



Mountsett Crematorium Joint Committee

Date Thursday 24 April 2014
Time 10.00 am
Venue Saltwell Room, Civic Suite, Gateshead Council

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. Minutes of the Meeting held on 30 January 2014. (Pages 1 - 6)
3. Declarations of Interest, if any.
4. Quarterly Performance and Operational Report. (Pages 7 - 14)
Report of the Bereavement Services Manager.
5. Financial Monitoring Report- Provisional Outturn as at 31 March 2014
(Pages 15 - 22)
Joint Report of the Corporate Director of Neighbourhoods and the
Corporate Director of Resources / Treasurer to the Joint Committee.
6. Internal Audit Report 2013/14. (Pages 23 - 48)
Report of the Chief Internal Auditor and Corporate Fraud Manager.
7. Response to the Internal Audit Report. (Pages 49 - 52)
Joint Report of Corporate Director of Neighbourhood Services and
Corporate Director Resources and Treasurer to the Joint Committee.
8. 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
16 April 2014

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

Durham County Council:-

Councillors A Batey, K Dearden, C Hampson, I Jewell, O Milburn, T Nearney,
W Stelling, O Temple (Chairman) and B Stephens

Gateshead Council:

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

Contact: Lucy Gladders

Tel: 03000 269712

DURHAM COUNTY COUNCIL

At a Meeting of **Mountsett Crematorium Joint Committee** held in Committee Room 1A, County Hall, Durham on **Thursday 30 January 2014 at 10.00 am**

Present:

Councillor O Temple (Chairman)

Members of the Committee:

Durham County Council

Councillors A Batey, K Dearden, C Hampson, I Jewell, O Milburn and T Nearney

Gateshead Council:

Councillors D Davidson and J Lee

1 Apologies.

Apologies for absence were received from Councillors W Stelling and B Stephens (Durham County Council) and Councillors K Dodds, M Ord, M Charlton, P Ronan and P Mole (Gateshead Council).

2 Declarations of Interest, if any.

There were no declarations of interest submitted.

3 Minutes of the Meeting held on 4 October 2013

The minutes of the meeting held on 4 October 2013 were confirmed as a correct record and signed by the Chairman.

4 Quarterly Performance and Operational Report.

The Joint Committee received a report of the Bereavement Services Manager which provided Members with an update relating to performance and other operational matters (for copy see file of minutes).

The Bereavement Services Manager advised that during the period 1 September 2013 to 31 December 2013, compared to 468 in the comparable period the previous year, a decrease of 104. It was noted that the decrease had been offset by the large increase in the previous reporting period. Usage was continually monitored and for the period April-December 2013 there had been 150 less cremations when compared to the previous year (2012). Prudent assumptions built in to the financial monitoring report projected a final year reduction of 93 as at 31 March 2014.

Moving on the report provided detail in respect of memorial plaques and sales for the period 1 September 2013 to 31 December 2013 which had also seen a decrease in the number and value of sales on the previous year.

The Bereavement Services Manager then went on to provide an update in respect of operational matters in particular changes to staffing and appointments made to the Business Administration Apprentice and Crematorium Attendant's position.

Further details were provided with regard to the Bereavement Services Manager's role in managing both crematoria in Durham. It was also noted that the continuation of this arrangement had been factored into the budget on a permanent basis for 2014/15. The net effect of this arrangement equated to a £21,447 saving against the 2013/14 budget, which had also been factored in to the 2013/14 provisional outturn.

Moving on the report provided details relating to the Green Flag Application and the 2014 submission. In addition good news was reported relating to the recycling of metals and it was noted that a cheque for £3,472 had been presented to Age Concern in November 2013.

Further details were reported in respect of the recent ICCM Conference and full details of the conference were included within appendix 3 to the report.

In conclusion the Bereavement Services Manager provided an update on the replacement of cremators and installation of mercury abatement equipment. He advised that an options paper had been developed and would be reported to the April meeting for the joint committee's consideration.

Councillor Temple commented that the variations in the numbers of cremations was significant and questioned whether there was any reason for this decrease. In response the Head of Finance (Financial Services) advised that there were a number of reasons which could contribute to the lower figures, such as lower death rates due to a milder winter, choice of facilities, possible increase in choice of burial over cremation etc. However across the area in overall terms crematoria were all experiencing similar changes in figures.

Councillor Temple commented that he was concerned as to how this impacted upon the cremator reserves budget and suggested that the situation continued to be monitored.

Resolved:

That the content of the report be noted.

5 Financial Monitoring Report - Position at 31/12/13, with Projected Outturn to 31/03/14.

The Joint Committee considered a joint report of the Corporate Director Neighbourhoods and Corporate Director Resources and Treasurer which set out details of income and expenditure for the period 1 April 2013 to 31 December 2013, together with the provisional outturn position for 2013/14, and highlighted areas of over / underspend against revenue budgets at a service expenditure analysis level.

It further set out details of the funds and reserves of the Joint Committee at 1 April 2013 and forecast outturn position of reserves at 31 March 2014, taking into account the provisional financial outturn (for copy see file of minutes).

The Head of Finance (Financial Services) referred to page table on page 22 of the report which detailed the projected outturn and surplus before transfers to reserves and distribution of surpluses to the partner authorities of £186,199 against a budgeted surplus of £254,526, (£68,327) less than the budgeted position. The report provided in detail those significant variances and reasons for those over / underspends.

He advised that there were two key issues to note, one of which was the under achievement of income due to the reduction of cremations. The second was in relation to recent correspondence which had been received in respect of an environmental surcharge for mercury abatement at £50 per cremation. The budget had assumed a £25 charge and therefore based upon 2013/14 projected numbers, the outturn assumed an overspend of £47,118 against the budget.

Moving on the Head of Finance (Financial Services) reported that contributions to the earmarked reserves were forecast to be £68,327 less than budgeted. In addition in line with the reserves policy, a contribution from revenue trading to the Cremator Reserve of £6,309 was included within the outturn position.

Following a transfer from the cremator reserve to the repairs reserve in order to finance capital expenditure for the purchase of a grass cutting machine, the retained reserves therefore at the 31 March 2014 were forecast to be £592,911.

Councillor Temple raised a query regarding the environmental surcharge and commented that he understood that mercury abatement equipment could not be retrofitted to cremators and therefore the only could be installed alongside the fit of new cremators.

