



Audit Objective To ensure that the Registration Service is adhering to the General Register Office (G.R.O.) regulations and requirements, and that recommendations from their Stock and Security Assurance inspection (February 2022) are being implemented.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Priority	Number	There is non-compliance with the Registration Service Act 1953 and the General Register Office (G.R.O.) regulations, which may lead to financial loss and reputational damage to the Council.	Medium
		Priority 1	3		
		Priority 2	7		
		Priority 3	1		
		Total	11		

Audit Scope
 The audit included a review of the following areas:

- (i) follow up of the recommendations from the G.R.O. Report of February 2022;
- (ii) follow up of the recommendations from the Registration Services Full Service Review (in-house review, 4th October 2021);
- (iii) controlled stationery stock control processes at the Registration Service offices (Town Hall, Hereford);
- (iv) income control and budget monitoring processes for the service to ensure that management has mitigated the risk of any potential irregular financial practices occurring. We agreed with senior management that we would review income records over the past two years as part of this key control area, in response to the GRO having expressed concerns over the potential for irregular financial practices. However all parties recognised that it will not be possible to carry out a reconciliation of income to the Council’s financial management system (Business World) if record keeping within the Service had been poor.

Key Findings



We found that controls in place regarding the allocation of keys to members of the Registration Service staff were poor. During site visits to the Town Hall, Hereford, a container with a variety of keys was shown to us; a senior member of staff stated that staff had been having their own keys cut. Subsequent enquires confirmed that this was a historic issue.

We submitted a request for a list of keyholders to the building to Facilities Management, however, it took over a week for them to provide this. It later transpired that they had contacted the Head of Practice Management (Governance & Law) to enquire as to whether she held keys, and to request that she complete an authorisation form if she did. This demonstrated that reliance cannot be placed on the level of accuracy around the Facilities Management Team’s keyholder records, and that they do not have a robust process in place for issue, monitoring and recovery of keys. This also casts doubt over their controls in respect of keys issued to staff for other Council Buildings.

As a consequence of this, we recommended the immediate recovery of all building keys within the Registration Service. However, despite the Head of Practice Management (Governance & Law) informing staff of the requirement to return all keys with immediate effect, this process proved difficult. In addition, as no guarantee can be provided that all keys have been or will be recovered, we have recommended that all Town Hall external locks be changed, with consideration also to be given to ensuring that there is a security pad on each of the doors which requires the reading of an ID badge, or alternatively, for a security code to be input.

Key Findings



Management for the Service has failed to physically secure the assets and property of the Council which increases the risk of theft or loss. Confirmation of this is demonstrated in the findings of both the Registration Service Review report (commissioned internally) of October 2021 and the G.R.O. Security and Assets Assurance Report of February 2022. Management’s disregard for both reports despite their adverse findings and requirement for prompt remedial action led to the Council being placed at risk of the G.R.O. appointing a Commissioner to oversee the Service.



The Council does not have a corporate process in place for commissioning, monitoring, follow up and reporting of findings from internal (non-Internal Audit) and external review reports. Therefore, there is a risk that other reviews commissioned around the organisation could be either ignored should management choose to do so, or are lost where there is a change of management.

There is an urgent need for this matter to be addressed as a corporate issue, with implementation of a central commissioning process for reviews, along with a reporting, monitoring and follow up process. All reports should be shared with assurance providers (including Internal Audit), so that these can be accounted for as part of the audit planning process, and should also then be fed into a future assurance mapping project.



Management of the Service has not implemented the majority of remedial actions outlined in the external regulator report and thus has failed to mitigate the risks which exposes the Council to financial loss and reputational damage.

A review of actions taken against the 17 recommendations from the G.R.O.’s February 2022 report confirmed that although all have been recorded on the Service Action Plan, drawn up by the Head of Practice Management (Governance & Law) in July 2022, we were only able to confirm that three had been completed. We have recommended that the Service Action Plan be updated at regular intervals to detail the current status of the recommendations and date of last review, along with the updating of target dates where these have changed.



Management has failed to effectively control and monitor the use of valuable stock items. There are poor controls in place for storage of stock, which can allow stock to be used out of sequence, or for Registrars to select stationery assigned to other Registrars. In addition, the stock control records were also found to be weak, with a lack of consistency in their layout. There are also no frequent stock takes, despite this being a G.R.O. requirement. Reconciliations to income and spoils have also not been completed.



Summary of Potential for Fraud:

The potential for fraudulent activity within the Service had been raised by the G.R.O. during their January 2022 inspection, reported in February 2022. They had expressed concerns regarding items of stock (750 certificates) that could not be located at that time, along with the potential for irregular financial practices. The certificates were not found until July 2022 following the transfer of the Service to the Governance & Law Directorate. The new Service manager: the Head of Practice Management (Governance & Law), instructed staff to carry out a thorough search which led to the certificates being found. The Proper Officer at the time of the inspection in January 2022 (who has since left the Service) had failed to report the missing certificates to the police until June 2022, which highlighted a complete disregard for the G.R.O.’s report, and the potential consequences for the Council should those certificates be used fraudulently.

