



Central Durham Crematorium Joint Committee

Date **Wednesday 22 April 2015**
Time **2.00 pm**
Venue **Committee Room 1A, County Hall, Durham**

Business

Part A

1. Apologies for Absence
2. Minutes of the meeting held 21 January 2015 (Pages 1 - 8)
3. Declarations of Interest, if any
4. Quarterly Performance and Operational Report: (Pages 9 - 16)
Report of the Bereavement Services Manager and Registrar,
Neighbourhood Services.
5. Financial Monitoring Report - Provisional Outturn as at 31 March 2015:
(Pages 17 - 22)
Joint Report of the Corporate Director of Neighbourhood Services and
the Corporate Director: Resources / Treasurer to the Joint Committee.
6. Risk Register Update 2014/15: (Pages 23 - 38)
Joint Report of the Corporate Director of Neighbourhood Services and
the Corporate Director: Resources / Treasurer to the Joint Committee.
7. Internal Audit Charter: (Pages 39 - 62)
Report of the Chief Internal Auditor and Corporate Fraud Manager.
8. Annual Internal Audit Report 2014/15: (Pages 63 - 76)
Report of the Chief Internal Auditor and Corporate Fraud Manager.
9. Such other business as, in the opinion of the Chair of the meeting, is of
sufficient urgency to warrant consideration.

Laura Renaudon
Clerk to the Joint Committee

County Hall
Durham
14 April 2015

To: **The Members of the Central Durham Crematorium Joint Committee**

Durham County Council: D Bell, A Bonner, J Chaplow, P Conway, K Corrigan, N Foster, B Moir, M Plews (Chairman), M Simmons, D Stoker and K Thompson

Spennymoor Town Council: JV Graham (Vice-Chairman), I Harrington and GD O'Hehir

DURHAM COUNTY COUNCIL

CENTRAL DURHAM CREMATORIUM JOINT COMMITTEE

At a Meeting of **Central Durham Crematorium Joint Committee** held in **Committee Room 1A, County Hall, Durham** on **Wednesday 21 January 2015** at **2.00 pm**

Present:

Councillor M Plews (Chairman)

Durham County Council:

Councillors J Chaplow, P Conway, K Corrigan, N Foster, M Simmons and K Thompson

Spennymoor Town Council:

Town Councillors JV Graham (Vice-Chairman), I Harrington and GD O'Hehir

1 Apologies for Absence

Apologies for absence were received from Councillors D Bell, A Bonner, J Buckham, B Moir and D Stoker.

2 Minutes

The Minutes of the meeting held 24 September 2014 were approved as a correct record and signed by the Chairman.

3 Declarations of Interest

There were no Declarations of Interest.

4 Quarterly Performance and Operational Report

The Bereavement Services Manager, Graham Harrison asked Members to note the performance figures from 1 September 2014 to 31 December 2014 and the comparison to the same period for 2013, highlighting that there was a net increase of 5 cremations. It was noted there was a total of 737 for the three month period with the September to December profile breakdown showing 210 from Durham, 36 from Spennymoor and 489 from outside of the area. Members noted that the initial 2014/15 income budget estimate was 2,200, with current estimates based on the first 9 months of the year being for an outturn position of 2,144 cremations which would be 56 less than budget and an underachievement of cremation fee income of £35,280.

Members were asked to note that the number of memorials sold had decreased in comparison to the same period the previous year, with sales being £12,520 less than the comparable period last year. It was added that the figure from the previous year coincided with a large number of renewals, therefore a year on year comparison was not appropriate.

It was explained that the Business Administration Apprentice had continued to work well with the team and had proved to be a valuable asset to the Crematorium. Members noted that the two year fixed term contract for the apprentice position was due to come to an end on 15 September 2015 and Members were asked whether they would wish for either: a full-time Technical Assistant post to be created at the Crematorium, incurring an additional cost of £10,000 per year; or that an advert be placed for a replacement Business Administration Apprentice for when the current post ends in September 2015. Members noted that the recommendation was to create a full-time Technical Assistant.

The Joint Committee was informed that, in line with previous years, a joint application with the South Road Cemetery would be submitted to retain the Green Flag status and that the Recycling of Metals Scheme had generated a sum of £3,333 for St. Cuthbert's Hospice. The Bereavement Services Manager also explained that the Christmas Tree provided by St. Cuthbert's Hospice had been very popular and St. Cuthbert's had asked if they could provide a tree for Christmas 2015, at no cost to the Crematorium, and no other organisation had requested to place a tree.

The Bereavement Services Manager confirmed that Phase 1 works had been completed ahead of schedule on 3 November 2014 and the overall works remain on budget. It was noted that Phase 2 works began on 15 November 2014, with a turf-cutting ceremony with the Chairman and Vice-Chairman of the Joint Committee held on 25 November 2015, which was also an opportunity to officially open Phase 1.

The Joint Committee noted that the new cremators as supplied by IFZW had been in-situ since May 2012 and monitoring of the energy use had shown that the cremators had continued to run more efficiently with an associated reduction in gas consumption as they bedded in and staff become more proficient in their usage.

Members asked questions in relation to whether the apprentice position should be retained and, if the Technical Assistant post was created, whether the position would be subject to open competition. The Bereavement Services Manager noted that should Members agree to the Technical Assistant being created, it would be advertised internally at both Durham County Council and Spennymoor Town Council. Councillor K Thompson suggest the apprentice position should be retained, the remaining Members agreed that a Technical Assistant Post be created.

Resolved:

- (i) That the current performance of the Crematorium and monitoring against budget be noted.

- (ii) That a full-time Technical Assistant post be created from September 2015.
- (iii) That the application for the 2015 Green Flag Award be noted.
- (iv) That the distribution of recycling income to respective charities be noted.
- (v) That St. Cuthbert's Hospice be allowed to supply a charity Christmas Tree for 2015.
- (vi) That the progress with Phase 2 works at the Crematorium be noted.
- (vii) That the gas and energy usage performance of the three cremators be noted.

5 Financial Monitoring Report - Spend to 31/12/14 and Projected Outturn to 31/03/15

The Head of Finance - Financial Services, Paul Darby referred Members to Financial Monitoring Report, as set out in the usual format, for the period to 31 December 2014 and with projected outturn to 31 March 2015 (for copy see file of minutes).

The Joint Committee noted that the income and expenditure were broadly in line with the budget, though as mentioned in the previous report the reduced number of cremations had impacted upon income. It was explained that the reasons for the major variances were set out in detail in the report, and Councillors were reminded of the decision to use reserves to be able to quickly progress the Crematorium improvement works in year.

Members noted a projected total reserve of approximately £1.28 Million at the year-end, giving a strong financial position. The Head of Finance – Financial Services noted that once the improvement works had been completed, then reserves would built up steadily, ready for further cremator replacement in 10-15 years at the end of the life-cycle of the current equipment. It was added that there was a rebate from the Crematoria Abatement of Mercury Emissions Organisation (CAMEO) scheme, now built into the forecast moving forward but Finance Staff were in dialogue with CAMEO as regards the initial figure quoted which we expected to increase.

Councillor P Conway asked whether the premises overspend would be lower next year. The Head of Finance – Financial Services noted that the overspend was a effectively a “one-off”, though the 2016/17 budget would still retain scope to accommodate one-off expenditure.

Resolved:

- (i) That the April to December 2014 Revenue Spend Financial Monitoring Report and associated Provision Outturn position at 31 March 2015 be noted.
- (ii) That the projected year end Earmarked and General Reserve balances as at 31 March 2015.

6 Annual Review of the System of Internal Audit

The Head of Finance - Financial Services noted that it was a requirement for the body that reviews the accounts to also have a review of the effectiveness of Internal Audit (for copy see file of minutes).

Members noted that part of the role of Durham County Council's Audit Committee was to scrutinise the performance and effectiveness of Internal Audit. It was explained that this, and the work of External Auditors, provided assurance to the Joint Committee that the work carried out by Internal Audit was in line with best practice and the latest audit standards.

The Head of Finance - Financial Services explained that Appendix 3 to the report set out the main outcomes from the review and the resultant improvement plan. Members were reminded that the review feeds into the Annual Governance Statement and Statement of Accounts.

Resolved:

- (i) That the information demonstrating the efficiency and effectiveness of the Durham County Council Internal Audit Service be noted.
- (ii) That the actions to further improve the service during 2014/15 be noted.

7 Local Audit and Accountability Act 2014 - Changes to Audit Requirements for Joint Committees

The Head of Finance - Financial Services noted a letter had been received from the Department of Communities and Local Government (DCLG) in December 2014, which noted changes to Audit requirements for Joint Committees from 2015/16 onwards (for copy see file of minutes).

Councillors were reminded that prior to 2010/11 the Joint Committee was required to produce a fully CODE/SORP compliant Statement of Account, under the Accounts and Audit Regulations 2003. Members recalled that in 2011, revisions made by the DCLG meant that the Central Durham Crematorium Joint Committee was classified as a "Small Body" and therefore was not required to produce a fully CODE/SORP compliant set of accounts, rather simply to produce a simpler "Small Bodies Annual Return". It was added that the Joint Committee had previously agreed to continue to produce the Statement of Accounts in line with current CIPFA codes, beyond the level required for a Small Bodies Return, to further evidence the financial position of the Joint Committee.

The Head of Finance - Financial Services explained that the letter from DCLG set out that, from 1 April 2015, Joint Committees would be no longer required to have their accounts audited but they could continue to do so if they wished.

Members noted that it was proposed that for the financial year 2014/15 that the production of a full Statement of Accounts be discontinued and that it was proposed that the Statutory Annual Return would be supplemented with Balance Sheet information instead, the first such report would be presented for Members' consideration at the meeting in June 2015. It was added that the Service Level Agreement (SLA) for support services would have an appropriate reduction in finance staff time in relation to producing the accounts.

The Joint Committee noted that it was proposed that the use of External Auditors be continued, to provide additional assurance, and Officers were awaiting guidance from the National Audit Office in respect of the process for appointing External Auditors under the new provisions. The costs of External Audit were circa £2,000.

Resolved:

- (i) That the changes to Audit Requirements that come into effect from 1 April 2015 be noted.
- (ii) That the discontinuation of the full Statement of Accounts element for the 2014/15 financial year be agreed.
- (iii) That the continued separate audit arrangements following the 2014/15 audit, in order to ensure a continued effective financial and governance framework be agreed, based upon the continued preparation of the Small Bodies Annual Return and reporting of the Balance Sheet information within a supporting outturn report in June each year.
- (iv) That the publication of Audit Appointment guidance in forthcoming weeks be noted and that the appointment of an independent External Auditor in line with that guidance be agreed.

8 Provision of Support Services 2015/16

The Head of Finance - Financial Services referred Members to the report setting out the proposed Service Level Agreement (SLA) for Support Service provision by Durham County Council to the Central Durham Crematorium Joint Committee for 2015/16 (for copy see file of minutes).

