INFRASTRUCTURE AND GOVERNMENT AND HEALTHCARE / PUBLIC SECTOR AUDIT

Internal Audit Service 2008/09 Progress report (2)

Oxford City Council

23rd September 2008

AUDIT

AUDIT ▪ TAX ▪ ADVISORY

Contents

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Audit Plan / Timing 2008/09

	Area	Planned Days	Timing	Scope
	Authority Wide			
1	**Corporate Governance**	10	January 2009	Further enhancements are required within this area to improve the use of resources score received. We will focus on a couple of key issues to aid in the development of this area.
2	**Risk management**	15	Completed	We have assisted the Authority in the development of a revised risk register format, attended a Wider Leadership Team to promote risk management, established a Risk Group to champion risk management, and given a training session to Members on risk management. We also assisted in the development of the 2007/08 year end risk register, meeting with Heads of Service to populate the register.
3	**Equality and Diversity**	15	November 2008, to be completed after first impact assessments have been completed.	This area has not been subject to a review by internal audit (brought forward from 2007/08). We will review the overall arrangement for ensuring equality and diversity across the organisation against good practice.
4	**Health and Safety follow-up**	6	December 2008, to be completed after milestone dates for recommendations have been reached.	This area was assessed as weak at the review in 2006/07, and follow up in 2007/08 identified recommendations remained outstanding. Members require independent assurance that controls and procedures are operating as intended and as such we will continue to review progress in the implementation of agreed actions.
5	**Single status**	6	To be completed prior to full costed proposal milestone of August /September 2008.	This review was requested by management and involves a validation of the single status pay model base data.
6	**Business Continuity/ Disaster Recovery**	10	August/September 2008. On site work completed, draft report being prepared.	The Authority has been reviewing its arrangements, and in light of recent issues, including the Oxford floods in 2007. We will review the progress the Authority has made in implementing its action plan to further develop this area.

Audit Plan / Timing 2008/09

	Area	Planned Days	Timing	Scope
	Finance and Asset Management			
7	**Benefits**	15	December 2008	Managed audit – essential for DA reliance. Satisfactory ratings in 2005/06 and 2006/7 and good in 2007/08. We propose a similar compliance type audit due to the significance and value of the transactions.
8	**Local Taxation**	10	December 2008	Managed audit – essential for DA reliance. Satisfactory ratings in 2005/06 and good / satisfactory ratings in 2006/07 progressing to good in 2007/08. We propose walkthrough testing for both NNDR and Council tax.
9	**Payroll**	10	January 2009	Managed audit – essential for DA reliance. Satisfactory ratings in 2005/06 to 2007/08. We propose to undertake compliance testing.
10	**Accounts payable**	5	December 2008	Managed audit – essential for DA reliance. Satisfactory ratings to in 2005/6 and 2006/7 and good in 2007/08. We propose to carry out walkthrough testing.
11	**Accounts receivable**	5		Managed audit – essential for DA reliance. Satisfactory ratings to in 2005/6 and 2006/7 and good in 2007/08. We propose to carry out walkthrough testing.
12	**Main accounting**	5		Managed audit – essential for DA reliance. Satisfactory rating to date. We propose to undertake walkthrough testing to confirm that the design of the controls has not changed.
13	**Treasury management**	5		Managed audit – essential for DA reliance. Good rating to date. We propose to undertake walkthrough testing to conform that the design of the controls has not changed.
14	**Fixed Assets**	10	January 2009	Managed audit – essential for DA reliance. We propose to undertake compliance testing in this area.

Audit Plan / Timing 2008/09

	Area	Planned Days	Timing	Scope
Business Systems				
15	**Data Security**	10	August/September 2008 On site work completed, draft report being prepared.	We will review the arrangements the Authority has in place which ensures the safe keeping of information both on and off site.
City Regeneration				
16	**Building Control / Planning / Inspection/ Enforcement**	20	November 2008	We will review the controls in place over application processing, inspection and enforcement which ensure compliance with documented procedures.
17	**Taxi Licensing**	15	Final report issued 10 September 2008 WEAK	We will review the controls in place over the approval and review of taxi licences which ensure compliance with documented procedures.
City Services				
18	**Local Financial Systems**	15	October 2008	We will review the local systems for receipting and collecting income within trade waste, leisure and the tourist information centre. We will also follow up the implementation of recommendations made in relation to the parks cash collection which was graded as weak in 2007/08
19	**Housing Repairs**	20	October 2008	We propose to complete an end to end review of the responsive repairs process, from initial enquiry through to post inspection. We also propose to review the controls in place for recharging tenants for repairs which are their responsibility.
20	**Leaseholder recharging**	10	January 2009	We propose to review the processes in place which ensure compliance with legislation with the recovery of all income due to the Authority, including the approval of write-offs of bad debt.
21	**Car Parking**	10	Final report issued 10 September 2008 WEAK	We have reviewed the overall arrangements in respect of car parking including the implementation of the car parking strategy, setting and collecting of charges, and compliance with legal obligations.

Audit Plan / Timing 2008/09

	Area	Planned Days	Timing	Scope
VFM				
22	**VFM follow up**	10	Work scheduled for Autumn 2008	Members need assurance that management are beginning to implement the outcomes of value for money reports that have been agreed by the Audit & Governance Committee. We propose to undertake follow-up work on the capital Programme, Street Cleaning, Vehicle Maintenance and Housing Repairs.
23	**Leisure Market Testing**	20	Work to commence Autumn 2008	The market testing of Leisure Services is a major project for the City Council and is very important in delivering the savings required for 2009/10 and beyond. Members were keen that KPMG should have a role reviewing the project as it unfolds, rather than waiting until the end of the process. We will use our experience of market testing to discuss alternative approaches with relevant officers/Members and will keep the Audit & Governance Committee informed of progress.
24	**VFM Mapping**	7	Report issued September 2008	This exercise commenced in 2007/08 and is attempting to collate all the available empirical evidence of the comparative cost and quality of individual services and will enable the Authority to make better informed decisions on the areas it should prioritise for improved VFM.
25	**VFM studies**	13	To be identified	As with last year, we have allowed some VFM days to be commissioned on a "call-off" basis by Audit & Governance and officers in order to address emerging issues.
Contingency				
26	**Contingency**	25		9 days utilised in relation to grant claim audits.

KPMG

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Review 2008/09 Car Parks

Oxford City Council

10 September 2008

AUDIT – This report is confidential and its circulation and use are restricted. See notice on page 1.

WEAK

Report status	
Date of Debrief - Car Park Support Services Manager	26th June 2008
Date of Debrief – Head of Service	1st August 2008
Draft Report Issued	19th August 2008
Management Responses Received	8th September 2008
Final report issued	10th September 2008
Presented to Audit and Governance Committee	23th September 2008

Distribution for action	Distribution for information
Tim Sadler – Strategic Director (City Services) Andrew Bradfield Barnes – Car Park Support Services Manager Andy Brookes – Group Accountant	Colin Bailey – Head of Service – City Works Penny Gardner/Sarah Fogden – Head of Service - Finance

1. Executive summary

Conclusion

As internal auditors to Oxford City Council ("the Authority") we are required to give an annual overview of the system of internal control. In arriving at this overview, we give a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

For the work performed on Car Parks, we consider that there is considerable risk that objectives may not be fully achieved. Significant improvements are required to enhance the adequacy and / or effectiveness of risk management, control and governance particularly over arrangements with the outsourced Group 4 Securicor and the development of a car parking strategy. As a result we have graded this area as Weak. Our previous report issued in April 2006 was graded as satisfactory. Since 2006, there has been some changes in the operation of the car parks including change of provider for cash collection, and more recently, the absence of the Transport and Parking Manager and the Car Parks Manager. As a consequence, we have identified that controls which were previously in place are not being operated, leading to weaknesses in the system. In addition, limited progress has been made in the implementation of prior recommendations due to lack of management action and staff sickness.

We have made 5 recommendations, which will address the identified weaknesses. The implementation of these recommendations should enhance the control environment in relation to the system reviewed and provide an increased level of assurance to the Authority and management from the date of implementation.

Context

As part of internal audit's review of the general control environment within Oxford City Council ("the Authority") a review of Car Parking has been undertaken. This was completed as part of the internal audit plan for 2008-09. The objective of the audit was to review the controls in respect of car parking, including the implementation of the car parking strategy, setting and collecting of charges and compliance with legal obligations such as health and safety.

Oxford City Council manages 16 car parks consisting of six city centre car parks, seven suburban car parks and three Park and Ride sites. Budgeted income for 2008/09 is £6.29m in respect of off street car parking and £707k in respect of park and ride. Each year parking tariffs are reviewed and approved by the Council, with payment terms updated on parking machines via central control in the car parking office.

The Authority has a contract with Group 4 Securicor (G4S) to collect cash from the payment machines. The cash boxes are delivered to the G4S site in Northampton where the cash is counted and reconciled to the audit ticket obtained from the payment machines at the time of collection. An income report is then emailed to the Authority on cash collection. G4S banks the cash and then transfers the monies directly to the Authority's bank account using a paying-in book issued by the Authority. Once Finance receive the income report from G4S, the Agresso general ledger system is updated.