Councillor Batey queried whether if mercury abatement equipment was fitted to one cremator would the surcharge be avoided on all cremations or only on those carried out in the new unit. In response the Head of Finance (Financial Services) advised that new cremators were too large to be able to replace existing cremators in their current position, therefore this would only happen following a purpose built extension. It was further reported that this work including the new equipment would cost in the region of £1.25m.

Councillor Batey further queried whether the charge would encourage customers to use alternative facilities who did not impose any charge. In response the Head of Finance (Financial Services) advised that other crematoria were already charging more for services and Mountsett offered the lowest charges in the region.

Resolved:

That the content of the report be noted.

6 Fees and Charges 2014/15:

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 details of the proposed Fees and Charges for Mountsett Crematorium for 2014/15 (for copy see file of minutes).

The Head of Finance advised that the fees and charges for the crematorium were reviewed annually in line with Durham Crematorium's review of fees and charges. Details of the proposed charges for 2014/15 were detailed within the report alongside comparable charges imposed by Crematorium's within the North East area.

In addition it was noted that in addition to the revised charges the joint committee may wish to consider a discounted price (of £580) in relation to the currently underutilised 9 am and 9.30 am appointments. It was therefore proposed that a pilot operation be undertaken during the first 6 months of the year to assess any increased revenue as a result of amended working practices.

Councillor Jewell queried what the current uptake was on the 9.00 am slot. In response the Bereavement Services Manager advised that very few people took up this appointment time.

Councillor Dearden suggested that it may be useful to advertise these slots to those who did not require clergy men to be present for example those wanting humanist or non-religious services.

Resolved:

That the recommendations contained in the report be approved.

7 Provision of Support Services 2014/15:

The Joint Committee considered a joint report of the Corporate Director, Neighbourhood Services 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 2014 to March 2015 (for copy see file of Minutes).

The Head of Finance advised that the SLA covered the following functions:

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

Full details of the SLA and budget schedule were appended to the report along with the associated charges for the service provided under the agreement.

Resolved:

That the Service Level Agreement for 2014/15 be approved.

8 Review of the Effectiveness of Internal Audit.

The Joint Committee considered a joint report of the Treasurer to the Joint Committee which provided detail in relation to the review of the effectiveness of the Durham County Council Internal Audit Service, carried out by the County Council's Audit Committee in June 2013. The report further provided assurance to the Joint Committee as part of its annual review (for copy see file of minutes).

The Head of Finance advised that the Audit committee had been satisfied that assurance could be provided on the effectiveness of the service provided to the Joint Committee. A summary of the main outcomes from the review and the resultant improvement plan prepared by the Head of Internal Audit and Risk was appended at appendix 2.

Resolved:

That the content of the report and actions to further improve the service during 2013/14 be noted.

9 Provision of Internal Audit and Risk

The Joint Committee considered a report of the Manager of Internal Audit and Risk which presented proposals for the continued delivery of Internal Audit and Risk Management Services by Durham County Council, via an extension to the existing service level agreement (SLA) to cover the period April 2014 to June 2017 (for copy see file of minutes).

Resolved:

That the recommendations contained in the report be approved.

10 2014/15 Revenue and Capital Budgets.

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 2014/15 revenue budget for the Mountsett Crematorium (for copy see file of minutes).

The Head of Finance (Financial Services) reported upon the main changes to the budget within Employees, Premises costs, Supplies and Services and Agency and Contracted services. In addition he provided detail relating to Income and it was noted that the impact of increases in fees and charges were included. In addition the assumptions on the number of cremations which would be undertaken during the year had been amended to reflect current cremation numbers, however if a large increase was seen during 2014/15 then this would create a large surplus.

Further details were reported in respect of reserves and it was noted that in order to maintain the 30% reserves policy, a transfer of £10,200 would be required from the cremator reserve to the general reserve.

Councillor Nearney raised a query regarding the income generated from the sale of memorial plaques and queried whether there was a marketing strategy in place. In response the Head of Finance (Financial Services) advised that there was an awareness raising strategy in place for memorial plaques. However what was being seen; was a take up of the popular areas of the Book of Remembrance building with less prominent areas not proving as popular. It was also noted that the decrease in sales could also be related to the lower cremation numbers.

Resolved:

That the recommendations contained in the report be approved.

Mountsett Crematorium Joint Committee

24 April 2014



Mountsett Crematorium Performance and Operational Report



Report of Graham Harrison, Bereavement Services Manager & Registrar

Purpose of the Report

1. 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 2014 to 31 March 2014

2. The table below provides details of the number of cremations for the period 1 January 2014 to 31 March 2014 inclusive, with comparative data in the same periods for the previous year:

	2012/2013	2013/2014	Change
	Period Jan-March	Period Jan-March	
JAN	149	123	- 26
FEB	117	95	- 22
MARCH	123	107	- 16
TOTAL	389	325	- 64

Gateshead	91
Durham	194
Outside Area	40
Total	325

3. In summary there were 325 cremations undertaken during 1 January 2014 to 31 March 2014, compared to 389 in the comparable period last year, a decrease of 64. The total number of cremations to 31 March 2014 is 1191 compared with 1404 in the previous year of 2012/13. This is a decrease of 213. Members should note however that 2012/13 was an exceptional year with a long winter and higher mortality rates compared with 2013/14.

Members will recall however, that the 2013/14 budget was set to undertake 1,250 cremations during year. The actual cremations undertaken are therefore less than the budgeted position by a total of 59 cremations. This is reflected within the budgetary control report

The comparative figures for the three financial years 2010/11, 2011/12 and 2012/13 are as follows:

- 2010/11: 1,188 cremations
- 2011/12: 1,258 cremations
- 2012/13: 1,404 cremations.

4. A similar decrease in numbers at Central Durham Crematorium has been observed. Discussions have been undertaken with funeral directors who have advised on experiencing the same downward trend and reduction in their service provision. We continue to monitor the weekly figures when compared to previous years.

