



Mountsett Crematorium Joint Committee

Date **Thursday 25 April 2013**
Time **10.00 am**
Venue **Farnham Room 1/51 - County Hall, Durham**

Business

Part A

**[Items during which the Press and Public are welcome to attend.
Members of the Public can ask questions with the Chairman's
agreement]**

1. Apologies for Absence
2. Substitute Members
3. Minutes of the Meeting held on 31 January 2013 (Pages 1 - 6)
4. Declarations of Interest, if any.
5. Review of Terms of Reference (Pages 7 - 20)
Report of the Clerk to the Joint Committee.
6. Quarterly Report of the Bereavement Services Manager
(Pages 21 - 36)
7. Reserves Policy (Pages 37 - 40)
Joint Report of the Corporate Director of Neighbourhood Services and
Corporate Director Resources / Treasurer to the Joint Committee.
8. Financial Monitoring Report 2012/13: Provisional Outturn - Revenue
(Pages 41 - 46)
Joint Report of the Treasurer to the Joint Committee / Corporate
Director of Resources and the Corporate Director of Neighbourhood
Services.
9. Annual Internal Audit Report 2012/13 (Pages 47 - 74)
Report of the Treasurer to the Joint Committee / Corporate Director of
Resources.
10. Response to the 2012/13 Internal Audit Report (Pages 75 - 78)
Joint Report of the Treasurer to the Joint Committee / Corporate
Director of Resources and the Corporate Director of Neighbourhood
Services.

11. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration.

Colette Longbottom
Head of Legal and Democratic Services

County Hall
Durham
17 April 2013

To: **The Members of the Mountsett Crematorium Joint Committee**

Durham County Council:-

Councillors: O Temple (Chair), A Bainbridge, J Docherty, M Hodgson, J Hunter, O Johnson, J Nicholson, B Stephens and J Wilson

Gateshead Council:

Councillors M Charlton, J Lee, K Dodds (Vice-Chair), M Ord, P Ronan, D Davidson and P Mole

Contact: Lucy Stephenson

Tel: 03000 269712

DURHAM COUNTY COUNCIL

MOUNTSETT CREMATORIUM JOINT COMMITTEE

At a Meeting of **Mountsett Crematorium Joint Committee** held in the Saltwell Room, Civic Suite, Gateshead Council on **Thursday 31 January 2013 at 10.00 am**

Present:

Councillor O Temple (Chair)

Durham County Council

Councillors A Bainbridge, J Hunter and J Nicholson

Gateshead Council:

Councillors M Charlton, J Lee, K Dodds (Vice-Chair), M Ord, D Davidson and P Mole

1 Apologies for Absence

Apologies for absence were received from Councillors J Docherty, O Johnson, M Hodgson and B Stephens (Durham County Council) and Councillors P Ronan (Gateshead Council).

2 Minutes of the Meeting held on 5 October 2012

The minutes of the meeting held on 5th October 2012 were approved as a correct record and signed by the Chair.

3 Declarations of Interest, if any.

There were no declarations of interest submitted.

4 Quarterly Report of the Bereavement Services Manager.

The Joint Committee considered a report of the Superintendent and Registrar which provided Members with the quarterly update relating to performance and other operational matters (for copy see file of minutes).

Members noted the performance figures from September 2012 to 31 December 2012 which highlighted that there was a net increase of 54 cremations on the comparable period last year.

Performance was further reported in respect of the sale of memorials sold and it was noted that, 14 plaques had been sold during the period September -December 2012/13 equal to £4592.00 income.

Moving on to report on staffing it was reported that the Superintendent and Registrar's post was now vacant following a period of long term absence. It was noted that a full report

outlining the options available to the joint committee would be presented for consideration at the next meeting in April 2013.

Details were then provided regarding the completion of the job evaluation scheme. Changes to staff's terms and conditions had been implemented from 1 January 2013 and any financial impact had been factored into the financial monitoring report which would be reported later in the meeting.

Moving on to report operational matters the Superintendent and Registrar reported that the DCC Solicitor had now submitted the application for FSA registration in relation to the Pre-Payment Bond scheme. It was noted that this application had now been approved and further proposals could now be considered by the Joint Committee at their meeting in April 2013.

The Bereavement Services Manager then went on to provide details of the Joint Conference of Federation of Burial and Cremation Authorities and the Cremation Society of Great Britain which was to be held from 1 – 3 July 2013. It was proposed that the Bereavement Services Manager and Chair to the Joint Committee attend the event at a cost of £495 per person.

Further information was reported in respect of the Green Flag Award and it was noted that an application for 2013 was to be submitted, details of the application would be reported to a future meeting.

Moving on to provide an update in respect of the recycling of metals scheme, it was noted that subject to members approval, the Chair had suggested that the next round of money to be donated from the recycling of metals, be given to St Oswald's Hospice, Gosforth. It was further suggested that if no further nominations were put forward for future donation recipients, then the Chairman may select his/her chosen charity for the year. It was agreed that the next round of money would be donated in order of charities as per Appendix 3.

The Bereavement Services Manager went on to provide detail relating to the replacement of cremators and installation of mercury abatement plant and it was noted that full details would be presented within the feasibility study at a future meeting.

Details were then reported in respect of work which had been completed to date as highlighted in the Service Asset Management Plan and the works which were currently programmed and scheduled to be completed by the end of March 2013.

Councillor Charlton raised a query regarding the cost of the conference and whether this included travel. In response the Bereavement Services Manager advised that the cost as reported covered the conference and accommodations costs only. Councillor Dodds commented that he had found conferences to be very useful in the past and agreed that the Chair and Bereavement Services Manager should attend.

In relation to the job evaluation scheme, Councillor Temple advised that he had been contacted in his capacity as Chair of the Joint Committee by an affected employee who had raised concerns regarding an employment matter which was unique to former Derwentside employees of the Crematorium and the way in which bonus payments were

made. The changes under job evaluation were resulting in a loss of income to the individual in the region of £2,000 per annum.

Further advice as to how to respond to this employee was sought. The Clerk to the Joint Committee advised that this was matter for DCC as the employer, to discuss with the individual.

Councillor Dodds commented that he agreed that the Crematorium Joint Committee should distance themselves from the situation and forward the concerns to the appropriate officer within DCC to respond accordingly. It was also suggested that the individual should seek their own representation via a Union or alternative.

Resolved:

- (i) That the content of the report with regards to current performance of the crematorium be noted.
- (ii) That the Chair and Bereavement Services Manager attend the Institute of Cemetery and Crematorium Management Conference.
- (iii) In the absence of future nominations for future recycling income that the Chairman's charity shall benefit.
- (iv) That the Chair of the Joint Committee shall forward the concerns of an affected employee of job evaluation, to the appropriate officer within DCC.

5 Review of Joint Committee's Terms of Reference - Verbal update by the Clerk to the Joint Committee

The Clerk to the Joint Committee advised that the revised Terms of Reference had now been agreed in principle by both Durham County Council and Gateshead Council. The revised terms of reference would be brought to the next meeting of the Joint Committee for approval and adoption.

Resolved:

That the verbal update be noted.

6 Risk Register 2012/13 - Update

The joint committee considered a report of the Bereavement Services Manager which provided an update on the current position with regards to the Risk Register of the Mountsett Crematorium Committee, in accordance with the arrangements established for the routine reporting of risk issues (for copy see file of minutes).

It was reported that the Risk Register had been reviewed in January 2013 in accordance with the Durham County Council methodology / approach to Risk Management and updated accordingly.

The Bereavement Services Manager advised that due to the long term absence of the Crematorium Manager at Mountsett this had impacted on service delivery and increased workload for staff. This had as a result increased the net impact and likelihood of risks 4 and 10. Actions had been now put in place to mitigate those risks and once complete should reduce the net risk scores.

Only one other operational risk had an outstanding action Risk 8 “Slips, trips and falls”, however since the last meeting, training in this area had now been completed which had reduced the risk to a tolerable level.

Resolved:

- (i) That the content of the report and updated position be noted.
- (ii) The risk registers be continually kept up to date and reviewed by the Joint Committee on a half yearly basis.

7 Financial Monitoring Report 2012/13: Spend to 31/12/12 and Projected Outturn to 31/03/13

The joint committee considered a joint report of the Corporate Director: Neighbourhood Services and Corporate Director Resources & Treasurer to the Joint Committee, which set out details of income and expenditure in the period 1 April 2012 to 31 December 2012, together with the forecast outturn position for 2012/13, highlighting areas of over/underspend against the revenue budgets at a service expenditure analysis level (for copy see file of minutes).

The report further set out details of the funds and reserves of the Joint Committee at 1 April 2012 and the projected position at 31 March 2013, taking into account the forecast financial outturn projection of income and expenditure this year.

The Principal Accountant then went on to advise that the projected outturn was showing a forecast surplus (before transfers to reserves and distribution of surpluses to the partners authorities) of £304,819 at the year end against a budgeted surplus of £270,448, which was £34,371 more than the budgeted position. Reasons for significant variances were detailed within the report.

It was highlighted that there was a significant increase in income projected within 2012/13 mainly due to the number of cremations carried out throughout the year.

With regards to earmarked reserves it was noted that the earmarked reserves projection at 31 March 2013 was £589,818, an in year increase of £144,035 or approximately 32% in year. This was in line with the previously agreed strategy of the Joint Committee.

Resolved:

That the content of the report be noted.

8 Fees and Charges 2013/14

The Joint Committee considered a report of the Corporate Director: Neighbourhood Services and Corporate Director Resources and Treasurer to the Joint Committee which set out details of the proposed Fees and Charges for Mountsett Crematorium for 2013/14 (for copy see file of minutes).

Details of the proposed charges were detailed within the report alongside comparable charges imposed by Crematorium's within the North east area.

Councillor Hunter raised a query with regards to the adult cremation age, he commented that he understood the adult age to be from 18 years not 16 as stated within the schedule of fees. In response the Bereavement Services Manager advised that adult cremation charges came in from the age of 16 years.

Resolved:

- (i) That the proposed fees and charges be noted and approved with effect from 1 April 2013.
- (ii) That revised fees and charges be incorporated into the 13/14 budget.

9 Provision of Support Services 2013/14

The Joint Committee considered a joint report of the Corporate Director, Neighbourhood Services and Corporate Director Resources and Treasurer to the Joint Committee which presented for approval a proposed Service Level Agreement (SLA) for Support Service provision by Durham County Council to the Mountsett Crematorium Joint Committee for the period April 2013 to March 2014 (for copy see file of minutes).

The Principal Accountant advised that the SLA covered the following functions:

- Management Services
- Financial Services
- Administration Services
- Payroll Services
- Human Resources Services.

It further included charges relating to additional work related to the Asset Management Plan.

Resolved:

That the Service Level Agreement for the year 2013/14 be approved.

10 2013/14 Revenue Budget

The Joint Committee considered a joint report of the Corporate Director, Neighbourhood Services and Corporate Director, Resources and Treasurer to the Joint Committee which set out proposals with regards to the 2013/14 revenue budget for the Mountsett Crematorium (for copy see file of minutes).

The Principal Accountant advised that the detailed budget proposals were contained within the report and it was further reported that the budget did take into consideration, one off premises costs, which would not feature in future year's budgets.

Resolved:

- (i) That the budget proposals as outlined within the report be noted and approved.
- (ii) That the forecasted level of reserves and balances at 31 March 2014 be noted.

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Mountsett Crematorium Joint Committee

25 April 2013

Mountsett Crematorium, Joint Committee, Changes to Constitution/Terms of Reference



Report of Colette Longbottom, Head of Legal and Democratic Services

Purpose of the Report

1. The purpose of the report is to provide members of the Joint Committee with updates/amendments to the Constitution of Mountsett Crematorium Joint Committee which has been brought up to date in accordance with the recommendations of the external auditors.

Background Information

2. The Constitution of the Mountsett Crematorium Joint Committee was last reviewed and amended on 7 September 1976 to reflect the constituent authorities of the District Council of Derwentside and the Borough Council of Gateshead.
3. More recently, with effect from 1 April 2009, Local Government Re-organisation in County Durham transferred the responsibilities of Derwentside District Council to Durham County Council.
4. Following audit reviews of the Joint Committee, it was recommended that the Joint Committee undertake a review and update of its terms of reference.
5. The Constitution of the Mountsett Crematorium Joint Committee has been reviewed and brought up to date. The updated Constitution, which has been approved by Durham County Council (full Council on 20 March 2013 fully reflects the revised constituent authority legal titles, expenditure and subsequent surplus distribution arrangements on an 65/35 basis, along with the policies regarding retained surplus transfer to and from reserves.
6. The Joint Committee will note that the constituent authority membership appointments and asset ownership remains as per the original constitution. The Mountsett Crematorium Joint Committee will continue to operate within the procedure rules and financial regulations of the lead partner authority. Durham County Council who will continue to be responsible for the management of the facility and for supporting the Joint Committee.
7. The Legal Departments of Durham County Council and Gateshead District Council have agreed the amended draft constitution.