1. Executive summary (cont'd)

In addition to cash collection by G4S, the Authority has recently started to utilise the services of RingGo, a telecommunications service whereby car park users pay via telephone, with bank transfers taking place to effect payment.

Enforcement penalties are issued by car parking staff using a manual system. Carbon copies of enforcement fines issued are returned daily to the Car Parks Office where Administration Officers enter the details of penalties issued into Civica – the car park enforcement system. The enforcement penalties are set at £100 reducing to £50 if paid within 14 days. Approximately 50% of fines are paid within the 14 days and approximately 1,200 fines are issued each month. For the year 2007/08, approximately £480,000 was received in relation to excess stay charges.

Security and enforcement duties are carried out by the Authority's staff through regular car park patrols, organised on a rota basis. Management monitor attendance at sites and review performance on a weekly and monthly basis. Emphasis in 2007/8 has been on monitoring the issue of quality penalties rather than quantity, ie. reducing the number of penalty notices which are challenged. For the period 1/10/07 to 31/5/08, 2,396 penalties were cancelled out of 8,861 issued.

Maintenance and repair of car parks is carried out by City Works, under the order of Car Park Management. City works have recently begun to inspect car parks on a monthly basis to support the annual inspection of car parks which highlights repairs which must be attended to in order to comply with health and safety obligations. The Authority has been awarded ParkMark for a number of its car parks.

We understand that in the near future, three Park and Ride Schemes will be transferred to the County Council. In addition, the management of Westgate Car park will transfer to the developer who is developing the site. As a consequence the revenue generated from car parks may reduce in future years.

The below table details the Authority's car park budget and actual revenue and costs for the financial year 2007/8. Overall there was a positive variance of £212k.

Totals as at 31 March 2008	Budget	Actual	Variance
Total Revenue	6,827k	7,213k	386k
Total Costs	(5,379k)	(5,553k)	(174k)
Net Variance			212k

Acknowledgement

We would like to take this opportunity to thank all members of staff whom we contacted over the course of this review for their time and assistance, particularly members of the Car Parking office who have been quick to assist despite considerable pressures on their time.

1. Executive summary (cont'd)

This section of the report highlights the main findings of our review. Details on areas for further development is included in the 'recommendations' appendix of the report which can be found on pages 13 to 16.

Areas of good practice	Areas for further development
Our review identified the following areas of good practice in respect of the Authority's Car Parking arrangements:	Our work has also identified the following areas where controls could be further strengthened. These include:
✓ Monthly budget monitoring meetings are held between Car Park Management and Finance to track progress against budget.	• We have found no evidence that the specific car parks business plan has been updated or reviewed in the previous two years. (Medium)
✓ The follow up of car park enforcement is automated including the production of recovery letters on pre-determined timescales, documentation is well recorded by members of the car parking team and cancellations or write offs were found to be appropriately authorised.	• Controls in place over the Authority's arrangement with G4S should be strengthened. Currently the Authority is unable to match payments into their bank account to cash collections by G4S. (High)
✓ The car parking team monitor staff performance and attendance in order to ensure good customer satisfaction levels.	• An annual pricing strategy should be developed with charges uplifted once a year. (Medium)
✓ Car parks have been certified by a third party as electrically safe in 2007. Arrangements have been made to complete this test on an annual basis (with the exception of Westgate which has had extensive improvement works to obtain the certificate).	• A maintenance plan or minimum standards based on ParkMark standards should be introduced as a measure against which to assess the car parks. (Medium)
✓ A number of car parks have been awarded ParkMark status.	• Income received from RingGo should be allocated to the appropriate cost centre on a monthly basis, and reconciliations between payments received, the ledger and RingGo confirmation should occur on a weekly basis (Medium)

Conclusion

The controls within Car Parks are not adequately designed.

1. Executive Summary (cont'd)
Testing the operation of controls

Car Parking

We tested a sample of annual repair reviews (ARR) and electrical safety tests (EST) on car parks as well as testing samples of income from Ring Go, G4S and fines, to assess if all relevant controls as documented in the Process Notes were met.
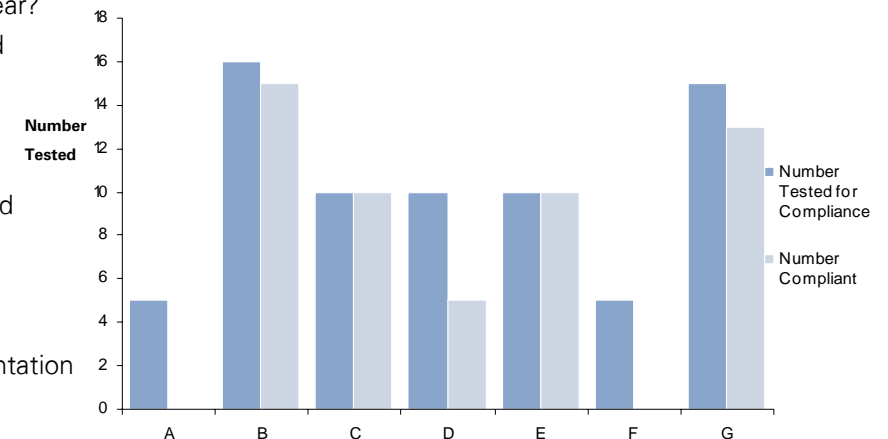
Testing of car parking controls

The following criteria were adopted.

ARR - Were all repairs carried out and evidenced to show review?

B   Were all car parks tested and certified for electrical safety in the last year?

C   Did testing of income from Ring Go notification agree to the ledger and bank statements?

D   Did testing of income from G4S notification agree to the ledger and bank statements?

E   Did testing of income from parking fines agree to the Civica system and prove that it was paid on a timely basis?

F   Were the reconciliations between the G4S notifications, ledger and bank statements completed, variances explained, and reviewed?

G   Did all cancellations and write offs tested agree to supporting documentation and were they appropriately reviewed?

Compliance with Controls from Testing

Key findings

- ✓ A – Management provided verbal assurance that repairs had been completed.

- ✓ B - Electrical Safety Certificates were available (Westgate Car Park undergoing testing to ensure it is certified).

- ✓ C - Income from Ring Go was recorded and checked but postings from the suspense account to car parking codes has not occurred in 2008/9.

- ✗ D - No explanation sought by the Authority for variances between the cash vault ticket and the audit ticket at G4S for 5/10 tested.

- ✓ E - Parking fines were all paid on a timely basis, controls operate mainly on the Civica system.

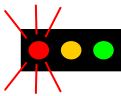- ✗ F - No reconciliations have been performed due to the Authority being unable to identify which payments from G4S relate to which dates of cash collection.

- ✓ G - Cancellation and write off of fines complied with all controls, with the exception of 2 / 15 where the reasons for the cancellation were not stated.

Conclusion

The controls have not been consistently applied throughout the period tested.

1. Executive summary (cont'd)

We have assessed each finding in our report and assigned to it a rating, as follows:

Priority rating for recommendations raised		
Priority One: Issues arising referring to important matters that are fundamental to the system of internal control. We believe that the matters observed might cause a business objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency	*Priority Two*: Issues arising referring mainly to matters that have an important effect on controls but do not require immediate action. A business objective may still be met in full or in part or a risk adequately mitigated but the weakness represents a significant deficiency in the system.	*Priority Three*: Issues arising that would, if corrected, improve internal control in general but are not vital to the overall system of internal control.

The table below details the number of recommendations made, the priority assigned and those accepted by management.

Recommendations	Priority One	Priority Two	Priority Three	Total
Made	1	4	0	5
Accepted	1	4	0	5

We have also followed up the implementation of prior recommendations made in our report dated 13 June 2006. A summary can be found below, with more details at Appendix B, from pages 17 to 21. The table shows that only four recommendations have been fully implemented. We were informed that this was mainly due to staff absence.

Recommendations	Priority One	Priority Two	Priority Three	Total
Made	-	6	4	10
Fully implemented	-	1	2	3
Partially implemented	-	2	1	3
Not implemented	-	3	1	4

Appendix A: Recommendations

This Appendix summarises in the form of recommendations the issues arising from this review which we believe require action.

#	Priority	Issue	Risk	Recommendation	Management Response
		Business Plan / Council Strategy for Car Parking			
1	●Two	The Car Park Support Services Manager was not aware of the process for updating the business plan in the absence of two more senior officers who had responsibility for this work. The Head of City Works had combined and integrated the new business plan to incorporate the car parks section but this was not communicated due to the absence of the 2 more senior officers. The Car Parking Support Services Manager was therefore unaware of the changes but was the only officer available for comment during the audit. Although the current car parks' business plan is dated 2007/08, the contents of the plan included references to 2004/5 budgets and 2005/6 to 2007/8 deliverables. We also found that actual performance has not been updated within the plan. Monthly monitoring meetings within car parks do not refer to the business plan. Our evaluation of the objectives stated in the business plan against the SMART (specific, measurable, achievable, resourced, time bound) criteria has highlighted that the objectives, although appearing realistic and achievable, need to be more specific in regards to timeliness, and should include some assigning of responsibility to an officer for their completion. A separate Business Plan is in place covering City Works, which does make reference to Car Parking operations. Discussion with the Head of City Works identified that although an accountable officer is appointed to take responsibility for updating the car parks business plan and reporting on performance against milestones and targets, it is clear that the absence of two key members of staff have affected communication of the plan to the car parks operational team.	The Council may not achieve its overall objectives in relation to car parking.	Communication of the business plan should be made to all management levels of the car parking section to ensure that they are aware of the business plan objectives and associated targets. This will assist in business continuity and ensure that performance is measured, monitored and reported in accordance with the plan. Objectives set out in the documented car parks Business Plan should be reviewed to ensure that they are appropriate, and a revised Plan/Strategy developed. The car parks plan should also be reviewed to ensure that milestones and performance indicators are more specific in terms of timeliness and deliverables.	The Council's restructure has appointed the Head of City Works as having this responsibility. In addition the new City Works organisation structure has created a new post of "Service Manager – Engineering and Parking" which has responsibility for performance management and business planning functions. In addition, this post also creates direct links for the maintenance recommendations in 4a & 4b. Recruitment to the post is imminent, and upon recruitment issues arising will be addressed. Responsible Officer: Colin Bailey Date for Implementation: December 2008.

