

# Central Durham Crematorium Joint Committee



26 January 2011

**External Audit 2009/2010 - Annual Governance Report and Annual Audit letter – Progress Update**



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

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### **Purpose of the Report**

1. The purpose of this report is to update members of the Central Durham Crematorium Joint Committee on the progress made against the Audit Commissions findings and recommendations from the 2009/2010 Audit, as detailed in the Annual Governance Report and Annual Audit letter.

### **Background Information**

2. Members will be aware that the Audit Commission issued an unqualified opinion on the 2009/2010 Accounts stating that the Joint Committee has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. A certificate of completion in accordance with the requirements of the Audit Commission Act 1998 and the Audit Commission Code of Practice was also issued.
3. Whilst the Audit did not highlight any material weaknesses in internal control, a number of minor inefficiencies were identified in relation to the maintenance of the Joint Committees accounting systems, books and records.
4. The following recommendations were made in order to strengthen the internal control arrangements of the Joint Committee:
  - **R1** : Officers and members review the current arrangements for maintaining the books & records of the Joint Committee, and consider possible alternatives to the significant staff time which is used in carrying out manual checks.
  - **R2** : Officers ensure a written record is in place between Durham County Council and the Committee setting out the terms of the Treasury Management Arrangements.
  - **R3** : A formal agreement of the Account Balance used for all transactions between Durham County Council and the Committee be introduced.

5. In addition to these formal recommendations, the following considerations were also made:
- **R4** : Adoption of the lead authority member Code of Conduct by all members of the Central Durham Crematorium Joint Committee;
  - **R5** : Requirement for a separate “Declaration of Interests” return to be completed by all members of the Joint Committee on an annual basis; and
  - **R6** : The requirement for the production of the 2010/11 Accounts in compliance with International Financial Reporting Standards (IFRS)

### **Progress Update**

6. Significant progress has been made towards addressing the 2009/10 External Auditor recommendations:

#### ***R1 – Alternative to the current system of maintaining books and records***

7. Officers have reviewed the current arrangements for maintaining the books & records of the Joint Committee, and have considered the following possible alternatives:

- **The use of the DCC Financial Management System (ORACLE) under a separate company solely used for the Central Durham Crematorium Joint Committee affairs.**

This would require all historic transactions to be transferred from the County Councils records to the newly set up company for the Central Durham Crematorium Joint Committee. This along with interface redirections/ rewrites etc would result in extensive set - up time and whilst such changes would separate the Crematorium transactions, the issues surrounding the required use of the former district council Agresso Financial system for direct input and subsequent translation into the Oracle System would remain. It is debateable that this option would result in any reduction in the requirement for manual checks therefore this option is not considered to be viable.

- **Procurement of a “stand-alone” financial management system/ software package (SAGE).**

The SAGE 50 Accounts Professional 2011 accounts software provides multi user access enabling robust Financial, Budget, Customer, Supplier and purchase order Management. It is currently used by officers at Spennymoor Town Council.

Initial enquiries have indicated that the Sage 50 Accounts Professional 2011 Starter Solution which includes Sage Cover, an element of Training and an invoice starter pack would provide best value for money in line with the Joint Committees requirements. The cost of this starter solution is £1,400. In addition, in order to access the system at both the Crematorium and at County Hall, an additional licence costing £250 would be required.

With any new system it is imperative that user training is undertaken in order to get the optimum results from it. Sage provides training passport products – comprehensive and flexible training provision purchased in multiples of 3, 5 or 10 days to be redeemed against any module over a 12 month period. The cost of this product ranges from £575 for 3 day to £1,120 for 10 days

The need for the Crematorium to ensure internal control and sound financial management would be satisfied by the introduction of the Sage software package and in comparison to the Oracle option, the setup time would be much reduced. The costs of the new system are relatively modest and could be accommodated within the revenue budget for 2011/12.

It is therefore proposed, subject to member approval, to procure and implement the SAGE system for the crematoria accounting requirements. The new systems and procedures be in place no later than 1 April 2011.

### ***R2 – Written Agreement for Treasury Management Arrangements***

8. Members will recall that the written agreement for the year ended 31<sup>st</sup> March 2011 was presented for consideration (as an appendix to the Audit Commission's Annual Governance Report – App 7) at the Central Durham Crematorium Joint Committee Meeting on 29<sup>th</sup> September 2011.
9. The agreement, signed by the Head of Finance: Resources – Jeff Garfoot and the Chair to the Joint Committee - Councillor Maria Plews in November 2010 is attached Appendix 2 and therefore this recommendation has been fully met.