The table in Appendix 2 shows how the figures fluctuate over the past 4 years and confirm that even with the lower levels experienced in 2013/14 they remain higher than those budgeted for 2014/15 (1150)

5. The table in Appendix 3 shows the comparison of Weekly Deaths (England & Wales) for the 4th quarter which shows how the figures fluctuate over the period and confirm that a decrease in weekly numbers can be seen. The annual cremation figures from neighbouring crematoria will shortly be released in the summer which will compare cremation trends and these will be brought to the meeting when released. Also discussions with I.F.Z.W. have indicated that a similar decrease in cremation numbers in Germany have been observed of between 8 to 12%.
6. Notwithstanding the reduction the crematorium has a good reputation with good service provision. To maintain this it is planned to produce a brochure promoting the various services available and retain market share. A survey of Funeral Directors will also be conducted in order to reflect on the existing provisions and provide an overview of areas for improvement in the current service.

Memorials

7. The Table below outlines the number and value of the memorials sold in Quarter 4 2013/14 compared to the same period the previous year (2012/13).

	Period Jan – Mar 2013		Period Jan – Mar 2014	
	Number	£	Number	£
Large Plaques	7	2,296.00	9	2,952.00
Total	7	2,296.00	9	2,952.00

8. In overall terms the number and value of memorials 7/£2,296.00 in 2012/13, compared to 9/£2,952 in 2013/14 – an increase of 3 for the period.

Operational Matters

Staffing

9. Members will recall approval given previously for a trainee Crematorium Attendant position be advertised. The position has now been filled temporarily by a member of staff from DCC Clean and Green Service.
10. The recently appointed Business Administration Apprentice has now been offered a full time position within another service. To ensure business continuity, the reserve candidate has been contacted. Early indications are that they the role will be filled via this route.

Recycling of Metals Scheme

11. Members will recall at the meeting held on 31 January 2014, the Committee agreed to nominate different charities each round of application.
12. A nomination was put forward for the British Heart Foundation. I am pleased to announce that a cheque has been received to the sum of £4,112 and arrangements will be made to present the cheque in due course.

Service Asset Management Plan Update

13. Members have previously been updated on the progress of works identified within the Service Asset Management Plan (SAMP). The following works have now been completed:
 - Renew Hot water heaters
 - Replacement of carpets throughout
 - Replacement of curtain in chapel area
 - Replacement of blinds
 - Provide tribute screen for services.

It should be noted however, that elements (external handrail upgrades, perimeter fence renewal and cremator relines) scheduled for 2013/14 have not been completed and will now be undertaken during 2014/15. Members will recall that a £29,700 provision has been made within the 2014/15 budget for these elements.

Recommendations and Reasons

14. 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
 - To note the plan to produce a brochure and undertake a survey of funeral directors in order to promote the service
 - The current situation with regards to the sale of Memorial Plaques
 - To note the position with regards to the Business Administration Apprentice vacancy
 - Note the current tranche of money from the Recycling of Metals Scheme to the British Heart Foundation
 - Note the completion of works during 2013/14 identified by the Service Asset Management Plan and the works carried forward to be undertaken during 2014/15.

Contact: Graham Harrison - 0191 3848677

Appendix 1: Implications

Finance

As identified in the report.

Staffing

There are no implications.

Risk

There are no implications.

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: Previous Years comparisons

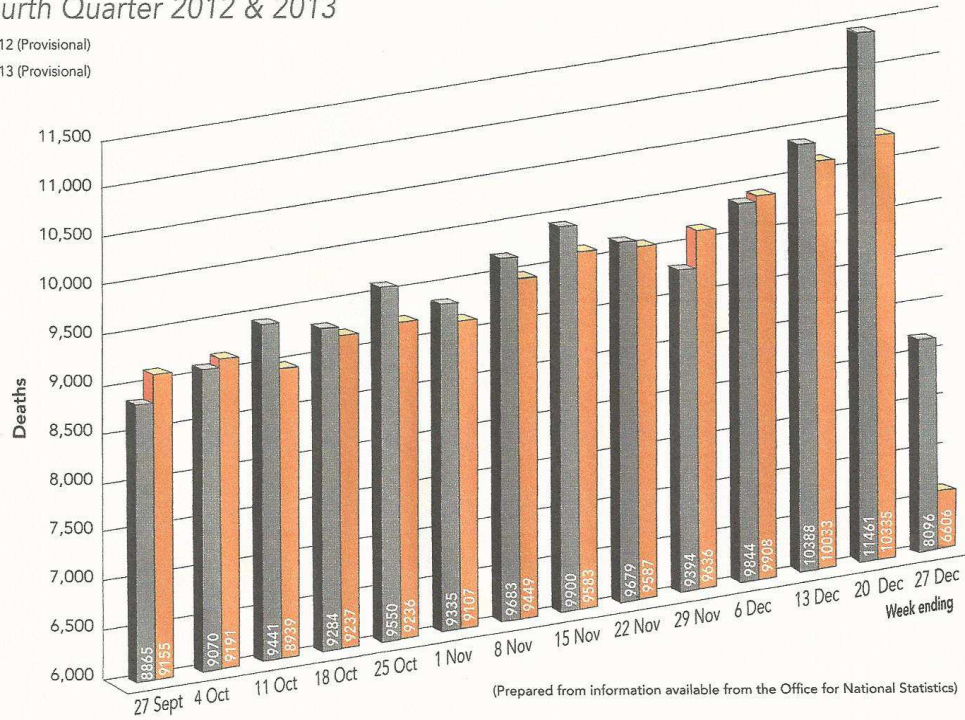
Mountsett Crematorium					
	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
April	107	91	89	105	112
May	104	90	103	112	103
June	111	89	103	85	99
July	104	83	99	128	84
August	92	86	101	119	103
September	83	102	106	101	86
October	103	89	93	109	92
November	96	85	102	146	97
December	114	95	113	115	90
January	123	132	126	150	123
February	76	126	107	119	95
March	94	107	116	124	107
	1,207	1,175	1,258	1,413	1,191
Base					
Increase on 2009/10		-2.65%	4.23%	17.07%	-1.33%
Increase on 2010/11		N/a	7.06%	20.26%	1.36%
Increase on 2011/12		N/a	N/a	12.32%	-5.33%
Increase on 2012/13		N/a	N/a	N/a	-15.71%
				Budgeted numbers 2013/14	1,250
				Budgeted numbers 2014/15	1,150

Appendix 3: Comparison of Weekly Deaths (England & Wales) 4th Quarter 2012/13

Comparison of Weekly Deaths (England & Wales)

Fourth Quarter 2012 & 2013

■ 2012 (Provisional)
■ 2013 (Provisional)



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Mountsett Crematorium Joint Committee**24 April 2014****Financial Monitoring Report – Provisional
Outturn as at 31 March 2014**

**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 2013 to 31 March 2014, together with the provisional outturn position for 2013/14, 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 2013 and the provisional position as at the year ended 31 March 2014.