8. The updated Constitution is attached at Appendix 2. The original Constitution dated 7 September 1976, and Establishment of Joint Crematorium Committee of 26 May 1964 are listed as background papers to the report.

Recommendations and Reasons

9. The Joint Committee is asked to consider the revised Constitution of Mountsett Crematorium Joint Committee. Gateshead Council are in the process of considering whether the Constitution needs to be approved by full council also. The Joint Committee are therefore asked to approve the Constitution subject to approval by Gateshead Council.

Background Papers

Amended Constitution
Agreement dated 7 September 1976
Agreement dated 26 May 1964

Contact(s): Sarah Grigor 03000 269 676

Appendix 1: Implications

Finance – The Constituent Authority income sharing (unchanged) and reserves protocols (in line with the strategy adopted in recent years) are disclosed within the revised constitution detailed within Appendix 2.

Staffing – There are no staffing implications associated with this report.

Risk – There are no risk implications associated with this report.

Equality and Diversity/Public Sector Equality Duty – There are no Equality and Diversity implications associated with this report.

Accommodation – The Constituent Authority asset ownership (unchanged is highlighted within the revised constitution detailed within Appendix 2.

Crime and Disorder – There are no Crime and Disorder implications associated with this report.

Human Rights – There are no Human Rights implications associated with this report.

Consultation – Legal officers of Durham County Council and Gateshead District Council have been provided with a copy of the constitution and given opportunity to comment/raise any detailed questions/request amendments in advance of circulation to members of Mountsett Crematorium Joint committee.

Procurement – None specific within this report.

Disability Discrimination Act - None specific within this report

Legal Implications – The constitution has been updated by Legal Services, Durham County Council, in line with relevant legislative requirements and taking into account the current constitution terms of reference.

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Appendix 2

Gateshead amendments DH/JM/PB: 23/07/12

This **DEED** of Agreement is made theday of2013

BETWEEN:-

- 1) The County Council of Durham, Durham County Council, County Hall, Durham and
- 2) The Borough Council of Gateshead of the other part.

WHEREAS:-

1. The Authorities to the Deed have by virtue of Section 102(1) of the Local Government Act 1972 the Local Government Act 2000 the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2000 the Local Authorities and all and every power enabling them agreed and resolved to constitute a joint committee to exercise the powers which each of the Authorities hereto might respectively have exercised by virtue of the Cremation Acts 1902 and 1952 for the provision running, maintenance and management of the existing Crematorium at Mountsett within the County of Durham which is more particularly described in paragraph 1 below.
2. The said Authorities now wish to constitute the said joint committee on the terms set out below and to the intent that the Deeds of Agreement between the said Authorities and dated 7th September 1976 and 8th September 1983 shall cease to have effect.

NOW in pursuance of the said agreement and the respective resolutions and in consideration of these presents **THIS DEED WITNESSES** as follows:-

1. Definition and Interpretation

- 1.1 In this agreement the following expressions have the meanings set out below, unless the context otherwise requires.

‘Authority’ either Durham or Gateshead and ‘Authorities’ shall be construed accordingly.

‘Annual meeting’ the annual meeting of the Joint Committee held each year in accordance with paragraph 7.2 of this agreement.

‘Chief Executive’ the head of an Authority’s paid service being the person designated as such under Section 4 of the Local Government and Housing Act 1989.

‘Clerk’, the person appointed by virtue of paragraph 16.1 to carry out certain duties allocated by this agreement.

‘Council’ the Council of elected members of one or other of the Authorities to this agreement.

‘Crematorium’ the crematorium known as Mountsett Crematorium which includes all buildings grounds equipment and other property appurtenant there.

‘Financial year’ the period running from 1st April in one calendar year until 31st March in the next calendar year (inclusive).

‘Joint committee’ the Mountsett Crematorium Joint Committee constituted by this agreement.

‘Member’ unless the context otherwise so requires, a member of the Joint Committee.

‘Monitoring officer’, Durham County Council’s Head of Legal and Democratic Services being the person designated under Section 5 of the Local Government and Housing Act 1989 or this officers nominated deputy in the case of absence or illness.

‘Ordinary meeting’, any meeting of the Joint Committee that is not an Annual Meeting or a Special Meeting.

‘Principal Office’ in the case of Durham County Council, the Council Offices, County Hall, Durham and the case of Gateshead Council the Civic Centre as referred to at the beginning of the agreement.

‘Special meeting’ a meeting of the Joint Committee convened in accordance with paragraph 7.6 of this Agreement.

2. Duration of Joint Committee

The Authorities shall constitute the Joint Committee from the Commencement Date and the Joint Committee shall continue thereafter unless and until determined by either Authority or both of them under the provisions contained in this agreement.

3. Name of Joint Committee

The Joint Committee shall be known as the Mountsett Crematorium Joint Committee.

4. Provision and Location of Crematorium

- 4.1 The Crematorium is located on the Crematorium Site which was acquired by the Authorities prior to the date hereof.

4.2 The Crematorium site is vested 60% in Durham County Council and 40% Gateshead Council by virtue of Section 120(4) of the Local Government Act 1972 and all and every power so enabling and registered at HM Land Registry with Title Absolute Title Number.

5. **Membership**

5.1 The Joint Committee shall consist of Members appointed by the Authorities as follows:-

5.1.1 Each Authority shall appoint from its own membership nine Members from Durham County Council and seven Members from Gateshead Council which appointments shall reflect the political balance of each authority.

5.1.2 Subject to the provisions of this agreement each Member shall continue in office for a period of one year or until such time as he shall cease to be a members of the Council by whom he is appointed whichever is the sooner and any provision in the Procedure Rules of either Authority to the contrary is hereby waived. Each member shall be eligible for re- appointment until such time as he shall cease to be a member of the council by whom he is appointed.

5.1.3 If either Authority does not appoint the number of Members which it is entitled to appoint the other Members of the Joint Committee shall be competent to carry out the business thereof pursuant to this agreement.

5.1.4 Any person who is a member of the Councils of both Authorities shall only represent the first Authority to appoint him as a Member and any subsequent appointment by the other Authority shall be void.

5.1.5 The Chief Executive of each Authority shall notify the Chief Executive of the other Authority and the Clerk within fourteen days of any appointment of a member of his Council to the Joint Committee.

5.1.6 Any member may at any time resign his office as such Member by notice addressed to the Clerk who shall forthwith notify the respective Chief Executives of each of the Authorities.

5.1.7 Any member may be removed at any time by resolution by the Authority by whom he was appointed but such removal should only become effective upon receipt by the Clerk of notification thereof.

6. **Chair and Vice Chair**

6.1 At the first meeting of the Joint Committee and subsequently at its Annual Meeting in each successive year the Joint Committee shall select one of its Members as Chair and another as Vice Chair for the forthcoming year Provided that at no time shall the Chair and Vice Chair be members of the same Authority.

- 6.2 The Chair of the Committee shall alternate between both authorities on an annual basis unless otherwise agreed at the Annual meeting of the Committee.
- 6.3 The elected Chair and Vice Chair shall remain in office until the next Annual Meeting unless by reason of death resignation disqualification or any other cause before that time and upon a vacancy occurring during the term of office another Member from the same Authority shall be appointed by the Joint Committee to fill the vacancy until the next Annual Meeting.
- 6.4 If there is equality of votes as to the appointment of Chair or Vice Chair then the Chair for the time being of that meeting shall have a second or casting vote.

7. **Meetings of the Joint Committee**

- 7.1 The first meeting of the Joint Committee shall be convened by the Clerk.
- 7.2 The Joint Committee shall hold an Annual Meeting before the end of June in each year.
- 7.3 Other than the Annual Meeting, meetings shall be held at such places and on such dates and at such times as the Joint Committee may decide from time to time save that meetings shall be held not less than quarterly.
- 7.4 Ordinary meetings and Annual Meetings of the Joint Committee shall be convened by the Clerk who shall deliver notice thereof to each member at least five clear days before the date of the meeting.
- 7.5 With the notice referred to in paragraph 7.4 the Clerk shall send a copy of the agenda for the meeting which shall include:
- provision for the declaration of personal and prejudicial interests by Members for the purposes of the Code of Conduct issued under Section 50 Local Government Act 2000.
 - all items of business which have been, or are deemed to have been, referred to the Joint Committee by a Council resolution of either Authority.
 - all reports submitted by any officer of either Authority; and
 - any item of business directed to be included by the person appointed to preside at the meeting.
- 7.6 A quorum of four members must be present to constitute a meeting Provided that there is at least one member present from each Authority.
- 7.7 The Chair and two members of the Joint Committee may at any time by notice specifying the business to be transacted and sent to the Clerk require a Special Meeting of the Joint Committee to be convened and the Clerk shall

accordingly convene a special meeting which shall be held within thirty clear days of receipt by the Clerk of the said notice.

7.8 The Clerk shall give Members of the Joint Committee at least five clear days notice of the Special Meeting and such notice shall specify the business proposed to be transacted.

7.9 No business shall be transacted at a Special Meeting other than that specified in the notice sent to the Clerk and referred to in paragraph 7.7 above.

8. **Person Presiding at Meetings**

8.1 The Chair or in his absence the Vice Chair shall preside at every meeting provided that if both the Chair and the Vice Chair are absent the Members present shall elect another Member of the Joint Committee who shall preside at that meeting.

9. **Voting**

9.1 Every matter at a meeting of the Joint Committee shall be decided by a simple majority of those Members voting and present and in the venue, at the time the question is put. In the case of an equality of votes in relation to a particular item of business then consideration of that item shall be adjourned and shall be deferred for decision at a future meeting of the Joint Committee to allow informal discussion to take place between the parties

9.2 Except where a requisition is made under the next paragraph 9.3, the method of voting at meetings of the Joint Committee shall be by show of hands.

9.3 If a requisition for a recorded vote is made by any three Members present before a vote is taken on any question or motion, the voting shall be recorded so as to show whether each Member present voted for or against that question or motion or abstained from voting.

10. **Minutes**

10.1 The Clerk shall be responsible for keeping a record of attendance and a record of the business transacted at every meeting of the Joint committee and the minute book shall be submitted to, and signed at the next following meeting.

10.2 The person presiding at the next following meeting referred to in paragraph 10.1 shall put the question that the minutes be approved as a correct record of the previous meeting.

10.3 No discussion shall take place upon the minutes, except upon their accuracy. If no question is raised as to accuracy or if it is raised then as soon as it is disposed of, the person presiding shall sign the minutes.

10.4 Copies of the minutes of every meeting of the Joint Committee and any sub-committee thereof shall as soon as possible after each meeting be sent by the Clerk to the Chief Executive of each authority.

11. **Sub-Committees**

11.1 The Joint Committee may from time to time appoint sub-committees for any general or special purpose in connection with their powers and functions for the purposes of advising and reporting back to the Joint Committee. Any sub-committee so appointed shall consist of a minimum of three members and shall include at least one Member from each Authority.

11.2 Subject to clause 11.1 the Joint Committee shall at the time of appointing any sub-committee resolve what shall be the terms of reference of that sub-committee.

12. **Vacancies**

12.1 No act or proceeding of the Joint Committee shall be questioned on account of any vacancy or on account of any defect in the appointment of any Member.

13. **Capital Expenditure**

13.1 If the Joint Committee shall at any time require to incur capital expenditure for the:

13.1.1 The acquisition of property

13.1.2 The construction of works, or

13.1.3 Any other capital purposes in connection with its powers.

13.2 Then the use of part or all of any profits or surplus made in any financial year shall be used to finance capital expenditure or upon agreement of the Joint Committee may carry forward part or all such profits or surplus as required to finance known future capital expenditure.

14. **Revenue Expenditure**

14.1 All losses/deficits or profits/surpluses either incurred or generated as a result of the normal operational business of the Joint Committee in any financial year shall be borne or distributed in the following percentages 35% Gateshead and 65% Durham County Council. This arrangement shall be subject to review at least every five years with the first review taking place in March 2015.

14.2 Any losses identified during the financial year should be first met by any available reserves. In the absence of available reserves each Authority should make a relevant contribution in accordance with the % mentioned in paragraph 14.1

14.3 As soon as possible after the end of any financial year the Joint Committee shall calculate the exact net revenue expenditure for the preceding year and shall request or make payments to each Authority to be allocated in accordance with the % mentioned in paragraph 14.1 (total to the agreed distributable surplus amount).

14.4 The Joint Committee upon agreement may use or carry forward retained surplus made in any financial year for the purpose of:

14.4.2 Paying debts

14.4.3 Meeting contingencies

14.4.4 Meeting future expenses

14.5 But any amount of such profit or surplus not so applied (as agreed annually at the Annual General Meeting) shall be returned to the Authorities. Payable to each authority by the 1st October in each year.

15. **Interest on Sums Due**

15.1 Any sum properly payable by either of the Authorities to the Joint committee whether of a capital or revenue nature, which is not paid by the due date shall be liable to interest at the base lending rate of the Co-operative Bank plc until such time as the sum due is paid in full.

