



# GEDLING BOROUGH COUNCIL

## INTERNAL AUDIT REPORT

TAXI LICENSING  
DECEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

IDEAS | PEOPLE | TRUST



EXECUTIVE SUMMARY .....	2
DETAILED FINDINGS .....	4
STAFF INTERVIEWED .....	10
APPENDIX I - DEFINITIONS.....	11
APPENDIX II - TERMS OF REFERENCE .....	12

#### DISTRIBUTION

Alison Ball	Director of Corporate Resources
Paul Adcock	Head of Finance and IT
Melvyn Cryer	Head of Environment
Kevin Nealon	Community Protection and Pollution Control Manager

#### REPORT STATUS LIST

Auditors:	James Savigar
Dates work performed:	15 March - 1 June 2021
Draft report issued:	8 June 2021
Final report issued:	1 December 2021

**EXECUTIVE SUMMARY****LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)**

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

**SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I FOR DEFINITIONS)**

High	0
Medium	2
Low	1

**TOTAL NUMBER OF RECOMMENDATIONS: 3****BACKGROUND:**

The Council is responsible for the licensing and enforcing of hackney carriages and private hire vehicles under the Town & Police Clauses Act 1847, the Local Government (Miscellaneous Provisions) Act 1976 & Transport Act 1985. It has set public safety as paramount importance in respect of the taxi service.

Any vehicle which can carry up to 8 paying passengers must be licensed as must the driver and the operator. Applicants must apply for a license and meet basic requirements of being at least 21 years old and a holder of a full EU driving license. There are a number of additional checks that must also be undertaken including an enhanced Criminal Records Bureau, Group 2 medical test, DVLA checks and driver competence tests.

The Council sets out its controls for processing applications, granting licenses and completing vehicle inspections in its Statement of Policy and Guidelines for the Licensing of Hackney Carriage Drivers, Private Hire Drivers and Private Hire Operators and the Gedling Borough Council Licenses Hackney Carriage & Private Hire Vehicle Specification, Inspection and Testing Manual which can be found on the Council website.

Between the period of 1 April 2019 and 30 October 2020 the Council booked 2,838 vehicle inspections and as per the Council's statutory submission to the Department for Transport there were 686 taxis licensed to the Council as of 31 March 2020.

**GOOD PRACTICE:**

- The Council met its statutory requirement to submit its annual return to the Department for Transport setting out its key taxi license data, including the number of licensed vehicles and its vehicle specification policies
- The Council carries out multi-agency enforcement operations on a quarterly basis where they conduct spot-checks on vehicles to identify any potential faults which have not been addressed by drivers, potentially leading to the suspension of licenses where appropriate

- There is a comprehensive checklist in place for Licensing Officers to use when completing the review of license applications to ensure all evidence required to approve an application has been received and verified
- There is a documented Taxi License Process Flowchart which clearly sets out the steps required during the application review process, who is responsible for each of these steps and when the application is required to be escalated to the Environment & Licensing Committee or the Complaint Application Review Panel.

#### KEY FINDINGS:

- There is insufficient evidence obtained and recorded during vehicle inspections carried out by the Council to substantiate the results of the inspection and no documented review process (Finding 1 - Medium)
- There is a lack of management reporting taking place within Licensing to monitor the service's performance, eg covering number of licenses processed and vehicles inspected (Finding 2 - Medium)
- The license application review checklist completed by Officers when assessing a driver's application has not been updated to incorporate the checks carried out against the National Anti-Fraud Network (NAFN) database. Furthermore, there is no evidence uploaded to the Uniform system to verify the result of the check and the Council has not yet implemented processes to contribute to the database (Finding 3 - Low).

#### CONCLUSION:

Overall, we identified three findings relating to the Council's taxi licensing controls. We found that the Council has clearly communicated responsibilities for its licensing staff and robust policies in place to communicate its processes for obtaining licenses to the public. We also found that the Council was engaging with other agencies in the area including the Police and other Local Authorities to inspect vehicles to identify any unreported faults which may require enforcement action. However, we found a lack of controls to evidence the results of vehicle inspections carried out by the Council and insufficient evidence was recorded on Uniform to substantiate the results of checks against the NAFN database carried out during assessment of the driver license applications. We also identified a lack of management reporting within Licensing. As such we have concluded on moderate assurance over the control design and moderate assurance over the control effectiveness.