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. Members should be aware that the 2013/14 closedown process has only recently commenced and whilst no major variances are anticipated between the provisional and final outturns, the final information incorporated into the Annual Return and associated Statement of Accounts may differ from that included within this report. Where this is the case, a full explanation will be provided in the June report.
6. 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 2014:

Subjective Analysis	Base Budget 2013/2014 £	Year to Date Actual April – March £	Projected Outturn 2013/2014 £	Variance Over/ (Under) £
Employees	108,051	102,938	117,067	9,016
Premises	233,480	186,160	193,214	(40,266)
Transport	400	0	400	0
Supplies & Services	83,828	52,824	131,776	47,948
Agency & Contracted	10,915	9,020	9,020	(1,895)
Central Support Costs	25,300	25,300	25,300	0
Gross Expenditure	461,974	376,242	476,777	14,803
Income	(716,500)	(681,911)	(682,620)	33,880
Net Income	(254,526)	(305,669)	(205,843)	48,683
Transfer to Reserves				
- Repairs Reserve	15,000	0	15,000	0
- Cremator Reserve	74,636	0	25,953	(48,683)
Distributable Surplus	(164,890)	0	(164,890)	0
35% Gateshead Council	57,712	57,712	57,712	0
65% Durham County Council	107,178	107,178	107,178	0
Mountsett Crematorium Earmarked Reserves	Balance @ 1 April 2013 £	Transfers to Reserve £	Transfers From Reserve £	Balance @ 31 March 2014 £
Repairs Reserve	44,400	15,000	0	59,400
Cremator Reserve	327,252	25,953	0	353,205
General Reserve	214,950	0	0	214,950
Total	586,602	40,953	0	627,555

Explanation of Significant Variances between Original Budget and Forecast Outturn

7. 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 £205,843 at the year end against a budgeted surplus of £254,526 (before transfers to reserves and distribution of surpluses to the partners authorities), **(£48,683)** less than the budgeted position.
8. The following section outlines the reasons for any significant variances by subjective analysis area. Members should note that some transactions are undertaken annually at the year end, in addition, in line with the accounting policies, sundry creditor and debtor provisions are required after the 31st March, this results in additional charges/income being reported between the actuals as at 31st March and the provisional outturn figures. The table overleaf includes (amongst others) the following provisions within the outturn:
 - Bereavement Services Manager recharge from Durham County Council
 - Gas, electric and water charges not received from utility companies

- Insurance recharge from Durham County Council
- Environmental Surcharge/ Tmac value payment to CAMEO

8.1 **Employees**

The outturn shows an over spend of **£9,016**. The main variances are highlighted below:

- The vacant Superintendent & Registrar post has resulted in a saving of (£31,607). Alternative arrangements regarding the management of the Crematorium via the Bereavement Services Manager has however resulted in additional spend to original budget of £8,144. A net saving of **(£23,463)** is therefore relative to this post.
- The approved appointment of the additional Cremator Attendant, has resulted in a spend additional to the original budget of **£18,019**.
- The approved appointment of the Business Administration Modern Apprentice has resulted in a spend additional to the original budget of **£2,145**.
- Two members of staff are undertaking studies via the Institute of Cemetery and Crematorium Diploma Course. The cost of this training was not included in the original budget and has resulted in additional expenditure of **£3,750**.
- Honorarium payments to the Cremator Attendant in relation to holiday cover totalling £1,706 along with additional overtime costs (to ensure cover for the current opening hours and weekend hours) of £6,859 have resulted in total enhancement payments over budget of **£8,565**.

8.2 **Premises**

The outturn is showing a **(£40,266)** under spend against budget. The main variances are detailed below:

- Utility costs for gas, electricity and water are lower than those originally budgeted by **(£2,194)**.
- NNDR Charges for 2013/14 have been received at **£1,176** more than budget. This is as a result of a re- assessment and increase in the rateable value of the Crematorium undertaken during the year.
- SAMP works originally scheduled for completed during 2013/14 have been carried forward and provision made within the 2014/15 budget totalling **(£29,700)**. These works include the upgrading of external handrails, the renewal of the south perimeter fence and the scheduled cremator reline.
- The BACAS booking system was purchased and installed earlier than anticipated. Completion took place during 2012/13 (following the 2013/14 budget approval) thus resulting in a saving against budget of **(£4,000)**. This has been removed from the 2014/15 budgets.

- Works in the Chapel to replace units, wall tiling and water damage repairs have cost (**£1,836**) less than those originally budgeted within the SAMP.
- Repairs to the Crematorium paths and roads (additional to those identified originally via the SAMP) have resulted in a **£5,036** overspend to budget.
- Tribute screens costing **£4,642** in addition to those originally budgeted within the SAMP have been purchased.
- Works undertaken as part of the SAMP have resulted in elements of the general repairs budget not being required during 2013/14. This has resulted in an under spend of (**£13,390**).

8.3 **Supplies and Services**

The **£47,948** reported over spend on supplies and services expenditure is due to the following reasons:

- Equipment, telephones, clothing and sundry items such as subscriptions to the Institute and conference fees are collectively underspent by a net (**£3,097**).
- The decrease in cremations (to budget) identified within the Income element below has resulted in a corresponding under spend in the medical referee costs of (**£974**).
- The cost of the BACAS licence was not included in the original budget so has resulted in an overspend of **£1,088**.
- Masterplan costs not included within the original budget have resulted in an overspend of **£2,095**.
- The correspondence received from CAMEO identified an environmental surcharge/Tmac value of £50.52 per cremation undertaken during the period of January to December 2013. The budget assumed a charge of £25.00 per cremation (based on best known information at that time). Taking into consideration the 2013/14 actual cremation numbers, the outturn identifies an over spend of **£48,836** against this budget. It should be noted that in line with Accounting Policies, the outturn considers the accruals concept and includes a payment to CAMEO covering the period January 2013 to March 2014. An element of these costs therefore relate to 2012/13 (393 cremations - £10,029). The 2014/15 budget has been adjusted to reflect these revised costs.

