



## **Mountsett Crematorium Joint Committee**

**Date**        **Friday 28 April 2017**  
**Time**        **10.00 am**  
**Venue**       **Council Chamber, County Hall, Durham**

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### **Business**

#### **Part A**

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

1. Apologies for absence
2. Minutes of the Meeting held on 30 January 2017 (Pages 3 - 8)
3. Declarations of Interest, if any.
4. Quarterly Performance and Operational Report - Position to 31 March 2017 (Pages 9 - 14)  
Report of the Bereavement Services Manager
5. Financial Monitoring Report - Provisional Outturn as at 31 March 2017 (Pages 15 - 20)  
Joint Report of the Corporate Director, Regeneration and Local Services and the Corporate Director, Resources and Treasurer to the Joint Committee
6. Risk Register Update 2017/18 (Pages 21 - 32)  
Joint Report of the Corporate Director, Regeneration and Local Services and the Corporate Director, Resources and Treasurer to the Joint Committee
7. Annual Internal Audit Report 2016/17 (Pages 33 - 44)  
Report of the Chief Internal Auditor and Corporate Fraud Manager
8. Such other business as in the opinion of the Chairman of the meeting is of sufficient urgency to warrant consideration.

**Clare Pattinson**  
Interim Head of Legal and Democratic Services

County Hall  
Durham  
20 April 2017

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

**Durham County Council:-**

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

**Gateshead Council:**

Councillors K Dodds (Vice-Chairman), Dave Bradford, M Charlton,  
D Davidson, L Green, J Lee and M Ord

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**Tel: 03000 269712**

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**DURHAM COUNTY COUNCIL**

At a Meeting of **Mountsett Crematorium Joint Committee** held in Whickham Room, Civic Suite, Gateshead Council on **Monday 30 January 2017 at 10.00 am**

**Present:**

**Councillor O Temple (Chairman)**

**Members of the Committee:**

**Durham County Council**

Councillors A Batey, C Hampson, I Jewell, O Milburn, T Nearney and M Plews

**Gateshead Council:**

Councillors K Dodds (Vice-Chairman), Dave Bradford, M Charlton, D Davidson, L Green, J Lee and M Ord

**1 Welcome to newly appointed Joint Committee Member**

The Chairman welcomed Councillor D Bradford (Gateshead Council) to the meeting.

**2 Apologies for Absence**

There were no apologies for absence.

**3 Minutes of the Meeting held on 28 September 2016**

The minutes of the meeting held on 28 September 2016 were confirmed as a correct record and signed by the Chairman.

**4 Declarations of Interest, if any**

There were no declarations of interest.

**5 Treasurer to the Joint Committee:**

The Clerk advised that Mr John Hewitt had recently been appointed as Corporate Director, Resources and with such was appointed as Treasurer to the Joint Committee.

**Resolved:**

That the update regarding the appointment of the Treasurer to the Joint Committee be noted.

## **6 Quarterly Performance and Operational Report:**

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

The Bereavement Services Manager advised that there were 445 cremations undertaken during 1 September 2016 to 31 December 2016, compared to 455 in the comparable period last year, a decrease of 10 year on year. Regarding the sale of memorial plaques it was reported that the number and value of memorials sold year on year had increased by 6 (£1,239).

Moving on to discuss operational matters the Bereavement Services Manager advised that further to agreement of the Joint Committee at its last meeting, the vacant Business Admin Apprentice position had now been filled and the new member of staff was settling in well.

It was highlighted that the use of the crematorium chapel had started to increase for services only before moving on to another location for burial etc. This had impacted upon the number of cremations which were able to be undertaken and had resulted in a loss of income of approximately £3,850. The current charge for a chapel only service was £100, in comparison to £650 for a cremation. It was therefore proposed that the Joint Committee agree to impose a two tier pricing structure for chapel only services. During the periods of 10.00 a.m. to 2.30 p.m. it was proposed that the charge be increased from £100 to £600. It was further proposed to increase the charge for chapel only service prior to 10.00 a.m. or after 2.30 p.m. to £200 next year.

Further updates were provided with regard to the Green Flag application for 2017; and the recycling of metals scheme, which had generated £4,336 for Macmillan Cancer Support. The cheque was presented by the Chairman of the Joint Committee on 22 November 2016.

The Bereavement Services Manager then went on to provide an update in respect of works to be undertaken to install replacement cremators and mercury abatement equipment. As reported at the previous meeting A.T.I were successful in tendering for the replacement cremators. Work had been ongoing with the Durham County Council's design team and the cremator manufacturer in order to design equipment to fit in with the proposed extension. During consultations the Coal Authority had submitted some recommendations regarding the foundations used and this had been taken on board by the design team. Further details along with revised costings would be presented to the joint under Item 11.

A date for works to commence had now been agreed as 27 February 2017, with A.T.I expected to install cremators by September 2017. Completion of the scheme was expected by December 2017.

With regard to the proposals for a two tier chapel fee structure, Councillor Temple advised that Central Durham Crematorium Joint Committee had recently adopted the same pricing structure..

It was noted that customers were choosing to hold non-religious services at Mountsett Crematorium and it was also often chosen because it was a lot cheaper than a church

service. Councillor Nearney queried whether this was comparative to other crematoria in the region. The Bereavement Services Manager advised that benchmarking had been carried out. The Head of Finance (Financial Services) referred members to page 40 of the Fees and Charges report which highlighted those authorities who also imposed a differential charging structure offering highly discounted rates for less popular slots.

Councillor Dodds added that the figures contained in the table relating to Gateshead Crematoria were a little misleading. Gateshead Crematorium due to its setting, was less likely to attract people for services only and this had been reflected in the price.

Councillor Jewell asked whether there were any anticipated issues regarding service interruption whilst works were ongoing to install new cremators. In response the Bereavement Services Manager advised that the crematorium would operate over a 4 day working week with construction work taking place over Saturday-Monday for approximately six weeks. This approach was adopted during the improvement works at Central Durham Crematorium and had minimised disruption to services.