Appendix A: Recommendations (cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
2	●One	**G4S Cash Collections/Reconciliations** Whilst reviewing the controls over cash collection and reconciliation we identified the following: • Reports detailing daily cash collections are received from G4S on an irregular basis and the quality is inconsistent. • G4S do not inform the Authority of the days to which cash collected relates. As a consequence, the Authority is sometimes unable to match payments to cash collections and perform reconciliations. • The Authority does not receive the original audit tickets from G4S and therefore cannot perform checks on the accuracy of information they are receiving. • None of the variances as per the G4S reports have been investigated by the Car Park office. • Cash Collection Procedure notes have not been updated to show the new cash collection / reconciliation procedures implemented since the new contract began in April 2008.	The Authority cannot verify the accuracy of payments by G4S.	The Authority should request cash collection reports from G4S on a daily basis. These should contain all the required information including the days to which cash relates. On a weekly basis the amounts as per the G4S reports, bank statements and ledger should be reconciled. The reconciliation should be signed and dated by the preparer and reviewer. The Authority should request that G4S return all audit tickets to the Authority on a monthly basis. These should be used by the Authority to perform sample checks on reports and actual audit tickets. All instances where a report details a variance between the audit ticket and the cash vault should be investigated and recorded on the audit report. Requests for the above management information should be included within the SLA with G4S when reviewed. Procedure notes should be updated showing the cash collection and reconciliation procedures.	We have asked G4S to provide daily reports and expect these to be implemented shortly. •Weekly reconciliations of G4S reports to bank and general ledger are now produced. •We have asked G4S to return audit tickets on a weekly basis and expect this to be implemented shortly. •Procedure notes will be updated by 30th September 2008. Responsible Officer: Andy Brooks Date for Implementation: September 2008

Appendix A: Recommendations (cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
		Pricing Strategy			
3	●Two	In 2007/08 car park prices were increased three times during the year (RPI, Saturday tariff and evening tariff changes). Each time the car park prices are increased, additional costs are incurred such as publication of the price increase and updating machine tariffs.	Additional costs may be unnecessarily incurred with numerous price increases and members of the public may become confused over car parking charges.	The Authority should ensure that car parking tariffs are reviewed and updated on a collective basis.	Agreed. Will be considered as part of the next budget round. Responsible Officer: Colin Bailey Date for Implementation: April 2009
		Maintenance			
4a	●Two	Maintenance and repair of car parks is carried out by City Works, under the order of Car Park Management. A monthly and annual inspection of car parks highlights repairs which must be attended to in order to comply with health and safety obligations. Minimum standards have not been set and documented for car parks.	Car parks may not meet minimum standards.	A minimum standard for car parks should be developed to ensure that the car parks are maintained to a good standard. This could be based on the ParkMark standards and should incorporate health and safety considerations. A cyclical 1-3 year programme of works should be developed so that Car Parking management can budget maintenance expenditure according to needs.	A maintenance programme will be produced to inform maintenance expenditure in priority order. A schedule of costs will accompany the maintenance programme to initiate works rather than await quotations. Categories of repair response times will accompany the schedule and an emergency priority order will be assigned to repairs giving rise to health and safety implications. All repair documentation will be updated on the maintenance schedule in a timely manner when completed. Responsible Officer: Shaun Hatton Date for Implementation: March 2009

Appendix A: Recommendations (cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
4b	●Two	The 2007 review of car parks for maintenance purposes was carried out in June and July 2007. The request to City Works to complete repairs was dated November 2007. We understand that the delay was due to obtaining pricing information from City Works and securing funding for the works. Management did provide verbal assurance that for very urgent repair, such as a pothole, these were fixed immediately. The annual repair spreadsheet has not been updated to evidence that each repair requested has been completed.	Repairs may continue to deteriorate whilst awaiting pricing and funding which could have health and safety implications.	The Car Parking team should review the maintenance schedule and sign off that each repair has been completed.	See above
5	●Two	**RingGo cash collection and reconciliation** Allocation of cash received from Ring Go and Verrus to the car park cost centres has not been performed for the financial year to date. No reconciliation has been performed to match the amounts as per the daily RingGo emails, banks statements and general ledger. We understand that this is due to a change in post at the end of March.	Income may not be accurately recorded on the ledger.	Payments received from RingGo should be credited to the appropriate cost centre on a monthly basis. A reconciliation should be performed to match payments received from Ring Go to the email confirmation and the ledger.	Procedures have now been put into place. Responsible Officer: Andy Brooks Date for Implementation: Already Completed

Appendix B: Prior Year Recommendations

#	Priority	Recommendation	K Client Position	Actual Update from Management	Implemented?
		Electricity Checks			
1	●Medium	The results of electrical testing should be reported to the Authority together with the reasons why this had not been carried out previously.	Implemented	The results of the electrical testing were reported to the Authority in 2006/7. An annual electrical safety check is now occurring for all 13 of the car parks and park and ride sites as co-ordinated by the Senior Building Services Engineer. For 2007/8, all but one of the car parks had been issued with a certificate of electrical safety. Westgate car park is currently having the final works completed and then a certificate should be issued.	Implemented
		Car Park Maintenance			
2	●Low	The maintenance summary sheet should be developed to include: - Minimum acceptable standards for the car parks - The name of the officer carrying out the review - The date the review was performed - The source of prices quoted - Timescales for undertaking the repairs	Not applicable	The new maintenance summary sheet is updated to show: - the car park; - observations (ie. repairs required to meet health and safety requirements) ; - cost; - date order placed; - date completed (this has not been completed); and - comments.	Partially implemented. See recommendations 5a and 5b.

Appendix B: Prior Year Recommendations (cont'd)

#	Priority	Recommendation	K Client Position	Actual Update from Management	Implemented?
		IDC Invoices			
3	●Low	City Works should ensure that IDCs provide sufficient detail about the works being billed to enable CPM to carry out a review of the works for completeness. This should include the car park site, nature of the work and the date the work was completed. CPM should sign off the internal invoices as evidence that it is satisfied with the works done and the fee charged.	Implemented	IDCs are no longer being sent by City Works. Instead, the JMS system is updated once the work is done to show it is complete. It is then downloaded into Agresso where it is coded out in Finance to the relevant car park.	Fully implemented.
		Car Park Strategy			
4	●Medium	The Transport and Parking Manager should set timescales for the achievement of key objectives and allocate responsibility for achieving objectives to named officers. The Strategic Director should ensure that key milestones are in place which highlight the progress being made to achieve objectives.	In progress	The most recent Business Plan for 2007-2010 does not set timescales for key objectives or allocate responsibility for objectives. The business plan is not used as a working document and has not been properly communicated to staff. It does not appear to be up to date and contains reference to the draft budget for 2004/5.	Not implemented. See recommendation 2.

Appendix B: Prior Year Recommendations (cont'd)

#	Priority	Recommendation	K Client Position	Actual Update from Management	Implemented?
5	●Medium	**Pricing** CPM and Strategy team should undertake an annual review of pricing with reference to achievement of the car parking strategy. The setting of prices should be linked to a clear objective within the Business Plan. The T&PBM should produce a formal price setting procedure. This procedure should be approved by the Executive Committee.	Implemented	The pricing increases in 2007/8 have been done with regard to the Council's overriding aims. However no formal price setting procedure is currently in place and the objectives are not clear within the business plan (with the exception of raising Saturday tariffs).	Partially implemented. See recommendation 4.
6	●Low	**Collection of cash boxes** The cash office supervisor should maintain a schedule of boxes not collected by Security Services Ltd. This should be reported to Car Parks Management to investigate non-collection and take steps to address any persistent problems with specific machines.	Implemented	The collection of cash boxes is now outsourced to G4Security. As from the 25th June 2008, Car Parking staff have asked G4S staff to report faults to the machines which may lead to boxes not being collected, which is then logged on a fault report and resolved.	Fully implemented.