8.4 **Agency and Contracted**

An under spend of (**£1,895**) is reported, the main reasons are:

- A saving of (**£1,195**) due to elements of the Grounds Maintenance Contract works being undertaken by the Crematorium staff.
- An additional saving of (**£700**) in relation to the External Auditors fees charged by BDO LLP during 2013/14.

8.5 *Income*

A reduction in income of £33,880 over the amount budgeted is included within the reported forecast outturn. The reasons are as follows:

- The total cremation numbers have reduced to 1191, (including non-chargeable cremations) from those originally budgeted at 1,250. This has resulted in a reduction in income of £35,591.
- Entries into the Book of Remembrance are higher than budget by (£2,258).
- Miscellaneous sales, including Organ Fees and Vending, have exceeded those budgeted by (£544).
- (£709) from Investments has been received.
- The Plaque sales are lower than those budgeted resulting in a reduced income of £1,800.

8.6 *Capital Expenditure*

Members will recall the Committee's approval to purchase a Grass cutting machine at the last meeting. The specifications have been produced and the procurement process has commenced. The machine will now be purchased during 2014/15.

8.7 *Earmarked Reserves*

Contributions from the revenue surplus towards earmarked reserves are forecast to be **(£48,683)** less than budgeted.

In line with the Reserves Policy, a contribution from revenue trading to the Cremator Reserve of £25,953 is included within the outturn.

The contribution to the Repairs Reserve is £15,000 and is in line with the budgeted amount.

The retained reserves of the Mountsett Crematorium Joint Committee at 31 March 2014 are forecast to be **£627,555**, representing a £25,953 (4%) increase over the opening position at 1 April 2013.

Recommendations and Reasons

9 It is recommended that:

- Members note the April 2013 to March 2014 revenue spend within the financial monitoring report and associated provisional outturn position for the year ended 31 March 2014 including the forecast year end position with regards to reserves and balances held by the Joint Committee

Background Documents

2013/14 Revenue Budget and Fees and Charges Report – As approved by the Mountsett Crematorium Joint Committee.

Previous 2013/14 Financial Monitoring Reports – As previously presented to the Mountsett Crematorium Joint Committee.

Oracle Financial Management System Reports.

Contact(s): Paul Darby 03000 261 930, Jo McMahon 03000 261968

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**



24 April 2014



Annual Internal Audit Report 2013/14

Report of the Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1. The purpose of this report is to present the Annual Internal Audit Report for 2013/14. (Copy attached at Appendix 2).

Background

2. This report fulfils the requirements of Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application note that requires the Chief Internal Auditor and Corporate Fraud Manager to deliver an annual audit opinion and a report that can be used by the Committee to inform its Annual Governance Statement.
3. The Annual Internal Audit Opinion makes conclusions on the overall adequacy and effectiveness of the Committees Framework of Governance, Risk Management and Control.
4. Based on the work undertaken, the Chief Internal Auditor and Corporate Fraud Manager is able to provide a **Substantial** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Joint Committee in 2013/14. This 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 2013/14 Annual Governance Statement.

Recommendation

5. 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 2013/14.

**Contact: Paul Bradley Chief Internal Auditor and Corporate Fraud Manager 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

Compliance with PSIAS



**MOUNTSETT CREMATORIUM
JOINT COMMITTEE**

**INTERNAL AUDIT
ANNUAL REPORT
2013/14**

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Appendix:

Appendix 3 Internal Audit Report Mountsett Crematorium 2013/14

Introduction

1. This report summarises the work carried out by Durham County Council Internal Audit and Risk Service during 2013/14, as part of the 4 year Service Level Agreement covering the provision of Internal Audit Services up to 31 March 2014.
2. The SLA was revised in year and an extension for the period April 2014 to June 2017 was agreed by the Joint Committee at its last meeting on 30 January 2014.
3. All Internal Audit work carried out in 2013/14 was in accordance with proper internal audit practices as described within the PSIAS that came into effect from 01 April 2013.
4. This report fulfils the requirements of Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application note that requires the Chief Internal Auditor and Corporate Fraud Manager to deliver an annual audit opinion and a report that can be used by the Committee to inform its Annual Governance Statement.

Service Provided and Audit Methodology

5. Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.
6. 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.
7. The Internal Audit Charter establishes and defines the role, the terms of reference and the scope of audit work, including the audit strategy, organisational independence and the reporting lines of Internal Audit. The Charter was revised during 2013/14 to reflect PSIAS which was approved by the Joint Committee on 30 January 2014.
8. In accordance with the Internal Audit Charter, a risk based audit approach has been applied to work undertaken in 2013/14.
9. 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 2013/14 to inform the annual audit opinion

10. 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.
11. Our assurance opinion for 2013/14 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.
12. This audit was carried out during February 2014 in accordance with terms of reference agreed with the Bereavement Services Manager. 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 3.
13. 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 their most recent review being reported for consideration by the Joint Committee on 04 October 2013.
14. Processes in place provide assurance that the Bereavement Services Manager 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.

15. 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.
16. It should, however, be noted that in evaluating the control framework in place relating to the risks identified at paragraph 11, 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.

Conformance with Public Sector Internal Audit Standards (PSIAS) and results of Quality Assurance and Improvement Programme

17. The Committee at its meeting on 30 January 2014 received the evaluation carried out by the Head of Internal Audit with regards to compliance with PSIAS and the subsequent Improvement Plan that was also agreed by the County Councils Audit Committee in June 2013.
18. The Chief Internal Auditor and Corporate Fraud Manager can therefore confirm that the Internal Audit Service conforms with PSIAS and will continually monitor the results of the Quarterly Assurance and Improvement Plan. A formal review will again be presented to the County Council's Audit Committee in June 2014.
19. The scope and terms of reference for this year's annual audit review were developed using a risk based approach agreed with the Bereavement Services Manager. This approach ensured that audit resources were applied to agreed high risk areas where there was little or no other assurance.
20. 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.
21. The accuracy of audit findings were confirmed by the Bereavement Services Manager who was given the opportunity to challenge audit findings and the draft report prior to it being finalised.
22. A customer satisfaction survey is issued after every audit to provide feedback and help the service continually improve,

Audit Opinion Statement

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

24. The Chief Internal Auditor and Corporate Fraud Manager is required to provide an opinion on the adequacy and effectiveness of the Joint Committee's risk management, control and governance processes.
25. 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 Mountsett Crematorium undertaken during the year
 - Follow up action on audit recommendations
 - 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
26. Based on the work undertaken, the Chief Internal Auditor and Corporate Fraud Manager is able to provide a **Substantial** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Joint Committee in 2013/14. This opinion ranking has remained the same as the previous audit opinion of 2012/13 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 2013/14 Annual Governance Statement.