Councillors were reminded that the SLA had been in place for a few years, following previous External Audit recommendations, and set out the support services provided to the Joint Committee by Durham County Council including:

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

It was noted that the breakdown of services provided and costs were set out within the report, with revised costs set out in respect of preparation of the Statement of Accounts, as noted at the previous item. Councillors were reminded that the SLA is reviewed and updated annually.

Resolved:

That the Service Level Agreement for the provision of Support Services to the Joint Committee for the year 2015/16 be approved.

9 Fees and Charges 2015/16

The Head of Finance - Financial Services referred Members to Fees and Charges 2015/16 report (for copy see file of minutes).

Members recalled that last year it had been agreed by the Joint Committee to raise the adult cremation fee to be in line with the average charges levied by other facilities in the region. It was explained that as improvement works were ongoing and that these included substantial works to the Chapel area during the summer months, it was proposed that the fees be held at a standstill position for 2015/16 while works were being carried out. It was added that the fee for child cremations remained as a nil charge and also there would be no increase in respect of the fee for the Book of Remembrance.

Resolved:

- (i) That the proposed fees and charges, which seek to maintain charges at existing levels, be approved and be effective from 1 April 2015.
- (ii) That the approved fees and charges be incorporated into the 2015/16 Budget.

10 2015/16 Revenue and Capital Budgets

The Joint Committee considered a report of the Corporate Director Neighbourhood Services and Corporate Director Resources / Treasurer to the Joint Committee which set out for Members' consideration proposals with regards to the 2015/16 Revenue and Capital Budgets for the Central Durham Crematorium (for copy see file of minutes).

The Head of Finance - Financial Services advised that the changes in comparison to the 2014/15 budget were set out within the report and noted that the standstill positions in relation to the SLA and Fee and Charges as agreed at the previous items were incorporated. It was explained that the income projection was prudent, to reflect any potential disruption due to ongoing improvement works, and noting that reserves would be used as agreed to complete the works, with the reserves to then be allowed to build back up to levels in readiness for the next cycle of cremator replacement.

The Joint Committee were reminded that the distribution of surplus to the constituent Authorities remained the same in 2015/16 and that there had been a movement of funds into the general reserve to maintain a level of 30% of the gross income budget in line with the reserves policy agreed by the Joint Committee.

A question was raised as regards whether the proposed distribution of surplus to the authorities could safely be factored into Medium Term Financial Plan (MTFP) considerations. The Head of Finance - Financial Services noted that the distribution of surplus to Durham County Council had been factored into its MTFP and therefore Spennymoor Town Council could be assured that its distribution could be factored into budget considerations for 2015/16 and beyond.

Resolved:

- (i) That the Joint Committee note and approve the revenue and capital budget proposals contained within the report.
- (ii) That the forecast level of reserves and balances at 31 March 2016 be noted.

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22 April 2015



Quarterly Performance and
Operational Report

Report of Graham Harrison, Bereavement Services Manager and Registrar

Purpose of the Report

- To provide Members of the Central Durham Crematorium Joint Committee with the quarterly update relating to performance and other operational matters.

Performance Update - Number of Cremations

- The table below provides details of the number of cremations for the period 1 January 2015 to 31 March 2015 inclusive, with comparative data in the same period last year:

| | 2013/14 | 2014/15 | Change |
|--------------|-----------------|-----------------|------------------|
| January | 226 | 253 + 3* | + 27 + 3* |
| February | 179 + 5* | 213 + 0* | + 34 - 5* |
| March | 179 + 2* | 217 + 2* | + 38 + 0* |
| TOTAL | 584 + 7* | 683 + 5* | + 99 - 2* |

* = Non-Viable Foetus (NVF) ** = Stillborns (STs) *** = Body parts

- The full profile of where families came from can be seen in Appendix 2. In summary 203 came from Durham, 33 came from Spennymoor and 447 from outside of the area. There have been 5 NVF cremations undertaken for the period covered by this report, compared to 7 in the comparable period last year, which is a decrease of 2 NVF and an increase of 99 Cremations.
- The total number of cremations to 31 March 2015 was 2,287 compared with 2,227 in 2013/14, an increase of 60. Members will recall that the 2014/15 budget was set on a prudent basis and assumed 2,200 cremations during the year. The actual number of cremations undertaken have therefore exceeded budget by a total of 87. This is reflected in an over achievement of cremation fee income of £44,810 which is included in the budgetary control report.
- The table below shows the comparative figures for the previous four financial years:

| Year | Cremations |
|----------------|--------------|
| 2010/11 | 2,282 |
| 2011/12 | 2,205 |
| 2012/13 | 2,379 |
| 2013/14 | 2,227 |
| 2014/15 | 2,287 |

Members will recall that performance earlier in the year indicated that cremations were below target, however, in quarter three and four the numbers increased. A brochure was produced during the year to promote the various services available at the crematorium and retain market share. The increase in cremation numbers during the last year demonstrates that the crematorium has maintained a good reputation with good service provision.

Memorials

6. The table below outlines the number and value of the memorials sold in the period January to March 2015 compared to the same period the previous year.

| | (Jan – March) 2013/14 | | (Jan – March) 2014/15 | |
|---------------|------------------------------|---------------|------------------------------|---------------|
| | Number | £ | Number | £ |
| Vase Blocks | 6 | 3,216 | 10 | 3,530 |
| Large Plaques | 24 | 8,155 | 31 | 8,728 |
| Small Plaques | 1 | 218 | 11 | 1,955 |
| Niche | 1 | 1,053 | 1 | 1,074 |
| Renewal | 76 | 12,550 | 38 | 5,059 |
| Total | 108 | 25,192 | 91 | 20,346 |

7. In overall terms the number and value of memorials sold of 91 / £20,346, compared to 108 / £25,192 in the same period last year shows a decrease of 17 / £4,846. This primarily relates to increased renewals within this period last year due to an exercise by Crematorium staff to clear a backlog at that time.
8. The table below identifies the total number of memorials sold during the 2014/15 year compared to the 2013/14 year:

| | 2013/14 Total | | 2014/15 Total | |
|---------------|----------------------|---------------|----------------------|---------------|
| | Number | £ | Number | £ |
| Vase Blocks | 31 | 16,342 | 32 | 15,718 |
| Large Plaques | 99 | 34,352 | 109 | 33,742 |
| Small Plaques | 9 | 2,008 | 19 | 3,841 |
| Niche | 1 | 1,053 | 3 | 3,212 |
| Renewal | 173 | 29,401 | 114 | 15,601 |
| Total | 313 | 83,156 | 277 | 72,114 |

Operational Matters

Staffing

9. The cleaner employed at the crematorium is currently on long term sickness and arrangements have been made for Durham County Council's facilities cleaning team to assist with the cleaning until such time as the employee returns to work.

Cremation & Burial Conference & Exhibition 2015

10. As in previous years, 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. The Bereavement Services Manager and Councillor Maria Plews will be attending as unfortunately Councillor Graham is unable to attend the conference which is to be held at the Holiday Inn, Stratford-upon-Avon from Monday 6 to Wednesday 8 July 2015.

Recycling of Metals Scheme

11. The Crematorium received a cheque relating to the recycling of metals from the Institute of Cemetery and Crematorium Management to the sum of £4,487 for Macmillan Cancer Support in March 2015.
12. Arrangements were made for the cheque to be presented to St Cuthbert's Hospice by the Committee Chair, Vice Chair and the Bereavement Services Manager on 1 April 2015.

Crematorium Improvement Works

13. Phase 2 of the redevelopment works commenced on 15 November 2014 and were completed ahead of schedule on 16 March 2015. This has created a large, light and spacious book of remembrance building with adequate space for the cabinets, along with room for the flower vases to stand.
14. A Project update (No 5) was recently distributed to members and is attached at Appendix 3 for information.
15. At the meeting held on 24 September 2014 the detailed design and prices for Phase 2 were received at £187,769 and the outturn is in line with this budget.
16. Phase 3 works are due to commence on site over the weekend of the 11 April with the majority of the work to be undertaken over each weekend for approximately five months. This will involve the crematorium remaining closed every Monday to ensure that any unfinished tasks can be completed before the crematorium re-opens for services on a Tuesday. There were 150 services held on a Monday between April 2014 and August 2014 and there is sufficient spare capacity to accommodate these numbers between Tuesday and Saturday within the same period in 2015 until the works have been completed. All funeral directors have been advised of the arrangements and are happy to work alongside us to achieve the end result.

Recommendations:

17. It is recommended that Members of the Central Durham Joint Committee:
 - (i) Note the current performance of the crematorium and monitoring against budget.
 - (ii) Note the long term sickness absence.
 - (iii) Note the attendance at the Burial & Cremation Conference.
 - (iv) Note the distribution of recycling income to the respective charity.
 - (v) Note the completion of the Phase 2 works.
 - (vi) Note the start date of the Phase 3 works.

Contact: Graham Harrison, Bereavement Services Manager
Tel: 03000 265 606 **E-mail:** graham.harrison@durham.gov.uk

Appendix 1: Implications

Finance

As identified in the report with regards to the position of the Income and the crematorium improvement works.

Staffing

As identified in the 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 development project will improve customer and staff accommodation.

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 Spennymoor Town Council were consulted on the contents of this report.

Procurement

There are no procurement issues associated with this report.

Disability Issues

There are no disability issues associated with this report.

Legal Implications

There are no legal implications associated with this report.