Appendix B: Prior Year Recommendations (cont'd)

#	Priority	Recommendation	K Client Position	Actual Update from Management	Implemented?
7	●Low	**Cash Collection Procedures** Cash collection procedure notes should be updated for the emailed amendments and kept up to date.	Implemented	The cash collection procedures have not been updated since 2003.	Not implemented. See recommendation 3.
8	●Medium	**Cash reconciliations** The Cash Office Supervisor should ensure that reconciliations between the general ledger, the counting house balance sheet and Alliance and Leicester bank statements are signed and dated by both preparer and reviewer.	Not Implemented	Cash reconciliations are not performed between the G4S reports, bank statements and the ledger.	Not implemented. See recommendation 3.

Appendix B: Prior Year Recommendations (cont'd)

#	Priority	Recommendation	K Client Position	Actual Update from Management	Implemented?
		Audit Lists			
9	●Medium	Audit lists are prepared by the Cash Office to compare the actual cash received per day to that stated on the ticket machine audit ticket. CPM review these audit lists to ensure that variances have been investigated and resolved. A review of the audit lists, forwarded to Car Parks Management, identified that these reviews of the completeness and accuracy of income collected are not evidenced by way of signature and date.	Not Implemented	Audit lists are not received in relation to income and as a result reconciliations do not occur.	Not implemented. See recommendation 3.
10	●Medium	**Posting of Fine Payments** The Car Park Supplies Manager should sign off the report which shows that the total payments received agrees to that posted on CPM. They should perform spot checks to ensure that payments are allocated to the correct fine.	Not Implemented	The report, although annotated to demonstrate review, is not formally signed off by the Car Park Support Services Manager. Spot checks are not performed to ensure that the payments are allocated to the correct fine.	Partially implemented.

Appendix C: Summary of work completed and risks reviewed

Our work involved:

- identifying and documenting controls in place through discussion with staff;

- testing key underlying controls to confirm their reliability;

- evaluating the adequacy of existing processes and controls; and

- highlighting areas for improvement and / or streamlining.

Work Undertaken	Risks Reviewed
Car Parks We have reviewed the controls in place which ensure: • An appropriate car parking strategy has been developed and approved which aligns with the corporate objectives and details SMART targets; • The strategy is delivered, with monitoring of the action plan contained therein; • In developing the strategy best practice has been considered; • Appropriate setting and approving of charges takes place with links to local communities evident; • The adequacy of health and safety arrangements including maintenance and security; • Car parking income is collected securely and recorded accurately on the general ledger; • An appropriate car parking enforcement process is in place with the collection of fines carried out on a timely basis; and • Management information is adequate and informs management of service delivery.	• Pricing may not be maximised in relation to local strategic considerations; • Low level of car park utilisation due to an unrealistic pricing strategy; • Misappropriation of cash collected from car parking machines; • Decreased income due to poor cark park maintenance and security; • The Council may fail in its duty of care to the general public; and • Car parking fine income is not collected.

KPMG

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

Internal Audit Review 2008/09 Taxi Licensing

Oxford City Council

10 September 2008

AUDIT – This report is confidential and its circulation and use are restricted. See notice on page 1.

WEAK

Report status	
Date of Debrief	20th August 2008
Draft report issued	29th August 2008
Management responses received	8th September 2008
Final report issued	8th September 2008
Presented to Audit and Governance Committee	23rd September2008

Distribution for action	Distribution for information
Graham Smith – Transport and Parking Manager Tony Payne – Support, Development and Licensing Manager Phillip Pirouet – Senior Taxi Licensing Officer Jill Cramer - Senior Taxi Licensing Officer	Tim Sadler – Director – City Services John Copley – Head of Service – Environmental Health Penny Gardner/Sarah Fogden – Head of Finance

1. Executive summary

Conclusion

As internal auditors to Oxford City Council ("the Authority") we are required to provide an annual overview of the system of internal control. In arriving at this overview, we provide a conclusion on the individual systems reviewed during the year. Our conclusion is either that the system is good, satisfactory, weak or unacceptable. However, in giving our conclusion, it should be acknowledged that our work is designed to enable us to form an opinion on the quality of the systems examined based upon the work undertaken during our current review. It should not be relied upon to disclose all weaknesses that may exist and therefore the conclusion is not a guarantee that all aspects of the systems reviewed are adequate and effective.

From the work performed on private hire and hackney carriage taxi licensing, we consider there is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance. As a consequence we have graded the area as weak.

We arrived at our conclusion by assessing the controls in relation to issuing new licences and renewals and the reinforcement of licence conditions. We believe that the controls are not adequately designed to mitigate the key risks. In particular, there are limited controls over the physical issue of vehicle plates and driver badges, and there are no key performance indicators or service plan. There is limited segregation of duties around issuing of licences and the enforcement process due to the size of the team. Our findings have highlighted that it would be possible to issue a vehicle plate and driver badge and bypass the controls of the licensing system LalPac.

We have made ten recommendations that will address the identified weaknesses. The implementation of these recommendations should enhance the control environment in relation to the system reviewed and provide an increased level of assurance to the Authority and management from the date of implementation.

Context

As part of internal audit's review of the general control environment within Oxford City Council ("the Authority") a review of the Private Hire and Hackney Carriage Taxi licensing was undertaken. This was completed as part of the internal audit plan for 2008/09. The objective of the audit was to assess the adequacy and effectiveness of the controls in place over the approval and review of licences which ensure compliance with documented procedures.

In 2008/09 the Authority has budgeted to receive £216k in income in respect of licensing and testing of Hackney Carriages and Private Hire Licences. We understand from the Senior Taxi Licensing Officer that the Council has decided that the service is self financing with the income generated from activities expended upon the provision of the service.
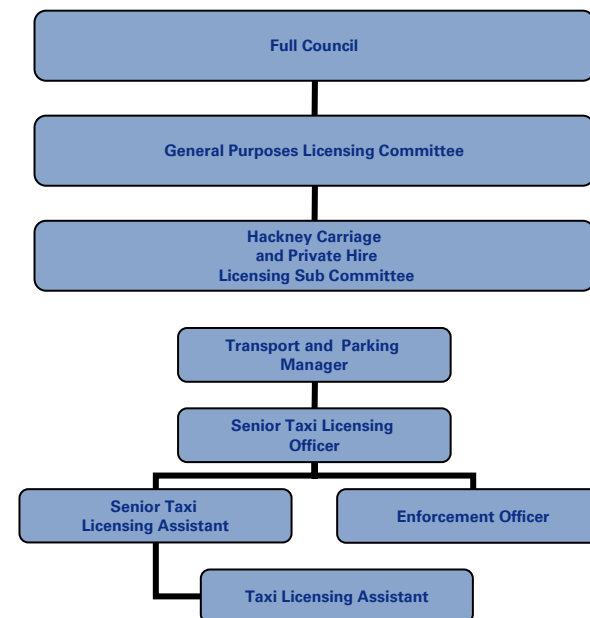
1. Executive summary (Cont'd)

The licensing service processes are currently carried out by a team of 4 which includes a Senior Taxi Licensing Officer (part time), Senior Taxi Licensing Assistant, an Enforcement Officer and a general Taxi Licensing Assistant. The team reports to the Transport and Parking Business Manager, who at the time of the audit was on long term leave.. The two senior officers within the team are members of the National Association of Taxi and Private Hire Licensing and Enforcement Officers (NATPHLEO). We understand The management of taxi licensing, is currently being transferred to the Environmental Development department.

The General Purposes Licensing Committee has delegated authority to review policy and set and review licence fees. This Committee has delegated the authority to the Hackney Carriage and Private Hire Licensing Sub Committee for the withdrawal and suspension of licenses (vehicle, driver and operator). Some of the powers of the Hackney Carriage and Private Hire Licensing Sub Committee have been delegated to the Senior Taxi Licensing Officer.

```
Full Council
    |
General Purposes Licensing Committee
    |
Hackney Carriage
and Private Hire
Licensing Sub Committee
    |
Transport and Parking
Manager
    |
Senior Taxi Licensing
Officer
    |
  ┌─────────────┴─────────────┐
Senior Taxi              Enforcement Officer
Licensing Assistant
    |
Taxi Licensing Assistant
```

At the time of the audit the team was responsible for managing the applications and enforcement of 107 Hackney Carriage vehicles, 401 private hire vehicles. They also managed 472 Private Hire and 318 Hackney Carriage driver licence holders. There are 14 private hire operators within the city, and two of these manage the majority of private hire vehicles.

In addition, there are approximately 7 known rickshaws operating in the city centre. Currently the guidance on rickshaws, their use and subsequent licensing is vague. The Council has sought legal advice in relation to the use of rickshaws and as a consequence has developed a code of conduct. However, we understand from the licensing team that this may not be enforceable. We have therefore not reviewed this specific area as part of this audit.

Acknowledgement

We would like to take this opportunity to thank all members of staff whom we contacted over the course of this review for their time and assistance.

1. Executive summary (Cont'd)

This section of the report highlights the main findings of our review. Details on areas for further development is included in the 'recommendations' appendix of the report which can be found on pages 28 to 36. In appendices B-D, we have documented the overall processes in place relating to the issue of vehicle and driver licences and the enforcement process, this also details a high level assessment of controls in each of these area.