A review of the income records and reconciliation procedures during the audit demonstrated that there had been a lack of controls in place, ranging from poor record keeping, a lack of segregation of duties, irregular banking of income and no reconciliations between stock issue records (which were also poor) and Business World. Owing to this, it is not possible to ascertain whether there has been any fraudulent activity over recent years.

While the risk of income being unaccounted for / understated in the financial records has been mitigated, as cash or cheques are no longer accepted as of 1st November 2022 (only card payments are accepted now), controls over the storage and issue of stock, as well as accounting for/reconciliation of spoils, remain a risk. It is therefore important that robust stock recording and reconciliation processes are introduced to ensure that all used certificates and spoils can be accounted for and used stock is balanced to income.

Assessment of Potential for Fraud:

Prior to the audit, we identified that there was potential for fraud within the following areas:

Potential for Fraud	Mitigation / Residual Risk
1) Potential theft of controlled stationery (blank certificates), owing to poor stock control records, and poor storage methods, both in the strong room and when stock pads in current use are held in the office during the day.	While the latter has been addressed, stock control records and storage within the strong room still require enhancements. These issues have been addressed within the findings in Appendix 1.
2) Lack of any controls over income collection, banking and reconciliation.	<p>While this has been addressed through the cessation of cash and cheques being accepted by the Service, it is not possible to ascertain whether all income has been accounted for over the past few years, owing to a lack of controls / acceptable processes in the following areas:</p> <ul style="list-style-type: none"> (i) Income has been paid in in bulk for different income types (e.g., births, deaths, marriages) rather than being paid in against different project codes; (ii) Income had been left for several weeks without being paid in, thus making reconciliation much more difficult; (iii) Details of cheques paid in were not recorded clearly, or in some cases, not recorded at all on the bank deposit slips; (iv) There was no segregation of duties between receipt and banking of income. Registrars paid in their own income, thus removing any level of control / challenge. <p>The lack of controls detailed above have made it impossible for the Practice Management Officer to carry out any reconciliations further back than August 2022, thus meaning that it is not possible to ascertain whether there has been any fraud committed in terms of income for the Service.</p>

Background Information / Summary

Background:

The Director: Resources and Assurance requested an audit of the Council's Registration Service in August 2022. The Head of Practice Management had brought the Service issues to his attention after having been assigned the task of overseeing the Service improvements required by the G.R.O. in July 2022 following the transfer of the Service to the Law & Governance Directorate. The G.R.O. had notified the Registration Service of serious outstanding issues identified during their January 2022 inspection; they detailed these in their Stock and Security Assurance: February 2022 report. The G.R.O. had reviewed ten criteria during their visit to the Registration Service offices at the Town Hall in January 2022. Of those criteria, two had been classed as high assurance, one was limited assurance, while the remaining seven were classed as low assurance. This led to the G.R.O. reporting that the Council "maintains Low security in relation to the security arrangements around the receipt, storage and use of the secure certificate stock held as assessed against the criteria", thus requiring immediate action.

Responsibility for the Service was moved from the Economy & Environment Directorate to the Law and Governance Directorate in July 2022 as part of a Council senior management restructure. The Head of Practice Management (Governance and Law) was assigned the task of overseeing the Service and addressing the 17 recommendations included in the February 2022 report. The Council had received a warning from the G.R.O. stating the requirement for immediate improvements to be made to the Service, owing to the lack of a response to their February 2022 recommendations. The G.R.O. arranged to visit the Registration Service offices at the Town Hall on 13th September 2022, by which time, management was required to submit an action plan to cover the issues covered in the G.R.O. report of February 2022.

Summary of Progress:

Although there is still much to be done, the Head of Practice Management (Governance and Law) has made considerable progress in improving the poor working practices and security issues within the Service. Problems within the Registration Service have been exacerbated by both long-term and additional recent staffing issues. Such is the extent of these issues, improvement that will bring a favourable assessment of the level of risk from the G.R.O. is taking a number of months to drive forward. That however should not detract from the progress already made.

The Head of Practice Management (Governance and Law) assigned a member of her team (a Practice Management Officer) to the Service, in order to address the pressing issues of reconciling and banking cash and cheques that had been held in one of the strong rooms at the Town Hall, and also to ascertain the completeness of the income records and supporting documentation from the past two years. Owing to these banking and reconciliation process issues, which have proved to be longstanding, the decision was taken to remove all cash from the premises, and make payments 'card only' or online for the Service.

The Head of Practice Management (Governance and Law) has drawn up a Service Action Plan to address all issues raised in both the Internal Review Report of October 2021 and the G.R.O. Report of February 2022. In addition, she has liaised with Shropshire Council's Registration Service, and arranged for members of their team to assess processes and provide training and advice for Herefordshire Council's team; this arrangement is supported by the G.R.O. There is also a Service restructure in progress, which the Head of Practice Management is leading on. This is designed to ensure clear roles and responsibilities are set out in accordance with the G.R.O.'s requirements. This would raise Service costs, however the Service is required to improve performance to meet statutory timescales, as well as improving current processes in line with G.R.O. requirements. The consultation process ended on 3rd January 2023.

During the course of the audit, the Superintendent Registrar ceased working for the Service.