Appendix 2: Breakdown of Figures

| | Jan | Feb | Mar | Total Jan-Mar |
|--------------------------|-----|-----|-----|------------------|
| DURHAM | 77 | 64 | 62 | 203 |
| BARNARD CASTLE | | | 2 | 2 |
| BILLINGHAM | 1 | | | 1 |
| BINCHESTER | | | | 0 |
| BISHOP AUCKLAND | 6 | 8 | 8 | 22 |
| BISHOP MIDDLEHAM | 2 | | 2 | 4 |
| BLACKHALL | 6 | 1 | 3 | 10 |
| BIRTLEY | | 1 | | 1 |
| BLYTH | | | | 0 |
| CHESTER LE STREET | 20 | 21 | 13 | 54 |
| BERWICK | | | | 0 |
| CHILTON | 5 | 2 | | 7 |
| CONSETT | 2 | | | 2 |
| CORNSAY | | | | 0 |
| BOUNDON | 1 | | | 1 |
| CROOK | 8 | 4 | 6 | 18 |
| DARLINGTON | 1 | 1 | | 2 |
| EASINGTON | 7 | 2 | 3 | 12 |
| EDMONDSLEY | 1 | | | 1 |
| ESH WINNING | 1 | 5 | 1 | 7 |
| FENCEHOUSES | | | 1 | 1 |
| FERRYHILL | 9 | 10 | 9 | 28 |
| FISHBURN | | | 3 | 3 |
| FROSTERLEY | | | | 0 |
| GATESHEAD | | | | 0 |
| GLOUCESTER | | 1 | | 1 |
| GREAT LUMLEY | 2 | 1 | 2 | 5 |
| HAMSTERLEY | | | | 0 |
| HARTLEPOOL | | 4 | 1 | 5 |
| HASWELL | 2 | 3 | | 5 |
| HETTON LE HOLE | | 2 | 5 | 7 |
| HEXHAM | 2 | | | 2 |
| HORDEN | 5 | 4 | 1 | 10 |
| HOUGHTON | 5 | | 3 | 8 |
| HOWDEN | | | 1 | 1 |
| HUNWICK | | 1 | | 1 |
| LEEDS | | | 1 | 1 |
| LANCHESTER | 3 | | | 3 |
| LANGLEY PARK | 5 | | | 5 |
| LEICESTER | | | | 0 |
| LONDON/KENT | 1 | | | 1 |
| MANCHESTER | | | 1 | 1 |
| MIDDLESBROUGH | | | | 0 |
| MORPETH | | 1 | | 1 |

| | Jan | Feb | Mar | Total Jan-Mar |
|------------------|------------|------------|------------|------------------|
| MORROCCO | | | | 0 |
| MURTON | 6 | 5 | 12 | 23 |
| NETTLESWORTH | | | 2 | 2 |
| NEW BRANCEPETH | | | | 0 |
| NEWCASTLE | | | | 0 |
| NEWTON AYCLIFFE | 4 | 1 | 2 | 7 |
| NORTH SHIELDS | | 1 | | 1 |
| NORTH YORKSHIRE | | | | 0 |
| NORWICH | | | 1 | 1 |
| OUSTON | | | | 0 |
| PELTON | | | 1 | 1 |
| PETERLEE | 11 | 7 | 12 | 30 |
| REDCAR | | | | 0 |
| SACRISTON | 4 | 4 | 7 | 15 |
| SCARBOROUGH | | | | 0 |
| SEAHAM | 12 | 10 | 2 | 24 |
| SEDFIELD | 4 | 1 | 8 | 13 |
| SHILDON | 2 | | 1 | 3 |
| SHINEY ROW | | | | 0 |
| SHOTTON | 2 | 5 | 3 | 10 |
| SOUTH HETTON | 1 | 1 | | 2 |
| SPENNYMOOR | 11 | 13 | 9 | 33 |
| SOUTH OF ENGLAND | | | 1 | 1 |
| STANHOPE | | | 2 | 2 |
| STANLEY | 1 | 3 | 1 | 5 |
| STATION TOWN | | 1 | | 1 |
| STOCKTON | | 2 | 1 | 3 |
| SUNDERLAND | 2 | 1 | 1 | 4 |
| SUNNYBROW | | | 1 | 1 |
| SWINDON | | | | 0 |
| THORNLEY | 1 | 3 | | 4 |
| TOW LAW | | 2 | 1 | 3 |
| TRIMDON | 5 | 6 | 5 | 16 |
| WASHINGTON | 2 | 1 | 2 | 5 |
| WEST AUCLAND | | 2 | 1 | 3 |
| WEST CORNFORTH | 2 | 1 | 2 | 5 |
| WHEATLEY HILL | 3 | 2 | 4 | 9 |
| WILLINGTON | 3 | 5 | 1 | 9 |
| WINGATE | 4 | | 4 | 8 |
| WOLSINGHAM | 1 | | 2 | 3 |
| YORK | | | | 0 |
| WALES | | | | 0 |
| Total | 253 | 213 | 217 | 683 |



Central Durham Crematorium Joint Committee
Crematorium Re Development Project Update
Issue 5 March 2015



Project meetings have been held on a regular basis with key representation to plan and review progress against the operation and financial aspects, this supports and guides the regular project team meetings that have been continuing.

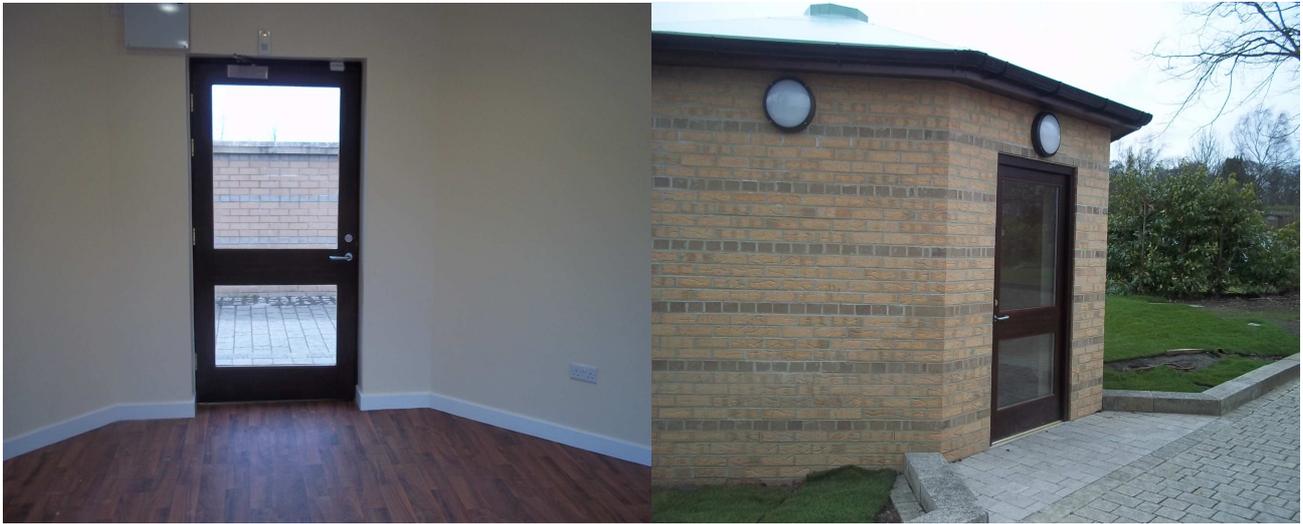
(Before and after photos below).



Week one brought about the final electrical fixing which included electric heater internal decoration and the floor screening along with the landscaping around the building.

Week two involved the laying of the flooring in the book of remembrance room along with the installation of a computer controlled door locking system and exterior lighting.





The building was the officially handed over on 16th March 2015. This then gave us the chance to carry out additional landscaping and turfing works to enhance the area. We are however still awaiting delivery of the new display cabinets and the touch screen display unit.



What is coming up?

Direct Services are due to commence Phase 3 works on the week ending 11 April 2015.

Communications

Member briefings will be issued giving up to date details of progress across the project. Future issues will also summarise the budgetary position.

Notices have been placed in the Crematorium grounds advising visitors of what is happening and why.

**Central Durham Crematorium
Joint Committee**

22 April 2015



**Financial Monitoring Report –
Provisional Outturn as at 31 March
2015**

**Joint Report of Terry Collins – Corporate Director: Neighbourhood
Services; Don McLure – Corporate Director: Resources and 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 2014 to 31 March 2015, together with the provisional outturn position for 2014/15, highlighting areas of over / underspend against the revenue budgets at a service expenditure analysis level.
2. The report also details the funds and reserves of the Joint Committee at 1 April 2014 and the forecast outturn position at 31 March 2015, taking into account the provisional financial outturn.

Background

3. Scrutinising the financial performance of the Central Durham 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 Central Durham 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 Central Durham Crematorium are included within this report.
5. Members should be aware that the 2014/15 closedown process has only recently commenced and whilst no major variances are anticipated between the provisional and final outturn, the final information incorporated into the Annual Return 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 Central Durham Crematorium as at 31 March 2015:

| Subjective Analysis | Base Budget 2014/15 £ | Year to Date Actual April – March £ | Provisional Outturn 2014/15 £ | Variance Over/ (Under) £ |
|------------------------------------|--------------------------------------|--|--|---|
| Employees | 212,189 | 201,759 | 220,643 | 8,454 |
| Premises | 446,460 | 558,178 | 597,365 | 150,905 |
| Transport | 1,900 | 2,387 | 2,604 | 704 |
| Supplies & Services | 105,740 | 90,567 | 100,910 | (4,830) |
| Agency & Contracted | 13,111 | 15,586 | 15,658 | 2,547 |
| Transfer Payments | 0 | 0 | 0 | 0 |
| Capital Charges | 213,738 | 213,738 | 213,738 | 0 |
| Central Support Costs | 35,975 | 35,700 | 35,975 | 0 |
| Gross Expenditure | 1,029,113 | 1,117,915 | 1,186,893 | 157,780 |
| Income | (1,480,000) | (1,684,369) | (1,684,369) | (204,369) |
| Net Income | (450,887) | (566,454) | (497,475) | (46,589) |
| Transfer to Reserves | | | | |
| - Masterplan Memorial Garden | 5,000 | 0 | 5,000 | 0 |
| - Major Capital Works | 12,637 | 0 | 59,225 | 46,589 |
| - Cremator Reline Reserve | 25,000 | 0 | 25,000 | 0 |
| - Small Plant | 2,000 | 0 | 2,000 | 0 |
| Distributable Surplus | (406,250) | 0 | (406,250) | 0 |
| 80% Durham County Council | 325,000 | 325,000 | 325,000 | 0 |
| 20% Spennymoor Town Council | 81,250 | 81,250 | 81,250 | 0 |

| Central Durham Crematorium Earmarked Reserves | Balance @ 1 April 2014 £ | Transfers To Reserve £ | Transfers From Reserve £ | Balance @ 31 March 2015 £ |
|--|---|---|---|--|
| General Reserve | (384,540) | (465,710) | 406,250 | (444,000) |
| Masterplan Memorial Garden | (36,250) | (5,000) | 0 | (41,250) |
| Major Capital Works | (915,386) | (59,225) | 59,460 | (915,151) |
| Cremator Reline Reserve | (25,000) | (25,000) | 0 | (50,000) |
| Small Plant | (4,000) | (2,000) | 0 | (6,000) |
| Total | (1,365,176) | (556,935) | 465,710 | (1,456,401) |

Explanation of Significant Variances between Original Budget and Forecast Outturn

7. As can be seen from the table above, the projected outturn is showing a surplus (before transfers to reserves and distribution of surpluses to the partner authorities) of £497,475 against a budgeted surplus of £450,887, £46,589 more than the budgeted position. This reflects a £173,691 improvement on the previously reported forecasted surplus and is a result of the increase number of cremations to budget and additional unbudgeted income, as discussed later in this report.
8. The following section outlines the reasons for any significant variances by subjective analysis area/type of expenditure. 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 31 March, this results in additional charges/income being reported between the actuals as at 31 March and the provisional outturn figures. The table overleaf includes (amongst others) the following provisions within the outturn:
 - Gas, electric and water charges not received from utility companies
 - Insurance recharge from Durham County Council

8.1 Employees

The provisional outturn reflects a **£8,454** over spend, based on current spending. The reasons for this are highlighted below:

- The Pandemic Operator Training and general training budget was not required during 2014/15 resulting in an underspend of **(£3,500)**.
- Additional National Insurance and Pension contributions not included in the original budget of **£6,994** was incurred.
- Additional overtime not included in the original budget of **£4,960** was incurred.