16. **Appointment of Officers**

16.1 (a) The Clerk shall be the Head of Legal and Democratic Services or their appointee of Durham County Council.

(b) The Treasurer shall be the Corporate Director Resources of Durham County Council or anyone appointed by him.

16.2 The Joint Committee shall appoint and pay such employees as it deems necessary to provide equip maintain and manage the Crematorium and all services and duties ancillary thereto and required to be provided by virtue of this agreement or by statute and such employees shall be enabled to join any pension scheme which employees of Durham County Council are entitled to join by virtue of their individual contracts of employment.

16.3 The functions of the Joint Committee shall be dealt with by Durham County Council officers (identified at clause 16 above). For the avoidance of doubt the identified officers shall include officers succeeding to the named officers responsibilities on any re-organisation.

17. Accounts

- 17.1 The Treasurer shall keep accounts of all monies received by and all expenditure of the Joint committee as may be required for the purposes of Part 8 of the Local Government Act 172.
- 17.2 As soon as practicable after the end of the Financial Year the Joint Committee shall send to each Authority a full report of the operations of the Joint Committee during the last financial year and a copy of the accounts thereof.
- 17.3 Durham County Council will carry out an annual audit of the accounts and the Joint Committee will provide a copy of the report thereof to each of the Authorities as soon as practicably possible after receipt of the same.
- 17.4 When this agreement is silent the Mountsett Crematorium will operate within the procedure rules and financial regulations of the lead partner authority, Durham County Council, who will continue to be responsible for the management of the facility and for supporting the Joint Committee.

18. Performance of Agreement

- 18.1 The Authorities shall at all times take all or any action as may be necessary for giving full effect to this agreement and every provision and obligation contained herein and any decision made by the Joint Committee pursuant hereto. Each party shall be committed to mutual cooperation and assistance to give effect to the terms of this Agreement which shall include :
- a) the setting up of a joint officer meeting to discuss and formulate advice and reports to the Joint Committee and
 - b) not less than twenty business days before the date of any Joint Committee prior notification of agenda items only shall be given to officers of each Authority of items intended to be tabled as items of business for the Joint Committee in order to ensure that the same may be fully considered by officers of each Authority. An officer Neighbourhood services Director of Resources from each authority to be involved in a pre-meeting to the committee hearing
- 18.2 Each Authority shall bear its own costs for the negotiation preparation completion and stamping of this agreement.
- 18.2.1 If either Authority shall fail to carry out any necessary act required to be taken pursuant to paragraph 18.1 above, the other may implement any reasonable measures necessary to give effect to this agreement or any proper decision of the Joint Committee and the reasonable costs thereof shall be recoverable as a debt from the Authority which so failed to act.

19. **Termination**

- 19.1 If the Authorities or either of them shall wish to determine this agreement or make any alteration to the terms hereof then in default of agreement between the Authorities the matter shall be referred to arbitration in accordance with paragraph 20 below

20. **Arbitration**

Any dispute between the Authorities under or arising out of this agreement shall be referred to a single arbitrator to be agreed upon by the Authorities or in default of agreement to be nominated by the Secretary of State for Communities and Local Government or such other Government Minister as shall be appropriate in accordance with and subject to the provision of [the Arbitration Acts 1950 and 1979] or any statutory modification or re-enactment of them for the time being in force.

21. **Complaints**

Any complaint received by the Joint Committee or either or both of the Authorities relating to the Crematorium or any officer employed thereat or to the performance of functions under this agreement shall be dealt with in the first instance in accordance with Durham County Council's formal complaints procedure and if the complaint is not resolved as a result of that process or if a complaint is received from the Local Government Ombudsman dealt with by the Monitoring Officer.

Mountsett Crematorium Joint Committee

25 April 2013

Crematorium Performance and Operational Report



Report of Graham Harrison, Bereavement Services Manager

Purpose of the Report

- To provide Members of the Mountsett Crematorium Joint Committee with an update relating to performance and other operational matters.

Performance Update:

Number of Cremations: for the period 1 January 2013 to 31 March 2013

- The table below provides details of the number of cremations for the period 1 January 2013 to 31 March 2013 inclusive, with comparative data in the same periods last year:

	2011/2012	2012/2013	Change
	QTR4 [Jan- March]	QTR4 [Jan- March]	
JAN	126	149	+23
FEB	107	117	+10
MARCH	116	123	+7
TOTAL	349	389	+40

Gateshead	124
Durham	204
Outside Area	61
Total	389

- In summary there were 389 cremations undertaken during 1 January 2013 to 31 March 2013, compared to 349 in the comparable period last year, an increase of 40 (11%). The total number of cremations to 31 March 2013 is 1413 compared with 1258 in the previous year of 2011/12 this is an increase of 155 (12%). The 12/13 budget considered

a total of 1150 cremations, as can be seen above an additional 263 (23%) cremations (to budget) have been undertaken in year

Memorials

4. The Table below outlines the number and value of the memorials sold in Quarter 4 2012/13 compared to the same period the previous year (2011/12).

	Quarter 4	2011/ 2012	Quarter 4	2012/2013
	Number	£	Number	£
Large Plaques	3	984.00	7	2,296.00
Total	3	984.00	7	2,296 .00

5. In overall terms for the period 1 January to 31 March the number and value of memorials are 3/£984.00 in 2011/12, compared to 7/£2,296.00 in 2012/13 – an increase of £1,332 over the comparative period.

Cremation & Burial Conference & Exhibition 2013

6. The necessary arrangements have been made for representation at the Joint Conference of the Federation of Burial & Cremation Authorities and The Cremation Society of Great Britain which is to be held at The Holiday Inn, Stratford-upon-Avon from Monday, 1 to Wednesday, 3 July 2013.

Operational Matters

Staffing

7. As Members may recollect from the meeting held on 31 January 2013, The Bereavement Services Manager has been considering options regarding the replacement for the Superintendent & Registrar.
8. Following the January meeting however, the Superintendent & Registrar at the Central Durham Crematorium has advised of his resignation from the authority with effect from 31 May 2013.
9. Options have been considered with the Chair and Vice Chairs of the two Committees regarding the replacement for the Superintendent and Registrar.

For Members' information, the following options were considered:

- i. Joint Management Arrangements over the two Crematorium.
- ii. Support via an SLA with DCC Bereavement Services.
- iii. Replacement for the Superintendent and Registrar.

10. Following discussions, it is proposed that a replacement for the Superintendent & Registrar be sought.
11. In addition, it is proposed that an additional Cremator Attendant be appointed to ensure the efficient and effective running of the Crematorium. Members should note that an additional Employee budget of £20,400 will be required to fund this post, however as members will recall from the January meeting, the original budget incorporated an element of prudence within the Income budget and as such is it now proposed to increase the Income budget by the corresponding amount in order to ensure a balanced budget.

Business Administration Apprenticeship

12. Consideration has been given (to further ensure business continuity in the longer term) to the employment of a Business Administration Apprentice. The table below identifies the costs (including NI and Pension Contributions based on a level 2 entry) to the Joint Committee of employing a Business Apprentice on a two year fixed term contract. Full details of the scheme are attached within the Briefing Note provided by DCC Organisational Design and Development Team Leader – Joanna Coppillie at Appendix 3.

Age	Year 1 £	Year 2 £	Total £
16-18	6,469	7,057	13,526
19-20	6,469	10,989	17,458
21+	6,469	13,865	20,334

13. Members should note that these amounts are not reflected in the budgets presented at the January meeting and if members approve the apprenticeship, that a revised budget be presented to Committee at a later date.

Mountsett Crematorium Pre-Payment Cremation Bond

14. The D.C.C. Solicitor submitted the application for registration with the FSA on 1 August 2012. In December 2012 confirmation was received by the FSA of the acceptance of the application. The FSA has since however, highlighted possible implications to the ongoing activities of Durham County Council with regards to regulated service provision exemptions.
15. In order to ensure that the full legal status/implications have been considered prior to implementing a pre payment bond scheme further advice has been sought (via Durham Crematorium Joint Committee) by Financial Services Regulatory Consultants - Bovill. A copy of the preliminary advice report is attached at Appendix 2.
16. Bovill advise that the Council's application be withdrawn due to unknown wider implications and potential threats to Durham County Councils regulated activities (resulting in loss of exemptions).

17. As members will see within Appendix 2, Bovill have considered the possibility of argument for such bonds being classified as contracts of Insurance. They have advised, however that it would not be practicable for Durham County Council to be authorised as an insurer rather (should this be an avenue for further consideration), and that arrangements for the performance of the contracts be put in place for the bonds to be underwritten by an authorised insurer.
18. Whilst the scheme would be very popular with Funeral Directors, in consideration of the advice received and given the lengthy and potentially costly processes required to undertake a tender exercise to invite/appoint insurance providers, the bond scheme potentially has more negative than positive effects to the Joint Committee. As such the continuation of the scheme must be brought into question

Recycling of Metals Scheme

19. At the meeting held on 31 January 2013, the Committee agreed to nominate St Oswald's Hospice, Gosforth as recipient.
20. I am pleased to inform the Committee that a cheque was received from the Institute of Cemetery and Crematorium Management to the sum of £4,333 for St Oswald's Hospice, Gosforth.
21. Arrangements are currently being made for the cheque to be presented to St Oswald's Hospice, Gosforth.

Introduction of a Coffin Footplate

22. Earlier this year there was an incident at a local Crematorium which resulted in a coffin being cremated in error. This incident obviously caused major distress to the families involved and in order to ensure no such error could occur within Mountsett Crematorium consideration has been given to ways of improving the coffin identity process.
23. It is proposed that all coffins which are brought to Mountsett Crematorium for Cremation have a nameplate placed at the foot of the coffin. This footplate would be easily visible by not only Funeral Directors employees but by Clergy/Funeral Officiates and by Crematorium Staff.
24. Members should be fully aware that the risk of any such error at Mountsett Crematorium is extremely low as all coffins at Mountsett are checked to ensure that the nameplate agrees with the requisite paperwork and the Cremator operators signs his operation sheet to indicate that the check has taken place.

25. To ensure that any risk of an incorrect coffin being brought to the Crematorium is avoided, a slight change in operational processes (which would add only a very small cost to Funeral Directors in the form of the small plaque) will be required.

Service Asset Management Plan Update

26. Members will recall an update regarding the SAMP works scheduled for completion during 2012/13 financial year.

27. A number of these works have now been completed, namely:

- The installation of the BACAS computer software system
- Assess means of escape strategy.

There are however, works which have not been fully completed (80% completion) during the year:

- Provide accessible WC for public that can be accessed internally
- Upgrade existing ambulant WC's with contrasting grab rails.

These works are scheduled to be fully completed by 30 April 2013.

Recommendations and Reasons

28. It is recommended that Members of the Mountsett Joint Committee consider and agree:
- The content of this report with regards to current performance of the crematorium
 - The current situation with regards to the sale of Memorial Plaques
 - Note the current situation with regards to the staffing situation and proceed with the appointment of the Superintendent & Registrar and additional Crematorium Attendant
 - Note the current situation with regards to the Apprenticeship scheme.
 - Note the current situation with regards to the Pre-Payment bond and consider whether the Joint Committee wish to pursue any further actions.
 - Note the current tranche of money from the Recycling of Metals Scheme
 - Note the recommendation to Funeral Directors regarding the implementation of a coffin footplate

- Note the works currently underway with regards to The Service Asset Management Plan.

Contact: Graham Harrison - 03000 265 606

Appendix 1: Implications

Finance

As identified in the report.

Staffing

As identified within the report.

Risk

The Superintendent & Registrar vacancy at Mountsett Crematorium identifies a possible risk regarding the Business continuity of the Crematorium service. Proposals presented to Joint Committee members should mitigate any risk and ensure the efficient and effective operations going forward.

Equality and Diversity/Public Sector Equality Duty

There are no implications.

Accommodation

There are no implications.

Crime and Disorder

There are no implications.

Human Rights

There are no implications.

Consultation

None, however, Officers of Gateshead Council were provided with a copy of the report and given opportunity to comment/raise any detailed questions on the content of the report in advance of circulation to members of the Mountsett Crematorium.

Procurement

There are no implications.

Disability Issues

There are no implications.

Legal Implications

As outlined in the report.

Appendix 2: Pre-paid Cremation Bonds – FSA Authorisation



82 Blackfriars Road London SE1 8HA
T. 020 7620 8440 F. 020 7620 8444 E. enquiries@bovill.com
www.bovill.com

Sarah Grigor
Litigation Solicitor
Durham County Council
By email
21 February 2013

Dear Sarah
Pre-paid cremation bonds – FSA authorisation

You have asked Bovill to advise you on a number of questions raised by the FSA in connection with an application for authorisation submitted by Durham County Council in connection with the proposed sale by the Council's crematoria of "pre-paid cremation bonds". The background was set out in the instructions attached to your email of 13 February 2013. This letter sets out the main issues and our views based on the information provided in your instructions. We would need more information about the detail to advise more fully on specific points.