Areas of good practice	Areas for further development
Our review identified the following areas of good practice in respect of the Authority's Hackney Carriage and Private Hire Licensing arrangements: ✓ The application process is staged such that the application has to be successful at each stage before it can proceed. ✓An annual review ensures that drivers and vehicle checks are carried out regularly. ✓Monthly reports are generated from the system on Insurance, MOT and Criminal Records Bureau on vehicles and drivers that are near to expiry. ✓The Enforcement Officer spends 2 days per week carrying out physical inspections such as street checking validity of vehicles and drivers. ✓Cases are presented to the sub committee to revoke licences where licence conditions are not being met. ✓Monthly budget updates are received and reviewed. ✓Overall good practice as per the NATPHLEO has been adopted (see Appendix F.	Our work has also identified the following key areas where controls could be further strengthened. These include: •Performance Management – A service plan with key performance indicators has not been developed for the service, as a consequence the direction of the service and its performance in relation to the issue of licences and their enforcement is not monitored by management. •Issue of Vehicle Plate and Drivers Badge – Currently both the vehicle licence plate and drivers badge could be issued to an unlicensed vehicle or driver due to the lack of controls within the current system. In order to improve controls a system upgrade is required. In addition, the controls over the physical fitting of Plates to vehicles and the return of Plates and Badges within the annual renewal and licence suspension process are weak. •Enforcement –there is no documented plan in place which details the extent of proactive enforcement activity and the activity and outcomes arising from current proactive enforcement are not formally reported to management. Due to the size of the team, assistance is required from other departments to carry out one off exercises. •Segregation of Duties – Due to the size of the team there is limited segregation of duties in the licensing process. Segregation would be significantly improved if the licensing team ensured separate officers completed assessment tests for drivers, and City Works updated the Licensing system for Hackney Carriage MOT validations.
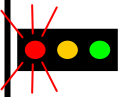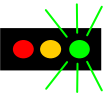
A summary of the results of our compliance testing are detailed in appendix E.

Conclusion

The controls within the Car Parking Systems are not adequately designed.

1. Executive summary (Cont'd)

We have assessed each finding in our report and assigned to it a rating, as follows:

Priority rating for recommendations raised		
Priority One: Issues arising referring to important matters that are fundamental to the system of internal control. We believe that the matters observed might cause a business objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency	**Priority Two**: Issues arising referring mainly to matters that have an important effect on controls but do not require immediate action. A business objective may still be met in full or in part or a risk adequately mitigated but the weakness represents a significant deficiency in the system.	**Priority Three**: Issues arising that would, if corrected, improve internal control in general but are not vital to the overall system of internal control.

The table below details the number of recommendations made, the priority assigned and those accepted by management.

Recommendations	Priority One	Priority Two	Priority Three	Total
Made	3	4	3	10
Accepted	3	4	3	10

Appendix A: Recommendations

This Appendix summarises in the form of recommendations the issues arising from this review which we believe require action.

#	Priority	Issue	Risk	Recommendation	Management Response
1	•Three	**Service Plan** Discussions with the Senior Taxi Licensing Officer identified that a service plan has not been developed for the Taxi Licensing Team by the overall Manager or the previous Director which detailed the teams overall aims and objectives, and actions for the forthcoming year. In addition, key performance indicators for the team have not been identified and as a consequence performance is not clearly identifiable. The following performance areas could be monitored and reported upon. • Number of licenses issued; • Timeliness of issue of licenses; • Numbers and types of enforcement activity, and outcomes; • Number of suspended licenses; • Number of referrals to the Hackney Carriage and Private Hire Sub Committee; • Quality of service received; • Number of complaints received and type; • Timeliness of response to complaints; • Quality of complaint outcome.	It is unclear whether the taxi licensing service represents good value for money, is responsive to customer needs and how it aligns to the Council's aims and objectives.	A formal service plan should be developed for the Taxi Licensing operations of the Authority. Such a plan should detail aims and objectives with SMART (Specific, Measurable, Achievable, Resourced, Time-bound) targets and responsible officers. In addition, performance measures and key performance indicators should be developed and reported upon on a regular basis.	Agreed, further detailed action to be discussed with management, which will be aided when the Taxi Licensing Team is embedded into Environmental Development with other licensing functions. John Copley - Head of Service – Environmental Health Tony Payne – Support, Development and Licensing Manager December 2008

Appendix A: Recommendations (Cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
2	●Two	**Proactive Enforcement Activity** At present there is no documented plan in place which details the extent of proactive enforcement activity which is to be carried out by the Enforcement Officer. We understand that the following activities take place: • activity relating to on-street enforcement is carried out most weeks; • regular visits to operators with evidenced checks on operating conditions are not carried out; • there is some targeting in relation to plying for hire campaigns, however the rationale, extent and frequency is not documented; and • a public awareness campaign was held 18 months ago, however, there are no plans in place to repeat the exercise in the near future. We understand that the activities of the Enforcement Officer and outcomes are not formally monitored and reviewed by management, with details reported to the Private Hire and Taxi Licensing Sub Committee.	The Authority may not be able to easily evidence how it discharges its responsibilities in relation to taxi licensing enforcement.	An enforcement activity plan should be established. This should be reviewed and updated each year to take into account changing circumstances and risks to the Authority. Once the plan is developed, the work of the Enforcement Officer should be reviewed and monitored by management. The outcomes of specific activities in terms of their success and any required follow up action should be reported to the Private Hire and Taxi Licensing Sub Committee.	Agreed, further detailed action to be discussed with management, which will be aided when the Taxi Licensing Team is embedded into Environmental Development with other licensing functions. Tony Payne – Support, Development and Licensing Manager April 2009

#	Priority	Issue	Risk	Recommendation	Management Response
		Issue of Vehicle Licensing Plates			
3	●One	To provide evidence that a vehicle has been approved as an authorised taxi, a vehicle plate (MOGO) and identification stickers are issued by the Authority for display on each vehicle. The plate and stickers act as a visible sign providing assurance as to validity and safety of each vehicle. Each plate details the vehicle make, colour, registration and licence expiry date, and plate number. The plate number is controlled within the licensing team. The current system for generating the vehicle plate and stickers is outside of the general licensing system LalPac, and is not controlled in terms of matching the issue of plate numbers to approved vehicle licences, or fees received. As a consequence, the generation of plates and stickers could occur where a formal licence has not been granted. At the time of the audit the Senior Taxi Licensing Officer was aware of the lack of control over the physical issue of the plates. We understand that it would be possible to produce plates from the LalPac system, however, this would require a system upgrade, the costs of which are unknown to the Taxi Licensing Team. In addition, it was identified through discussion that there is no control over the physical fitting of plates licensed vehicles.	A plate could be issued to an unlicensed vehicle owner. An unapproved vehicle may be operating which could present a risk to public safety.	The Authority should identify the costs involved in upgrading the current LalPac system to enable the direct production of vehicle plates. If it is decided that the upgrade of the system is not financially viable, alternative controls for the issue of plates and stickers should be developed, for example: • Unique sequential referencing of plates and stickers issued, with the Lalpac System updated with unique reference; • Control lists of plates and stickers issued by unique sequential reference; • Physical inventory controls over plates and stickers including periodic checks of stock against issues; and • Reconciliation of the actual number of plates issued to fee income received. The Authority should ensure that it physically fits vehicle plates and to all licensed vehicles.	Agreed, further detailed action to be discussed with management, and subject to necessary software capabilities/development and associated costings. Tony Payne – Support, Development and Licensing Manager April 2009

Appendix A: Recommendations (Cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
		Drivers Badges			
4	●One	The driver's badge is an immediately visible sign that provides some assurance to passengers that drivers have been approved by the Authority. The issue of the badge and the driver licence document evidences that relevant checks, for example, DVLA and the Criminal Records Bureau have been carried out. The general licensing system, LalPac, is able to print drivers badges, linking the issue of the badge to the issue of the licence. However, we understand that the Authority does not utilise this system for printing badges as it does not feel it should disclose the drivers full name on each badge. We believe that the display of the drivers full name will not raise any significant risk to the driver. The printing of badges outside the LalPac system, has identified control weaknesses as there is no reconciliation of issued badges to issued drivers' licences and fees received. In addition, the generation of badges could occur when a licence has not been granted.	A badge could be issued to an unlicensed driver. An unapproved vehicle may be operating which could present a risk to public safety.	The drivers badge should be printed from the LalPac system to minimise control weaknesses. If it is decided that the printing of badges should continue outside the LalPac system, alternative controls for the issue of badges should be developed, for example: • Unique sequential referencing of badges issued, with the Lalpac System updated with unique reference; • Control Lists of badges issued by unique sequential reference; and • Reconciliation of number of badges issued to fee income received.	Agreed, further detailed action to be discussed with management, and subject to necessary software capabilities/ development and associated costings. Tony Payne – Support, Development and Licensing Manager April 2009

Appendix A: Recommendations (Cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
		Return of Vehicle Licence Plate			
		A vehicle licence is subject to an annual renewal, with a new licence plate issued each year. At present, vehicles owners are required to return the previous years vehicle plate when a renewal takes place. In addition, the plates are required to be returned when a vehicle licence has expired or has been suspended. For all three instances, renewal, expiry, and suspension the onus is upon the vehicle owner to return the licence plate to the licensing team at Ramsey House. The issue of a new licence plate under a renewal is subject to receipt of the required licence fee and is currently not linked to the return of prior years licence plate.	An unapproved vehicle may be operating with a prior year or suspended licence plate which may present a risk to public safety.	The taxi licensing team should keep a log sheet at reception relating to expected returns of licence plates. This should be updated by reception for returns received. The licensing team should regularly monitor returns and issue reminders to vehicle owners whose expired/suspended plates have not been received. The Authority should only renew a vehicle licence and issue a new plate upon receipt of the prior year plate and the current years fee.	Agreed, further detailed action to be discussed with management. Phillip Pirouet – Senior Taxi Licensing Officer Jill Cramer - Senior Taxi Licensing Officer December 2008
5	●One	Our testing identified one case (out of one) where a licence had been suspended and nine cases (out of ten) where licences had been renewed. However, the plates were not returned on or near the date of suspension. Of these ten there is no evidence of nine plates being returned at all. Old licence plates are returned to the reception at Ramsey House. However, there is no formal monitoring mechanism over those licence plates returned against those which should be returned. We understand from taxi licensing officers that within the industry there is an element of self regulation, which may highlight use of out of date plates. For example, if a vehicle had a prior year plate the industry would report this to the Authority. This would serve to identify unauthorised use, rather than stop the unauthorised use.			

