td data-bbox="792 1380 981 1433">3,720.00</td> </tr> </tbody> </table>	Analysis of Debtors					S/ N	Description	Number of Cases	%	Value (£)	1	With Debt Collector	21	6%	9,150.50	2	Under Query	32	9%	10,881.50	3	Gone Away	19	6%	3,720.00			<p><i>c) The PLG team will inspect the 19 sites where invoices have been returned as 'Gone away'.</i></p> <p>Responsible officer: Group Manager: Regulatory Services - Regulatory Services</p> <p>Target date:</p> <p>a) 31st July 2022 b) 31st July 2022 c) 30th June 2022</p>
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Ref	Finding					Risks	Risk category	Agreed action
	4	Missing Payments	3	1%	680.00			
	5	Notify Services	11	3%	3,347.50			
	6	PRL Stop Licences	13	4%	2,570.00			
	7	Judgement Obtained	2	1%	657.50			
	8	New Debtors	237	70%	49,721.48			
		Total	338		80,728.48			
	<p>Furthermore, we noted that permission for AR to take recovery action for unpaid invoices has been delayed, making it impossible for AR to pass the bad debt over for debt recovery and collection action. This issue was also raised as a finding in the 2019/20 Accounts Receivable audit. If approval to pass overdue debts to debt recovery agents is not granted by the PLG team, there is a risk that the debt might go bad, and the council will lose income.</p>							
5.	<p>Policies and Procedures – Documentation and Version Control</p> <p>We reviewed the policies and procedures of the Premises Licences and Gambling team to ensure that they are up to date, version controlled, approved and accurately reflect relevant legislation.</p> <p>We noted that the Gambling licensing procedure is not currently formally documented. Our discussion with the team leader found that the detailed process is currently being drafted and will be sent for the necessary approval shortly. However, there is a basic process map in place currently showing the process involved. We were informed that the delay in completion of the procedure is because the former Group Manager Regulatory Services that started the draft left the team and also Covid 19 impacted negatively on the level of resources available in the team.</p>					<p>If the premises licensing and gambling policies, processes and procedures are not documented, not kept up to date, held as hard copies and not version controlled, then there is a risk that inconsistent or out of date practices may undermine the licensing and registration operation, and lead to a potential breach of legal responsibilities and</p>	Medium	<p>a) <i>The Group Manager will ensure that the Gambling process and procedure is updated and approved.</i></p> <p>b) <i>Management will complete the review of all the procedures and update them accordingly.</i></p> <p>c) <i>Management will document roles and responsibilities in the current Premises, Licensing and Gambling operation.</i></p> <p>Responsible officer:</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>There is a risk that licences could be granted to ineligible applicants, inconsistent practices might occur and could be going unnoticed in the gambling licensing operations.</p> <p>13 procedures, covering the agreed audit scope areas, were obtained for testing and we established that all the procedures were accessible electronically and in hard copies by members of staff. However, we found that:</p> <ul style="list-style-type: none"> • 10/13 (77%) of the procedures were not version controlled, they have no version numbers. • 9/13 (69%) have no date of last update as the date was not clearly recorded. • 12/13 (92%) the date of next review for the documents was not documented after the last update. • 10/13 (77%) documents were not approved or signed. <p>In summary, 12/13 (92%) of the procedures tested were not properly updated in accordance with best practice.</p> <p>Our discussion with the Team Leader also found that roles and responsibilities for Licensing and Gambling between CSG and Re had been reviewed during the year. For example, the first point of contact on telephone enquiries about licences is the CSG contact centre in Coventry. However, we noted that the updated roles and the latest agreement is not documented. The Team Leader informed us that they are working on this currently and it will be documented before the next quarter (April 2022).</p> <p>There is a risk that members of staff might be following out-of-date versions of the procedures and there is a danger of loss of knowledge if an experienced member of staff leaves the team suddenly.</p>	<p>reputational damage. Licenses could be granted to those who are not eligible.</p>		<p>Group Manager: Regulatory Services - Regulatory Services</p> <p>Target date:</p> <p>a) 31st August 2022</p> <p>b) 31st August 2022 (for interim progress review)</p> <p>c) 31st August 2022</p>

Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Note: the criteria should be treated as examples, not an exhaustive list. There may be other considerations based on context and auditor judgement.