I hope however there is enough here to explain why we believe that the present application to the FSA in the name of the Council should be withdrawn, and to assist you consider the next steps. The key question is whether the issue and sale of the "bonds" would amount to a regulated activity within the meaning of the Financial Services and Markets Act 2000 (FSMA) for which the Council might require to be authorised by the FSA. This is a question of law which ultimately can be decided only by the courts. As you know, Bovill is not a law firm and we are unable to provide you with legal advice, but we are able to give you our views as specialist regulatory consultants with some experience in this area.

Regulated activities

In principle there are several regulated activities that might arise in connection with the proposed bonds. Whether authorisation would be required depends on a number of factors and is not straightforward. I have set out the detail on this in an annex to this letter. In summary, it is at least arguable that the bonds could be found to be contracts of insurance. Effecting and carrying out contracts of insurance requires authorisation, unless the activity is not carried on "by way of business". Whether the Council would be found to be acting "by way of business" in relation to the bonds is uncertain, but I do not think that the possibility can be ruled out. It would not be practicable for the Council itself to be authorised as an insurer, and while in theory a subsidiary could be established for the purpose the costs and considerable ongoing regulatory obligations would be quite disproportionate. If the bonds are not contracts of insurance, the arrangements may (depending on the detail of how the scheme would operate) involve the regulated activity of deposit taking. To the extent that the scheme is operated by the local authority itself (rather than a separate legal entity) this would not require authorisation, as local authorities are exempt from authorisation in respect of deposit-taking activities.

Financial services regulatory consultants

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If the payments received for the bonds are to be invested in any way it is conceivable that the scheme could amount to a collective investment scheme operated by the Council. Operating a collective investment scheme is a regulated activity, and there are restrictions on the promotion and sale of collective investment schemes which would effectively prevent the sale of the bonds to the general public. In practice it should be possible to structure any arrangements so as to avoid their amounting to a collective investment scheme; the point just needs to be borne in mind in working up the detail.

The bonds do not appear to fall within the regulatory definition of a “funeral plan contract” as they are not contracts for the provision of a funeral.

It will be seen from the above that the principal difficulty is the possibility that the bonds might be found to be contracts of insurance. An alternative analysis is that the transactions are in substance no more than a prepayment for services to be provided at a future date, so should not be regarded as insurance, or indeed as involving regulated activities at all. I touch on this and the relevant FSA guidance – such as it is - at the end of the annex. While there is an argument to be made, it seems to me that a very similar argument could be made that pre-paid funeral contracts are no more than a prepayment for services – yet they are subject to regulation and the guidance suggests that they would be regarded as insurance contracts in the absence of the specific provisions in the legislation.

That said, in practice the issue of cremation bonds by a local authority operating the crematoria in question may not involve the same risks to consumers as pre-paid funeral contracts, so the Council might want to consider further whether its objectives can be met by arrangements which could be more readily characterised as no more than a prepayment.

Other considerations

The nature of the obligation

Your instructions do not set out in detail precisely what obligations the Council would take on in consideration of the purchase price of the bonds. Clearly the intention is that the Council will provide a cremation at the specified crematorium, on the death of the bond holder. But what if that crematorium is not available at the time? Presumably the Council would offer a cremation elsewhere (which might or might not give rise to complaint where the holder had attached particular importance to a particular location). What if the Council’s crematoria were to be privatised?

The point here is essentially whether the contractual undertaking is in fact to secure the provision of a cremation at no further cost to the holder’s estate. This is more in the nature of a financial liability than the provision of a service as such (even if the intention is that in normal circumstances the liability will be discharged by the provision of a service by the Council itself), and may make it more difficult to argue that the initial consideration is a prepayment for a service. I note also that the bonds would be repayable (without interest) on demand – which again might point to a financial obligation.

Para 9 of the instructions notes that “the risks are believed to be minor” given the likely age profile of prospective purchasers. I am not clear what assumptions have been used about longevity risk and the likely investment returns and increases in cremation costs over a 10-20 year timescale. While it is not a matter for us, if the costings have not been subject to some actuarial review this may be worth considering (note that pre-paid funeral plans that operate on a trust fund basis are required to have an actuarial valuation every three years).



Use in conjunction with pre-paid funeral plans

Para 5 of your instructions suggests that funeral directors (and by implication the major providers of pre-paid funerals) would be interested in purchasing a bond for each of the pre-payment plans that they sell. This interest is understandable, as the use of a bond would enable the provider to transfer to the Council one of the more significant financial risks that the provider currently bears itself (where the cremation fee is "guaranteed" within the terms of the funeral plan). However the detail appears to require further consideration. As far as we are aware, all pre-paid funeral plans currently operate within the exclusions in the financial services legislation for plans covered by insurance or trust arrangements. While it is a matter for the providers and their advisers, it is not clear to us that a plan where part of the consumer's payment was applied at the outset to the purchase of a cremation bond would necessarily meet the requirements of the exclusions (particularly in relation to insurance-backed plans). This could have significant implications for the providers. It might be necessary for their plans to be restructured so that the cremation element was handled separately as a distinct transaction outside the funeral plan itself.

To the extent that the sale of the bonds was in practice handled by the funeral directors, the Council may want to consider what the financial arrangements are to be and what responsibility is to be taken by whom in the event of any alleged mis-selling. Were the bonds to be considered insurance contracts regulatory issues may also arise inasmuch as arranging their sale may amount to a regulated activity.

Assessment

We are unable to say what view the courts would take if asked to rule on whether the bonds amounted to contracts of insurance. The difficulty from the Council's perspective is that the matter is unlikely to be tested, unless a scheme is proceeded with and challenged. On the face of it the risk of consumer detriment appears fairly small, on the basis that the Council can be expected to honour its obligations even should the eventual cost of providing the cremations significantly exceed the funds generated by their sale, so the risk of challenge from the regulator, in the absence of any material complaints, is perhaps not very great.

The Council may want to consider the risk of challenge from other sources, such as competitors or indeed local taxpayers in the event that the scheme proved costly in the long term through a mismatch of assets and liabilities. This is not in itself a regulatory issue, but could become one if any challenge was based in whole or part on the suggestion that regulated activities were being carried on without authorisation.

Options and possible next steps

If the points raised under "Other considerations" above have not yet been considered, the Council may want to address these before deciding how best to take forward a scheme. Subject to that, it may be worth looking at ways in which the scheme can be structured so as to come as close as may be to a prepayment for a service, with the option of having the prepayment back if the customer changes his mind. While this does not completely remove the possibility of the scheme being challenged as insurance, as noted above, the risk of such a challenge may not be very great. To the extent that any part of the arrangements amounted to deposit taking, this would be covered by the local authority exemption for deposit taking.

Though the bonds would not in our view amount to funeral plan contracts, there are clearly some similarities. It might therefore be desirable for the Council to ensure that the arrangements for holding and managing the funds received were such as to secure in substance (if not necessarily the exact



form, given that the council is a public authority) the kind of protections designed to be secured by the requirements for funeral plans covered by trust arrangements (see article 60(1)(b) of the Regulated Activities Order). Presumably this would largely be a matter of “ring-fencing” the funds. The intention here would be to put the Council in a position to counter any challenge by showing that it had put in place protections at least equivalent to those considered appropriate for a “fully-fledged” funeral plan to operate without requiring authorisation.

For the reasons set out in my email of 20 February, and summarised in the third paragraph of the annex, we suggest that the current application to the FSA is in any event withdrawn.

I appreciate that this letter and its attachment raises a number of questions that you may wish to discuss. I will be pleased to assist with any queries you may have.

Yours sincerely
John Whitlock



Annex

Proposed “cremation bonds” – regulated activities

Background - the need for authorisation

Whether a person requires authorisation depends essentially on whether they are carrying on, by way of business, a regulated activity in relation to specified investment and, if so whether any exclusions or exemptions apply.

Local authorities are exempt from the requirement to be authorised in respect of any deposit taking activities and (broadly speaking) activities to do with arranging general insurance contracts or mortgage and similar home finance contracts.

However a person (including a local authority) cannot be both exempt and authorised, so if the Council were to be authorised for any activity connected with cremation bonds it would lose the exemptions it currently enjoys and would need to be authorised, for example, for any deposit taking activities that it carries on. This is likely to cause considerable practical difficulties in relation to aspects of the authority's day to day functions. In addition, there would be difficulties with the FSA's requirements in relation to approved persons, controllers and other matters arising from the constitution and financing of local authorities.

Where a local authority wishes to undertake activities requiring authorisation we would normally expect to see this done through a separate entity set up for the purpose.

Regulated activities and specified investments

These are set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO). There is other secondary legislation bearing on exemptions and the meaning of “by way of business”. The FSA's Perimeter Guidance Manual (PERG) provides guidance on interpretation of the legislation but is neither comprehensive nor definitive so it is often not possible to say definitively whether regulated activities arise in any particular circumstances.

In principle there are several regulated activities that might arise in connection with the proposed cremation bonds. I discuss these in general terms below. In order to advise more fully on whether a particular activity arose, we would need a detailed description of how the scheme would work in practice – for example, the terms of the contracts and the arrangements for handling and investing the prepayments.

Regulated activities which might arise in relation to “cremation bonds”

Activities relating to funeral plan contracts

The RAO specifies a distinct regulated activity of “entering as provider into a funeral plan contract”. A funeral plan contract is a contract:

“...under which a person (“the customer”) makes one or more payments to another person (“the provider”); and the provider undertakes to provide, or secure that another person provides, a funeral in the United Kingdom for the customer (or some other person who is living at the date when the contract is entered into) on his death...”.

However contracts which are covered by insurance or trust arrangements meeting certain conditions are specifically excluded from being funeral plan contracts (and entering into such contracts is therefore not a regulated activity).



One of the purposes of introducing this activity was to resolve uncertainty about the regulatory status of pre-paid funeral plans and to ensure that they were subject to an appropriate degree of regulation.

We understand that in practice all existing plans operate under the exclusions as either insurance based or trust-based arrangements.

The proposed cremation bonds do not appear to fall within the definition of "funeral plan contract" as they do not amount to contracts to provide a funeral. Unfortunately this appears to leave their status subject to the kinds of uncertainties that surrounded the status of funeral plan contracts prior to their being specified in the RAO as a particular kind of investment in their own right.

If the bonds are not funeral plan contracts the regulated activity of "entering as provider into a funeral plan contract" will not arise, nor will related activities such as arranging or advising on funeral plan contracts.

Deposit-taking

It is possible that the payments received against future cremations might be regarded as deposits.

This may depend on the terms on which refunds may be given, and also on the use that the Council intends to make of the monies received (and any interest thereon) prior to their being drawn down to meet the costs of the cremation in question. Fortunately it is not necessary to examine this in great detail as local authorities are specifically exempted from the requirement to be authorised for deposit taking.

Operating (etc) a Collective Investment Scheme

It is conceivable that the "bonds" could be characterised as units in a collective investment scheme operated by the Council. Funeral plan contracts are specifically excluded from being a collective investment scheme. The existence of such a specific exclusion does of course raise the possibility that analogous arrangements might be collective investment schemes; on the other hand there are other exclusions, relating for example to pure deposit based schemes and common accounts which might be applicable, depending on how the scheme operated. On balance the likelihood of the proposed arrangements being deemed to amount to a collective investment scheme seems fairly remote.

Effecting and carrying out contracts of insurance

It is arguable that the "bond" would amount to a contract of insurance on the basis that it is a contract under which the Council undertakes:

- in consideration of one or more payments [the initial payment];
- to pay money or provide a corresponding benefit (including in some cases services to be paid for by the provider) to a 'recipient' [the cremation];
- in response to a defined event the occurrence of which is uncertain (either as to when it will occur or as to whether it will occur at all) and adverse to the interests of the recipient [the death of the recipient].

(see chapter 6 of PERG at PERG 6.4.3). Furthermore, the FSA guidance on insurance contracts notes that funeral plan contracts would generally be contracts of insurance at common law. The RAO specifically excludes funeral plan contracts (as defined) from being contracts of insurance, which may suggest that contracts with similar characteristics but falling outside the definition of funeral plan contract do fall to be considered as insurance.



If the bonds did amount to contracts of insurance the Council would (providing it did so “by way of business”) be effecting the contracts when it issued them and carrying them out when it provided the funeral. This would require the Council to be authorised as an insurer which is not practicable, not least because of the limitations on the other activities which an insurer may undertake. While this limitation might be avoided through the setting up of a separate subsidiary, the considerable cost and the ongoing regulatory requirements would very likely be disproportionate. An alternative might be to arrange for the performance of the contracts to be underwritten by an authorised insurer.