8.2 Premises

A net over spend of **£150,905** has arisen in relation to Crematorium premises related costs. The reasons for this are identified below:

- Detailed contractor discussions for Phase 1 of the Crematorium Redevelopment Works identified a re-profiling of works with elements brought forward to 2014/15 from later phases. This has resulted in additional costs of **£42,769** in year.
- Phase 2 of the Crematorium Redevelopment Works had an initial budget of £30,000 for 2014/15. Due to the mild winter, the works were brought forward and have been completed in 2014/15, resulting in additional unbudgeted spend of **£141,464** in year.
- Maintenance and replacement works (canopy/guttering replacements, path/road repairs, general roof repairs and buildings maintenance) originally budgeted to be undertaken during 2014/15 have been re-profiled and will be undertaken during 2015/16. This has resulted in an underspend of **(£14,279)**.
- Utility expenditure is expected to underspend by **(£13,727)**.

- Cremator Abatement & Equipment Servicing, Cremator Repairs and plant and equipment servicing and repairs will be overspent by **£4,372**.
- Path, road and general building repairs will be underspent by **(£9,694)**.

8.3 *Supplies and Services*

An under spend of **(£4,830)** is anticipated in relation to Supplies and Services. The reasons for this are highlighted below:

- The upgrade of the cremator software will not be required until 2015/16, resulting in a saving to budget of **(£4,500)**.
- The servicing of the Public Visual Reference System will not be required until 2015/16, therefore a saving of **(£5,290)**.
- Due to the actual increase in cremations (highlighted later within the income section of the report), medical referee expenditure is projected to overspend by **£1,436**.
- General Admin budgets have overspent by **£2,428**.
- Due to the increase in the Masterplan sales, associated costs will be overspent by **£3,243**
- The increase in Book of Remembrance sales has led to increased costs of **£853**.
- Hospitality and General Advertising budgets have not been utilised during 2014/15, resulting in a saving of **(£2,000)**.
- Computer replacements were not expended in 2014/15 **(£1,000)**

8.4 *Agency and Contracted*

An over spend of **£2,547** is reported in connection with Agency and Contracted services, details are as follows:

- The actual charge for the Refuse Collection service is **£3,825** higher than budget which is due to the replacement of the previous contract.
- External Audit fees were **(£500)** less than anticipated.
- The Legionella contract, Medical Referee fees for Post Mortems and Cremation Register budgets were underspent by **(£778)**.

8.5 *Income*

An increase in income of **(£204,369)** from the 2014/15 budget is included within the reported forecast outturn. The main reasons are detailed below.

- An increase in the sale of large plaques, vase blocks, columbaria units and seats etc. has resulted in additional income of **(£28,079)**;
- The outturn has taken into consideration the fact that there were 87 more cremations compared to budget in year, totalling an increased income to budget of **(£44,810)**. The outturn includes 2,287 cremations against a budget 2,200 during the 2014/15 financial year.
- Miscellaneous sales and Book of Remembrance entries were higher than budget resulting in increased income of **(£4,735)**.
- Interest receivable on the Crematorium current account and investments balances is expected to be **(£1,923)** additional to budget.
- A one off backdated VAT claim has resulted in additional income of **(£29,823)**.
- A new unbudgeted annual cremation abatement payment from the Crematoria Abatement of Mercury Emissions Organisation (CAMEO) has resulted in additional income of **(£42,779)** relating to 2013/14. It is also anticipated that the 2014/15 payment will be **(£52,220)**, resulting in additional unbudgeted CAMEO abatement income of **(£94,999)** in year.

8.6 *Earmarked Reserves*

Contributions to the earmarked reserves are forecast as **£46,589** more than originally budgeted. Although the re-phasing (bringing forward) of the redevelopment works originally planned for completion in 2015/16 has increased the expenditure for 2014/15, the additional unbudgeted income and the increased number of cremations in the final quarter has resulted in the additional contributions to earmarked reserves.

In line with the CDCJC Reserve Policy to maintain a General Reserve of 30% of the income budget, a transfer to the General Reserve of **(£59,460)** is required as part of the final accounts closedown process. This results in a net transfer from the Major Capital Works Reserve of **(£235)**.

The retained reserves of the CDCJC at 31 March 2015 are forecast to be **£1,012,401** along with a General Reserve of **£444,000**, giving a forecast total reserves and balances position of **£1,456,401** at the year end.

Recommendations and Reasons

9. It is recommended that:
Members note the April 2014 to March 2015 revenue spend financial monitoring report and associated provisional outturn position as at 31 March 2015, including the forecast year end position with regards to the reserves and balances of the Joint Committee.

| | | |
|-----------------|--|--|
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Appendix 1: Implications

Finance

Full details of the year to date and projected outturn financial performance of the Durham 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. The projected outturn has been produced taking into consideration the 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, 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 Spennymoor Town 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 CDCJC.

Procurement

None

Disability Discrimination Act

None

Legal Implications

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

**Central Durham Crematorium Joint
Committee**

22 April 2015

Risk Register Update 2014/15



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

Purpose of the Report

1. To provide an update with regards to the Risk Register for the Durham Crematorium Committee, in accordance with the arrangements established for the routine reporting of risk issues.

Background

2. A Risk Assessment report was presented to Members at the September 2013 meeting which included a comprehensive risk register that identified all known risks of a Service and Operational nature, with all risks scored using the Durham County Council methodology and approach to Risk Management. In approving the report, the Committee committed to regular monitoring and reporting of both strategic and operation risks.

Risk Assessment – December 2014

3. The Risk Register considered and approved by the Joint Committee in September 2013 has been reviewed, reassessed and updated in accordance with the Durham County Council methodology/approach to Risk Management. This entails an assessment of both the gross and net risk from each area, the difference between the gross and net risk score being that the net risk result is after taking into account existing control measures. Full details of the Durham County Risk Management Methodology are set out at Appendix 2.
4. In line with the previous reports, two risk registers have been prepared, separately identifying Service and Operational risks.
5. Both sections of the Risk Register have been reviewed by the Risk Officer responsible for Neighbourhood Services and the Bereavement Services Manager. Net risk ratings have been agreed by consensus and actions to mitigate and/or tackle issues arising from the individual risks have been agreed for the forthcoming year.
6. One new risk surrounding the possible adverse impact of the current refurbishment works of the Chapel and the Crematorium has been included on the Register previously reported and a detailed assessment can be found at Appendix 5.

7. Risk 19 “Loss of knowledge and ability to cover existing workload through staff loss” has been removed following a service restructure to accommodate the vacant post at Durham Crematorium.
8. In the first six months of 2014/15 the crematorium experienced a decrease in revenue over the previous six months which it was felt was attributed to a fall in the national death rate. There could also have been other causes to this, such as increased competition from other providers. The service developed and published a brochure in year and worked hard to foster good relations with local Funeral directors. The number of cremations / bookings will continue to be closely monitored and reported on.
9. All other strategic risks have low Net Scores and there have been no changes to the scores following the review. These risks are all considered to be at tolerable levels.
10. As with Service Risks, the Operational Risks (i.e. those that are key to the operational areas of the service which relate to individual tasks carried out on a routine basis) have also been plotted onto a risk matrix and these are set out at Appendix 4 together with individual risk assessments for each of these. These assessments confirm that these risks are being well managed and it can be demonstrated that there is a risk culture embedded within the business.
11. Only one operational risk has an outstanding action and the detailed assessment is included in appendix 4.
12. There have been no changes to the remaining Operational Net Risk Scores following the review and all risks are considered to be at a tolerable level.

Embedding Risk Management

13. In order to ensure that risk management continues to be embedded and that the risk register is kept up to date, regular reviews will need to continue to be carried out to ensure any new and emerging risks are identified, existing risks are removed if no longer appropriate and existing risks are reviewed taking into account current issues.

Conclusions

14. The original risk register has been revised and updated and rescored, where appropriate, in accordance with Durham County Council criteria.

Recommendations and Reasons

15. It is recommended that:
 - Members of the Central Durham Joint Crematorium Committee note the content of this report and the updated position following the September review.
 - The Risk Registers are kept up to date and continue to be reviewed by the Joint Committee on a half yearly basis the next one to be completed in January 2015.

Background Papers

- Risk Assessment – Report to Central Durham Crematorium Joint Committee – 25 September 2013
- Risk Assessment – Report to Central Durham Crematorium Joint Committee – 23 January 2013
- Risk Assessment – Report to Central Durham Crematorium Joint Committee – September 2012
- Risk Assessment – Report to Central Durham Crematorium Joint Committee – 25 January 2012
- Risk Assessment – Report to Central Durham Crematorium Joint Committee – 28 September 2011
- Risk Assessment – Report to Central Durham Crematorium Joint Committee – 26 January 2011
- Risk Assessment – Report to Central Durham Crematorium Joint Committee – 29 September 2010
- Risk Assessment – Report to Central Durham Crematorium Joint Committee – 27 January 2010
- Risk Assessment – Report to Central Durham Crematorium Joint Committee – 12 June 2009
- External Audit Report – Report to Central Durham Crematorium Joint Committee – 30 October 2009

| | | |
|-----------------|--|---|
| Contact: | Paul Darby – Head of Finance (Financial Services) | |
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| Contact: | Teresa Morgan, Strategic Insurance and Risk Officer | |
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Appendix 1: Implications

There are no financial implications associated with this report. Exposure to financial risk is integral to the gross and net risk assessments undertaken and included in the Risk Registers attached at Appendix 3 and 4.

Staffing

None

Finance

None

Risk

The report and associated appendices sets out in detail the strategic and operational risks, control measures in place to mitigate these and improvement actions associated with these. Each risk has been scored and against the Durham County Council risk management methodology. Maintaining and continually reviewing the risk register is a key component of the control and governance framework for the Central Durham Crematorium Joint Committee.

Equality and Diversity

None

Accommodation

None

Crime and Disorder

None

Human Rights

None

Consultation

Officers of Spennymoor Town Council were consulted on the contents of this report.

Procurement

None

Disability Discrimination Act

None

Legal Implications

None

Appendix 2: Durham County Council Risk Management Process

The risk management process at Durham County Council is based upon a cycle:-



Once a Risk has been identified it is analysed and evaluated as follows:-

- Likelihood X Impact (taking into account Financial + Service Delivery + Stakeholder impacts)

Initially the **Gross Risk** is assessed by scoring the impact and likelihood of the risk **without** taking account of any controls that the Council may already have in place. It is essential to determine this Gross risk, as it is the key baseline against which to evaluate this risk on an ongoing basis.