### ***R3 – Formal Agreement of the Account Balance between DCC and the CDCJC***

10. Further discussions with the Audit Manager, Audit Commission (Catherine Banks) has highlighted that the requirement for a formal agreement is not necessary, rather a year-end reconciliation needs to be presented to the Joint Committee as part of the 2010/2011 Final Outturn Report. This reconciliation, which will be included in the year end outturn report presented to the CDCJC in June this year, will provide assurance to both the Joint Committee and External Audit of the transactions carried out between the two bodies.
11. It should be noted that the implementation of the SAGE Financial Management System will diminish the need for this reconciliation after 2010/11, as, other than payroll reimbursements, all other receipts and payments will be made direct from the SAGE system and will bypass the DCC Creditor system.

### ***R4 – Adoption of the Lead Authority Member code of Conduct***

12. The External Audit highlighted that members of the Joint Committee have not, since vesting day of the new authority, formally considered and adopted the Durham County Council (as lead authority) Member Code of Conduct.
13. Attached at Appendix 3 is the Durham County Council Code of Conduct for Members and at Appendix 4 the written undertaking requiring signature for consideration by

members. Formally considering these policies and adopting the Code, plus signing the written undertaking as part of this meeting will satisfy the requirements of this particular recommendation.

### ***R5 – Declarations of Interest***

14. The External Audit of the 2009/2010 closure process also considered the Declaration of Personal Interests and the auditor has highlighted the need for members of the joint Committee to prepare a separate declaration, relevant to the activities of the Joint Committee. Attached at Appendix 5 is a proforma “Notification by a Member of a Local Authority of personal interest” (based on the DCC standard declaration of interest) for completion and signature by members. Copies of these are required from all members of the Joint Committee, including any NIL returns.

### ***R6 – IFRS Financial Reporting***

15. From 2010/2011, the Central Durham Crematorium Joint Committee will be required to produce accounts that comply with International Financial Reporting standards (IFRS).

16. Although the size and nature of the Joint Committees business will limit the impact this change in accounting practice will have in practice, additional work in a number of areas, such as accounting for plant and equipment is required.

17. Audit Commission and CIPFA workshops are being attended to realise the full impact of IFRS and enable the 2009/2010 accounts to be restated (this will be a requirement) and the 2010/2011 accounts produced in accordance with IFRS.

18. Officers will recast the 2009/10 Accounts in accordance with IFRS requirements and will present these at the April committee meeting to advise and highlight to members the reporting changes, giving an insight to the IFRS Accounts Format for 2010/11 and thereby prepare members for when the 2010/11 statements are presented for approval.

### **Recommendations and reasons**

19. It is recommended that:-

- Members of the Joint Committee note the progress made with regards to addressing the External Audit recommendations arising from the Annual Governance Report and Annual Audit letter 2009/10.
- Members of the Joint Committee note the contents of the Lead Authority Member Code of Conduct, formally adopt these and agree to signing the written undertaking and returning to the Head of Finance, HR & Business Support, Neighbourhood Services.
- Members of the Joint Committee complete and sign the declaration of Personal interest returning to the Head of Finance, HR & Business Support, Neighbourhood Services

## **Background Papers**

2009/2010 Annual Governance Report  
2009/2010 Annual Audit letter

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## **Appendix 1: Implications**

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### **Finance**

The purchase of the alternative financial management System (SAGE) will cost £3,000 during 2011/ 2012. These proposals have been factored into budget projections for 2011/12. Ongoing maintenance and system support totalling £1,000 would need to be factored into future years' budgets.

### **Staffing**

There are no staffing implications associated with this report.

### **Risk**

Addressing the recommendations arising from the Annual Governance Report and Annual Audit letter 2009/10 will ensure that the Joint Committee will improve its governance arrangements and address the inefficiencies identified with regards to the maintenance of the Joint Committees accounting systems, books and records. Failure to address these concerns could potentially adversely affect future audit conclusions and could also affect the excellent working relationship that exists with our external auditors.

### **Equality and Diversity**

None

### **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**

None

### **Consultation**

Officers of Spennymoor Town Council were consulted and have provided advice on Audit Recommendation 1 of this report.

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

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