Authorisation would not be required if the Council was not effecting or carrying out the contracts “by way of business”. The FSA guidance on this is as follows:

Whether or not an activity is carried on by way of business is ultimately a question of judgement that takes account of several factors (none of which is likely to be conclusive). These include the degree of continuity, the existence of a commercial element, the scale of the activity and the proportion which the activity bears to other activities carried on by the same person but which are not regulated. The nature of the particular regulated activity that is carried on will also be relevant to the factual analysis.

Applying this to particular situations is not always straightforward. The proposed activities would clearly be only a very small part of the Council’s overall activities. The scale appears relatively small, although a “fund” in excess of £1m might be built up quite quickly. There is continuity. The commercial element is more debateable, although as part of the rationale is to ensure business for the Council’s crematoria in the face of competition there is an argument that there is a commercial element.

In addition to effecting and carrying out, the regulated activity of arranging insurance contracts, and possibly also of advising on insurance, may arise. The Council itself is likely to be exempt from the requirement to be authorised for arranging (and advising on) in relation to insurance contracts of this kind, but any third parties (eg funeral directors) involved in arranging contracts or introducing potential customers may need to be authorised.

Prepayment for services

The alternative view is that the bonds amount to no more than a prepayment for services to be provided at some future time, such that there is no specified investment and the question of regulated activities does not arise. The FSA guidance (PERG 6.6.3) is that:

“Contracts, under which the amount and timing of the payments made by the recipient make it reasonable to conclude that there is a genuine pre-payment for services to be rendered in response to a future contingency, are unlikely to be regarded as insurance. In general, the FSA expects that this requirement will be satisfied where there is a commercially reasonable and objectively justifiable relationship between the amount of the payment and the cost of providing the contract benefit”.

On the face of it, the bonds might appear to meet this test, but then the same might be said of funeral plans, which the guidance suggests would be regarded as insurance, absent the specific provision made for them. The difficulty may be with demonstrating the necessary “commercially reasonable and objectively justifiable relationship” where the longevity risk (and therefore the cost of providing the contract benefit) is unknown.

Bovill
21 February 2013

Appendix 3

Mountsett Crematorium Joint Committee

Business Administration Apprentice

Introduction

This briefing paper has been developed for the Committee to consider the employment of a Business Administration Apprentice.

Apprenticeships have received increased attention in recent times against a backdrop of rising youth unemployment and increases in university tuition fees. Apprenticeships allow access to professions by offering a direct and affordable route into skilled jobs and careers and as an alternative to a university education. They are also an effective way for employers to develop their own talent, with the current and future skills needs of their organisation in mind.

Apprenticeships offer work-based training programmes designed and developed around the needs of employers, whilst providing individuals with a nationally recognised accredited qualification.

An apprenticeship must last for at least 12 months and the apprentice is issued with a fixed term contract together with an Apprenticeship Agreement.

Financial Contribution

The National Minimum Wage for an apprentice in the first year of an apprenticeship is £98.05 per week (based on 37 hours), however the Council has locally set rates of £110 for apprentices studying towards a Level 2 qualification (intermediate apprenticeship) and £120 for a Level 3 qualification (advanced level apprenticeship).

For the second year of an apprenticeship an apprentice who is 19 years plus must receive the national minimum wage for their age for the remainder of the apprenticeship, £184.26 per week for 19 years plus or £229.03 for 21 years plus per week.

Whilst there are no funding streams available to the Council to subsidise the wages for apprentices the training provider receives governments funding to provide the formal training element of the apprenticeship. The training for 16-18 year olds is fully funded however depending on funding streams available at a given time the employer may have to make a contribution to the training for apprentices who are 19 years and over.

Apprenticeship Framework

The training element of the apprenticeship will consist of Business and Administration Level 2 and Business and Administration Level 3 and will be delivered by the Council's Adult Learning and Skills Service (ALSS).

Apprenticeship frameworks also include functional skills in Maths and English.

Recruitment and Selection

An apprenticeship is advertised through the North East Jobs Portal and on the National Apprenticeship Service web-site. A clerical aptitude test can be arranged for 'sifting' if a large number of applicants are received.

Conclusion

The use of, and investment in apprenticeship programmes have many benefits, they tackle local unemployment and skills issues, support workforce planning, demonstrate commitment to developing the local workforce and address social agendas i.e. NEET (not in employment, education or training).

Recommendations

That a Business Administration Apprentice is employed by the Mountsett Crematorium Joint Committee on a two year fixed term contract.

Contact: Joanna Coppillie, Organisational Design and Development Team Leader tel: 03000 265450, e-mail joanna.coppillie@durham.gov.uk



Mountsett Crematorium Joint Committee

24 April 2013

Reserves Policy

Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; and Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee

Purpose of the Report

1. The purpose of this report is to set out for Members consideration a proposed Reserves Policy for the Mountsett Crematorium Joint Committee.

Background

2. The Chartered Institute of Public Finance and Accountancy (CIPFA) Local Authority Accounting Panel (LAAP) issued guidance notes (LAAP 77) on Reserves and Balances, making recommendations to the determination and to the adequacy of Local Authority Reserves.
3. The bulletin highlights a number of factors, in addition to the cash flow requirements that should be considered by an authority when establishing Reserve balances. These include:
 - The treatment of inflation
 - The treatment of demand led pressures
 - The general financial climate.
4. The guidance states that there has been no case made to set a statutory minimum level of reserves (either as an absolute, or as a percentage of budget) rather that advice should be sought from the Chief Finance Officer basing judgement on local circumstances.
5. In addition, The Joint Practitioners Advisory Group (JPAG), Governance and Accountability for Local Councils – A Practitioners Guide advises that earmarked Reserves which are set aside for specific purposes and for the savings of future projects should be realistic and approved by the formal decision making body, general reserves should be risk assessed and approved by the formal decision making body.

Reserves Policy

6. Reserves are held for 3 main purposes:

- As a working balance to help cushion the impact of uneven cash flow and avoid unnecessary temporary borrowing
 - As a contingency to cushion the impact of unexpected events or emergencies
 - As a means to build up funds – earmarked reserves to meet predicted future liabilities.
7. Taking these into consideration along with the works requirements from the Service Asset Management Plan, it is proposed that the Reserves Policy of the Mountsett Crematorium Joint Committee is as follows:
- 1 To set aside sufficient sums in Earmarked reserves (Cremator and Repairs reserves) as is considered prudent for the anticipated known areas of future expenditure. As a minimum, the strategy of the Joint Committee should be to increase the value of the Cremator earmarked reserve to circa £1m in the medium term to cover future liabilities.
 - 2 Create and maintain a General Reserve of at least 30% of the Joint Committee's Income budget. (This is based on a risk assessment identifying Income as the highest financial risk element to the Joint Committee).
8. The 2013/14 revenue budget approved by members at the January meeting incorporated an Income budget of £716,500. In line with the reserve policy proposed above, this would represent a General Reserve requirement of balance of £214,950 at 30%.
9. The 2012/13 provisional outturn reports a Cremator Reserve balance (as at the 31 March 2013) of £548,193. In order to create a General Reserve, it is proposed to transfer £214,950 from the Cremator Reserve leaving a 2012/13 year end balance of £333,243 within the reserve.
10. Members will recall the previous approval of additional surplus transfers to the Cremator Reserve. Based on current performance, it could reasonably be expected that the proposed transfer to a General Reserve will not adversely affect the timeframe in which a £1m Cremator Reserve balance will be achieved (notwithstanding other capital investment plans arising from any updates to the Service Asset Management Plan)

Recommendations and Reasons

11. It is recommended that:-

Members of the Mountsett Crematorium Joint Committee consider and agree the:

- 1 The Reserves Policy to set aside sufficient sums in earmarked reserves as is considered prudent for the anticipated known areas of future expenditure, including maintaining a Cremator Reserve balance of circa £1m to cover future liabilities in respect of cremator replacement.
- 2 The Reserves Policy to create and maintain a General Reserve of at least 30% of the Joint Committee's Income budget.

- 3 Transfer of the £214,950 from the Cremator Replacement Reserve to create a General Reserve at the 2012/13 year end as part of the preparation of the Annual Return and Statement of Accounts.

Contact(s): Paul Darby 03000 261930

Appendix 1: Implications

Finance

Full details of the financial implications are included within the body of the report.

Staffing

There are no staffing implications associated with this report.

Risk

In setting the reserve balances, major risks regarding income receipts, financial climate, demand led pressures (such as building redevelopment/alterations) have been considered in order to ensure that future financial risks to the Joint Committee are mitigated.

Equality and Diversity/Public Sector Equality Duty

There are no Equality and Diversity implications associated with this report.

Accommodation

There are no Accommodation implications associated with this report.

Crime and Disorder

There are no Crime and Disorder implications associated with this report.

Human Rights

There are no Human Rights implications associated with this report.

Consultation

Officers of Gateshead Council have been provided with a copy of the report and given the opportunity to comment/raise any detailed queries on the contents of this report in advance of circulation to members of the Mountsett Crematorium Joint Committee.

Procurement

None

Disability Discrimination Act

None

Legal Implications

The proposals regarding the reserve policy contained within this report have been prepared in accordance with standard accounting policies and procedures.

Mountsett Crematorium Joint Committee

25 April 2013

**Financial Monitoring Report – Provisional
Outturn as at 31 March 2013**



**Joint Report of Terry Collins – Corporate Director: Neighbourhood
Services and Don McLure – Corporate Director: Resources & Treasurer
to the Joint Committee**

Purpose of the Report

1. The purpose of this report is to set out details of income and expenditure in the period 1 April 2012 to 31 March 2013, together with the provisional outturn position for 2012/13, highlighting areas of over/under spend against the revenue budgets at a service expenditure analysis level.
2. The report also sets out details of the funds and reserves of the Joint Committee at 1 April 2012 and the provisional position as at the year ended 31 March 2013.

Background

3. Scrutinising the financial performance of the Mountsett Crematorium is a key role of the Joint Committee. Regular (quarterly) budgetary control reports are prepared by the Treasurer and aim to present, in a user friendly format, the financial performance in the year to date together with a forward projection to the year end. Routine reporting and consideration of financial performance is a key component of the Governance Arrangements of the Mountsett Crematorium.

Financial Performance

4. Budgetary control reports, incorporating outturn projections, are considered by Neighbourhood Services' Management Team on a monthly basis. The County Council's Corporate Management Team also considers monthly budgetary control reports, with quarterly reports being considered by Cabinet/Overview and Scrutiny Committee. The outturn projections for the Mountsett Crematorium are included within this report.
5. The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information and market intelligence supplied by the Bereavement Services Manager. The following table highlights the provisional outturn financial performance of the Mountsett Crematorium at 31 March 2013:

Subjective Analysis	Base Budget 2012/2013 £	Year to Date Actual April – March £	Projected Outturn 2012/2013 £	Variance Over/ (Under) £
Employees	108,900	119,424	127,242	18,342
Premises	124,609	140,762	195,636	71,027
Transport	300	0	300	0
Supplies & Services	59,828	58,457	68,248	8,420
Agency & Contracted	11,915	10,611	10,611	(1,304)
Central Support Costs	23,500	23,500	23,500	0
Gross Expenditure	329,052	352,754	425,537	96,485
Income	(599,500)	(737,121)	(737,121)	(137,621)
Net Income	(270,448)	(384,367)	(311,584)	(41,136)
Transfer to Reserves				
- Repairs Reserve	15,000	0	15,000	0
- Cremator Reserve	90,558	0	131,694	41,136
Distributable Surplus	(164,890)	0	(164,890)	0
35% Gateshead Council	57,712	43,824	57,712	0
65% Durham County Council	107,178	0	107,178	0
Mountsett Crematorium Earmarked Reserves	Balance @ 1 April 2012 £	Transfers to Reserve £	Transfers From Reserve £	Balance @ 31 March 2013 £
Repairs Reserve	29,284	15,000	0	44,284
Cremator Reserve	416,499	131,694	0	548,193
Total	445,783	146,694	0	592,477

Explanation of Significant Variances between Original Budget and Forecast Outturn

6. As can be seen above, the outturn is showing a provisional year end surplus (before transfers to reserves and distribution of surpluses to the partners authorities) of £311,584 at the year end against a budgeted surplus of £270,448 (before transfers to reserves and distribution of surpluses to the partners authorities), £41,136 more than the budgeted position. The following section outlines the reasons for any significant variances by subjective analysis area:

6.1 Employees

The outturn shows an over spend of **£18,342**. The over spend is mainly as a result of revised employee terms and conditions agreed in the latter part of 2011/12. The review had not been undertaken in time for the 2012/13 budget setting process thus resulting in a **£13,706** variance to budget. Overtime undertaken to ensure business continuity (including staff transfers from central Durham Crematorium) during the Superintendent & Registrar's long term sickness absence has totalled **£13,716**. The Superintendent & Registrar's employment ended on 19 December 2012, however, resulting in savings of **(£9,080)**.