The **Net Risk** is then determined **after** taking account of any controls that the Council may already have in place, and the likelihood that the risk event may occur over a given period.

In order to calculate the scores for Likelihood and Impact the Risk Assessment criteria is used as outlined below.

After scoring the risk a decision is made whether to Tolerate, Transfer, Treat or Terminate the risk. If any control improvements or actions have been identified as a result of reviewing the risk these are allocated to a responsible officer with timescales to ensure they are carried out before the next review.

DURHAM COUNTY COUNCIL – IMPACT FACTORS

| Factor | Severity | Financial | Service Delivery/ Performance | Stakeholder and Reputation |
|--------|---------------|--|--|--|
| 500 | Critical | > / = £15M > 5% of Service budget | <ul style="list-style-type: none"> • Inability to meet statutory duties • Key services can no longer be delivered – emergency actions needed, which need Cabinet approval. • Significant Legal Action / Challenge • Intervention or sanctions by regulatory body / prosecution or litigation (including corporate manslaughter) • Strike action which is Council-wide or service-wide in a critical Service for a long period | <ul style="list-style-type: none"> • Perception of the majority of potential partners and stakeholders that the Council is not 'fit to deal with'. • Loss of life |
| 4 | Major | £5M - £15M 3% - 5% of Service budget | <ul style="list-style-type: none"> • Major disruption to some statutory and / or non statutory services i.e. key service delivery adversely affected – crisis management implemented, which needs Cabinet approval. • Strike action which is Council-wide or service-wide in a critical Service for a short period | <ul style="list-style-type: none"> • Serious reputational damage to the Council regionally, nationally and internationally • Damage to relationships with central government or other public bodies e.g. One North-East, Environment Agency, other Councils • Perception of small number of potential partners and stakeholders that the Council is not 'fit to deal with'. • Serious injury to individual |
| 3 | Moderate | £1M - £5M 1% - 3% of Service budget | <ul style="list-style-type: none"> • Moderate disruption to statutory and / or non statutory services i.e. some disruption to service delivery – action plans to rectify • Failure of Service to maintain existing status under other Inspection regimes e.g. Ofsted • Resolution requires approval at CMT level • Limited strike action within a Service | <ul style="list-style-type: none"> • Results in negative Regional or National press / media coverage • Minor reputational damage to the County Council • Major criticism by other stakeholders e.g. Partners, central government |
| 2 | Minor | £0.5M - £1M 0.2% - 1% of Service budget | <ul style="list-style-type: none"> • Minor service disruption / customer dissatisfaction i.e. little disruption to service delivery – no long term or permanent impact on key services • Capable of resolution by Service Management Team | <ul style="list-style-type: none"> • Results in negative press coverage within County Durham • Minor criticism by Community • Minor criticism by other stakeholders e.g. Partners, central government • Significant number of complaints from service users • Serious Reputational damage to own Service area |
| 1 | Insignificant | < £0.5M < 0.2% of Service budget | <ul style="list-style-type: none"> • Insignificant service disruption e.g. very little or no disruption to services • Impairment of quality of service • Capable of resolution by Head of Service and their management team | <ul style="list-style-type: none"> • Results in negative press coverage within the locality / ward • Insignificant criticism by Community • Insignificant criticism by other stakeholders e.g. Partners, central government • Insignificant number of complaints from service users • Minor Reputational damage to own Service area |

DURHAM COUNTY COUNCIL - LIKELIHOOD FACTORS

| Factor | Description | Expected Frequency |
|--------|-----------------|---|
| 5 | Highly Probable | <ul style="list-style-type: none"> • More than once a year • Something that is already occurring or is likely to be a regular occurrence throughout a one year period • Inevitable i.e. the event is expected to occur in most circumstances • >80% chance of occurring |
| 4 | Probable | <ul style="list-style-type: none"> • Once a year • Something that has occurred in the last year, or is likely to occur at least once throughout a one-year period. • Probable or where the conditions of the loss occur on a regular basis i.e. the event will probably occur in most circumstances • 61% to 80% chance of occurring |
| 3 | Possible | <ul style="list-style-type: none"> • Every 1-3 years • Likely only to happen at some point over the next 1 to 3 years. • Possible but responding to well understood situations i.e. the event might occur at some time • 31% to 60% chance of occurring |
| 2 | Unlikely | <ul style="list-style-type: none"> • Every 3-5 years • Likely only to happen at some point over the next 3 to 5 years or likely to continue to occur i.e. the event is not expected to occur • 11% to 30% chance of occurring |
| 1 | Remote | <ul style="list-style-type: none"> • Over 5 years • Rare activity or is unlikely based on current intelligence i.e. the event may only occur in exceptional circumstances • < 10% chance of occurring |

Appendix 3: Service Risk Register

| RISK MATRIX | | | | | | | |
|-------------|-----------------|------------------------------|----------------------|-------------------------|------------------------|---------------------------|------------|
| 5 | Highly Probable | | | | | | LIKELIHOOD |
| 4 | Probable | | | | | | |
| 3 | Possible | | 11 | | | | |
| 2 | Unlikely | 4, 17 | 7, 10, 15 | 3 | | | |
| 1 | Remote | 5, 12, 13, 16 | 1, 2, 6, 8 | 9 | | | |
| | | Insignificant (Score 1-3) | Minor (Score 4-6) | Moderate (Score 7-9) | Major (Score 10-12) | Critical (Score 13-15) | |
| | | IMPACT | | | | | |

| Risk. No. | Risk – Ranked by Risk Number | Net Risk Score | Ranking |
|------------------|---|-----------------------|----------------|
| 1 | Not implementing changes in legislation | 6 | 7 |
| 2 | Non compliance with the new fire order | 6 | 7 |
| 3 | Impact of staff morale due to uncertainty over Job Evaluation and Single Status | 14 | 1 |
| 4 | Sickness absence of key staff | 6 | 7 |
| 5 | Disclosure of confidential information through incorrect disposal / maintenance of information | 5 | 12 |
| 6 | Failure of Cremators / Specialist Equipment | 6 | 7 |
| 7 | ICT and Power Failure | 10 | 3 |
| 8 | Loss of Income/Money | 5 | 12 |
| 9 | Breakdown of Partnership | 7 | 6 |
| 10 | Loss of knowledge and ability to cover existing workload through premature staff loss | 10 | 3 |
| 11 | Managing excess deaths | 12 | 2 |
| 12 | Financial Losses due to reputation | 3 | 14 |
| 13 | Contractual failure in relation to future planned projects or maintenance leading to financial claims or losses and loss of reputation and income e.g. Replacement of Cremators | 3 | 14 |
| 15 | Inability to recruit appropriately qualified staff at short notice | 10 | 3 |
| 16 | Lack of awareness of the Impact of Equalities, DDA, Access to Services and Age Legislation | 3 | 14 |
| 17 | Damage to Public or Vehicles due to tree branches falling | 6 | 7 |
| 19 | Loss of knowledge and ability to cover existing workload through staff loss. (CLOSED SEPTEMBER 2014) | | |

| Risk. No. | Risk – Ranked by Net Risk Score | Net Risk Score | Ranking |
|------------------|---|-----------------------|----------------|
| 19 | Loss of knowledge and ability to cover existing workload through staff loss. (CLOSED SEPTEMBER 2014) | | |
| 3 | Impact of staff morale due to uncertainty over Job Evaluation and Single Status | 14 | 1 |
| 11 | Managing excess deaths | 12 | 2 |
| 7 | ICT and Power Failure | 10 | 3 |
| 10 | Loss of knowledge and ability to cover existing workload through premature staff loss | 10 | 3 |
| 15 | Inability to recruit appropriately qualified staff at short notice | 10 | 3 |
| 9 | Breakdown of Partnership | 7 | 6 |
| 1 | Not implementing changes in legislation | 6 | 7 |
| 2 | Non compliance with the new fire order | 6 | 7 |
| 4 | Sickness absence of key staff | 6 | 7 |
| 6 | Failure of Cremators / Specialist Equipment | 6 | 7 |
| 17 | Damage to Public or Vehicles due to tree branches falling | 6 | 7 |
| 5 | Disclosure of confidential information through incorrect disposal / maintenance of information | 5 | 12 |
| 8 | Loss of Income/Money | 5 | 12 |
| 12 | Financial Losses due to reputation | 3 | 14 |
| 13 | Contractual failure in relation to future planned projects or maintenance leading to financial claims or losses and loss of reputation and income e.g. Replacement of Cremators | 3 | 14 |
| 16 | Lack of awareness of the Impact of Equalities, DDA, Access to Services and Age Legislation | 3 | 14 |

Appendix 4: Operational Risk Register

| RISK MATRIX | | | | | | | |
|-------------|-----------------|------------------------------|----------------------|-------------------------|------------------------|---------------------------|------------|
| 5 | Highly Probable | | | | | | LIKELIHOOD |
| 4 | Probable | | | | | | |
| 3 | Possible | | | | | | |
| 2 | Unlikely | | 5 | | | | |
| 1 | Remote | 7,8 | 2,3,4,6 | 1 | | | |
| | | Insignificant (Score 1-3) | Minor (Score 4-6) | Moderate (Score 7-9) | Major (Score 10-12) | Critical (Score 13-15) | |
| | | IMPACT | | | | | |

| Risk. No. | Risk – Ranked by Risk Number | Net Risk Score | Ranking |
|------------------|---|-----------------------|----------------|
| 1 | Injury to staff and visitors | 7 | 2 |
| 2 | Exterior Pathways, Steps and Grounds | 5 | 3 |
| 3 | Use of hand tools and machinery for gardening on site, driveway and car park | 5 | 3 |
| 4 | Cleaning, Maintenance and Gardening Duties | 5 | 3 |
| 5 | Risk Assessments and Reviews not undertaken | 10 | 1 |
| 6 | Violent or other Assault on officer whilst lone working | 5 | 3 |
| 7 | Limited Space in Office Area | 3 | 7 |
| 8 | Slips, trips and falls | 3 | 7 |

| Risk. No. | Risk – Ranked by Net Risk Score | Net Risk Score | Ranking |
|------------------|---|-----------------------|----------------|
| 5 | Risk Assessments and Reviews not undertaken | 10 | 1 |
| 1 | Injury to staff and visitors | 7 | 2 |
| 2 | Exterior Pathways, Steps and Grounds | 5 | 4 |
| 3 | Use of hand tools and machinery for gardening on site, driveway and car park | 5 | 4 |
| 4 | Cleaning, Maintenance and Gardening Duties | 5 | 4 |
| 6 | Violent or other Assault on officer whilst lone working | 5 | 4 |
| 7 | Limited Space in Office Area | 3 | 8 |
| 8 | Slips, trips and falls | 3 | 8 |