INTERNAL AUDIT REPORT

Mountsett Crematorium

Ref No 13590/2014

Final Report

Assurance Opinion:	Substantial Assurance
Prepared by:	Debra Lewis, Senior Auditor
Reviewed by:	David Mitchell, Principal Auditor Stephen Carter, Audit Manager
Date issued:	7th April 2014
Distribution List	
For Action:	Graham Harrison, Bereavement Services Manager Michael Chipperfield, Assistant Superintendent & Registrar
For Information:	Ian Hoults, Neighbourhood Protection Manager Paul Darby, Head of Finance – Financial Services Terry Collins, Corporate Director for Neighbourhood Services Oliver Sherratt, Head of Direct Services Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager Teresa Morgan, Strategic Insurance & Risk Officer Debra Kitching, Policy & Performance Team Leader

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INTERNAL AUDIT REPORT – Mountsett Crematorium

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 2013 to 31st December 2013.
4. Testing found that the majority of the procedures and controls were in place and working effectively. However there were findings which were identified as follows:
 - 11 out of the 15 orders sampled were found to have been made retrospectively i.e. after the invoice had been received, contrary to corporate procedures.
 - Discussions with the Bereavement Services Manager revealed that they would like to move the financial systems onto SAGE, which is working effectively at Durham Crematorium.
5. Mountsett Crematorium currently does not hold a petty cash float and the Assistant Crematorium Manager informed Internal Audit that if any emergency supplies are required, he purchases these himself and obtains a reimbursement. Discussions with the Assistant Financial Support Manager (Neighbourhood Services) confirmed that a corporate decision has been made to reduce the number of petty cash accounts used by the authority. If however the Bereavement Services Manager considers that the frequency of such reimbursements requires that a petty cash or procurement card is required for Mountsett Crematorium, this should be discussed in the first instance with the Assistant Financial Support Manager.
6. The current process of posting letters from the Crematorium via Morrison Busty / County Hall was also queried by the Bereavement Services Manager. Following correspondence with Business Support - Team Leader, Resources, it was demonstrated that efficiency savings are being made by utilising a centralised contract for the posting of mail at a discounted cost. Given the above, Internal Audit advised the Bereavement Services Manager that the proposed use of stamps at the Crematorium is not cost effective and that the current corporate method of posting the letters should be continued.
7. An action plan, summarising all findings and recommendations made to improve the evaluated control framework, is attached at Appendix A.
8. 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

9. This review has been carried out in accordance with the Terms of Reference attached at Appendix B.
10. 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 Chief internal Auditor on the adequacy and effectiveness of the entire control environment operating across the whole of the Authority, required to inform the Annual Governance Statement.
11. 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.

INTERNAL AUDIT REPORT – Mountsett Crematorium

12. In carrying out the audit, the time and assistance afforded by Michael Chipperfield of the Mountsett Crematorium was greatly appreciated.

SCOPE AND AUDIT APPROACH

13. 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

14. 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.
15. The CRA has been updated to reflect actual evidenced controls in place and improvements agreed. This is attached in Appendix E, 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

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

LIMITATIONS AND RESPONSIBILITIES

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

APPENDIX A – ACTION PLAN OF FINDINGS AND RECOMMENDATIONS Mountsett Crematorium

Action Ref	Finding	Potential Impact	Priority	Recommendation	Management Comment	Responsibility Timescale
01 CRA 10	11 of 15 orders sampled were found to have been made retrospectively	Inappropriate expenditure Invoices paid late	Low	Procedures be improved to ensure that purchase orders are not created retrospectively.	Training is to be arranged to reinforce compliance with corporate procedures and contract procedure rules, which state the use of Purchases Orders via Oracle as default.	Graham Harrison, Bereavement Services Manager 30/09/2014
02	Discussions with the Bereavement Services Manager revealed that he would like to move the financial systems onto SAGE, which is working effectively at Durham Crematorium.	Errors in the financial statements Loss of data Breakdown in audit trails Debt recovery not being carried out	Low	A business case for the implementation of the SAGE system be presented to the Mountsett Crematorium Joint Committee for a decision on whether to proceed with the implementation of a new financial system.	The Principal Account will liaise with the Bereavement Services Manager and his team on this.	Paul Darby Head of Finance (Financial Services) 30/09/2014

APPENDIX B – TERMS OF REFERENCE

DURHAM COUNTY COUNCIL INTERNAL AUDIT SERVICE

Terms of Reference

Client	Neighbourhood Services
Service	Bereavement Services
Head of Service	Ian Hault, Neighbourhood Protection Manager Paul Darby, Head of Finance – Financial Services
Responsible Key Contact	Graham Harrison, Bereavement Services Manager
Nominated Manager	Michael Chipperfield, Assistant Superintendent & Registrar
Audit	Mountsett Crematorium

Introduction

1. This review is being undertaken in accordance with the approved Internal Audit Plan for 2013/14.

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.

APPENDIX B – TERMS OF REFERENCE

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.
 - 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: 10th February 2014
 - 12 audit days
 - Draft report issued date: 31st March 2014
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.

APPENDIX B – TERMS OF REFERENCE

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 Ian Houlton and Paul Darby and will include responses from the exit meeting.
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.

Terms of Reference Approval

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

APPENDIX C: ASSESSMENT OF FINDINGS AND ASSURANCE 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	A finding that could have a: Critical impact on operational performance (Significant disruption to service delivery) Critical monetary or financial statement impact (In excess of 5% of service income or expenditure budget) 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) Critical impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users) Critical impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
Major	A finding that could have a: Major impact on operational performance (Disruption to service delivery) Major monetary or financial statement impact (1-5% of service income or expenditure budget) 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)
Minor	A finding that could have a: Minor impact on operational performance (Very little or no disruption to service delivery) Minor monetary or financial statement impact (less than 1% of service income or expenditure budget) 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)

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 C: ASSESSMENT OF FINDINGS AND ASSURANCE 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 of 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 D: LIMITATIONS AND RESPONSIBILITIES

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 February 2014. 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.

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.