#### **Resolved:**

- (i) That the current performance of the crematorium be noted.
- (ii) That the current situation with regards to the business admin apprentice position be noted.
- (iii) That the increase in fees for Chapel only services be noted.
- (iv) That the application for the Green Flag Award be noted.
- (v) That the recent presentation of the ICCM metal recycling scheme cheque be noted.
- (vi) That progress in relation to the cremator replacement project be noted.

#### **7 Financial Monitoring Report - Position at 31/12/16, with Projected Outturn at 31/03/17:**

The Joint Committee considered a joint report of the Corporate Director, Regeneration and Local Services and Corporate Director Resources and Treasurer to the Joint Committee which set out details of income and expenditure in the period 1 April 2016 to 31 December 2016, together with an updated forecast of the outturn position for 2016/17, highlighting areas of over/underspend against the revenue budgets at a service expenditure analysis level. The report further set out details of the funds and reserves of the Joint Committee at 1 April 2016 and an updated forecast position at 31 March 2017, taking into account the updated financial outturn forecasts (for copy see file of Minutes).

The Head of Finance (Financial Services) advised that the projected outturn showed a surplus (before transfers to reserves and distribution of surpluses to the partner authorities) of £467,935 against a budgeted surplus of £445,873, (£22,062) more than the budgeted position. Details of the significant variances were included within the report.

Regarding earmarked reserves, the Head of Finance (Financial Services) advised that contributions to earmarked reserves were forecast to be £22,062 more than originally budgeted, primarily due to the increase in cremation income during the year. It was further noted that in line with the MCJC Reserves Policy, a transfer to the General Reserve of £21,330 was required in year. This resulted in a net transfer to the Cremator Replacement Reserve of £330,961 resulting in an estimated balance at 31 March 2017 of £1.26m.

Moving on the retained reserves, it was reported that at 31 March 2017 these were forecast to be £1.28m along with a General Reserve of £263,400, giving a total forecast total reserves and balances position of £1,546,273 at year end.

**Resolved:**

That the content of the report be noted.

**8 Provision of Support Services 2017/18:**

The Joint Committee considered a joint report of the Corporate Director, Regeneration and Local Services and Corporate Director, Resources and Treasurer to the Joint Committee which outlined the proposed Service Level Agreement (SLA) for Support Service provision by Durham County Council to the Mountsett Crematorium Joint Committee for the period April 2017 to March 2018 (for copy see file of Minutes).

As part of the budget setting process for 2017/18, Members were requested to consider support service requirements for the coming year to include the following functions:

- Management Services
- Financial Services
- Administration Services (including Committee support)
- Payroll; and
- Human Resources Services.

The Head of Finance (Financial Services) advised that there were no changes proposed to the level of support to be provided, however a 3% increase on recharges was proposed. The proposed increase took into account inflationary pressures such as the staff pay award and pension increases following the triennial review.

**Resolved:**

That the Service Level Agreement for the year 2017/18 be approved.

**9 Fees and Charges 2017/18:**

The Joint Committee considered a joint report of the Corporate Director, Regeneration and Local Services and Corporate Director, Resources and Treasurer to the Joint Committee which set out details of the proposed fees and charges for the Mountsett Crematorium for 2017/18 (for copy see file of Minutes).

The Head of Finance (Financial Services) advised that taking into account the cremator replacement works that would be undertaken during 2017 and the decision taken by Central Durham Crematorium Joint Committee to freeze charges for 2017/18, it was proposed that there was no increase to the current fees and charges for 2017/18. It was noted that the previous decision to introduce a two-tier charge for chapel only services would be included within the charging schedule.

Councillor Charlton raised a query with regard to the charge associated with the cremation of Non-viable Foetus. It was noted that this service was part of an arrangement held with the NHS who paid the charge in the interests of public protection.

**Resolved:**

That the proposed fees and charges remain unchanged and be effective from 1 April 2017. In addition, that the proposed fees and charges be incorporated into the 2017/18 budget.

**10 2017/18 Revenue Budget:**

The Joint Committee considered a joint report of the Corporate Director Regeneration and Local Services and Corporate Director, Resources and Treasurer to the Joint Committee which set out proposals with regards to the 2017/18 revenue budgets for the Mountsett Crematorium (for copy see file of Minutes).

The Head of Finance (Financial Services) advised that the proposed budget was attached at Appendix 2. He advised that the ongoing works for the cremator replacement programme would not have any discernible impact on the budget. An element of prudence had been factored into the income budget proposals on this basis.

Councillor Nearney asked whether the budget provision for redecoration included the proposed work to install a facility for covering the cross on the main chapel wall. In response the Bereavement Services Manager advised that this work was progressing within the 2016/17 financial year.

**Resolved:**

That the budget proposals be noted and approved and that the forecasted level of reserves and balances at 31 March 2018 be noted.

**11 Update Report on Cremator Replacement and Extension:**

The Joint Committee considered a joint report of the Corporate Director, Regeneration and Local Services and Corporate Director, Resources and Treasurer to the Joint Committee which provided a progress update regarding the procurement of the replacement cremators and associated extension works to the crematorium (for copy see file of Minutes).

Further to agreement and the successful procurement of ATI, all surveys had now been undertaken on site. It was reported that the Coal Authority had identified possible mine workings underground and with such Direct Services had now included a contingency for the potential need for additional ground stabilisation works to be undertaken.

The Bereavement Services Manager advised that revised estimates for the scheme were £519,662 lower than the originally forecast, mainly due to more competitive prices being secured for the new cremators following the procurement exercise. In addition to this, the budget forecasted the Cremator Reserve balance to be £1,538,349 at 31 March 2018, £314,927 higher than the original forecast, which could be utilised to reduce the loan required.

The loan required from Durham County Council had subsequently reduced to £424,746, compared to the original forecast of £1,284,335 due to the above and therefore the repayment of the revised loan amount could now be spread over only 3 years instead of the initial 10 years proposed.