| DESCRIPTION OF RISK | | |
|---|--|------------|
| Business Unit | Durham Crematorium | |
| Risk | 7 | |
| Risk Owner | Alan Jose | |
| Detail of Risk | Operational Risk Limited space in office area | |
| BACKGROUND TO RISK EVENT | | |
| Risk Causes | <ul style="list-style-type: none"> Not sufficient space for staff using office area | |
| Potential Impact | <ul style="list-style-type: none"> Injury to staff | |
| GROSS RISK ASSESSMENT | | |
| Financial Impact (1 to 5) | 1 | |
| Service Delivery Impact (1 to 5) | 1 | |
| Stakeholder Impact (1 to 5) | 1 | |
| Total Gross Impact Score (sum above) | 3 | |
| Likelihood (1 to 5) | 1 | |
| Total Gross Risk Score (Total Impact * Likelihood) | 3 | |
| Existing Control Measures | | |
| <ul style="list-style-type: none"> Furniture moved to provide maximum space around desks Shelves checked to ensure they are secure and sturdy | | |
| NET RISK ASSESSMENT | | |
| Financial Impact (1 to 5) | 1 | |
| Service Impact (1 to 5) | 1 | |
| Stakeholder Impact (1 to 5) | 1 | |
| Total Net Impact Score (sum above) | 3 | |
| Likelihood (1 to 5) | 1 | |
| Total Net Risk Score (Total Impact * Likelihood) | 3 | |
| CONCLUSION | | |
| <ul style="list-style-type: none"> TOLERATE after taking into account existing control measures and planned actions | | |
| CONTROL IMPROVEMENTS/ ACTIONS | | |
| Activity | Responsible | Timescales |
| 1. Accommodation issues have been addressed in the proposed plans for the new extension for the crematorium. | G Harrison | 31/12/14 |
| Completed by | Date | |
| T Maddison/ G Harrison | 08/12/14 | |

Appendix 5: New Risk

| DESCRIPTION OF RISK | | |
|--|--|------------|
| Business Unit | Durham Crematorium | |
| Risk | New Risk | |
| Risk Owner | Graham Harrison | |
| Detail of Risk | Strategic Risk Adverse impact on Crematorium business due to ongoing refurbishment of the Chapel and the Book of Remembrance room. | |
| BACKGROUND TO RISK EVENT | | |
| Risk Causes | <ul style="list-style-type: none"> Contractors do not satisfactorily manage site safety and disruption due to refurbishment | |
| Potential Impact | <ul style="list-style-type: none"> Injury to members of the public/ staff. Reduction in cremation days from 5 to 4. Loss of income due to clients being put off by the surroundings of the Chapel works being carried out during opening hours. Reputational damage. | |
| GROSS RISK ASSESSMENT | | |
| Financial Impact (1 to 5) | 1 | |
| Service Delivery Impact (1 to 5) | 4 | |
| Stakeholder Impact (1 to 5) | 3 | |
| Total Gross Impact Score (sum above) | 8 | |
| Likelihood (1 to 5) | 5 (Probable) | |
| Total Gross Risk Score (Total Impact * Likelihood) | 4 | |
| Existing Control Measures | | |
| <ul style="list-style-type: none"> Contractors working weekends. Crematorium closed on the Monday to allow contractors to work and extra day. Contractor's supervisor is on site 7 days per week to ensure works are left in safe state. Contractors only on site when crematorium closed to the public. | | |
| NET RISK ASSESSMENT | | |
| Financial Impact (1 to 5) | 1 | |
| Service Impact (1 to 5) | 3 | |
| Stakeholder Impact (1 to 5) | 3 | |
| Total Net Impact Score (sum above) | 7 | |
| Likelihood (1 to 5) | 4 (Possible) | |
| Total Net Risk Score (Total Impact * Likelihood) | | |
| CONCLUSION | | |
| <ul style="list-style-type: none"> TOLERATE after taking into account existing control measures and planned actions | | |
| CONTROL IMPROVEMENTS/ ACTIONS | | |
| Activity | Responsible | Timescales |
| | | |
| Completed by | Date | |
| T Maddison/ G Harrison | 08/12/14 | |

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**Central Durham Crematorium
Joint Committee**

22 April 2015



Internal Audit Charter

Report of the Chief Internal Auditor and Corporate Fraud Manager

Purpose of the Report

1. The purpose of this report is to seek agreement on the revised Internal Audit Charter to take immediate effect and to be applied to reviews undertaken as part of the Internal Audit plan for 2014/15.

Background

2. The purpose of an Internal Charter is to define the role, authority and responsibility of the Internal Audit Service.
3. The Charter was updated in January 2014 to reflect the requirements of Public Sector Internal Audit Standards that came into effect 1 April 2013, and CIPFA's accompanying Local Government Application Note, which are now the proper practices that underpin the requirements of the Accounts and Audit Regulations (England) 2011, which require relevant public bodies to undertake an adequate and effective internal audit of its accounting records and its system of internal control.
4. The Charter included for the Committee to consider as Appendix 2 has been further amended to reflect revised working practices that were introduced for work to be undertaken as part of the 2014/15 Internal Audit Plan.
5. A summary of the key amendments is shown in the paragraphs and tables below.
6. An amendment to the overall ratings and definitions for assurance reviews undertaken. The changes removed the previous Full and No assurance categories that were rarely if ever used. Furthermore where a Limited assurance opinion is given, controls are overall considered to be ineffective and require improvement to maintain an acceptable level of control. These will be followed up within 6 months of the date of the Final Audit report issue.

| Assurance Rating | Definition |
|-------------------------|--|
| Substantial | Whilst there is a sound system of control, any weaknesses identified may put some of the system objectives at minor risk. |
| Moderate | Whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. |
| Limited | There are weaknesses in key areas in the system of control, which put the system objectives at significant risk. |

7. An amendment to the priority ratings and definitions for recommendations raised. The changes replaced the previous Low and Advisory Priority recommendations with a new Best Practice category.

| Priority | Definition |
|----------------------|---|
| 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 is required to ensure that the service/system/process objectives are not exposed to major risk from weaknesses in controls. |
| Best Practice | The issue merits attention and its implementation will enhance the control environment or promote value for money. |

Recommendation

8. It is recommended that in considering the content of the report, the Joint Committee approve the revised Internal Audit Charter attached at Appendix 2.

Contact: Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager
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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 Public Sector Internal Audit Standards.

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INTERNAL AUDIT CHARTER

April 2015

CONTENTS

| |
|-----------------|
| Page No. |
|-----------------|

| | |
|--|-----------|
| Introduction | 3 |
| Statutory Basis | 3 |
| Definition | 4 |
| Strategic Aims | 4 |
| Objectives of Internal Audit | 4 |
| Outcomes of Internal Audit | 5 |
| Independence, Objectivity and Authority | 6 |
| Scope of Audit Work | 6 |
| Audit Planning | 7 |
| Audit Approach | 8 |
| Audit Reporting | 9 |
| Audit Resources, Skills and Service Quality | 11 |
| Approval and Review | 12 |
| Key Contact | 13 |
| Other Related Documents | 13 |
| Appendix A - Assessment of Audit Findings, Recommendations and Opinions | 14 |
| Appendix B – Definitions under PSIAS | 16 |

Introduction

1. The purpose of this Charter is to establish the terms of reference for the delivery of Internal Audit to the Central Durham Crematorium Joint Committee by Durham County Council Internal Audit & Risk Services. It sets out the purpose, authority and responsibility of Internal Audit.

Statutory Basis

2. Internal Audit is a statutory service in the context of the Accounts and Audit Regulations(England) 2011, which state that:

“A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices”.
3. The Public Sector Internal Audit Standards (PSIAS) and CIPFA’s Local Government Application Note (LGAN), which came into effect April 2013, constitute proper practices to satisfy the requirements for larger relevant local government bodies as set out in the Accounts and Audit Regulations 2011.
4. Section 151 of the Local Government Act 1972 states that every local authority should make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs (The Chief Financial Officer (CFO)). CIPFA has defined proper administration in that it should include, ‘compliance with the statutory requirements for accounts and internal audit’.
5. The CIPFA Statement on the Role of the Chief Financial Officer states that the CFO must:
 - Ensure an effective internal audit function is resources and maintained
 - Ensure that the authority has but in place effective arrangements for internal audit of the control environment
 - Support internal audit arrangements and
 - Ensure the audit committee receives the necessary advice and information so that both functions can operate effectively
6. This Internal Audit Charter recognises the mandatory nature of the PSIAS including the definition of Internal Auditing, the Code of Ethics and the Standards themselves.
7. As required by the PSIAS, this Charter defines the group or body determined to fulfil the roles and responsibilities of the ‘board ‘and ‘senior management’ for the purpose of internal audit activity, as referred to in the individual standards. These definitions are set out in Appendix C.

Definition

8. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Code of Ethics

9. Internal Auditors in the UK public sector organisations must conform to the Code of Ethics, (the Code), as set out in the PSIAS. The Code applies to both individuals and entities that provide internal auditing services.
10. The Code consists of 4 principles that are relevant to the profession and practice of internal auditing and set out the rules of conduct that describe behaviour norms expected of internal auditors to guide their ethical conduct. The 4 principles are integrity, objectivity, confidentiality and competency.
11. Internal auditors must also have regard to the Committee on Standards in Public Life, "Seven Principles of Public Life".

Strategic Aims

12. Our overall strategy is to support the Joint Crematorium achieve its aims and objectives through the provision of a high quality internal audit service that gives management reasonable assurance on the effectiveness of the Joint Crematorium's internal control environment and acts as an agent for change by making recommendations for continual improvement.
13. The service aims to be flexible, pragmatic and to work in collaboration with management to suit organisation needs. Through a risk based approach to audit planning, the service will make a positive contribution to corporate governance arrangements and assist management in developing a framework for achieving objectives within acceptable levels of risk.

Objectives of Internal Audit

14. Our primary objective is the provision of reasonable, not absolute, evidenced based assurance on the effectiveness of the **whole** of the Council's risk management, control and governance environment to the Corporate Management Team and the Audit Committee.
15. The provision of our annual assurance opinion will be in compliance with professional guidelines and in accordance with the Accounts and Audit regulations 2011. Our annual opinion will be included in the Council's Annual

Governance Statement which forms part of the Council's published annual Statement of Accounts.

16. To determine the audit opinion the internal audit service will review, appraise and report upon:

- 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.

17. When presenting the annual audit opinion the Head of Internal Audit will:

- Disclose any qualification to that opinion, together with the reasons for that qualification
- Present a copy of the finalised audit report reflecting work carried out in accordance with the agreed Service Level Agreement (SLA) and the detailed terms of reference agreed with the Crematorium Superintendent
- Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement
- Present a statement on conformance with the PSIAS and the results of a Quality Assurance and Improvement Programme (QAIP) required by the PSIAS.