APPENDIX E – CONTROL RISK ASSESSMENT (CRA)

Service activity process/system		Mountsett Crematorium	
Objectives			
1	To provide a sensitive, respectful service suitable for the bereaved.		
2	To ensure cremations comply with the Cremation Regulations 2008.		
3	To ensure the FBCA Code of Cremation Practice is complied with.		
4	To ensure all income and expenditure is in line with financial regulations.		

Risk Ref	Obj.	Risk	Risk Type(s)	Potential Impact	I	L	R	Expected Controls	Actual Controls	Control Adequate Y/N	Improvement Identified	Assurance Source & Date Reviewed
1	3	Non-compliance with the Cremation Regulations 2008.	Legislation	Reputational damage. Federation intervention. Legal Action				A Register of Cremations is maintained accurately detailing all cremations that have taken place, and this is securely held. Pre-printed forms provided by the Home Office are used to ensure all relevant data is collected. Cremation application forms have been fully completed and are held on file. Staff are aware of the applicant's right to inspect medical certificates and make representation to the medical referee, and procedures are in place to allow for this. Forms are retained for 15 years following cremation. Operational procedures have been produced and distributed to all staff to ensure compliance with the Regulations.	As expected As expected As expected As expected	Y Y Y Y	N/A N/A N/A N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014
2	3	Non-compliance with the Federation of British Cremation Authorities Code of Cremation Practice.	Legislation	Reputational damage. Federation intervention. Legal Action	Critical	Possible	High	The Code of Practice has been formally adopted by Committee. Coffins and their contents are cremated as soon as practicable following committal.	As expected As expected	Y Y	N/A N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014

Risk Ref	Obj.	Risk	Risk Type(s)	Potential Impact	I	L	R	Expected Controls	Actual Controls	Control Adequate Y/N	Improvement Identified	Assurance Source & Date Reviewed
								Procedures should ensure adequate identification of the deceased from the moment the coffin is received until the disposal of cremated remains. All coffins are cremated separately. Cremators should be kept in good repair and are maintained in accordance with manufacturer's recommendations. Operational procedures have been produced and distributed to all staff to ensure compliance with the Regulations.	As expected	Y	N/A	
								Disposal of ashes corresponds with instructions from the Funeral Director's acting on behalf of the family. The method of disposal is cross checked to the application form before disposal. Where ashes are to be collected, records are maintained to show the date on which they were collected and the person who collected them. Records are maintained to show the area in which ashes have been interred. A Service Development Plan is in place, has been approved by Committee and is regularly revised. There is a planned maintenance programme in place for all equipment in accordance with manufacturer's guidelines.	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014
3	1	Ashes are disposed of incorrectly.	Legislation	Reputational damage. Distress to the family of the deceased.	Minor	Unlikely	Low		As expected	Y	N/A	

Risk Ref	Obj.	Risk	Risk Type(s)	Potential Impact	I	L	R	Expected Controls	Actual Controls	Control Adequate Y/N	Improvement Identified	Assurance Source & Date Reviewed
								There are adequate arrangements and protocols in place to complete emergency repairs where required.	As expected	Y	N/A	
4	2, 3	Equipment failure.	Performance Management	Inability to provide service. Reputational damage. Distress to the family of the deceased.	Minor	Possible	Low	A Service Development Plan is in place, has been approved by Committee and is regularly revised. There is a planned maintenance programme in place for all equipment in accordance with manufacturer's guidelines	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014
5	1, 2	Health impact to the public.	Legislation	Reputational damage. Fines.	Major	Unlikely	Low	There are adequate arrangements and protocols in place to complete emergency repairs where required. There are documented disposal guidelines and arrangements where the body of the deceased has been contaminated or where the death was as a result of a contagious disease.	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014
6	1	Lack of experienced staff.	People	Inability to provide service. Reputational damage.	Major	Possible	Medium	There are adequate staffing arrangements in place to ensure continuous service delivery.	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014
7	1	Insufficient capacity to meet demand in the event of an epidemic, pandemic or major disaster.	People	Reputational damage.	Major	Possible	Medium	There are adequate arrangements in place to ensure that demand can be met in the event of an epidemic, pandemic or major disaster.	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014
8	2	Injury to staff.	People Legislation	Inability to provide service. Legal action.	Minor	Possible	Low	A Health and Safety policy is in place documenting working practices and procedures within the Crematorium. An Accident Book is	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014

Risk Ref	Obj.	Risk	Risk Type(s)	Potential Impact	I	L	R	Expected Controls	Actual Controls	Control Adequate Y/N	Improvement Identified	Assurance Source & Date Reviewed
9	4	Income is not accounted for/misappropriated.	Financial Management	Loss of monies. Fraud/theft. Reputational damage. Non-compliance with Financial policies and procedures.	Minor	Unlikely	Low	<p>maintained to record any accidents and adequate remedial action has been undertaken in the event of such occurrences.</p> <p><u>Cremation Fees</u> Fees are regularly reviewed and approved by Committee.</p> <p>Fees charged comply with those approved.</p> <p><u>Book of Remembrance Fees</u> Fees are regularly reviewed and approved by Committee.</p> <p>Fees charged comply with those approved.</p> <p><u>Memorial Plaques</u> Fees are regularly reviewed and approved by Committee.</p> <p>Fees charged comply with those approved.</p> <p><u>All Income</u> Collection and banking of income are as far as possible separated wherever staff resources are limited and where this is not the case, compensating internal controls and checks exist.</p> <p>Income is securely held until banking.</p> <p>Income is deposited into a nominated bank account and banked intact and on a timely basis.</p> <p>Bank paying in slips should</p>	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014

Risk Ref	Obj.	Risk	Risk Type(s)	Potential Impact	I	L	R	Expected Controls	Actual Controls	Control Adequate Y/N	Improvement Identified	Assurance Source & Date Reviewed
10	4	Unauthorised payments are made.	Financial Management	Overspent budgets. Inappropriate spend. Fraud/theft. Poor VFM. Loss of monies.	Major	Unlikely	Low	<p>be fully and properly completed Counterfoils should be stamped and display the cheque drawer and amount.</p> <p>Income is reconciled to the bank statements and correctly coded to appropriate income codes.</p> <p>Banking documentation is kept in line with the data retention policy.</p> <p>Debt recovery action is undertaken where appropriate</p> <p>Financial policies, procedures and regulations are adhered to at all times.</p> <p>Bank Reconciliation All monies received are independently reconciled to the bank account on a timely basis.</p> <p><u>Requisitions, Ordering and Payment of Invoices</u> Requisitions are authorised by the budget holder prior to the order being raised.</p> <p>Goods are promptly received when they are received. Creditor invoices are authorised prior to being paid.</p> <p><u>Petty Cash</u> A record is held detailing all petty cash spend.</p>	11 of 15 orders sampled were found to have been made retrospectively	N	Rec 01	Internal Audit Mountsett Crematorium 13590/2014 February 2014
									Mountsett Crematorium currently does not hold a petty cash float.	N/A	N/A	