In conclusion he advised that work was expected to commence in February 2017 with ATI expected to be on site around September / October. Completion of the works would take place during November / December 2017.

**Resolved:**

That the content of the report and the current position with regard to the cremator replacement and extension be noted.

**12 Any resolution relating to the exclusion of the public during the discussion of items containing exempt information**

**Resolved:**

That under Section 100 A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the said Act.

**13 External Audit Arrangements 2016/17 to 2018/19:**

The Joint Committee considered a joint report of the Corporate Director Regeneration and Local Services and Corporate Director, Resources and Treasurer to the Joint Committee which informed Members of the soft market testing exercise for the external audit arrangements for the Mountsett Crematorium Joint Committee for the three financial years 2016/17 to 2018/19 and for Members to appoint a preferred audit firm (for copy see file of Minutes).

**Resolved:**

That the recommendation as contained within the report be approved.

## Mountsett Crematorium Joint Committee

28 April 2017

### Quarterly Performance and Operational Report - Position to 31 March 2017




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## Report of Graham Harrison, Bereavement Services Manager

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### Purpose of the Report

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

### Performance Update - Number of Cremations

2. The table below provides details of the number of cremations for the period 1 January 2017 to 31 March 2017 inclusive, with comparative data in the same period last year:

	<b>2015/16</b>	<b>2016/17</b>	<b>Change</b>
January	115	139	+ 24
February	116	122	+ 6
March	118	134	+ 16
<b>TOTAL</b>	<b>349</b>	<b>395</b>	<b>+ 46</b>

3. There were 395 cremations undertaken during the period 1 January 2017 to 31 March 2017, compared to 349 in the comparable period last year, an increase of 46 year on year. Funeral Directors are experiencing similar trends with regards to the increase in the death rate despite the mild winter period. The profile of where families came from can be seen below:

Gateshead	101
Durham	218
Outside Area	76
<b>Total</b>	<b>395</b>

4. The total number of cremations in 2016/17 was 1,439 compared to 1,296 in 2015/16, a year on year increase of 143.
5. The 2016/17 budget was set at a prudent assumption of 1,300 cremations during the year. The actual number of cremations undertaken was therefore 139 more than the budgeted position. This is reflected in an over achievement of cremation fee income of £90,295 in year, which is included in the budgetary control report.
6. The table below shows the comparative figures for the previous seven financial years:

Year	Cremations
2010/11	1,188
2011/12	1,258
2012/13	1,404
2013/14	1,191
2014/15	1,320
2015/16	1,296
<b>2016/17</b>	<b>1,439</b>
<b>7 Year Average</b>	<b>1,299</b>

7. The 2017/18 budget assumes that 1,300 cremations will be undertaken in the coming year.

### Memorials

8. The table below outlines the number and value of the memorials sold in the period January to March 2017 compared to the same period last year.

	Jan – March 2015/16		Jan – March 2016/17	
	Number	£	Number	£
Large Plaques	4	1,563	5	2,010
Small Plaques	0	0	8	2,088
<b>Total</b>	<b>4</b>	<b>1,563</b>	<b>13</b>	<b>4,098</b>

9. In overall terms the number and value of memorials sold of 13 / £4,098 compares to 4 / £1,563 in the same period last year, an increase of 9 / £2,535 year on year.
10. The table below identifies the total number and value of memorials sold during 2016/17 year compared 2015/16:

	2015/16 Total		2016/17 Total	
	Number	£	Number	£
Large Plaques	22	8,575	13	4,972
Small Plaques	0	0	24	6,397
<b>Total</b>	<b>22</b>	<b>8,575</b>	<b>37</b>	<b>11,369</b>

### Operational Matters

#### Staffing

11. The trainee crematorium operative has been in post since December 2014 and has seamlessly stepped into the role whilst also successfully passing the cremating exam. He has indicated that he is willing to enrol on the Institute of Cemetery and Crematorium Management Diploma Course.
12. The course provides an opportunity to build skills within the team and provide greater resilience during busy periods. The cost of the diploma course is £90 per year to enrol as an Associate Member of the Institute and £2,380 in order to

achieve an I.C.C.M. certificate within two years. The 2017/18 budget includes £1,000 for staff training and any costs above this could be offset by any underspends that arise within other budgets.

13. Members are also asked to note that on the 5 May 2017 the Bereavement Services Manager will have worked in the bereavement services industry for 30 years. Members may wish to formally recognise this long service achievement at the next meeting of the committee e.g. presentation of a certificate of achievement.

### **Cremation & Burial Conference & Exhibition 2017**

14. As in previous years, the necessary arrangements have been made for representation at the Joint Conference of the Federation of Burial and Cremation Authorities and the Cremation Society of Great Britain, which is to be held at the Stratford Manor Hotel, Stratford-upon-Avon from Monday 3 to Wednesday 5 July 2017. The Bereavement Services Manager will be attending and will also be representing the Central Durham Crematorium Joint Committee

### **Recycling of Metals Scheme**

15. The Crematorium has received a further cheque relating to the recycling of metals scheme from the Institute of Cemetery and Crematorium Management to the sum of £5,000 for Coping with Cancer North East and arrangements are to be made for the presentation to the charity.

### **Replacement of Cremators and Installation of Mercury Abatement Plant**

16. At the January 2017 meeting Members were given a progress update regarding the procurement of the replacement cremators and associated extension works to the crematorium.
17. Site mobilisation was anticipated at the beginning of February 2017, but unfortunately this had to be cancelled following discussions with the Coal Authority, which concluded that ground stabilisation (void grouting) was required.
18. A tender was drawn up for this specialist work and the contract has recently been awarded.
17. The revised project plan / key milestones are set out below.
  - 1 April 2017 - Site mobilisation for extension works
  - April to June 2017 – Crematorium closed for 6 – 8 Mondays to allow for earthworks, concreting and steel erection on weekends
  - July to September 2017 – Construction works for extension
  - October to November 2017 – Installation of new cremators and decommission of old cremators
  - November to December 2017 – Internal building adaptations following removal of old cremators.