Appendix A: Recommendations (Cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
		Enforcement Checks			
6	•Three	Due to the current licensing system, timing differences may occur in the expiry dates of key areas of validation and the expiry of actual vehicle and drivers licences. For example, the expiry of vehicle insurance, vehicle MOT, driver CRB checks and driver medical checks may not necessarily fall at the same time a vehicle or drivers licence is to be renewed. As a consequence a monthly check on those areas which are due to expire over the next 4 weeks is carried out within the taxi licensing team with reminders issued to vehicle and licence owners, requesting revised documents to be submitted. The letters are printed direct from the LalPac system. If vehicle and licence owners fail to produce documents, their licences are suspended. As this check is completed only once a month, there is a risk that notifications are not issued on a timely basis to those individuals whose expiries occur within the first half of the month in question. In addition, it is acknowledged that in the instance of CRB checks, these take longer than a month to be validated.	Vehicle and driving licence owners may not have adequate time to make arrangements to fulfil their obligations.	The timing of issue of reminder letters should be reviewed against the time it takes to complete a validation, for example, CRB and medical reminders should be issued at least two months prior to expiry. The issue of letters should take place on a weekly basis to ensure that all vehicle and driving licence owners have adequate time to respond to reminders without their licences being suspended.	Agreed, further detailed action to be discussed with management. Phillip Pirouet – Senior Taxi Licensing Officer Jill Cramer - Senior Taxi Licensing Officer April 2009

Appendix A: Recommendations (Cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
7	●Two	**System Exception Reports** An important control over the accuracy of data is the use of exception reports which can be reviewed by management to assess breaches of pre set criteria. The reporting tools available with the current version of LalPac are not considered to be effective by the Senior Taxi Licensing Officer. A system upgrade for LalPac is currently overdue. Given the quantitative nature of some parts of the requirements of the licensing process, it is felt that developing these reports would provide management with additional comfort that licences issued have been approved in accordance with policy. Such reports could include those which highlight any licenses issued where the applicant driving licence exceeds a specific number of penalty points, or licenses issued outside agreed timetables.	Management controls may not be effective.	The current version of the LalPac software should be upgraded to a version with more functionality for exception reporting. Management should decide on those exception reports it considers to be key and should produce and review them on a monthly basis to ensure that licenses are not issued to any person or vehicle that breaches key criteria of the delegated powers. This may include the number of penalty points on the license, overdue licenses, and licenses which have not been processed within prescribed timescales.	Agreed, further detailed action to be discussed with management, and subject to necessary software capabilities/ development and associated costings. Tony Payne – Support, Development and Licensing Manager April 2009
8	●Three	**Application checks** A review of the checks carried out on driver applications identified the following: • At present, CRB checks are completed once every 3 years (which is in accordance with good practice), where as DVLA checks are completed annually. As a consequence any driving offence would be picked up on a regular basis by the taxi licensing team, however a criminal offence would not be. • There is no fixed criteria for acceptable proof of residence when a new driver application is made. As a consequence, more informal proof of residence such as a mobile phone bill may be accepted, rather than more formal evidence such as utility bills or bank statements.	Checks on driver applications may not be deemed to be robust in some circumstances.	The Authority should consider completing CRB checks on an annual basis along with DVLA checks and should consider only accepting more formal proofs of residence.	Agreed, further detailed action to be discussed with management, and members, as any additional checks will incur costs which may require a fee increase. Phillip Pirouet – Senior Taxi Licensing Officer Jill Cramer - Senior Taxi Licensing Officer April 2009

Appendix A: Recommendations (Cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
9	●Two	**Segregation of duties** The process for obtaining a licence requires the applicant to 'fulfil' certain criteria and pass a number of tests. Some of these tests are performed by the taxi licensing team with limited segregation of duties, for example, Standard of English Test and Knowledge Test are carried out within the team, and by officers who approve the overall application. The award of Certificates of Compliance is carried out at City Works. However, at present, the current system requires staff in the licensing team to update the LalPac system with test results, rather than City Works staff, once again limiting the segregation of duties. Segregation of duties would be significantly improved if the licensing team ensured separate officers completed assessment tests and City Works were able to independently update the licensing system LalPac with their own findings/testing results.	The weakening of segregation of duties may lead to licenses being issued inappropriately.	A review of duties within the licensing team should take place to ensure that there is adequate segregation of duties in approving each stage of an application. Due to the size of the team, consideration should be made to having support from other teams within the Authority to assist in some specific tests. All centres that run tests which contribute to applicants obtaining a license should be connected to LalPac. This will enable them to update the licensing system without requiring the licensing team to do this task on their behalf.	Agreed, further detailed action to be discussed with management, which may also be aided when the Taxi Licensing Team is embedded into Environmental Development with other licensing functions. Phillip Pirouet – Senior Taxi Licensing Officer Jill Cramer - Senior Taxi Licensing Officer April 2009

Appendix A: Recommendations (Cont'd)

#	Priority	Issue	Risk	Recommendation	Management Response
		Enforcement Service Level Agreements			
10	●Two	It is against the taxi licensing regulations for private hire vehicles to ply for hire, ie. be flagged down on the street and accept trade. Private hire vehicles are only allowed to accept trade through pre bookings. On occasions during the year proactive enforcement activity takes place in the form of night exercises whereby the Authority attempts to identify private hire vehicles plying for trade, and as such contravening regulations. Due to there only being four members of the taxi licensing team (all who have been in post for a number of years), assistance is required from unrecognisable officers outside the team, to conduct such exercises. Discussions with the licensing team identified that the exercises which have taken place have been beneficial with traders caught not complying with the regulations. However, due to the time involved in such exercises and it's follow up work, other departments within the Authority have not been proactive to assist the team in such exercises. There currently is no formal SLA held with other departments for arrangements to borrow staff and recompense them for their assistance in these enforcement activities.	Enforcement activity may not be conducted effectively in the future, thus, increasing risks of public safety.	A formal SLA should be developed with other departments within Authority to enable the licensing team to borrow staff to assist in enforcement activities. The SLA should include arrangements to recompense departments for use of staff as well as for individuals in respect of working unsociable hours.	Agreed, further detailed action to be discussed with management, which may also be aided when the Taxi Licensing Team is embedded into Environmental Development with other licensing functions. Tony Payne – Support, Development and Licensing Manager April 2009

Appendix B: Driver Application process

Process flow (left column, top to bottom):
- Application received. Driver requested to attend interview.
- Interview held. Check of Passport of applicant, visa/work permit DVLA licence/ Standard of English.
- Details entered onto LalPac. DVLA request Submitted.
- DVLA return Acceptable. Request to attend knowledge test.
- CRB check completed and Accepted.
- Driving tests and Medical form Completed.

Process flow (right column, bottom to top):
- Licence Granted. Invoice issued. Payment received.
- Issue of documented licence and Badge.
- Annual review check.
- Application received and reviewed. Re-input into Lalpac.
- Review date of expiry CRB Medical.
- DVLA checked

We have documented opposite the process relating to the issue of driver licences which is carried out in the licensing team, and have detailed below a high level assessment of the control environment:

✓Identification is checked at interview with signatures used as a cross check for further stages within the process.

✓The application process is staged such that the application has to be successful at criteria stages before it can proceed to the next.

✓CRB checks are requested directly by the in-house team which has improved the timeliness and control over the results received.

✓Drivers need at least 2 years post licence experience to qualify for a licence.

✓An annual review ensures up to date information is held, in particular in relation to driving convictions.

✓The documented licence is printed from the LalPac system which keeps a record of the licence and the member of staff who printed the licence.

✓The Licence Badge has an expiry date which helps passengers to identify that a driver is currently approved by the Authority.

✗Physical badge printing takes place outside of the LalPac system.

✗The number of badges issued is not reconciled to income received.

✗There is limited segregation of duties throughout the application process, with only one person in attendance at interview and knowledge test.

✗There is no set criteria in terms of acceptable proof of residence.

✗CRB checks are completed once in every 3 years, which is inconsistent to DVLA checks.

✗Performance indicators have not been set to identify effectiveness of service delivery.