6.2 Premises

The outturn is showing a **£71,027** over spend against budget. The main variances are detailed below:

- Additional works (including DDA works of £10,426) of **£60,414** as highlighted in the Service Asset Management Plan reported to members in September 2012
- Higher utility costs of gas, electricity and water than those budgeted have resulted in a provisional over spend of **£6,403**. It should be noted that the final quarter invoices have not been received for all utilities and estimates have been incorporated into the outturn at this point. The final outturn will include the final actual costs, however, it is not anticipated any major variance between provisional and final outturn positions
- NNDR charges have been received at **£4,210** higher than budget. This is due to a revaluation during 2012/13 and subsequent increase in the rateable value of the Crematorium.

6.3 Supplies and Services

The **£8,420** reported over spend on supplies and services expenditure is due to the following reasons:

- Book of Remembrance costs are higher than budgeted by **£4,460** due to the purchase of the new Book of Remembrance Quarterly Volume
- Medical referee costs are higher than budgeted by **£3,679** due to the increased number of cremations carried out during the year
- The requirements of the Cremation Abatement of Mercury Emissions Organisation (CAMEO) did not come into place until 1 January 2013. This has resulted in a saving on budget during 2012/13 of **(£7,185)**. Members should note again that the first charge will be levied by CAMEO in arrears during January 2014. The 2012/2013 outturn considers 50% of budgeted cremations at an estimated charge of £50 per cremation for the period January to March 2013 in lieu of the estimated payment requirement
- Overspend on equipment purchases and repairs totalling **£9,060**, £4,000 of this over spend is due to the BACAS installation, the remaining £5,060 is in relation to grasscutting equipment repairs, cremator replacement parts, flower display units and flagpoles (required for the Green Flag Award)
- Expenditure within the Vending Machine Rental Budget is lower than budgeted by **(£2,480)**
- Additional spend to budget for stationery and telephones totals **£886**.

6.4 Agency and Contracted

An under spend of **(£1,304)** is reported, the main reasons are:

- The actual cost of the Independent Testing of the Cremator & Abatement Equipment is higher than budget by **£495**

- The payment to FSA in connection with the Prepayment Bond application is **(£750)** less than budgeted as the charge was made to both Mountsett and Durham Joint Committees resulting in a shared cost
- Actual external audit fees for the year were received at **(£50)** less than budgeted
- Grounds Maintenance charges are **(£999)** less than budgeted.

6.5 **Income**

Additional income of **(£137,621)** is included within the outturn position. The reasons are as follows:

- The cremation numbers have increased to 1413, (including non chargeable cremations) during 2012/13, this is an additional 263 from the original budgeted numbers (1,150) resulting in an additional income of **(£130,151)**
- The sale of plaques have exceeded budgeted expectations resulting in an additional income of **(£9,407)**
- Miscellaneous sales, including Organ Fees and Urns, have very slightly exceeded those budgeted by **(£89)**
- Offsetting these additional income amounts however, is a reduction in the Book of Remembrance entries, resulting in reduced income of **£2,026**.

6.6 **Earmarked Reserves**

A contribution into the Cremator Reserve of £131,694 is reported within this outturn. This is £41,136 additional to that originally budgeted.

Overall, the earmarked reserves position as at 31 March 2013 is £592,477, an in year increase of £146,694 (33%).

Recommendations and Reasons

7 It is recommended that:

- Members note the April to March 2013 revenue spend within the financial monitoring report and associated provisional outturn position for the year ended 31 March 2013.

Background Documents

2012/13 Revenue Budget and Fees and Charges Report – As approved by the Mountsett Crematorium Joint Committee.

Previous 2012/13 Financial Monitoring Reports – As previously presented to the Mountsett Crematorium Joint Committee.

Oracle Financial Management System Reports.

Contact(s):	Paul Darby	03000 261 930
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Appendix 1: Implications

Finance

Full details of the year to date and projected outturn financial performance of the Mountsett Crematorium are included within the body of the report.

Staffing

There are no staffing implications associated with this report.

Risk

The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information supplied by the Bereavement Services Manager and Assistant Superintendent and Registrar. The projected outturn has been produced taking into consideration spend to date, trend data and market intelligence, and includes an element of prudence. This, together with the information supplied by the Bereavement Services Manager and Assistant Superintendent and Registrar, should mitigate the risks associated with achievement of the forecast outturn position.

Equality and Diversity/Public Sector Equality Duty

There are no Equality and Diversity implications associated with this report.

Accommodation

There are no Accommodation implications associated with this report.

Crime and Disorder

There are no Crime and Disorder implications associated with this report.

Human Rights

There are no Human Rights implications associated with this report.

Consultation

None. However, Officers of Gateshead Council were provided with a copy of the report and given opportunity to comments/raise any detailed queries on the contents of this report in advance of circulation to members of the Joint Committee.

Procurement

None

Disability Issues

None

Legal Implications

The outturn proposals contained within this report have been prepared in accordance with standard accounting policies and procedures.

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**Mountsett Crematorium
Joint Committee**

25 April 2013

Annual Internal Audit Report 2012/13



Report of the Head of Internal Audit

Purpose of the Report

1. The purpose of this report is to present the Annual Internal Audit Report for 2012/13. (Copy attached at Appendix 2).
2. The report also looks ahead and details, at Appendix 3, Internal Audit and Risk Services to be provided in 2013/14.

Background

3. This report fulfils the requirement of the CIPFA Code of Practice for the Head of Internal Audit to provide, "a written report to those charged with governance timed to support the Statement of Internal Control", which is now incorporated as part of the Council's Annual Governance Statement.
4. The Annual Internal Audit Report should therefore be considered in the context of fulfilling the requirement to provide an opinion on the overall adequacy and effectiveness of the Council's control environment during the year, and how this opinion has been derived.
5. Based on the work undertaken, the Head of Internal Audit is able to provide a **Substantial** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Joint Committee in 2012/13. This substantial opinion ranking provides assurance that there is a sound system of control in operation and there are no significant control weaknesses that warrant inclusion in the 2012/2013 Annual Governance Statement.

Recommendation

6. Members note the content of the Annual Internal Audit Report and the overall 'substantial' opinion provided on the adequacy and effectiveness of the Council's control environment for 2012/13.
7. Members approve the proposal for the provision of Audit and Risk Services to be provided in 2013/14.

Contact: Avril Wallage, Manager of Internal Audit and Risk DCC Tel: 03000 269645

Appendix 1: Implications

Finance

There are no direct financial implications arising for the Joint Committee as a result of this report, although we aim through our audit planning arrangements to review core systems in operation and ensure through our work that the Joint Committee has made safe and efficient arrangements for the proper administration of its financial affairs.

Staffing

None

Risk

There are no direct risk implications arising for the Joint Committee as a result of this report, although we aim through our planning arrangements to review the adequacy and effectiveness of the risk management arrangements in place.

Equality and Diversity / Public Sector Equality Duty

None

Accommodation

None

Crime and disorder

None

Human rights

None

Consultation

None

Procurement

None

Disability issues

None

Legal Implications

None



**MOUNTSETT CREMATORIUM
JOINT COMMITTEE
INTERNAL AUDIT
ANNUAL REPORT
2012/13**

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Appendix 2 Annual Review of the Mountsett Crematorium 2012/13

Appendix 3 Audit and Risk Services 2013/14

Introduction

1. This report summarises work carried out by Durham County Council Internal Audit and Risk Service during 2012 / 2013, as part of the 4 year Service Level Agreement covering the provision of Internal Audit Services up to 31 March 2014.
2. All Internal Audit work carried out in 2012/13 was in accordance with proper internal audit practices as described within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006)
3. This report fulfils the requirement of the CIPFA Code of Practice for the Head of Internal Audit to provide, “a written report to those charged with governance timed to support the Statement of Internal Control”, which is now incorporated as part of the Joint Committee’s Annual Governance statement appended to the Joint Committee’s Annual Statement of Accounts which will be presented to the Joint Committee for approval in June 2013.

Service Provided and Audit Methodology

4. Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
5. Our primary objective is to provide an independent and objective annual opinion on the Joint Committee’s control environment which is comprised of the systems of governance, risk management and internal control.
6. The Internal Audit Charter, last reviewed by the Joint Committee in April 2012, establishes and defines the role the terms of reference and scope of audit work, including the audit strategy, organisational independence and the reporting lines of Internal Audit. No changes to the Charter were required during 2012/13.
7. In accordance with the Internal Audit Charter, a risk based audit approach has been applied to work undertaken in 2012/13.
8. To determine the audit opinion the internal audit service has considered the following:
 - The adequacy of risk identification, assessment and mitigation
 - The adequacy and application of controls to mitigate identified risk
 - The adequacy and extent of compliance with the Council’s corporate governance framework
 - The extent of compliance with relevant legislation
 - The extent to which the organisation’s assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money
 - The quality and integrity of financial and other management information utilised within the organisation

Work carried out in 2012/13 to inform the annual audit opinion

9. The key areas of assurance of the control environment where assurance is required to inform our overall opinion are financial management, risk management and corporate governance.
10. Our assurance opinion for 2012/13 has been primarily determined through the annual review of processes and procedures in place on site at the Crematorium which evaluated the management of the following risks:
 - Non compliance with the Cremation Regulations 2008.
 - Non compliance with the Federation of British Cremation Authorities Code of Cremation Practice.
 - Ashes are disposed of incorrectly.
 - Equipment failure.
 - Health impact to the public.
 - Lack of experienced staff.
 - Insufficient capacity to meet demand in the event of an epidemic, pandemic or major disaster.
 - Injury to staff.
 - Income is not accounted for/misappropriated.
 - Unauthorised payments are made.
 - Stock / Assets are not accounted for / misappropriated.
 - Damage / theft of equipment.
 - Employees are incorrectly paid.
11. This audit was carried out during February 2013 in accordance with terms of reference agreed with the Crematorium's Superintendent and Registrar. The review concluded that the internal control systems in place provided a **substantial** level of assurance that the above risks were being effectively managed. The full audit report is attached as Appendix 2. Minor weaknesses in control identified at audit as set out in the action plan of the report are being addressed by management.
12. Further assurance on the effectiveness of risk management arrangements can also be taken from the work carried out by the County's Corporate Risk Officers who have continued to monitor strategic and operational risk registers during the year, with 6 monthly reviews being reported for consideration by the Joint Committee in September 2012 and January 2013 respectively.
13. Processes in place provide assurance that the Crematorium Superintendent and Registrar and his staff have a very good understanding of risk and adequate measures have been put in place to either mitigate or tolerate identified risks and it is evident from audit work carried out that risk management processes are well embedded.
14. No specific work has been carried out this year in reviewing the effectiveness of the Joint Committee's key corporate governance arrangements by Internal Audit as this was not considered a high risk area. The majority of the Joint Committee's key corporate governance arrangements in place reflect those of

Durham County Council which are subject to an annual effectiveness review to inform the County Council's Annual Governance Statement. This is subject to review and challenge by the County's Audit Committee.

15. It should, however, be noted that in evaluating the control framework in place relating to the risks identified at paragraph 10, the adequacy and effectiveness of relevant policies and procedures that contribute to the Joint Committee's corporate governance arrangements were considered in arriving at the Substantial Assurance Opinion.

Quality Assurance Framework

16. The scope and terms of reference for this year's annual audit review were developed using a risk based approach agreed with the Crematorium's Superintendent and Registrar. This approach ensured that audit resources were applied to agreed high risk areas where there was little or no other assurance.
17. In accordance with the Internal Audit Charter audit working papers and all audit reports have been reviewed by an audit manager to ensure that expected quality standards are maintained and that all audit findings and conclusions were supported by appropriate testing and evidence.
18. The accuracy of audit findings were confirmed by the Crematorium's Superintendent and Registrar who was given the opportunity to challenge audit findings and the draft report prior to them being finalised.
19. In accordance with the Service Level Agreement 20. In total 20 audit days have been incurred in providing services to the Joint Committee during the year.
20. A customer satisfaction survey is issued after every audit to provide feedback and help the service continually improve,
21. Under the Account and Audit Regulations, the County Council is required to carry out an annual review of the effectiveness of Internal Audit. The Joint Committee, classed as a smaller body under the Regulations, is not required to carry out such a review. However, the Joint Committee can take assurance on the quality of internal services provided during 2012/13 from the outcomes of the last review of the service undertaken by the County Council's Corporate Director Resources and its Audit Committee in May 2012. This review was informed by consideration of a series of questions, designed to evaluate compliance with best practice, independently by
- The Chair of the Audit Committee
 - The Corporate Director Resources
 - The Head of Internal Audit
 - External Audit
22. The Committee noted that good progress had been made with the implementation of a risk based approach to auditing but recognised that the skills

mix of the in house team needed to be strengthened in some specialist areas. Overall the Committee concluded that the service was effective and reliance could be placed on the audit opinion provided by the service.

23. In arriving at this conclusion the Audit Committee also monitor performance against an agreed set of performance indicators. One of these indicators that is particularly relevant to services provided to the Joint Crematorium is the cost per chargeable audit day. The service performance target was to be lower than CIPFA Benchmarking Club average. Actual performance for 2011/12 was £279 compared with the average of £313. This demonstrates the competitiveness of fees charges to the Joint Committee through the SLA of £250 per day.