## **Recommendations and Reasons**

18. It is recommended that Members of the Mountsett Joint Committee:

- Note the current performance of the crematorium.
- Agree to enrol a member of staff on the I.C.C.M. Diploma course.
- Discuss the recognition of the 30 year long service.
- Note the attendance at the Burial and Cremation conference.
- Note the distribution of recycling income to the respective charity.
- Note the progress with regards to the cremator replacement.

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**Contact: Graham Harrison, 03000 265606**

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## **Appendix 1: Implications**

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### **Finance**

As identified in the report.

### **Staffing**

As identified in the report.

### **Risk**

There are no implications

### **Equality and Diversity / Public Sector Equality Duty**

There are no implications

### **Accommodation**

There are no implications

### **Crime and Disorder**

There are no implications

### **Human Rights**

There are no implications

### **Consultation**

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

### **Procurement**

There are no implications

### **Disability Issues**

There are no implications

### **Legal Implications**

As outlined in the report

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## Mountsett Crematorium Joint Committee

28 April 2017

### Financial Monitoring Report – Provisional Outturn as at 31 March 2017




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### Joint Report of Ian Thompson – Corporate Director: Regeneration and Local Services; John Hewitt – Corporate Director: Resources and Treasurer to the Joint Committee.

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#### Purpose of the Report

1. This report sets out details of income and expenditure in the period 1 April 2016 to 31 March 2017, together with the provisional outturn position for 2016/17, 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 2016 and forecast final position at 31 March 2017, taking into account the updated financial outturn projections.

#### Background

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

#### Financial Performance

4. Budgetary control reports, incorporating outturn projections, are considered by Regeneration and Local Services' Management Team on a monthly basis. The County Council's Corporate Management Team also considers regular budgetary control reports, with quarterly reports being considered by Cabinet / Overview and Scrutiny Committee. The outturn projections for the Mountsett Crematorium are included within this report.
5. Members should be aware that the 2016/17 closedown process has only recently commenced and whilst no major variances are anticipated between the provisional and final outturns, the final information incorporated into the Annual Return 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 supplied by the

Bereavement Services Manager. The following table highlights the provisional outturn financial performance of the Mountsett Crematorium:

<b>Subjective Analysis</b>	<b>Base Budget 2016/17 £</b>	<b>Year to Date Actual April – March £</b>	<b>Provisional Outturn 2016/17 £</b>	<b>Variance Over/ (Under) £</b>
Employees	141,717	134,557	134,557	(7,160)
Premises	166,790	208,829	261,078	94,288
Transport	600	637	637	37
Supplies & Services	89,820	84,096	96,627	6,807
Agency & Contracted	7,100	8,684	8,684	1,584
Central Support Costs	26,100	26,100	26,100	0
<b>Gross Expenditure</b>	<b>432,127</b>	<b>462,903</b>	<b>527,683</b>	<b>95,556</b>
<b>Income</b>	<b>(878,000)</b>	<b>(975,343)</b>	<b>(975,643)</b>	<b>(97,643)</b>
<b>Net Income</b>	<b>(445,873)</b>	<b>(512,440)</b>	<b>(447,960)</b>	<b>(2,087)</b>
<b>Transfer to (from) Reserves</b>				
- Repairs Reserve	15,000	0	(49,246)	(64,246)
- Cremator Reserve	265,983	0	310,986	45,003
- General Reserve	0	0	21,330	21,330
<b>Distributable Surplus</b>	<b>(164,890)</b>	<b>0</b>	<b>(164,890)</b>	<b>0</b>
<b>65% Durham County Council</b>	<b>107,178</b>	<b>107,178</b>	<b>107,178</b>	<b>0</b>
<b>35% Gateshead Council</b>	<b>57,712</b>	<b>57,712</b>	<b>57,712</b>	<b>0</b>
<b>Mountsett Crematorium Earmarked Reserves</b>	<b>Balance @ 1 April 2016 £</b>	<b>Transfers to Reserve £</b>	<b>Transfers From Reserve £</b>	<b>Balance @ 31 March 2017 £</b>
Repairs Reserve	73,616	15,000	(64,246)	24,370
Cremator Reserve	927,542	310,986	0	1,238,528
General Reserve	242,070	21,330	0	263,400
<b>Total</b>	<b>1,243,228</b>	<b>347,316</b>	<b>(64,246)</b>	<b>1,526,298</b>

### Explanation of Significant Variances between Original Budget and Forecast Outturn

- 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 £447,960 against a budgeted surplus of £445,873, (£2,087) more than the budgeted position.
- This compares with the previously forecast position, based on income and expenditure to 31 December 2016, as reported to the Joint Committee on 30 January 2017, of a surplus (before transfers to reserves and distribution of surpluses to the partner

authorities) of £467,935 against a budgeted surplus of £445,873, (£22,062) more than the budgeted position. A reconciliation of the projections at quarter 3 compared to the provisional outturn figures is as follows:

- Employee costs are (£229) lower than projected at quarter 3
- Premises costs are £52,727 higher than projected due mainly to the commencement of the replacement cremators and crematorium extension feasibility works
- Transport costs are £37 higher than projected
- General Supplies and Service costs are £4,773 higher than projected
- Agency and Contracted Services are £365 higher than projected
- Income is (£37,698) higher than projected due mainly to the additional cremations in the final quarter

9. The following section outlines the reasons for any significant variances by subjective analysis areas. 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 yet received from utility companies
- Medical Referee fees for the final quarter
- CAMEO surcharge for the final quarter

### 9.1 **Employees**

The outturn shows an underspend of **(£7,160)** in relation to employee costs. The reasons for this are identified below:

- The vacant period of the Business Admin Apprentice post has resulted in an underspend of **(£6,160)**.
- The staff training budget was not required during 2016-17 resulting in an underspend of **(£1,000)**.