## DETAILED FINDINGS

### RISK: INACCURATE/INCOMPLETE RECORDS AND EVIDENCE TO SUPPORT APPLICATIONS AND RENEWALS INCLUDING INADEQUATE APPROVAL

Ref	Significance	Finding
1	Medium	<p>Before a License is granted in respect of a Hackney Carriage or Private Hire vehicle, the applicant must ensure that the vehicle is suitable in type, size and design for use as a Hackney Carriage or Private Hire vehicle in accordance with the standards laid down by the Council in the 'Gedling Borough Council Licensed Hackney Carriage &amp; Private Hire Vehicle Specification, Inspection and Testing Manual.'</p> <p>The Council enforces this by undertaking vehicle inspections every six months on vehicles seeking licenses. During the six monthly inspection the mechanic completes an inspection checklist to document the tests completed and whether the vehicle has passed or failed. If the vehicle passes the inspection and the owner is able to produce a valid MOT certificate, insurance certificate, proof of ownership and a taxi meter calibration certificate then the vehicle can be granted a further six-month license. Vehicles that are less than one-year-old and have travelled less than 36000 miles can be granted an extended license for one year as opposed to six months.</p> <p>We reviewed a sample of 20 documented vehicle inspections between May 2020 and March 2021 to determine whether there was sufficient evidence to show the vehicle had passed the inspection and was suitable to be granted a license.</p> <p>Our review found that although the inspection checklist was being completed in all instances to document the result of each inspection in the sample, there was no further evidence to support the results in the form of photographs or videos uploaded to the Uniform file. Additionally, there is no requirement to have the inspection result reviewed or verified by a team lead or manager to substantiate the documented result, and this was found not to take place across the entire sample. Our discussions with management confirmed that there is no subsequent layer of approval following an inspection to grant a license prior to the driver collecting their plates from customer services.</p> <p>Unless there are strict criteria in place for obtaining evidence of inspection results and ensuring this evidence meets the criteria set out in the Council's Vehicle Specification there is a risk of inappropriate vehicles gaining a license to operate as a Hackney Carriage or Private Hire Vehicle.</p>

### RECOMMENDATION:

1. Update the vehicle inspection checklist used by workshop mechanics when documenting the vehicle inspections by adding in a comments section against each checklist criteria where the mechanic is required to provide a detailed narrative of what was identified during the inspection to substantiate the result. Following each inspection, the checklist should be reviewed and approved by a supervisor to confirm the checklist has been completed to a sufficient standard.

**MANAGEMENT RESPONSE:**

The form alteration is acceptable and we will arrange for this to take place.

A supervisor/manager will spot check the forms on an 'ad hoc' but pre planned scheduled basis.

Responsible Officer: Melvyn Cryer - Head of Environment

Implementation Date: March 2022

**RISK: INADEQUATE/INEFFECTIVE MANAGEMENT INFORMATION IRREGULARLY REPORTED AND NOT ACTED UPON**

Ref	Significance	Finding
2	Medium	<p>In order for management to effectively monitor activity relating to taxi licensing it is important for regular management information to be produced and disseminated to management, including details on applications processed, vehicles inspected and enforcement action taken as a minimum. This information can then be used by the management team to inform decision making.</p> <p>Our testing identified that there is no systematic reporting of robust management information which collates the important performance metrics such as the following:</p> <ul style="list-style-type: none"> <li>• The number of licenses current in place</li> <li>• The number processed in the month</li> <li>• The percentage of applications approved compared to the number received</li> <li>• The number of vehicle inspections completed</li> <li>• The percentage of vehicles passing inspections compared to the number of completed inspections</li> <li>• The number of complaints received</li> <li>• The number of complaints substantiated</li> <li>• What action was taken as a result of substantiated complaints</li> <li>• The number of licenses revoked.</li> </ul> <p>Whilst we found that managers will request reports on an ad hoc from staff, these would only include basic information such as a single metric (complaint investigations during a period for example) and would not be produced on a regular basis. There is a weekly update produced by the Licensing Technical Admin Assistant but this again only produces basic information on current outstanding work and produces it in a written email format which does not facilitate comparison of trends over a period.</p> <p>This increases the risk of decisions made by management not being supported by the available data and key information not being reported for actions to be identified and assigned to areas for improvement.</p>

**RECOMMENDATION:**

Monthly management reporting should be established for all basic licensing information including metrics such as those detailed in the finding above.

The service should determine which of these metrics is most important in terms of monitoring its performance and should set key performance indicators for these metrics, monitoring its performance against each of these in the management reports, including the trend from previous months.

**MANAGEMENT RESPONSE:**

Yes this would be useful to have information passed to management reporting on the metrics contained in the report as it could inform and allow for better decision making.

Responsible Officer: Kevin Nolan - Community Protection and Pollution Control Manager