Risk rating	
Critical 	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> • Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (eg mass strike actions); or • Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or • Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or • Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> • Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or • Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or • Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or • High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or • Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or • Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or • Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> • Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or • Minor impact on the reputation of the organisation; or • Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or • Handled within normal day to day routines; or • Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.</p>
Reasonable 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>
Limited 	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p>
No 	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p>

Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Area 1 Policies and Procedures	-	-		-	-	1	-	-	1
Area 2 New Licence Applications	-	-	-	1	-	-	-	-	1
Area 3 Comprehensive Licensing Management Database	-	-	-	-	-	1	-	-	1
Area 4 Invoices and Payments	-	-	-	1	-	1	-	-	2
Total	-	-	-	2	-	3	-	-	5

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate; however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed: Date 29/10/2021	Fieldwork commenced: Date 15/01/2022	Fieldwork completed: Date 28/02/2022	Draft report issued: Date 29/3/2022	Management comments received: Date: 27/05/2022	Final report issued: Date: 30/05/2022

Appendix 3 – Identified controls

Area	Objective	Risks	Identified Controls
<p>Policies and Procedures</p>	<p>There are up to date, version-controlled Premises Licensing and Gambling, Processes and Procedures in place that accurately reflect relevant legislation, and they are approved and operate effectively.</p> <p>Members of staff have access to the aforesaid policies and procedures to inform operations on a daily basis.</p> <p>Members of staff are aware of their roles and responsibilities under the Premises Licensing and Gambling management process and perform their tasks appropriately.</p>	<p>If the premises licensing and gambling policies, processes, and procedures are not documented, kept up to date and version controlled, then there is a risk that inconsistent or out of date practices may undermine the licensing and registration operation and lead to a potential breach of legal responsibilities and reputational damage.</p> <p>If the premises licensing and gambling processes and procedures are not communicated to staff, then there is a risk that members of staff might not be aware of correct processing which will undermine the system, leading to inconsistency, service failure and penalties for the council.</p> <p>If staff do not have clear roles within the team, then systems may not be properly administered and authorised by those responsible, leading to potential breaches of legislation and possible financial penalties for the council.</p>	<p>Documented policies and procedures are in place and available both in electronic and hard copies but most of the policies are old and require update.</p> <p>The following procedures are in place and were reviewed:</p> <ol style="list-style-type: none"> 1. Barnet Film Classification Policy 2013 2. Statement of Licensing Policy LBB January 2020 3. Sex Establishment and Sex Entertainment Venues Policy 2018 4. CPR 3.1-2: Information and process for CS Hub 5. CPR 3.1-2 Procedure for the Responsible authority, member enquiries SAR and FOI requests 6. LIC 1.1- 1.13 Procedure for the processing of licensing applications 7. Market Licensing Process 8. Market Application Process 9. New and Variation of Premises 10. Trading Standard Complaint Process 11. Licensing Complaint Investigation Process. 12. TS2.1 Procedure for investigating Trading Standards matters 13. 2.1/1 Procedure for investigating Rogue Trader Incidents <p>Roles and responsibilities of members of staff are documented in their job descriptions.</p>