Outcomes of Internal Audit

18. The main outcome of Internal Audit is the provision of independent assurance to "those charged with governance", which within the Joint Committee, is the Committee itself, on the effectiveness or otherwise of the Joint Committee's risk management, control and governance arrangements and in so doing we contribute to:

- Improved identification and management of risks contributing to improved performance management and the successful achievement of the Council's vision and priorities.
- Improved corporate governance through helping to support compliance with relevant legislation, the Joint Committee's policies, plans and procedures.
- Improved accountability, safeguarding of assets and interests and use of public resources
- Improved quality and reliability of financial and other management information used to support informed decisions

Independence, Objectivity and Authority

19. To be effective Internal Audit must operate independently and in an unbiased manner and have unrestricted access to all information deemed necessary in the course of its work.
20. The Head of Internal Audit has direct and unrestricted access to any employee or elected member.
21. For day to day operational activities the Head of Internal Audit reports to the Joint Committee's Treasurer but maintains independence by reporting in her/his own name on functionality of the audit service direct to the Joint Committee.
22. Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to all records, assets, elected members, personnel and premises, including those of partner organisations or external contractors conducting business on behalf of or in partnership with the Joint Committee, in order to obtain such information and explanations as it considers necessary to fulfil its responsibilities.
23. Internal Audit will remain free from interference by any element in the organisation including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of the necessary independent and objective standards.
24. Objectivity is maintained by ensuring that all internal auditors are free from any conflicts of interest and being free from direct management responsibility for the development, implementation or operations of any of activities audited.
25. Internal auditors will not be allocated to assurance reviews in areas where they have had a responsibility for, or have undertaken any significant advice and consultancy work, within the previous 2 years.
26. As the Head of Internal Audit also has responsibility for corporate risk management strategy and policy and insurance services, arrangements will be made for any audit work to be carried out in these areas by an independent third party.

Scope of Audit Work

27. Internal Audit's role applies to all functions and services for which the Joint Crematorium is responsible, including those delivered by its partners where appropriate.

28. In addition to the regular review of all key systems of internal control which forms the bulk of our assurance work, Internal Audit will:

- Respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems.
- Promote the development and effective implementation of Control and Risk Self Assessments (CRSA) as outlined within the Audit Approach Section of this Charter.
- Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes.
- Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of this work is agreed with management and is subject to having the necessary resources, skills and ensuring suitable assurance over our independence and objectivity. Any significant advice and consultancy work that may be considered to impact on the independence of the Internal Audit Service will be reported to the Audit Committee for approval.
- Be alert in all its work to risks and exposure that could allow fraud or corruption to occur and to any indications that a fraudulent or corrupt practice may have been occurring
- Review controls where a potential fraud has been detected/reported to provide assurance that the alleged fraudulent activity is unable to continue and to prevent a reoccurrence.
- In consultation with appropriate officers, determine the most appropriate course of action by which fraud and irregularities should be investigated.

29. It must be noted that whilst Internal Audit will promote fraud awareness, it does not have responsibility for the prevention and detection of fraud and corruption. Internal Audit cannot guarantee that fraud or corruption will be detected in its work. Managing the risk of fraud and corruption is the responsibility of service managers.

Audit Planning

30. The level of internal audit resources required to deliver an annual audit opinion will be specified in a SLA to be agreed by the Joint Committee.

31. A risk based approach to annual audit planning and the agreement of detailed terms of reference will be applied to allow sufficient work to be undertaken each year to draw reasonable conclusion and assurance on the effectiveness of the whole of the Joint Committee's risk management, control and governance arrangements in a way which affords suitable priority to the Joint Committee's objectives and risks.

32. In consultation with management internal audit will

- Consider the Joint Committee's risk across two categories:
 - a. **Strategic Risks** - these are the business risks that may arise both internally and externally from the Joint Committee which should be included in the Strategic Risk Register
 - b. **Operational Risks** - these are the risks that arise directly from the core activities of delivering services which should be included in the Operational Risk Register

33. Risk registers will inform but not drive the internal planning process and internal audit will audit those risks where controls have been identified as the means of managing the risk. Priority will be given to those risks which have a high gross score and a low net score, where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.

34. Some key risks where a high level of assurance is required to demonstrate the continuous effectiveness of internal controls, for example those associated with key financial systems, will be subject to annual review. The timing of annual reviews will be agreed in consultation with management wherever possible.

35. The level of audit resources required to deliver, at the very least, both a minimum level of independent assurance and adequate provision for advice and consultancy will be considered by the Head of Internal Audit and incorporated into draft SLA's to be approved by the Joint Committee. Minimum assurance levels will be informed by the maturity of the Joint Committee's risk management arrangements and the reliance that can be placed on other assurance sources. Any concerns the Head of Internal has over the quantity and quality of skills available to deliver the required level of assurance, or to add value through its advice and consultancy work, will be referred to the Section 151 Officer, (Chief Financial Officer), and the Joint Committee for consideration.

36. Draft SLA and annual audit plans will be considered by the senior management and approved and monitored by the Joint Committee.

Audit Approach

37. Internal Audit will adopt a risk based approach to all our assurance work as outlined below:

Strategic Risk

Reviews of strategic risks will provide assurance that:

- Risk management processes, defined by the Joint Committee's risk management strategy and policy, are in place and are operating as intended
- Managers are responding to risks adequately and effectively so that those risks are reduced to an acceptable level
- The controls that managers have in place are successful in managing those risks

Operational Risk

38. Reviews of key service delivery activities and key systems will provide assurance on the effectiveness of

- Compliance with corporate governance arrangements
- Risk identification, assessment and business continuity
- The control environment to manage identified risks and to ensure that the Joint Committee'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, including
- Information governance (quality and integrity of financial and other management information and how it is used and communicated)

39. Internal Audit 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.

40. Internal Audit will work with service managers to help embed effective risk management by supporting them to carry out a control and risk assessment (CRA) of risks for each annual audit review in advance of the audit.

41. Internal Audit will agree the objectives and risks associated with each key system or service delivery area to be reviewed with the Bereavement Services Manager prior to the start of each annual audit to ensure that the scope and objectives of each review are focused on providing assurance on the high or significant risks identified through the CRA. Terms of reference will be issued to the Bereavement Services Manager to formally agree the scope of each review, identified key risks, potential impact and expected key controls.

Audit Reporting

42. Each annual audit will be the subject of a formal report and will include an audit opinion.

43. Towards the end of an audit an exit meeting with the Bereavement Services Manager will be arranged to share and discuss initial audit findings.

44. The purpose of the exit meeting/informal draft stage is to give feedback and to eliminate any inaccuracies in audit findings so that these can be resolved before a formal draft report is issued.
45. Draft reports will ask the Bereavement Services Manager to provide a management response to the recommendations made and agree target implementation dates and responsible officers.
46. To assist the Bereavement Services Manager in his response we categorise the importance of our recommendations as High, Medium or Best Practice. Details of how we assess the importance of audit findings leading to these recommendation rankings are given in Appendix A.
47. It is the responsibility of management to address audit findings and implement audit recommendations or other agreed appropriate action, or accept the risk resulting from not taking action.
48. An overall assurance opinion will be provided on each annual audit review to help inform the overall opinion required to support the Joint Committee's Annual Governance Statement.
49. The determination of our audit assurance opinion is derived from the overall level of assurance, positive as well as negative, on the effectiveness of controls operating in each specific area reviewed and is informed by the risk identified through recommendation rankings. Where a Limited assurance opinion is given the control framework in place is considered to be ineffective and requires improvement to maintain an acceptable level of control. These will be followed up within six months of issue. Further details of how assurance opinions are derived are given in Appendix A.
50. Management responses to recommendations made in the draft report will be incorporated into the audit report that will then be reissued as the final version. A copy of the final report will be shared with the Council's External Auditor on request.
51. The CRA will be updated with any further expected controls identified through the audit process and details of actual controls in place, and issued to Bereavement Services Manager as part of the reporting process. If controls are considered to be inadequate, recommended action to improve controls will also be entered to provide management with the necessary information to update risk registers which can then be regularly reviewed.
52. Wherever possible the circulation of audit reports will be agreed at the outset and will have due regard to confidentiality and legal requirements. Any information gained in the course of audit work remains confidential without limiting or preventing internal audit from meeting its reporting responsibilities to the wider organisation.
53. Internal Audit will follow-up progress made by management in responding to the draft report and on the implementation of all high and medium priority recommendations agreed. Any concerns on the lack of appropriate management action will be reported to the Joint Committee.

54. In accordance with the PSIAS, to maintain organisational independence, Internal Audit will report on the functionality of the audit service to the Joint Committee by:

- Presenting the proposed SLA and planned annual audit coverage for each year covered by the SLA:
- Presenting an Annual Audit Report and audit opinion detailing all work undertaken to formulate the annual opinion on the entire control environment, including reliance placed on work of other assurance bodies.

The annual audit report will also demonstrate the extent of compliance with the PSIAS and the results of the Quality Assurance and Improvement Programme, including internal and any external assessments carried out, and will draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement.

Audit Resources, Skills and Service Quality

55. In order for Internal Audit to demonstrate high standards of professional conduct, the Internal Auditor must be impartial in discharging all responsibilities. Bias, prejudice or undue influence must not be allowed to limit or override objectivity.

56. The service is required to operate in accordance with compliance with both the PSIAS and the LGAN. Policies and standard working practices have been put in place to ensure all audit staff understand and comply with the PSIAS/LGAN.

57. An important element of the PSIAS is the requirement to undertake regular quality assurance assessments and maintain a quality assurance and improvement programme.

58. A quality assurance framework, detailing the policies, procedures and working practices under which the service operates has been defined and documented in an Audit Manual.

59. The Head of Internal Audit is responsible for providing periodically a self-assessment on the effectiveness of the internal audit service and compliance with agreed procedures to ensure professional standards are maintained. Any areas of non-compliance with the standards and or the LGAN will be reported as part of the Annual Audit Report to senior management and the Joint Committee.

60. In accordance with the PSIAS, an external assessment will be carried out at least every five years. The results of this external assessment will also be reported to senior management and the Joint Committee.

61. The service is provided by Durham County Council's in house internal audit team, supported in specialist areas as and when considered necessary by a

third party partner. The staffing structure will, as far as possible, be comprised of a suitable mix of qualifications, experience and skills.