Appendix C: Vehicle Application process

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┌─────────────────┐        ┌─────────────────────┐
│                 │        │  Check insurance    │
│   Application   │        │  validity and date. │
│    received     │        │  Print new MOGO     │
│                 │        │  plate and collect  │
│                 │        │  old MOGO plate     │
└─────────────────┘        └─────────────────────┘
        │                           ▲
        ▼                           │
┌─────────────────┐        ┌─────────────────────┐
│                 │        │  Check if MOT is    │
│  Application is │        │  less than 8 weeks  │
│    checked.     │        │  old, otherwise     │
│                 │        │  arrange for a new  │
│                 │        │  MOT test.          │
└─────────────────┘        └─────────────────────┘
        │                           ▲
        ▼                           │
┌─────────────────┐        ┌─────────────────────┐
│ Details entered │        │                     │
│ onto the LalPac │        │  Annual Renewal     │
│    system.      │        │  Process            │
│                 │        │                     │
└─────────────────┘        └─────────────────────┘
        │                           ▲
        ▼                           │
┌─────────────────┐        ┌─────────────────────┐
│  Arrangements   │        │                     │
│   made for      │        │  Monthly check to   │
│  certificate of │        │  identify expiry of │
│ compliance (MOT)│        │  insurance and MOT  │
│ to be received. │        │                     │
└─────────────────┘        └─────────────────────┘
        │                           ▲
        ▼                           │
┌─────────────────┐        ┌─────────────────────┐
│  Check vehicle  │        │ Issue licence and   │
│ registration,MOT│        │ MOGO plate (fitted  │
│  and insurance  │───────▶│ for new by City     │
│  certificate.   │        │ works)              │
│                 │        │ Invoice raised      │
│                 │        │ Payment received    │
└─────────────────┘        └─────────────────────┘
```
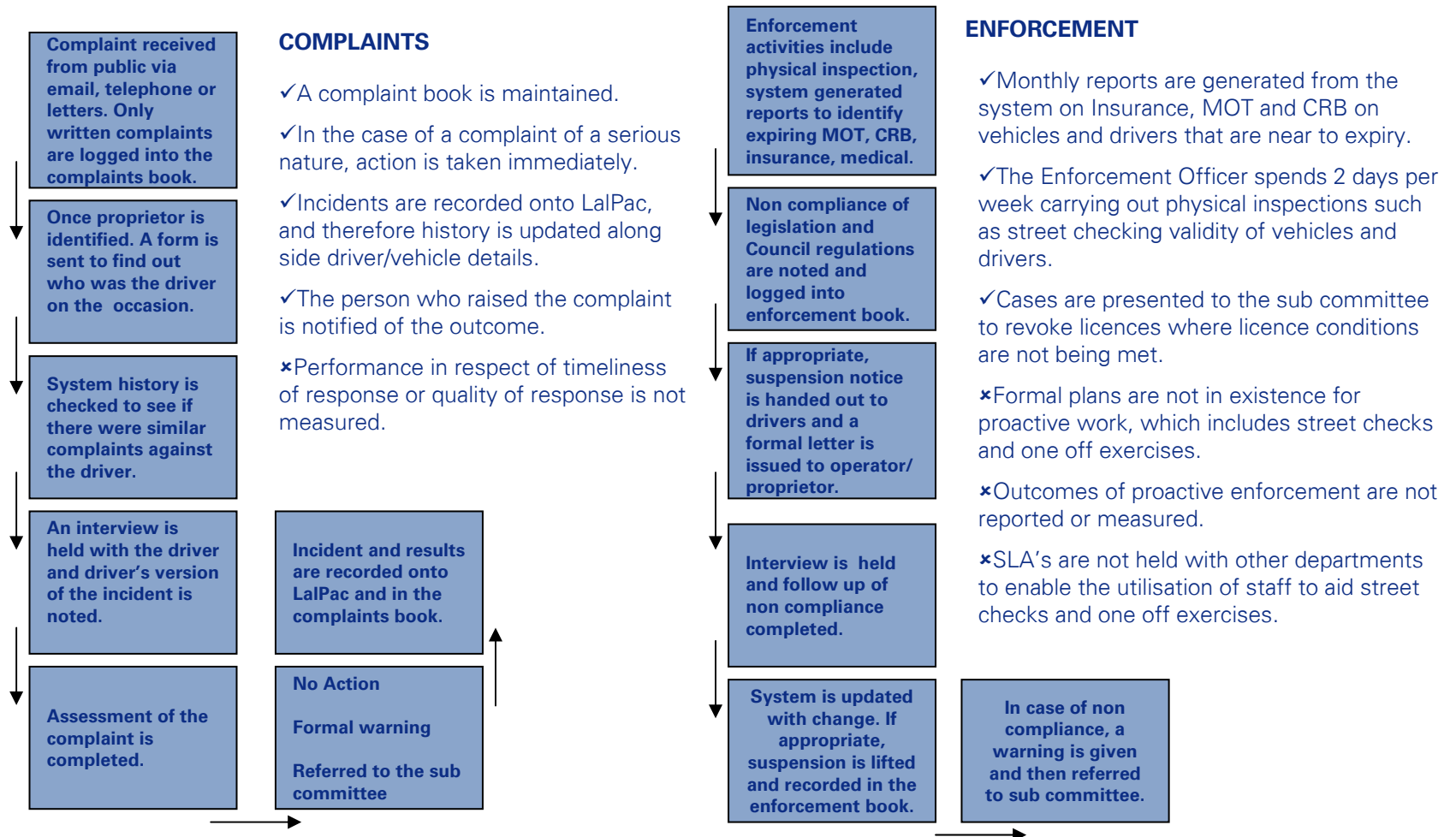
We have documented opposite the process relating to the issue of vehicle licences which is carried out in the licensing team, and have detailed below a high level assessment of the control environment:

✓The vehicle registration is checked to confirm ownership of the vehicle and that the vehicle is less than 6 years old.

✓A monthly insurance and MOT review is generated by the LalPac system to highlight those applications nearing expiry.

✓The Authority ensures that the MOT is not more than 8 weeks old at approval stage.

✓The MOT test for Hackey Carriage vehicles are completed independently by City Works.

✓The application process is staged such that the application has to be successful at criteria stages before it can proceed to the next.

✗There is limited segregation of duties throughout the application process.

✗City Works do not directly update the LalPac system for Hackney Carriage MOT's.

✗There are limited controls over the printing and issue of vehicle plates.

✗The number of plates issued is not reconciled to income received.

✗The Authority does not control the fitting of plates and stickers to Private Hire taxi's.

✗Performance indicators have not been set to identify effectiveness of service delivery.

Appendix D: Enforcement process

The enforcement process can be categorised into two areas, complaints and proactive enforcement. We have documented below the process relating to these activities, and detailed a high level assessment of the control environment:

Complaint received from public via email, telephone or letters. Only written complaints are logged into the complaints book.
Once proprietor is identified. A form is sent to find out who was the driver on the occasion.
System history is checked to see if there were similar complaints against the driver.
An interview is held with the driver and driver's version of the incident is noted.
Assessment of the complaint is completed.

Incident and results are recorded onto LalPac and in the complaints book.
No Action **Formal warning** **Referred to the sub committee**

COMPLAINTS

✓A complaint book is maintained.

✓In the case of a complaint of a serious nature, action is taken immediately.

✓Incidents are recorded onto LalPac, and therefore history is updated along side driver/vehicle details.

✓The person who raised the complaint is notified of the outcome.

✗Performance in respect of timeliness of response or quality of response is not measured.

Enforcement activities include physical inspection, system generated reports to identify expiring MOT, CRB, insurance, medical.
Non compliance of legislation and Council regulations are noted and logged into enforcement book.
If appropriate, suspension notice is handed out to drivers and a formal letter is issued to operator/ proprietor.
Interview is held and follow up of non compliance completed.
System is updated with change. If appropriate, suspension is lifted and recorded in the enforcement book.

In case of non compliance, a warning is given and then referred to sub committee.

ENFORCEMENT

✓Monthly reports are generated from the system on Insurance, MOT and CRB on vehicles and drivers that are near to expiry.

✓The Enforcement Officer spends 2 days per week carrying out physical inspections such as street checking validity of vehicles and drivers.

✓Cases are presented to the sub committee to revoke licences where licence conditions are not being met.

✗Formal plans are not in existence for proactive work, which includes street checks and one off exercises.

✗Outcomes of proactive enforcement are not reported or measured.

✗SLA's are not held with other departments to enable the utilisation of staff to aid street checks and one off exercises.

# Appendix E: Testing the operation of controls

Taxi licensing

We tested a sample of new and renewed drivers licences and new and renewed vehicle licences to assess if taxi licensing procedures were followed and income due collected. The sample included both Private Hire and Hackney Carriage. We also reviewed complaints and enforcement activity.

Testing of taxi licensing controls

The following criteria was adopted:

Was appropriate action taken for breaches of licence conditions / complaints?

B Have Hackney Carriage and Private Hire Drivers (new applicants) met Council requirements?

C Have Hackney Carriage and Private Hire Drivers (renewal applicants) met Council requirements?

D Was income received before licences were issued?

E Did new vehicles (Hackney carriage and Private Hire) meet Council requirements?

F Have appropriate checks (MOT/Insurance) been undertaken on renewed vehicles?

G Have all licence plates been returned in relation to renewed vehicles?

Taxi licensing controls and compliance
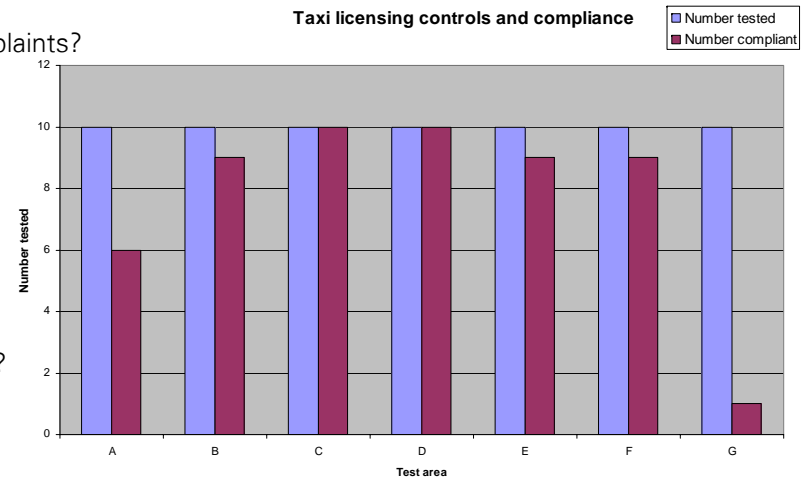
Key findings

A complaint was not recorded on the LalPac system, although it appeared in the complaints book and had been investigated (A).

One driver interview had not taken place although he held 9 penalty points on his licence (A).

Two vehicle plates were not returned on or near to the date of vehicle suspension (in excess of 8 week delay) (A).

DVLA check was not evidenced for one new driver (B).

Evidence of vehicle age was not obtained within the application process for one new vehicle (E).

One vehicle application renewal was not signed by the applicant (F).

Vehicle plates were not evidenced as returned for 9 of the 10 renewals tested (G).

Conclusion

The controls in place are only partially effective.

Appendix F: Comparison with Good practice

We have reviewed the procedures adopted by the Authority, and compared these to the National Association of Taxi and Private Hire Licensing and Enforcement Officers (NATPHLEO) good practice guide. Our findings are based on discussion with staff and some corroboration as part of our work.