### 9.2 **Premises**

The outturn shows an overspend of **£94,288** in relation to premises costs. The reasons for this are identified below:

- The Cremator repairs budget overspent by **£7,245** due to necessary Cremator repairs in year.
- A successful appeal against the rateable value of the Crematorium last year has resulted in a revised Business Rate charge in 2016/17 of £20,377 compared to the budget of £45,000, a saving of **(£24,623)**.
- Costs relating to the car park extension have resulted in an approved overspend of **£64,246**. These works were approved by the Joint Committee in

2015/16 but were slipped into 2016/17 and have been funded by the repairs reserve.

- Utility charges are projected to underspend by **(£4,874)** mainly due to falling gas prices.
- Miscellaneous premises budgets including general repairs overspent by **£3,574**.
- Feasibility costs relating to the replacement cremators and crematorium extension works have resulted in a spend of **£48,720** in 2016/17. The ongoing costs of the project will be reported to Members throughout the coming year, shown against the revised project budget which was reported at the January 2017 meeting.

### 9.3 **Supplies and Services**

The outturn shows an overspend of **£6,807** in relation to supplies and services. The reasons for this are highlighted below:

- General and sundry items are expected to be underspent by **(£352)**.
- The Book of Remembrance calligraphy costs will be overspent by **£737**.
- Due to the increase in cremations, medical referee expenditure is projected to overspend by **£2,294**.
- The environmental surcharges payable for tradable mercury abated cremations from the CAMEO scheme is predicted to overspend by **£4,128**, again due to the increase in cremation numbers.

### 9.4 **Income**

An increase in income of **(£97,643)** from the 2016/17 budget is included within the provisional outturn. The reasons for this are identified below:

- The provisional outturn has taken into consideration an additional 139 cremations compared to budget, totalling excess income to budget of **(£90,295)**. The outturn is based on a total of 1,439 cremations against a budget estimate of 1,300 during 2016/17.
- Miscellaneous income is projected to be higher than budget by **(£2,704)**.
- Book of Remembrance and Memorial Plaque income were **(£4,644)** higher than budget.

### 10. **Earmarked Reserves**

Contributions to the earmarked reserves are forecast to be **(£2,087)** more than originally budgeted, mainly due to the increase in cremation income during the year, offset by the car park extension costs and the cremator replacement feasibility costs.

In line with the MCJC Reserve Policy to maintain a General Reserve of 30% of the income budget, a transfer to the General Reserve of **(£21,330)** is required in year. This results in a net transfer to the Cremator Replacement Reserve of **£310,986** in year.

The retained reserves of the Mountsett Crematorium Joint Committee at 31 March 2017 are forecast to be **£1,262,898**, along with a General Reserve of **£263,400**, giving a forecast total reserves and balances position of **£1,526,298** at the year end.

### **Recommendations and reasons**

11. It is recommended that:-

- Members note the provisional outturn position at 31 March 2017, including the projected year end position with regards to the reserves and balances of the Joint Committee.

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**Contact(s): Paul Darby 03000 261930**  
**Ed Thompson 03000 263481**

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## **Appendix 1: Implications**

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### **Finance**

Full details of the year to date and projected outturn financial performance of the Mountset 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 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 Gateshead Council were provided with a copy of the report and given opportunity to comments / raise any detailed queries on the contents of this report in advance of circulation to members of the Joint Committee.

### **Procurement**

None

### **Disability Issues**

None

### **Legal Implications**

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



## Mountsett Crematorium Joint Committee

28 April 2017

Risk Register Update 2017/18



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### Joint Report of Ian Thompson, Corporate Director, Regeneration and Local Services; and John Hewitt, Corporate Director, Resources and Treasurer to the Joint Committee

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#### Purpose of the Report

1. The purpose of this report is to inform the Mountsett Crematorium Joint Committee of the outcome of the half-yearly review of the service and operational risk registers in March 2017.

#### Background

2. The service and operational risk registers are maintained in accordance with Durham County Council's methodology and approach to risk management, further details of which are included in Appendices 2, 3 and 6. The registers have been reviewed by the Bereavement Services Manager & Registrar (Countywide), supported by Durham County Council's Principal Risk and Governance Officer. Net risk evaluations 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.

#### Risk Assessment – April 2017

##### Summary

3. The Service Risk Register is included in **Appendix 4** and a profile of service risks is included in **Appendix 5**.
4. The Operational Risk Register is included in **Appendix 6** and a profile of operational risks is included in **Appendix 7**.
5. The net risk evaluation of all identified service risks are within the risk appetite (the shaded area in Appendix 5), so they are considered to be at an acceptable level.

## Changes

6. One new risk has been added to the service risk register:-
  - *Adverse impact on Crematorium business due to ongoing refurbishment of the crematorium.*

A full risk assessment is attached in **Appendix 8**.
7. One risk has been removed from the service risk register:-
  - *Non-compliance with the current fire order.*

All necessary actions in relation to the Fire Order have been implemented, so this risk is no longer relevant.
8. The following risk, on the service risk register, has been re-evaluated:-
  - *Failure of Cremators.*

The net likelihood has been re-assessed from Remote to Possible. The current equipment is ageing (around 20 years old) and is considered less reliable. In the event of failure, some parts may be obsolete and irreplaceable. Contingency arrangements with Central Durham Crematorium would have to be implemented, causing disruption and additional transport costs. New cremators are expected to be installed October/November 2017.
9. As the operational risk register relates to health and safety issues, each risk has been re-evaluated against Durham County Council's health and safety risk assessment criteria, as shown at the bottom of page 9. These are considered more appropriate than the strategic risk assessment criteria, which were previously used.
10. One risk has been removed from the operational risk register:-
  - *Risk Assessments and Reviews not undertaken*

As risk management procedures are now well-established, it is considered that this is no longer a significant risk.

## **Recommendations**

11. It is recommended that :-
  - a) Members of the Mountsett Joint Crematorium Committee note the content of this report and the updated position; and
  - b) The Risk Registers are kept up to date and continue to be reviewed by the Joint Committee half yearly.