<p>New Licence Applications</p>	<p>Comprehensive checks are carried out to verify the details and credibility of the application.</p>	<p>Errors in the application process may not be identified, rendering the licence invalid.</p> <p>The wrong licences may be issued for the type of business, meaning the business is ultimately illegal.</p> <p>False supporting documentation may be used to support the application, and illegal/dangerous business dealings may be perpetrated on the premises.</p> <p>Non- Compliance with the LBB Statement of Principles Gambling Act 2005 2019 – 2022.</p>	<p>The process of applying for the licences are documented online and accessible to all applicants. Supporting documents are checked before licences are issued.</p> <p>However, there is no evidence to confirm that initial inspection of the site to check the suitability of the premises before approval are not in place. Inspection reports are not documented.</p> <p>Supporting documents such as certificates of competency are not scanned into the system for future reference.</p>
<p>Comprehensive Licensing Management Database</p>	<p>There is a comprehensive Licensing management system in place. Complete and relevant information is held on all licences.</p> <p>Periodic inspections are carried out to verify compliance (i.e. correct licence obtained; compliance with terms of the licence).</p> <p>The management system is updated regularly to ensure that:</p> <ul style="list-style-type: none"> • All issued licences and registrations are reflected. • All terminated, cancelled or withdrawn licences are identified and actioned. • The system is regularly updated for the requirements of each licence to maintain system integrity and compliance with relevant legislation. 	<p>If there is no central management system or database of information then there is a risk that information will be missed, leading to lost income, breach of legislation and reputational damage.</p> <p>If inspection or verification of clients and the way they abide by the provision of the licences are not verified periodically, then there is risk that inconsistent practices might go undetected leading to potential breach of legislation.</p> <p>If the management system is not updated regularly, then changes in legislation or information of licence holders will be inaccurate and/or incomplete leading to</p> <ul style="list-style-type: none"> • errors in invoicing • failure to identify and collect income • 	<p>Controls on the database are inadequate. Inspection or verification of clients and the way they abide by the provision of the licences are not verified periodically.</p> <p>There is no timetable or plan for database update.</p> <p>Adulterated information carried over from year 2014 are yet to be cleansed making the database inaccurate and unreliable.</p> <p>Currently annual reconciliation of the database is not carried out.</p>

	<p>Annual reconciliation of the data held to ensure that all 'live' premises and services within the borough which must operate under the licensing/registration system have been captured.</p> <p>The information system in place supports the reporting of Key Performance indicators (KPI) for the Premises Licensing and Gambling aspect of the Re contract.</p> <p>Structured communication with other departments and wider enforcement agencies in the Borough to ensure Borough policy is applied consistently.</p>	<p>failure to meet statutory requirements.</p> <p>If there is no reconciliation / corroboration with other Council services which can verify premises and services which may require licences, then there is a risk that some services can be operating within the Borough without appropriate regulation and licence/registration.</p> <p>If the Premises Licensing and Gambling service's KPIs are not monitored and reviewed monthly, then poor performance might be going on undetected.</p> <p>If the Licensing function does not work with other corporate functions, then this may undermine other corporate strategies /policies.</p>	
<p>Invoices and Payments</p>	<p>Invoices are sent out timely, are accurate and are sent to active licence holders only (none are missed, and invoices are only sent to operational premises, for the right operation/service being provided).</p> <p>There is an appropriate debt collection and aged debt management system in place.</p>	<p>If invoices are not sent out on time to the right people, then there is risk that debts will not be paid, and income will be lost.</p> <p>If there is no control or effective process in place to ensure prompt payments for licence renewals and registrations, then there is a risk of accumulation of large debts from unpaid fees/invoices.</p>	<p>Some of the clients are put on direct debit to effect prompt payments. However, invoices are delayed because of the issues with the database.</p> <p>There is no process in place to deal promptly with invoices returned by the Royal Mail.</p> <p>The debt age analysis is produced for the stakeholders monthly, but there is no process in place to enable the licencing team to take prompt action to resolve all queries on the debts.</p>

Appendix 4 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of **Premises Licensing and Gambling**, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

We will only review the processes for Licensing under the Licensing Act 2003 and those under the Gambling Act 2005.

Specifically, we will not review

- All other types of licence schemes

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.