Audit Opinion Statement

24. The Joint Committee has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives.

25. The Head of Internal Audit is required to provide an opinion on adequacy and effectiveness of the Joint Committee's risk management, control and governance processes.

26. In giving this opinion it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in these processes.

- In assessing the level of assurance to be given, we based our opinion on:
- The audit review of the Central Durham Crematorium undertaken during the year
- Follow up action on audit recommendations
- Matters arising from the work carried out by Internal Audit on the redevelopment of the Crematorium
- Any significant recommendations not accepted by management and the consequent risk
- The effects of any significant changes in the Crematorium's systems
- Matters arising from previous reports to the Joint Committee
- Any limitations which may have been placed on the scope of internal audit's annual review
- The extent to which resource constraints may impinge on internal audit's ability to meet the full audit needs of the Joint Committee
- The outcomes of the audit quality assurance process
- Consideration of a number of other sources of assurance available

27. Based on the work undertaken, the Head of Internal Audit is able to provide a **Substantial** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Joint Committee in 2012/13. This substantial opinion ranking is the same as 2011/12 and provides assurance that there is a sound system of control with no material weaknesses. Consequently, there are

no significant issues that warrant inclusion in the 2012/ 2013 Annual Governance Statement.

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INTERNAL AUDIT REPORT

Mountsett Crematorium

Ref No 13590/2013

Final Report

Assurance Opinion:	Substantial Assurance
Prepared by:	Debra Lewis, Senior Auditor
Reviewed by:	David Mitchell, Principal Auditor Stephen Carter, Audit Manager
Date issued:	10th April 2013
Distribution List	
For Action:	Graham Harrison, Bereavement Services Manager Michael Chipperfield, Assistant Superintendant & Registrar
For Information:	Ian Houl, Streetscene Area Manager North Paul Darby, Head of Finance – Financial Services Terry Collins, Corporate Director for Neighbourhood Services Oliver Sherratt, Head of Direct Services Avril Wallage, Manager of Internal Audit and Risk Teresa Morgan, Strategic Insurance & Risk Officer Debra Kitching, Policy & Performance Team Leader



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28. The scope of the annual audit assurance review for 2013/14 will be informed by the maturity of the Crematorium’s risk management arrangements, its risk appetite and the reliance that can be placed on other assurance sources. Operational risks relating to key service activities and key systems will be audited annually dependent and an audit assessment of known risks and the reliability of other assurance sources.

29. Other potential sources of assurance to be considered when determining the scope of the review will include:

Other Assurance Sources
The External Auditor annual audit letter and opinion on the financial statement of accounts and VFM conclusion
Independent testing of all cremators and equipment is carried out annually.
The Crematorium is licensed and is regulated by Durham County Council’s Environmental Monitoring section. Regular progress reports are provided to the regulator regarding compliance with emissions.
Crematorium charges are regularly benchmarked against other Crematoria.
The Crematorium Superintendent and Registrar must provide an annual statement to the Federation of Burial and Cremation Authorities that they have complied with the Federations Code of Practice
The Ministry of Justice can inspect Crematorium premises at any time, although this is normally carried out by the Regulator on their behalf

30. We will adopt a risk based approach to evaluate the effectiveness of controls designed to mitigate risks through substantive testing and / or compliance testing. Compliance testing will confirm if a control actually exists and substantive testing will provide assurance that the control is effective and / or is consistently applied. The level of testing will be relative to the impact and likelihood of the risk occurring due to a control weakness.

Appendix 2

Crematorium Review				Annual Review of Control Environment
Establishment audit to include Petty Cash, Budgetary Control and Financial Reporting, Income & Debt Collection, Bank Reconciliation, Asset Management, stock control, Strategic Risks, Operational Risks, Risk Management Assurance Review and Corporate Governance Assurance Review	10	7	11	Applying a risk based audit approach the distinction between fundamental accounting systems and an establishment type audit is not necessary.
				The annual review will consist of a risk based evaluation of the control framework in place relating to key service activities and systems. This will include the provision of assurance on the management of both financial and non financial operational and strategic risks and compliance with corporate governance arrangements.
Ad Hoc Advice and Assistance	1	2	3	Provision for ad hoc advice and consultancy type services to consider control issues relating to any new or emerging risks on which assurance may be required outside of the annual review
Contingency	0	2		
Total	20	20	19	

Optional Additional Services;	2012/13	2013/14	2013/14	Comment
Risk Management Support	2	2	3	Risk management support in the identification, assessment, monitoring and reporting of strategic and operational risks and support on the annual review of corporate governance arrangements
Corporate Governance Support	0	0		

Audit and Risk Services to be provided for 2013/14

1. Details of the Internal Audit and Risk Services to be provided by Durham County Council's Internal Audit and Risk Services are set out in the Service Level Agreement (SLA) approved by the Joint Committee in September 2010. Indicative days to deliver the services, as per the SLA, together with actual days taken on 2012/13 are given in the table below. The proposed days required for 2013/14 reflecting past experience and new initiatives that will impact on service is also indicated.

AREA PER SLA	2012/13	2013/14	2013/14	Comments
	Actual	Indicative	Proposed	
Management and Assurance			Management, planning, preparation and quality assurance	
Preparation of Internal Audit plan (including risk assessment of audit needs, planning for reviews and production of report)	3	3		The Internal Audit Charter will require review in 2013/14 to ensure compliance with the introduction of the Public Sector Internal Audit Standards that come into effect 1/4/2013.
Production of Annual report and opinion	2	2	5	A new SLA agreement will need to be negotiated for services beyond 31/3/2014.
Attendance at ad hoc meetings, Committee pre meetings and Committee meetings	1	1		
Regular liaison with relevant staff and follow up of recommendations	1	1		
Fundamental Accounting Systems				
Audit testing in relation to Creatorium sub systems to include Personnel, Payroll, Expenditure/Purchasing, Accounts Payable, Accounts receivable.	2	2	0	

APPENDIX D: LIMITATIONS AND RESPONSIBILITIES

Outstanding responses will be monitored. Any overdue responses will be escalated to the responsible Corporate Director and reported to the Audit Committee.

Follow up

In accordance with the Internal Audit Charter, we will monitor progress on the implementation of agreed recommendations and the findings will be reported to the audit committee. Where considered appropriate follow-up audits will be scheduled.

Limitation inherent to the internal auditor's work

We have undertaken this review subject to the following limitations.

Internal Control

Internal control, no matter how well designed and operated, can provide only reasonable assurance not absolute assurance regarding achievement of the service objectives. The likelihood of the achievement is affected by limitations inherent in all internal control frameworks. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

The assessment of the control framework in place relating to this review is at 20th March 2013. Historic evaluation of effectiveness is not relevant to the future period due to:

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

Responsibilities of management and internal auditors

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

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

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Management responses

We ask that management responses to our recommendations are provided within 20 working days of the draft report being issued.

APPENDIX C: AUDIT FINDINGS, RECOMMENDATIONS AND ASSURANCE OPINION RATINGS

Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	L
	Minor	Major	Critical
		IMPACT	

Priority of our recommendations

We define the priority of our recommendations arising from each overall finding as follows;

High	Action that is considered imperative to ensure that the service/system/process objectives are not exposed to significant risk from weaknesses in critical or key controls
Medium	Action required to ensure that the service/system/process objectives are not exposed to major risk from weaknesses in controls
Low	Action required to ensure that the service/system/process objectives is not exposed to minor risk from weaknesses in controls
Advisory	Action that is considered desirable to address minor weaknesses in control that if implemented may not reduce the impact or likelihood or a risk occurring but should result in enhanced control or better value for money.

Overall Assurance Opinion

Based upon the ratings of findings and recommendations arising during the audit as summarised in risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

Full Assurance	There is a sound system of control designed to achieve the process/system/service objectives and manage the risks to achieving those objectives. (No H, M or L findings/recommendations)
Substantial Assurance	Whilst there is a sound system of control, there are some weaknesses, which may put some of the system objectives at minor risk. (No H or M findings/recommendations)
Moderate Assurance	Whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. (No H findings/recommendations)
Limited Assurance	There are weaknesses in key areas in the system of control, which put the system objectives at significant risk. (H findings/recommendations)
No Assurance	Control is weak as controls in numerous key areas are ineffective leaving the system open to significant risk of error or abuse

APPENDIX C: AUDIT FINDINGS, RECOMMENDATIONS AND ASSURANCE OPINION RATINGS

Findings

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

Impact Rating	Assessment Rationale
Critical	<p>A finding that could have a:</p> <p>Critical impact on operational performance (Significant disruption to service delivery)</p> <p>Critical monetary or financial statement impact (In excess of 5% of service income or expenditure budget)</p> <p>Critical breach in laws and regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)</p> <p>Critical impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)</p> <p>Critical impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)</p>
Major	<p>A finding that could have a:</p> <p>Major impact on operational performance (Disruption to service delivery)</p> <p>Major monetary or financial statement impact (1-5% of service income or expenditure budget)</p> <p>Major breach in laws, regulations or internal policies and procedures (non compliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)</p> <p>Major impact on the reputation of the service within the Council and/or complaints from service users</p>
Minor	<p>A finding that could have a:</p> <p>Minor impact on operational performance (Very little or no disruption to service delivery)</p> <p>Minor monetary or financial statement impact (less than 1% of service income or expenditure budget)</p> <p>Minor breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary or financial statement impact or reputation of the service)</p>

Likelihood	Assessment criteria
Probable	Highly likely that the event will occur (>50% chance of occurring)
Possible	Reasonable likelihood that the event will occur (10% - 50% chance of occurring)
Unlikely	The event is not expected to occur (<10% chance of occurring)

APPENDIX B: TERMS OF REFERENCE – Mountsett Crematorium

14. We request that managers aim to provide a full response within 20 working days of receipt of the agreed draft report.
15. An updated CRA will be provided as an accompanying document to draft reports to reflect any changes to expected controls identified through the audit process and actual controls in place. Any recommendations made to improve the control environment will be incorporated into an action plan and reflected in the updated CRA to aid future self assessment of risks and the control framework.

Limitations of scope

16. This audit review will focus on Crematorium arrangements and the financial reporting of expenditure from these activities.
17. The review of the pre-payment cremation bonds will not be reviewed as part of this audit as this is still within its development stages.

Terms of Reference Approval

18. These terms of reference have been reviewed and approved by:
 - Graham Harrison, Bereavement Services Manager
 - Stephen Carter, Audit Manager

APPENDIX B: TERMS OF REFERENCE – Mountsett Crematorium

- Non compliance with the Federation of British Cremation Authorities Code of Cremation Practice.
- Ashes are disposed of incorrectly.
- Equipment failure.
- Health impact to the public.
- Lack of experienced staff.
- Insufficient capacity to meet demand in the event of an epidemic, pandemic or major disaster.
- Injury to staff.
- Income is not accounted for/misappropriated.
- Unauthorised payments are made.
- Stock / Assets are not accounted for / misappropriated.
- Damage / theft of equipment.
- Employees are incorrectly paid.

Audit Approach

8. The review will be carried out using a risk based approach informed by the CRA and will involve:
- Review of relevant documentation held and maintained
 - Interviews with responsible persons where necessary
 - Assessment of existing controls
 - Perform testing.

Key Contact

9. Key contacts for this review are
- Debra Lewis, Lead Auditor
 - David Mitchell, Principal Auditor

Target Dates

10. The target dates for this review are:
- Fieldwork start date: 25th February 2013
 - 12 audit days
 - Draft report issued date: 31st March 2013
11. These timescales are subject to the following assumptions:
- All relevant documentation, including source data, reports and procedures will be made available promptly on request.
 - Staff and management will make reasonable time available for interviews and will promptly follow-up questions or requests for documentation.
 - Assistance will be available in scheduling meetings and interviews where required.

Reporting Arrangements

12. Michael Chipperfield will be kept regularly informed of progress on our review. Any significant issues will be discussed as they arise.
13. On completion of the review, our findings together with recommendations to address any control weaknesses will be discussed with Michael Chipperfield and Graham Harrison at an exit meeting prior to the preparation and issue of a Formal Draft report. The Formal Draft will then be issued to Graham Harrison and will include responses.

APPENDIX B: TERMS OF REFERENCE – Mountsett Crematorium

DURHAM COUNTY COUNCIL INTERNAL AUDIT SERVICE

Terms of Reference

Client	Neighbourhood Services
Service	Bereavement Services
Head of Service	Ian Hoult, Streetscene Area Manager North Paul Darby, Head of Finance – Financial Services Graham Harrison, Bereavement Services Manager
Responsible Key Contact	Michael Chipperfield, Assistant Superintendant & Registrar
Nominated Manager	Michael Chipperfield, Assistant Superintendant & Registrar
Audit	Mountsett Crematorium

Introduction

1. This review is being undertaken in accordance with the approved Internal Audit Plan for 2012/13.

Overall Objective of the Audit

2. To evaluate the control environment of Mountsett Crematorium and provide an independent opinion on whether or not controls are adequate, appropriate and effective in providing reasonable assurance that risks to the achievement of service/system/process objectives are being managed effectively.
3. In arriving at this opinion consideration will be given to the effectiveness of:
 - relevant key corporate governance policies and procedures
 - the arrangements in place to identify, assess and monitor risks
 - the control design to ensure that the Council's assets and interests are accounted for and safeguarded from loss of all kinds including fraud, waste, extravagance, inefficient administration and poor value for money.