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<b>Contact:</b>	<b>Paul Darby</b>	<b>Tel: 03000 261930</b>
	<b>Kevin Roberts</b>	<b>Tel: 03000 269657</b>

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**Finance**

There are no direct financial implications but effective risk management helps to avoid or minimise financial loss.

**Staffing**

None

**Risk**

This report supports the delivery of the objectives of the Durham County Council's Risk Management Strategy. Each risk has been evaluated using Durham County Council's risk management methodology. Maintaining and continually reviewing the risk register is a key component of the control and governance framework for the Mountsett Crematorium Joint Committee.

**Equality and Diversity**

None

**Accommodation**

None

**Crime and Disorder**

None

**Human Rights**

None

**Consultation**

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

**Procurement**

None

**Disability Issues**

None

**Legal Implications**

There are no direct implications but effective risk management helps to ensure compliance with legal and regulatory obligations.

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## **Appendix 2: How Mountsett Crematorium risks are managed**

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Two risk registers have been developed for Mountsett Crematorium, containing service and operational risks respectively. They are maintained in accordance with Durham County Council's methodology and approach to risk management. This requires an evaluation of the gross risk based on an assessment of the impact and likelihood of the risk occurring. The net risk is evaluated on the same basis after taking into account mitigating control measures.

In order to ensure that risk management continues to be embedded and that the risk registers are kept up to date, regular reviews are carried out to ensure that 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. Reviews are undertaken by the Bereavement Services Manager & Registrar (Countywide), supported by Durham County Council's Principal Risk and Governance Officer, and a formal update is reported to the Mountsett Crematorium Joint Committee twice a year.

Risks are evaluated in a logical and straightforward process. Service risk assessments are based on the impact on finance, service delivery and stakeholders if the risk materialises, and also the likelihood that the risk will occur over a given period. Operational risk assessments are based on Durham County Council's health and safety risk assessment criteria, which include the likelihood of occurrence.

Durham County Council is jointly responsible for responding to civil emergencies (such as severe weather events, network power losses and flu epidemics) through the County Durham and Darlington Local Resilience Forum. An explanation of the arrangements for managing the risk of such events and a copy of the latest Community Risk Register can be found on the web page of the County Durham and Darlington [Local Resilience Forum](#).

## Appendix 3A: Strategic Risk Assessment Criteria – Impact Factors

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

## Appendix 3B: Strategic Risk Assessment Criteria – Likelihood Factors

Factor and Description		Expected Frequency
5	Highly Probable	<ul style="list-style-type: none"> <li>• <b>More than once a year</b></li> <li>• Something that is already occurring or is likely to be a regular occurrence throughout a one year period</li> <li>• Inevitable i.e. the event is expected to occur in most circumstances</li> <li>• &gt;80% chance of occurring</li> </ul>
4	Probable	<ul style="list-style-type: none"> <li>• <b>Once a year</b></li> <li>• Something that has occurred in the last year, or is likely to occur at least once throughout a one-year period.</li> <li>• Probable or where the conditions of the loss occur on a regular basis i.e. the event will probably occur in most circumstances</li> <li>• 61% to 80% chance of occurring</li> </ul>
3	Possible	<ul style="list-style-type: none"> <li>• <b>Every 1-3 years</b></li> <li>• Likely only to happen at some point over the next 1 to 3 years.</li> <li>• Possible but responding to well understood situations i.e. the event might occur at some time</li> <li>• 31% to 60% chance of occurring</li> </ul>
2	Unlikely	<ul style="list-style-type: none"> <li>• <b>Every 3-5 years</b></li> <li>• 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</li> <li>• 11% to 30% chance of occurring</li> </ul>
1	Remote	<ul style="list-style-type: none"> <li>• <b>Over 5 years</b></li> <li>• Rare activity or is unlikely based on current intelligence i.e. the event may only occur in exceptional circumstances</li> <li>• &lt; 10% chance of occurring</li> </ul>

#### Appendix 4: Service Risk Register for Mountsett Crematorium

This is a list of service risks as at 28 April 2017, ranked in order of net risk evaluation, based on the strategic risk assessment criteria in Appendix 3. Where changes to the risk assessment have occurred during the last quarter, these are indicated in the last column.

Ref	Risk	Net Impact	Net Likelihood	Net Risk Score	Conclusion	Changes/ Comments
1	Failure of Cremators	Minor (6)	Possible (3)	18	Treat	Net likelihood increased from Remote to Possible.  New cremators and extension to be installed, October/November 2017.
2	Managing excess deaths	Minor (4)	Possible (3)	12	Tolerate	
3	Adverse impact on Crematorium business due to ongoing refurbishment of the crematorium	Minor (6)	Unlikely (2)	12	Tolerate	New Risk
4	ICT and Power Failure	Minor (5)	Unlikely (2)	10	Tolerate	
5	Sickness absence of key staff	Moderate (9)	Remote (1)	9	Tolerate	Net risk evaluation changed from Major / Unlikely to Moderate / Remote.
6	Breakdown of the partnership (with Gateshead Metropolitan Borough Council)	Moderate (7)	Remote (1)	7	Tolerate	
7	Not implementing changes in legislation	Minor (6)	Remote (1)	6	Tolerate	
8	Disclosure of confidential information through incorrect disposal / maintenance of information	Minor (5)	Remote (1)	5	Tolerate	
9	Loss of Income/Money	Minor (5)	Remote (1)	5	Tolerate	
10	Non-compliance with the current fire order	N/A	N/A	N/A	N/A	This is no longer an issue - removed from the risk register.  Previous evaluation Minor/ Remote (6).

## Appendix 5: Profile of Service Risks for Mountsett Crematorium

### Service Risks as at 28 April 2017

This matrix profiles all strategic risks shown in appendix 2 based on the net risk evaluation. The shaded area represents the corporate risk appetite. None of the net risk evaluations are above the risk appetite.

As the net risk evaluations of risks 1 to 8 are within the risk appetite, they are considered to be at an acceptable level.