Areas covered in the good practice guide	OCC's current position as at July 2008
Policies appertaining to licensing have been approved and minuted by the Authority. To include convictions (limitations), vehicle standards (age, vehicle fitness manual), medical standards,	✓
Delegations of the 'authorised officer' have been documented and minuted by the Authority. (roles to include - to give evidence in proceedings, sign licences issued, inspect specific documented, remove plates, inspect and test vehicles and / or taxi meter).	✓
Application forms are in place along with guidelines, which includes details of conditions applied to licences. Including, original copies of documents are only accepted as evidence.	✓
A Public Register of licences granted should be available for public inspection, giving information in respect of: •Hackney Carriage Vehicles – details of licence granter, proprietors' name and address, offences committed by proprietor, offences committed by driver. •Private Hire Drivers – name of driver, date and period of granted licence, licence number.	✓
Display of revised fees for at least 28 days to allow for objections to be made. Notification of tariff for Hackney Carriage in local newspaper, and confirmed within a period of 2 months.	✓
Issue of reminders to licences in advance of expiry as no grace period is in place.	✓
A decision to refuse, suspend or revoke a licence, the applicant/licence holder should be informed in writing giving reasons for the action, and the right to appeal.	✓
Appeals process in place for challenges of decisions. This could be to a Council Committee initially. Appeals to be made within 21 days of receiving notification.	✓

Appendix F: Comparison with Good practice (Cont'd)

Areas covered in the good practice guide	OCC's current position as at July 2008
Operators must be deemed 'fit and proper person'. Based upon business record, CRB Check, business references, Company House Search.	✓
Operators base should be within the local authority area, operators licence should list all addresses from which the business is run. Insurance should be in place in relation to Public Liability, and potentially Employers Liability with copies held on file.	✓
Records of bookings should be kept by Operators, names, addresses, pick up times and vehicles should be documented, thus enabling investigation if complaints occur.	✓
Driver licence application form and checks to include – CRB, full DVLA licence, NI number, Birth Certificate, Passport, Photograph for ID badge, references, medical form, knowledge tests, driving ability test, fee receipt prior to issue of licence	✓
Vehicle application form and checks to include- fitness certificate, annual inspection or up to 3 times a year, valid MOT, insurance cover, licence plate, roof sign for HC, registration document, valid and displayed vehicle excise disc, vehicle identification corresponding with registration document, chassis number corresponding to registration document, vehicle standard meets requirements of Road Traffic Acts, validation of taximeter to rates, fire extinguisher, first aid kit.	✓
Licence plates should include, licence number granted by the Authority, registration number, make, model, expiry date of line, number of passengers to carry	✓
Interim stop checks of vehicles, issue of warning letters for minor defects, immediate notice of suspension for major breaches.	✓

Conclusion
The overall design of systems accord with the good practice elements as detailed above.

Appendix G: Summary of work completed and risks reviewed

Our work involved:

- Identifying and documenting controls in place through discussion with staff;

- Testing key underlying controls to confirm that they have operated;

- Evaluating the adequacy of existing processes and controls; and

- Highlighting areas for improvement and / or streamlining.

Work undertaken	Risks reviewed
• Investigated if an up to date taxi licensing plan/strategy has been drawn-up and approved by the Authority.	• No taxi licensing strategy is in place detailing the purpose and direction of the team
• Picked a sample of alleged and actual breaches of license conditions identified through complaints and enforcement activities and investigated if actions were taken by taxi licensing office.	• Individuals are able to drive taxis illegally without being properly checked by the Council.
• Obtained a copy of the budget book for the 2008/9 financial year. Obtained monthly budget monitoring reports for taxi licensing and for the first two months of the year and confirmed that performance against budget has been reviewed, and that explanations for variances have been given.	• The Council is breaching its duty of care to the general public by employing individuals who are not fit to drive (with convictions or ill health).
• Reviewed 10 new driver licenses to check if the Authority's policies were complied with.	• Income is misstated in the general ledger and posted to wrong accounts.
• Reviewed 10 renewed drivers licenses to check if the Authority's policies were complied with.	• General public at risk from vehicles which are in breach of health and safety requirements.
• Reviewed 10 new and renewed drivers to test if council income is posted to the right account.	• There are no controls in place or the control is designed ineffectively.
• Reviewed 10 new vehicles licenses to check if the Authority's policies were complied with.	• Taxi licensing team does not attend sub-committee meetings and do not report cases to the sub-committee, but makes decision themselves. Also, sub-committee does not provide reasons for their decisions.
• Reviewed 10 renewed vehicle licenses to check if the Authority's policies were complied with.	• No business plan or strategy is considered and members do not take part in strategy making of the taxi licensing unit.
• Obtained February 2008 sub committee report and picked a random sample of three licenses to ensure that sub-committee made decisions on each to revoke the license.	
• Obtained January 2008 general purposes committee report and minutes to ensure that decisions are made by Members on proposals made by the taxi licensing team.	

Performance Information

We have documented below the performance against the indicators included in the Protocol for the routine internal audit reviews:

Performance Area	Performance Target	2008/09 Performance to date
Issue Terms of Reference	15 days before start on site (target 100%)	100% (4 out of 4) ☺
Issue Draft Report	Within 15 days of final debrief (target 100%)	100% (2 out of 2) ☺
Management response to routine audit reports	Within 10 days of draft report (target 100%)	50% (1 out of 2) ☹
Issue Final Report	Within 10 days of management responses (target 100%)	100% (2 out of 2) ☺

We have documented prior year performance below for information:

Performance Area	Performance Target	2007/08 Performance	2006/07 Performance	2005/06 Performance
Issue Terms of Reference	15 days before start on site (target 100%)	88.9% ☺	88.9% ☺	66.6% ☹
Issue Draft Report	Within 15 days of final debrief (target 100%)	64.7 % ☹	83.3% ☺	83.8% ☺
Management response to routine audit reports	Within 10 days of draft report (target 100%)	23.53% ☹	55.5% ☹	50% ☹
Issue Final Report	Within 10 days of management responses (target 100%)	100% ☺	100% ☺	100% ☺

Audit Committee reporting schedule

Audit Committee Date	Proposed reports	
25th June 2008	•Progress report 1 •(Annual Report 2007/08) •(Progress report 2007/08 6)	
24th July 2008	Progress update	
23th September 2008	•Progress report 2	•Taxi Licensing •Car Parking
25th November 2008	•Progress report 3 •Business Continuity/Disaster Recovery •Data Security •Single Status Model	
23rd December 2008	•Progress report 4 •Building Control/Planning/Enforcement •Local Financial Systems	•Housing Repairs
27th January 2009	•Progress report 5 •Benefits •Local Taxation	•Core Financial Systems (AR/AP/MAS/Treasury) •Housing Repairs
24th March 2009	•Progress report 6 •Payroll •Fixed Assets	•Corporate Governance •Leaseholders •Health and Safety Follow up
28th April 2009	•Annual report	