System Objectives

4. The objectives Mountsett Crematorium are :
 - To provide a sensitive, respectful service suitable for the bereaved.
 - To ensure cremations comply with the Cremation Regulations 2008.
 - To ensure the FBCA Code of Cremation Practice is complied with.
 - To ensure all income and expenditure is in line with financial regulations.

Control Risk Assessment

5. A summary of identified risks, the potential impact and expected controls, agreed as part of the audit planning process, using a control risk assessment (CRA) methodology to inform the scope of this review, is attached as an accompanying document.
6. The criteria used to assess identified gross risks (before controls are applied) are attached as Appendix A.

Scope of Audit

7. The scope of this audit is to provide assurance on the management of the following risks:
 - Non compliance with the Cremation Regulations 2008.

APPENDIX A: ACTION PLAN FOR IMPLEMENTATION – Mountsett Crematorium

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
03	<p>The review of the invoice requisitions for the Funeral Director Accounts, showed that the date information was passed to Business Support - Financial Support, via the "Neighbourhood Services Debtors" mailbox was not being recorded on the forms held at Mountsett Crematorium, and there was no evidence in support of when they had been passed or received.</p> <p>Further testing confirmed that all invoices had been raised and paid.</p>	<p>Invoices are not raised and income not collected</p> <p>Outstanding balances with the Funeral Directors</p>	Low	<p>Evidence be maintained on file which confirms when invoice requisitions were passed to Business Support - Financial Support for the invoices to be raised.</p>	<p>COMPLETE. Requested date information is now being recorded as of 1st March 2013.</p>	<p>Michael Chipperfield, Assistant Superintendent & Registrar</p>
04	<p>The Stock Count carried out at Mountsett Crematorium confirmed that there are 21 wooden urns which are currently held on stock and these have not been sold for a several years.</p> <p>The Superintendent confirmed that they are considered to be obsolete as they are no longer used.</p>	<p>Surplus stock being maintained</p>	Advisory	<p>Consideration be given to the stock of wooden urns being disposed of either by: - transferring the stock to Durham Crematorium if appropriate, - trying to obtain a price from the funeral directors and selling them - or writing off and disposing of the stock in line with the Stock Disposal Policy.</p>	<p>Possible supplier to use the stock of wooden urns rather than disposing of them are being investigated Discussions are also being undertaken with the Superintendent & Registrar at the Central Durham Crematorium for a possible transfer of the stocks.</p>	<p>Graham Bereavement Manager Harrison, Services</p>

APPENDIX A: ACTION PLAN FOR IMPLEMENTATION – Mountsett Crematorium

Action Ref	Finding	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
01	<p>A review of the blue banking book showed that the dates on which money was taken to Morrison Busty for banking were not recorded.</p> <p>A signature was present on these pages however, to confirm that money had been received at Morrison Busty.</p> <p>As there are no dates recorded it was not possible to verify when money had been transferred.</p>	<p>Theft</p> <p>Loss of income</p>	Low	<p>The dates and signatures of staff handling and receiving cash should be recorded in the blue banking book in order to maintain a management trail which can be traced through to the bankings.</p>	<p>COMPLETE. Dates and Signatures are now being fully recorded in the blue book as from 1st March 2013.</p>	<p>Graham Bereavement Manager</p> <p>Harrison, Services</p>
02	<p>The Bereavement Services Manager collects income from Mountsett Crematorium on a monthly basis and takes it to Morrison Busty for banking.</p>	<p>Theft</p> <p>Loss of income</p> <p>Delays in banking and processing of income</p>	Low	<p>Procedures and systems are currently being rolled out with regards to cash collection and banking (Icon and Webcard systems).</p> <p>Following this roll out, the Cash Handling Procedures, specifically with regards to the section on secure collections, should be implemented at Mountsett Crematorium.</p>	<p>Current arrangements will continue until the Icon and Webcard roll out is completed at the end of May 2013. The service will then fully comply with new corporate procedures and secure collections will be undertaken.</p>	<p>Graham Bereavement Manager</p> <p>Harrison, Services</p>

effectiveness of the entire control environment operating across the whole of the Authority, required to inform the Annual Governance Statement.

9. The report is intended to present to management the findings and conclusions of the audit. Wherever possible findings and recommendations made to improve the control framework have been discussed with the appropriate officers and their views taken into account.
10. In carrying out the audit, the time and assistance afforded by Michael Chipperfield of Mountsett Crematorium and his staff was greatly appreciated.

SCOPE AND AUDIT APPROACH

11. The scope and audit approach for this review were agreed as part of the preparation stage of the audit and reflected in the agreed terms of reference. The scope was informed by a Control Risk Assessment (CRA) determined in consultation with appropriate officers.

FINDINGS AND RECOMMENDATIONS

12. Our findings relating to issues of key concern, together with recommendations made to improve the management of identified risks and the resultant management response, are provided in the action plan attached as Appendix A.
13. The CRA has been updated to reflect actual evidenced controls in place and improvements agreed. This is attached as an accompanying document to aid monitoring and future self assessment of risks and the control framework. It is recommended that a Control Risk **Self** Assessment (CRSA) is carried out annually.

AUDIT FINDINGS AND ASSURANCE OPINION RATINGS

14. Details of how individual findings and assurance opinions have been assessed are detailed in Appendix C.

LIMITATIONS AND RESPONSIBILITIES

15. Details of limitations and responsibilities of auditors and management in relation to this review are summarised in Appendix D.

EXECUTIVE SUMMARY

1. This report relates to the evaluation of the control framework in place to provide assurance on the management of the risks associated with the Mountsett Crematorium.
2. The objective of the review was to ensure that there are effective controls and procedures in place with regards to the running and operating of Mountsett Crematorium, and that practices are carried out in compliance with legislative requirements and the Code of Cremation Practice issued by the Federation of British Cremation Authorities.
3. Transactions were reviewed, from 1st January 2012 to 31st December 2012.
4. The findings from the audit were:
 - A review of the blue banking book showed that the dates on which money was taken to Morrison Busty for banking were not recorded. A signature was present on these pages however, and confirmed that the money had been received at Morrison Busty. As there were no dates recorded it was not possible to verify when money had been transferred.
 - The Bereavement Services Manager collects income from Mountsett Crematorium on a monthly basis and takes it to Morrison Busty for banking. Given that there are inherent risks associated with the transportation of cash for banking the Council is currently in the process of rolling out a Corporate Cash Handling Procedure that involves a process for Secure Collections.
 - A review of invoice requisitions for the Funeral Director Accounts, showed that the date information was passed to Financial Support was not being recorded on the forms held at Mountsett Crematorium, and there was no evidence in support of when they had been passed or received.
 - The Stock Count carried out at Mountsett Crematorium confirmed that there are 21 wooden urns currently held on stock which are obsolete.
5. An action plan, summarising all findings and recommendations made to improve the evaluated control framework, is attached at Appendix A.
6. In conclusion, the audit work carried out can provide a Substantial level of assurance that the control framework in place is effective in managing risks.

BACKGROUND

7. This review has been carried out in accordance with the Terms of Reference attached at Appendix B.
8. This review aims to help management achieve its objectives by providing an opinion on the adequacy of the control framework in place to manage risks effectively. The conclusions from the review will inform the annual audit opinion provided by the Head of Internal Audit on the adequacy and

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Appendix 2

31. In accordance with the agreed Internal Audit Charter, we will agree the objectives, risks associated, other sources of assurance and the proposed scope of the review on the operation of the Crematorium with the Crematorium's Superintendent and Registrar, prior to the start of any fieldwork, using a Control Risk Assessment (CRA) methodology. Detailed terms of reference will be agreed with the Crematorium's Superintendent and Registrar, informed by the CRA, to formally agree the scope of the review, in respect of identified key risks, potential impact and expected key controls.

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Mountsett Crematorium Joint Committee

25 April 2013



Response to the 2012-2013 Internal Audit Report



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee

Purpose of the Report

1. The purpose of this report is to present for Member's consideration, the response to the Mountsett Crematorium Joint Committee Internal Audit Report for 2012/2013

Background Information

2. In accordance with Durham County Council's Annual Internal Audit plan, a review of the Mountsett Crematorium was undertaken in February 2013.
3. The overall objective of the review has been to provide a risk based assessment of the systems in place in order to form an independent and objective opinion as to whether such systems are robust and provide an adequate basis for effective internal control.
4. The review undertaken by Internal Audit forms part of the overall assurance process required by the Joint Committee for inclusion within the Annual Governance Statement and Statement of Accounts.

Audit Opinion and Action Plan

5. Following the presentation of the 2012/2013 Internal Audit report, members will note that Internal Audit has provided **Substantial Assurance** on the Joint Committee's system of internal control highlighting that there are only minor weaknesses which may result in some system objectives being put at risk. As such, the minor governance and internal control weaknesses identified have been classified as follows:
 - 3 Issues at low classification
 - 1 Issue at advisory classification.
6. Whilst the classifications above indicate that the actions required to address the minor weakness identified during the review are considered desirable, to strengthen the system of internal control these have been incorporated into an action plan with a number of such actions already implemented.
7. The action plan fully addresses the issues identified in the Internal Audit Report and the current position is set out below for Members information.

- **Recommendation 01**

The dates and signatures of staff handling and receiving cash should be recorded in the blue banking book in order to maintain a management audit trail which can be traced through to the bankings

This action has been implemented immediately following the audit recommendation. Dates and signatures have been fully recorded in the banking book from 1 March 2013.

- **Recommendation 02**

Cash handling procedures, specifically with regards to secure collections should be implemented following the roll out of ICON and Webcard systems

The ICON Cash Receipting system rollout is scheduled for completion by the end of May 2013. Once introduced, the Crematorium will comply fully with the cash handling procedures including the secure collections via DCC LOOMIS contract.

A further update will be provided to the Committee following the ICON introduction.

- **Recommendation 03**

Evidence is to be maintained on file which confirms when Accounts Receivable requisitions are passed to Business Support – Financial Support for invoices to be raised

This action has been implemented immediately following the audit recommendation. The file process along with requested date recordings has been undertaken w.e.f. 1 March 2013.

- **Recommendation 04**

Consideration should be given to the stock of wooden urns being disposed of either by Transfer, sales to funeral directors or writing off as obsolete

To ensure all avenues have been exhausted prior to a write off decision, discussions have are being undertaken in consideration to obtaining a supplier who may be able to purchase and use/resell the urns.

In addition, discussions have been held with the Superintendent and Registrar of the Central Durham Crematorium Joint Committee regarding a possible transfer of the stock items.

A further update will be reported to the Joint Committee at the Annual General Meeting in June 2013.

8. The action plan identified above further indicates the level of commitment of Joint Committee in ensuring that all systems of internal control are as robust as possible.

Recommendations

9. It is recommended that:

- Members note the Internal Control requirements and the action plan contents, both implemented and required with regards to addressing the Internal Audit recommendations
- Members note the items to be further reported at future meetings of the Joint Committee.

Background Papers

2012/2013 Annual Audit Report and Audit Opinion.

Contact(s): Paul Darby 03000 261930
Jo McMahon 03000 261968

Appendix 1: Implications

Finance

There are no Finance implications associated with this report.

Staffing

There are no staffing implications associated with this report.

Risk

Addressing the recommendations arising from the Annual Internal Audit Report 2011/2012 will ensure that the Joint Committee will improve its governance arrangements and address the minor inefficiencies identified with regards to the maintenance of the Joint Committees books and records. Failure to address these concerns could potentially adversely affect future audit conclusions and could also affect the working relationship that exists with our internal and external auditors.

Equality and Diversity/Public Sector Duty

There are no Equality and Diversity implications associated with this report.

Accommodation

There are no Accommodation implications associated with this report.

Crime and Disorder

There are no Crime and Disorder implications associated with this report.

Human Rights

There are no Human Rights implications associated with this report.

Consultation

None. However, officers of Gateshead Council were provided with a copy of the report and given opportunity to comment/raise any detailed questions on the content of the report in advance of circulation to members of the Mountsett Crematorium.

Procurement

There are no Procurement implications associated with this report.

Disability Discrimination Act

There are no Disability issues associated with this report.

Legal Implications

The Accounts and Audit Regulations and Code of Practice set out the legal and regulatory framework in which the accounts of the Joint Committee are prepared. The proposals within this report seek to strengthen the Joint Committees compliance with these regulations.