Impact					
Critical (score 13 – 15)					
Major (score 10 – 12)					
Moderate (score 7 – 9)	5 Sick Absence 6 Partnership				
Minor (score 4 – 6)	7 Legislation 8 Confidentiality 9 Loss of Income	3 Refurbishment 4 ICT & Power	1 Cremators 2 Excess Deaths		
Insignificant (score 1 – 3)					
<b>Likelihood</b>	Remote (score 1)	Unlikely (score 2)	Possible (score 3)	Probable (score 4)	Highly Probable (score 5)

## Appendix 6: Operational Risk Register for Mountsett Crematorium

This is a list of operational risks as at 28 April 2017, ranked in order of net risk rating, based on the risk assessment criteria at the bottom of the page (previously, they were assessed using the strategic risk assessment criteria in Appendix 3). Where changes to the risk assessment have occurred during the last quarter, these are indicated in the last column.

Ref	Risk	Net Impact	Net Likelihood	Net Risk rating	Changes/ Comments
1	Cleaning Duties	Severe (2)	Possible (2)	Medium (4)	Previously Minor (5), Remote (1) = 5
2	Slips, trips and falls	Severe (2)	Possible (2)	Medium (4)	Previously Insignificant (3), Remote (1) = 3
3	Fire	Major (3)	Remote (1)	Medium (3)	Previously Moderate (7), Remote (1) = 7
4	Exterior Pathways and Steps	Major (3)	Remote (1)	Medium (3)	Previously Minor (5), Remote (1) = 5
5	Use of hand tools and machinery for gardening	Major (3)	Remote (1)	Medium (3)	Previously Minor (5), Remote (1) = 5
6	Injury to staff and visitors	Severe (2)	Remote (1)	Low (2)	Previously Moderate (7), Remote (1) = 7
7	Violence / Assault from member of the public	Severe (2)	Remote (1)	Low (2)	Previously Minor (6) Remote (1) = 6
8	Risk Assessments and Reviews not undertaken	N/A	N/A	N/A	This is no longer a significant risk - removed from the risk register.  Previously Minor (5) x Unlikely (2) = 10

### Risk Assessment Criteria

RISK RATING		Likelihood		
		Remote Unlikely to occur or may affect only one or two people	Possible Could occur sometime or effect a group of people	Probable Occurs repeatedly, to be expected or could affect large number of people
Impact	Major Death, Major injury, permanent disability or ill-health	Medium	High	High
	Severe Injury requiring medical/hospital treatment	Low	Medium	High
	Minor First aid treatment	Low	Low	Medium

## Appendix 7: Profile of Operational Risks for Mountsett Crematorium

### Operational Risks as at 28 April 2017

This matrix profiles all operational risks shown in appendix 6 based on the net risk evaluation.

RISK PROFILE		Likelihood		
		Remote	Possible	Probable
Impact	Major	3 Fire 4 Exterior Paths & Steps 5 Hand Tools/Machinery		
	Severe	6 Staff/Visitor Injuries 7 Violence/Assault	1 Cleaning Duties 2 Slips, Trips and Falls	
	Minor			

Key:-

 High risk

 Medium risk

 Low risk

## Appendix 8: Profile of Operational Risks for Mountsett Crematorium

Service Risk Assessment	
<b>DESCRIPTION OF RISK</b>	
<b>Business Unit</b>	Mountsett Crematorium
<b>Risk</b>	Adverse impact on Crematorium business due to ongoing refurbishment of the crematorium.
<b>Risk Owner</b>	Graham Harrison
<b>Detail of Risk</b>	Refurbishment works are planned between April and December 2017, and include an extension to the rear of the crematorium, new air conditioning units in the chapel and new carpets in the exit area.
<b>BACKGROUND TO RISK EVENT</b>	
<b>Risk Causes</b>	Poor planning and management of the works Potential safety hazards
<b>Potential Impact</b>	<p><u>Financial</u> Unplanned reduction/loss of income if the project is delayed</p> <p><u>Service Delivery/Performance</u> Reduction in the number of cremations</p> <p><u>Stakeholder/Reputation</u> Disruption and inconvenience for bereaved persons Potential injuries to service users and staff</p>
<b>GROSS RISK EVALUATION</b>	
<b>Financial Impact Score (1 to 5)</b>	2
<b>Service Delivery / Performance Impact Score (1 to 5)</b>	3
<b>Stakeholder / Reputation Impact Score (1 to 5)</b>	3
<b>Total Gross Impact Score (sum of the above scores)</b>	8 Moderate
<b>Likelihood Score (1 to 5)</b>	3 Possible
<b>Total Gross Risk Score (Total Gross Impact * Likelihood)</b>	24



**Mountsett Crematorium  
Joint Committee**

**28 April 2017**

**Annual Internal Audit Report 2016/17**



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**Report of the Chief Internal Auditor and Corporate Fraud Manager**

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**Purpose of the Report**

1. The purpose of this report is to present the Annual Internal Audit Report for 2016/17. (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 2016/17. 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 2016/17 Annual Governance Statement. There are no recommendations made with regards to suggested improvements to the internal controls and processes in place in the Crematorium.

**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 2016/17.

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**Contact: Paul Bradley Chief Internal Auditor and Corporate Fraud Manager DCC  
Tel: 03000 269645**

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## **Appendix 1: Implications**

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### **Finance**

The broad programme of work undertaken by Internal Audit supports the Joint Committee in maintaining 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.



**MOUNTSETT CREMATORIUM  
JOINT COMMITTEE**

**INTERNAL AUDIT  
ANNUAL REPORT  
2016/17**

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### **Appendix:**

Appendix 3 Internal Audit Report Mountsett Crematorium 2016/17

## **Introduction**

1. This report summarises the work carried out by Durham County Council Internal Audit and Risk Service during 2016/17, 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 2016/17 was in accordance with proper internal audit practices as described within the Public Sector Internal Audit Standards (PSIAS) that came into effect from 01 April 2013.
3. This report fulfils the requirements of 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 in its current form was last considered by the Joint Committee on 29 April 2016.
7. In accordance with the Internal Audit Charter, a risk based audit approach has been applied to work undertaken in 2016/17.
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 2016/17 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 2016/17 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 2017 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 latest reviews being reported for consideration by the Joint Committee on 29 April 2016 and 28 September 2016.
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 Council's Audit Committee.