Risk Ref	Obj.	Risk	Risk Type(s)	Potential Impact	I	L	R	Expected Controls	Actual Controls	Control Adequate Y/N	Improvement Identified	Assurance Source & Date Reviewed
								Receipts are provided as evidence of purchase. Petty cash is reconciled on a regular basis before a return is completed for reimbursement.				
11	4	Stock / Assets are not accounted for/misappropriated.	Financial Management Procurement / Contracts / Supply Chain	Loss of monies. Fraud/theft. Reputational damage. Non-compliance with Financial and procedures.	Minor	Unlikely	Low	Appropriate stock control procedures are in place to ensure that a stock book is maintained that accurately reflects the current level of stock held. All purchases and sales are accurately recorded in the stock book. Periodic stock checks are carried out and any discrepancies are properly explained	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014
12	4	Damage/theft of equipment.	Financial Management	Inability to operate.	Major	Possible	Medium	The Crematorium is adequately secured out of office hours.	As expected	Y	N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014
13	4	Employees are incorrectly paid.	Financial Management People	Overspent budgets. Loss of monies.	Minor	Possible	Low	Adequate starter information is retained on file for all new starters. Starters are correctly paid for their first working month. All leaver information has been correctly entered into the Payroll system. Leavers are correctly paid for their last working month. All salaried payments correspond to that on the employees contract. All additional payments, such as overtime, can be verified to suitably	As expected As expected As expected As expected As expected	Y Y Y Y Y	N/A N/A N/A N/A N/A	Internal Audit Mountsett Crematorium 13590/2014 February 2014

Risk Ref	Obj.	Risk	Risk Type(s)	Potential Impact	I	L	R	Expected Controls	Actual Controls	Control Adequate Y/N	Improvement Identified	Assurance Source & Date Reviewed
								authorised paperwork, have been correctly calculated and paid on a timely basis. All deductions have been authorised by the employee and correctly applied to the payroll system.	As expected	Y	N/A	
								All employees in receipt of SSP are appropriately monitored and have been correctly paid	As expected	Y	N/A	
								Adequate records have been maintained in respect of employees receiving SMP and SPP and have been correctly paid.	As expected	Y	N/A	
								The Council's Establishment list is periodically matched to actual employees.	As expected	Y	N/A	

Mountsett Crematorium Joint Committee



24 April 2014

Response to the 2013-14 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 2013-14

Background Information

2. In accordance with Durham County Council's Annual Internal Audit plan, a review of the Mountsett Crematorium was undertaken in February 2014
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 2013-2014 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 weakness which may result in system objectives being put at risk. As such, the minor governance and internal control weaknesses identified have been classified as follows:
 - 2 Issues at low classification
6. Whilst the classification above indicates that the actions required to address the minor weaknesses are considered desirable, to strengthen the system of internal control it has been incorporated into a specific action plan.
7. The action plan fully addresses the issues identified in the Internal Audit Report and further indicates the level of commitment of Joint Committee in ensuring that all systems of internal control are as robust as possible. The current position is set out below for Members information.

- **Recommendation 01 CRA 10**

Procedures to be improved to ensure that purchase orders are not created retrospectively.

Durham County Council's Corporate Guidance and Contract Procedure rules have been reviewed by the Bereavement Services Manager. Training is being arranged for Crematorium staff to ensure and reinforce compliance with these procedures. Initial training and condensed crematorium specific procedure notes will be completed by April 2014 with processes put in place for monthly reviews by the Bereavement Services Manager to identify and address any non - conformance.

- **Recommendation 02**

A business case for the implementation of the SAGE Accounting System to be presented to and considered by the Joint Committee

The SAGE System was implemented at the Central Durham Crematorium during 2010/11 due to the FMS (Oracle) being inaccessible to Crematorium staff. It has proven to be an effective financial management system (FMS) and has over time reduced duplication and improved efficiency. The initial set-up, transfer and archiving of historic data was managed by the Principal Accountant- Direct Services without any adverse implications on service delivery or the provision of financial information.

Access to Oracle is not deemed to be an issue at Mountsett Crematorium

Initial discussions between the Principal Accountant and the Bereavement Services Manager have taken place and a gap analysis exercise commenced. It is envisaged that the processes at Mountsett Crematorium would mirror those currently undertaken at Durham Crematorium.

The SAGE 50 Financials software provides multi user access enabling robust Financial, Budget, Customer, Supplier and Purchase Order Management.

Initial enquiries have indicated that the Sage 50 Financial Package which includes Sage Cover, an element of Training and an invoice starter pack would provide best value for money in line with the Joint Committees requirements. This package is currently used by the Central Durham Crematorium. The cost of this package is £2,328. In addition, in order to access the system at both the Crematorium and at County Hall, an additional licence costing £250 would be required.

The need for the Crematorium to ensure internal control and sound financial management would continue to be satisfied by the introduction of the Sage Software package and having undertaken the transfer on behalf of the Central Durham Crematorium the setup time would be minimal. The costs of the new system are relatively modest and could be accommodated within the revenue budget for 2014/15.

A full report identifying the set up requirements will be brought to the September meeting of the Joint Committee should members wish to consider a new FMS in greater detail.

8. It is recommended that:

- Members note the Internal Control requirements and the action plan contents, required with regards to addressing the Internal Audit recommendations

Background Papers

2013/14 - 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 2013-14 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

In options appraisal and business case with regards to the potential implementation of the SAGE Accounting System at Mountsett will be considered at the September meeting in line with the Internal Audit recommendation

In order to remove the current practice highlighted by internal audit regarding retrospective orders being undertaken, training is being arranged for Crematorium staff to ensure and reinforce compliance with Durham county Councils and The Joint Committee's procurement procedures.

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.