Implementation Date: March 2022

**RISK: INACCURATE/INCOMPLETE RECORDS AND EVIDENCE TO SUPPORT APPLICATIONS AND RENEWALS INCLUDING INADEQUATE APPROVAL**

Ref	Significance	Finding
3	Low	<p>In order to operate a Hackney Carriage or Private Hire Vehicle a driver must first apply to the local authority to obtain a license. Once received the Customer Services team engage with the applicant to ensure all supporting information is obtained to process the application and the license fee is paid, at which point the application is passed to the Licensing team. The Licensing team then review the evidence to determine whether the applicant could be deemed a 'fit and proper person'. This includes the Officer completing a check against the National Anti-Fraud Network database to identify whether there is a record of the applicant having previously had a license revoked or denied by another authority which may not appear on DBS checks. If the evidence suggests the applicants status as a 'fit and proper person' is in doubt, then the application is referred to the Environment &amp; Licensing Committee and/or the Complaint Application Review Panel.</p> <p>The license application and supporting evidence is documented on the Council's Uniform system, along with a checklist completed by the Licensing Officer assessing the application which records the completion of the checks required by the Taxi Licensing Process Flowchart. We reviewed a sample of 15 applications over the period from March 2019 to March 2020 to determine whether there was sufficient evidence to support a license being granted.</p> <p>From our review we identified that the application checklists used by the Officers are currently outdated as they have not been revised to include a specific section to document the completion of the checks against the NAFN database, with all 15 of the applications reviewed documenting these checks in the comments section of the application by writing 'NAFN ok'. There is no further evidence of the completed check attached to the applicant's Uniform file to verify the result.</p> <p>Furthermore we identified that the Council does not yet fully engage with the NAFN process. Whilst it uses the database to perform checks against information uploaded by other authorities during the application review process, it does not contribute to the database by uploading instances where it has refused or revoked licenses.</p> <p>Unless there is sufficient documentation and evidence to support the completion of checks against the NAFN database, as well as sufficient contribution to the database by the Council, there is an increased risk of licenses being awarded to individuals who would not be deemed a 'fit and proper person.'</p>

**RECOMMENDATION:**

1. Update the application review checklist to include a specific section to record the result of the check of the NADN database.

2. When completing the check against the NAFN database take a screenshot of the search result to confirm no records have been identified which impact the applicants 'fit and proper person' status and upload these screenshots to the Uniform file.

3. Implement processes to begin contributing to the NAFN database by uploading any instances of license refusals or revocations.

#### MANAGEMENT RESPONSE:

For background information on this NAFN was made available to Licensing Authorities some time ago so that checks could be made with other Council's where a driver held a licence and that driver had been refused or revoked a licence or where there were other concerns. LA's are required to pay this service and it is used in other areas of the Council. Legal advice was sort about the use of it with regard to data sharing and signatories as well as incorporating it in the application process which needs to be consulted on and it was felt appropriate to include this in the Taxi Standards consultation which is due later this year.

Previous service managers indicated that they were happy for us to use it for checking applicants based on the level of agreement in place which officers have been doing this.

So to confirm my comments on the recommendations:

1. This has not been formally adopted by the Authority as a check for applicants. It is being incorporated in the Taxi Standards changes. The checklist will be updated then.
2. This will be incorporated when NAFN checks are adopted and the driver's record will be updated to reflect this.
3. This will be implemented when NAFN checks are adopted.

Responsible Officer: Kevin Nealon - Community Protection and Pollution Control Manager

Implementation Date: March 2022

**STAFF INTERVIEWED**

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Alison Ball	Director of Corporate Resources
Kevin Nealon	Community Protection and Pollution Control Manager
Paul Gibbs	Licensing Officer
Nic Bond	Customer Services Manager
Steve Fewkes	Workshop Operations Manager
Melvyn Cryer	Head of Environment
Brendan Cox	Scientific Officer - Public Protection
Andrea Snodin	HR & Training Manager

APPENDIX I - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

## APPENDIX II - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

The purpose of the audit was to provide assurance over the design and operating effectiveness of key controls in place over taxi/vehicle licensing.

### KEY RISKS:

- Inadequate strategy or policy in place not setting our protocols and/or is unapproved
- Ill-defined roles and responsibilities which are ineffective
- Inaccurate/incomplete records and evidence to support applications and renewals including inadequate approval
- Inadequate safeguarding arrangements leading to licenses being wrongly awarded and/or poorly monitored
- Ineffective enforcement as it is not targeted appropriately and/or effective
- Inadequate arrangements over complaints and appeals
- Inadequate/ineffective management information irregularly reported and not acted upon

### SCOPE OF REVIEW:

- Taxi and PHV Policy in place, including the checks which need to be undertaken to ensure a person is “fit and proper,” which is reviewed on a regular basis and approved by the Licensing Committee.
- Procedures are documented
- Testing of applications to verify that they are received and reviewed in a timely manner
- Appropriate evidence is retained to demonstrate completion of checks and basis for decision. Including for each applicant:
  - details
  - that all required checks have been undertaken
  - assessment of each case with a decision recorded
  - date of expiration including follow-up
  - revoking and cancelling invoices.
- Officers’ roles and approval ability are clearly identified through job descriptions and operational processes.
- Officers who approve applications have been licensed and therefore evidence to prove they have the skill set for completion of their role in the team.
- Policy in place covering “fit and proper” person standards, evidenced through testing
- Testing to ensure that a full record of applications is maintained clearly evidencing the safeguarding checks on individuals has been undertaken.
- Links in place with appropriate agencies to help identify relevant convictions which occur during the life of a license.
- Enforcement targeted to areas of known risk.
- Enforcement activity evidenced and complies with legislation
- Complaints are acknowledged within 3 days and appropriate progress communicated to applicants
- Investigations are undertaken, evidenced and outcomes communicated to applicants.

- Once investigation completed appropriate action is taken on a timely basis
- Testing to ensure that the processing of applications and decision-making is captured and reported appropriately with relevant action taken
- Statutory reporting data, as required, is validated and reported in a timely manner.

**FOR MORE INFORMATION:**

**Greg Rubins**

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright ©2019 BDO LLP. All rights reserved.