62. The Head of Internal Audit ensures internal audit resources are sufficient to meet its responsibilities and achieve its objectives. Resource requirements are reviewed annually. Any concerns that the Head of Internal Audit has regarding resources available to deliver the service in accordance with the SLA and PSIAS will be reported to the Chief Finance Officer and the Joint Committee.
63. Individual training needs are identified in accordance with the County Council's Performance Appraisal Scheme and supplemented by regular audit skills assessments and post audit reviews. As well as basic training in audit techniques and the development of specialist skills, the service is committed to coaching and mentoring its staff and to providing opportunities for continuous professional development to all staff (CPD).
64. Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Technical Information Service, "TIS online", the Finance Advisory Network (FAN), and through liaison with external audit.
65. The service will keep abreast of best audit practice by adhering to CIPFA's and the IIA's practice advisories and practice guides, where applicable, as well as networking with other internal audit service providers.
66. In accordance with the requirements of the Accounts and Audit Regulations 2011, an annual review of the effectiveness of the internal audit service is undertaken by the County Council's Audit Committee. This will be informed by a review of the service carried out by the Corporate Director Resources and from consideration of the Quality Assurance and Improvement Programme and any internal or external assessments required by the PSIAS. By reviewing the service the Audit Committee is able to gain assurance that the service maintains its independence and objectivity, that it is effective and conforms to the expected professional quality standards so that it can place reliance on its work and the annual audit opinion.
67. The outcome from the annual effectiveness review is reported to the County's Corporate Management Team and Audit Committee as part of the Annual Internal Audit Report. The outcome of the annual effectiveness review and the QAIP will also be reported to senior management and the Joint Committee in accordance with the PSIAS.

Approval and Review

68. The Head of Internal Audit will annually review this Charter to ensure that it is kept up to date and fit for purpose. The Charter is endorsed by senior management and approved by the Joint Committee. Any amendments will be reported to Joint Committee for approval.

Key Contact

Head of Internal Audit

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Other Related Documents

Other related documents that should be read in conjunction with this Charter are the Council's:

Public Sector Internal Audit Standards

CIPFA's Local Government Application Note

Service Level Agreement for the Provision of Audit Services

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) |
| | Major impact on the reputation of the service within the Council and/or complaints from service users |
| 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) |

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 | M |
| | 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 |
| Best Practice | The issue merits attention and its implementation will enhance the control environment or promote 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:

| | |
|------------------------------|--|
| Substantial Assurance | Whilst there is a sound system of control, any weaknesses identified may put some of the system objectives at minor risk. |
| 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. |
| Limited Assurance | There are weaknesses in key areas in the system of control, which put the system objectives at significant risk. |

DEFINITIONS UNDER PSIAS

APPENDIX B

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|-------------|--|---|--|---------------------|
| | | <p>and resource plan</p> <ul style="list-style-type: none"> • Receiving communications from the CAE on the internal audit activity's performance relative to its plan and other matters • Approving decisions regarding the appointment and removal of the Internal Audit Service Provider • Making appropriate enquiries of management and the CAE to determine whether there are inappropriate enquiries of management and CAE to determine whether there are inappropriate scope or resources limitations | | |
| 1130. C2 | Impairment to Independence or Objectivity | Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement | | The Joint Committee |
| 1312 | Quality Assurance and Improvement Programme (QAIP) | <p>External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team form outside the organisation. The CAE must discuss with the board:</p> <ul style="list-style-type: none"> • The form of external assessments • The qualifications and independence of the external assessor or assessment, including any potential conflict of interests <p>NB The Public Sector requirement of this standard states,</p> | | The Joint Committee |

DEFINITIONS UNDER PSIAS

APPENDIX B

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| | | “The CAE must agree the scope of external assessments with an appropriate sponsor e.g the Accounting/Accountable Officer or Chair of the audit committee as well as with the external assessor or assessment team” | | |
| 1320 | Reporting the results of QAIP | The CAE must communicate the results of the quality assurance and improvement programme to senior management and the board . | Paul Darby Terry Collins | The Joint Committee |
| 1322 | Disclosure of Non - Conformance | Instances of non-conformance with the definition of Internal Auditing , the Code of Ethics or the standards impacts the overall scope or operation of the Internal Audit Activity, must be reported to the board by the CAE. More significant deviations must be considered for inclusion in the annual governance statement | | The Joint Committee |
| 2020 | Communications and Approval | The CAE must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. Where the CAE believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board . | Paul Darby Terry Collins | The Joint Committee |
| 2060 | Reporting to Senior Management | The CAE must report periodically to senior management and the board on the internal audit activity’s purpose, authority, | Paul Darby Terry Collins | The Joint Committee |

DEFINITIONS UNDER PSIAS

APPENDIX B

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|------|--------------------------------------|--|-----------------------------|---------------------|
| | and the Board | responsibility and performance relative to its plan. Reporting must include significant risk exposures and control issues, including fraud risks governance issues and other matters needed or requested by senior management and the board. | | |
| 2600 | Communicating the Acceptance of Risk | When the CAE concludes that management has accepted a low level of risk that may be unacceptable to the organisation, the CAE must discuss the matter with senior management . If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the board . | Paul Darby Terry Collins | The Joint Committee |

NB. The role of Chief Audit Executive referred to in the Standards is that undertaken by the Chief Internal Auditor and Corporate Fraud Manager.

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**Central Durham Crematorium
Joint Committee**

22 April 2015

**Annual Internal Audit Report
2014/15**



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 2014/15. (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 for 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 2014/15. 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 2014/15 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 2014/15.

Contact: Paul Bradley, Chief Internal Auditor and Corporate Fraud Manager
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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 Public Sector Internal Audit Standards.



**CENTRAL DURHAM CREMATORIUM
JOINT COMMITTEE**

**INTERNAL AUDIT
ANNUAL REPORT
2014/15**

LIST OF CONTENTS

| | Paragraph |
|--|------------------|
| Introduction | 1-3 |
| Service Provided and Audit Methodology | 4-8 |
| Summary of Work Carried Out | 9-15 |
| Quality Assurance Framework | 16-21 |
| Audit Opinion Statement | 22-25 |

Appendix:

Appendix 3 Internal Audit Report Central Durham Crematorium 2014/15

Introduction

1. This report summarises the work carried out by Durham County Council Internal Audit and Risk Service during 2014/15, as part of the three year Service Level Agreement covering the provision of Internal Audit Services up to 31 March 2017.
2. All Internal Audit work carried out in 2014/15 was in accordance with proper internal audit practices as described within the PSIAS that came into effect from 01 April 2013.
3. This report fulfils the requirements of Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application note for 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

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 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 and was further updated for approval by the Joint Committee on 22 April 2015.
7. In accordance with the Internal Audit Charter, a risk based audit approach has been applied to work undertaken in 2014/15.
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 2014/15 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 2014/15 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 2015 in accordance with terms of reference agreed with the Crematorium's 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.
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 their most recent review being reported for consideration by the Joint Committee on 25 April 2015.
13. 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.

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.

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

16. The Committee at its meeting on 21 January 2015 received the evaluation carried out by the Chief Internal Auditor and Corporate Fraud Manager with regards to compliance with PSIAS and the subsequent Improvement Plan that was also agreed by the County Council's Audit Committee in June 2014.
17. 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 2015.
18. 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.
19. 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.
20. 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.
21. A customer satisfaction survey is issued after every audit to provide feedback and help the service continually improve,

Audit Opinion Statement

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

23. 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.
24. 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
25. 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 2014/15. This opinion ranking 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 2014/15 Annual Governance Statement.



INTERNAL AUDIT REPORT

Durham Crematorium

(Ref No 13580/2015)

Final Report

| | |
|---------------------------|--|
| Assurance Opinion: | Substantial Assurance |
| Prepared by: | Mandy Peers, Senior Auditor |
| Reviewed by: | David Mitchell, Principal Auditor Paul Bradley, Chief Internal Auditor & Corporate Fraud Manager |
| Date issued: | 2 April 2015 |
| Distribution List | |
| For Action: | Graham Harrison, Bereavement Services Manager |
| For Information: | Ian Hault, Neighbourhood Protection Manager Paul Darby, Head of Finance – Financial Services Terry Collins, Corporate Director for Neighbourhood Services Oliver Sherratt, Head of Direct Services Teresa Morgan, Strategic Insurance & Risk Officer Debra Kitching, Policy & Performance Team Leader |

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Contents

| Section | Page |
|---|-------------|
| Introduction | 1 |
| Conclusion | 1 |
| Summary of Findings | 1 |
| Background | 1 |
| Scope and Audit Approach | 2 |
| Overall Assurance Opinion and Priority of Recommendations | 2-3 |

EXECUTIVE SUMMARY

INTRODUCTION

1. As part of the 2014/15 Internal Audit Plan, an audit was carried out in February/March 2015 to evaluate the control framework in place on the management of the risks associated with Durham Crematorium.

CONCLUSION

2. The audit work carried out can provide a **Substantial** level of assurance that the control framework and procedures in place are effective in managing the associated risks. As a result of the audit, there were no high or medium priority findings.

SUMMARY OF FINDINGS

3. The review was carried out using a risk based approach informed following a Controls Risk Assessment. It involved a review of supporting systems, documentation, discussion with key employees, and sample testing covering the period January 2014 to December 2014.
4. The review confirmed that there are effective arrangements in place for the management of the risks associated with the Durham Crematorium. From the sample testing undertaken only minor issues were highlighted and these were discussed with the Bereavement Services Manager.
5. In relation to the financial management system in operation SAGE, it was highlighted that it is not being fully utilised by crematorium staff. Processes remain predominantly manual and then are duplicated electronically. The Bereavement Services Manager recognises the benefits of further direct utilisation of SAGE however explained there are obstacles of a poor internet connection, staff training and available resource which have a practical impact.
6. Six best practice recommendations were identified in the audit as follows:
 - All processes should be reviewed with a view to streamline and remove any unnecessary manual duplication and extend the direct use of SAGE.
 - Orders should be raised at the time of placing on SAGE and independently authorised at that time.
 - Verification checks should be introduced on the accuracy of the Book of Remembrance (BOR) invoices prior to payment.
 - Outstanding invoice reports should be updated and generated from the SAGE system, ideally on a weekly basis, and pursued as necessary.
 - The Pandemic Plan should be subject to review and updated.
 - Under the new banking arrangements the regularity/timeliness of bankings made and the option of utilising the bank collection service should be reviewed and determined.

BACKGROUND

7. This review has been carried out in accordance with the Terms of Reference.
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 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.
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 Graham Harrison and his staff at Durham Crematorium and Tracey Mckeown, Neighbourhood Services Finance 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 were reflected in the agreed terms of reference. The scope was informed by a Control Risk Assessment (CRA) determined in consultation with appropriate officers.

OVERALL ASSURANCE OPINION AND PRIORITY OF OUR RECOMMENDATIONS

12. Based upon the ratings of our findings and recommendations arising during the audit, we define the overall conclusion through the following assurance opinions.

| Opinion | Definition |
|------------------------------|--|
| Substantial Assurance | Whilst there is a sound system of control, any weaknesses identified may put some of the system objectives at minor risk. |
| 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. |
| Limited Assurance | There are weaknesses in key areas in the system of control, which put the system objectives at significant risk. |

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

| Priority | Definition |
|----------------------|---|
| 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 is required to ensure that the service/system/process objectives are not exposed to major risk from weaknesses in controls. |
| Best Practice | The issue merits attention and its implementation will enhance the control environment or promote value for money. |

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