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

### **Quality Assurance Framework**

#### **Conformance with Public Sector Internal Audit Standards (PSIAS)**

16. The Accounts and Audit Regulations 2015 require that 'a larger relevant body (the Council) must, at least once in each year, conduct a review of the effectiveness of its internal audit' and confirms that the findings of the review must "must be considered as part of the consideration of the system of internal control".
17. It is a further requirement of PSIAS that any large relevant body should be subject to an external assessment at least once every five years. As Durham County Council is classed as a large public body, the Internal Audit Service is subject to an external assessment. At its meeting on 28 September 2016 the Committee received a report from the Chief Internal Auditor and Corporate Fraud Manager which detailed the outcome of the external assessment. The assessment had been completed by Newcastle City Council during April and May 2016 and the outcome formally reported to the service in July 2016.
18. This external assessment concluded that Durham County Council's Internal Audit Service **conforms** to the requirements of the Public Sector Internal Audit Standards.
19. In compliance with the services' quality assurance framework, the 2016/17 annual Internal Audit review, the scope and terms of reference were developed using a risk based approach and agreed with the Bereavement Services Manager. This approach ensured that audit resources were applied to agreed high risk areas where there was little or no other assurance.
20. In accordance with the Internal Audit Charter audit working papers and all audit reports have been reviewed by an audit manager to ensure that expected quality standards are maintained and that all audit findings and conclusions were supported by appropriate testing and evidence.
21. The accuracy of audit findings were confirmed by the Bereavement Services Manager who was given the opportunity to challenge audit findings and the draft report prior to it being finalised.
22. A customer satisfaction survey is issued after every audit to provide feedback and help the service continually improve.

## Audit Opinion Statement

23. The Joint Committee has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives.
24. The Chief Internal Auditor and Corporate Fraud Manager is required to provide an opinion on the adequacy and effectiveness of the Joint Committee's risk management, control and governance processes.
25. In giving this opinion it should be noted that assurance can never be absolute and therefore only reasonable assurance can be provided that there are no major weaknesses in these processes.
  - In assessing the level of assurance to be given, we based our opinion on:
    - The audit review of Mountsett Crematorium undertaken during the year
    - Follow up action on audit recommendations
    - Any significant recommendations not accepted by management and the consequent risk
    - The effects of any significant changes in the Crematorium's systems
    - Matters arising from previous reports to the Joint Committee
    - Any limitations which may have been placed on the scope of internal audit's annual review
    - The extent to which resource constraints may impinge on internal audit's ability to meet the full audit needs of the Joint Committee
    - The outcomes of the audit quality assurance process
    - Consideration of a number of other sources of assurance available
26. Based on the work undertaken, the Chief Internal Auditor and Corporate Fraud Manager is able to provide a **Substantial** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Joint Committee in 2016/17. 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 2016/17 Annual Governance Statement.



## INTERNAL AUDIT REPORT

**Mountsett Crematorium  
Ref No: 13590/2017**

### *Final Report*

<b>Assurance Opinion:</b>	<b>Substantial</b>
<b>Prepared by:</b>	<b>Jill Nattrass, Senior Auditor</b>
<b>Reviewed by:</b>	<b>David Mitchell, Principal Auditor Paul Bradley, Chief Internal Auditor &amp; Corporate Fraud Manager</b>
<b>Date issued:</b>	<b>16<sup>th</sup> February 2017</b>
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## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

1. As part of the 2016/17 Internal Audit Plan, an audit was carried out in February 2017 to evaluate the control framework in place on the management of the risks associated with Mountsett Crematorium.
2. The last audit in this area was completed in February 2016.

### **CONCLUSION**

3. 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 made.

### **SUMMARY OF FINDINGS**

4. The review was carried out using a risk based approach informed by the Control Risk Assessment (CRA) document and was undertaken by a review of supporting systems, documentation, discussion with key employees, and sample testing covering the period January 2016 to December 2016.
5. The review confirmed that there are effective arrangements for the management of the risks associated with Mountsett Crematorium.
6. Effective budgetary control and performance monitoring processes were in place.
7. Fees had been appropriately approved and charged in respect of cremations, memorial plaques, and entries into the book of remembrance.
8. Income collection and banking records were found to be complete and accurate and were independently reconciled to the bank account.
9. The register of cremations was found to be accurate and entries were traced to supporting documentation including the application form, medical forms, authorisation to cremate, and treatment of ashes.
10. Invoices issued to funeral directors were, on the whole, paid on the day of the funeral and no outstanding debt was identified. Following the implementation of the Sage accounting system income collection has become more efficient and effective compared to the previous method of raising monthly invoices via Oracle.
11. Appropriate controls were in place for the management of petty cash including the independent verification of expenditure.

12. Purchase orders were authorised and invoices were checked prior to payment being made. Each purchase order in the sample had been raised in advance of the receipt of the invoice.
13. Salary payments to employees and pension contributions were found to be accurate.

## **BACKGROUND**

14. This review has been carried out in accordance with the Terms of Reference.
15. 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.
16. 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.
17. In carrying out the audit, the time and assistance afforded by Michael Chipperfield, of Mountsett Crematorium was greatly appreciated.

## **SCOPE AND AUDIT APPROACH**

18. 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**

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

<b><u>Opinion</u></b>	<b><u>Definition</u></b>
<b>Substantial Assurance</b>	Whilst there is a sound system of control, any weaknesses identified may put some of the system objectives at minor risk.
<b>Moderate Assurance</b>	Whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk.
<b>Limited Assurance</b>	There are weaknesses in key areas in the system of control, which put the system objectives at significant risk.