

**Central Durham Crematorium
Joint Committee**

23 April 2025

Annual Internal Audit Report 2024/25



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 2024/25. (Copy attached at Appendix 2).

Executive Summary

2. The Annual Internal Audit Report provides an Opinion which makes conclusions on the overall adequacy and effectiveness of the Committee's Framework of Governance, Risk Management and Control.
3. The work undertaken by Internal Audit in 2024/25 was in accordance with proper internal audit practices as described within the Public Sector Internal Audit Standards (PSIAS).
4. The report fulfils the requirements of PSIAS 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.
5. The report provides a **Substantial** overall assurance opinion on the adequacy and effectiveness of the governance, risk management and internal control arrangements operating across the Joint Committee in 2024/25.
6. This Substantial opinion identifies that there is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risk.

Recommendation

7. Members note the content of the Annual Internal Audit Report and the overall 'Substantial' opinion provided on the adequacy and effectiveness of the governance, risk management and control environment for 2024/25.

Background

8. 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.
9. The Annual Internal Audit Opinion makes conclusions on the overall adequacy and effectiveness of the Committees Framework of Governance, Risk Management and Control.

Other useful documents

Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note

Contact: Nicola Cooke, Internal Audit Manager Tel: 03000 269665

Appendix 1: Implications

Legal Implications

Compliance with Public Sector Internal Audit Standards

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.

Consultation and Engagement

None

Equality and Diversity / Public Sector Equality Duty

None

Climate Change

None

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

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.

Procurement

None



**CENTRAL DURHAM CREMATORIUM
JOINT COMMITTEE**

**INTERNAL AUDIT
ANNUAL REPORT
2024/25**

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Appendix 3 Internal Audit Report Central Durham Crematorium 2024/25

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Introduction

1. This report summarises the work carried out by Durham County Council Internal Audit and Risk Service during 2024/25, as part of the three-year Service Level Agreement covering the provision of Internal Audit Services up to 31 March 2026.
2. All Internal Audit work carried out in 2024/25 was in accordance with proper internal audit practices as described within the Public Sector Internal Audit Standards (PSIAS).
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. In carrying out our work in 2024/25, we can confirm that there have been no impairments to this independence and objectivity during the year.
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 26 September 2024.
7. In accordance with the Internal Audit Charter, a risk-based audit approach has been applied to work undertaken in 2024/25.
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 2024/25 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 2024/25 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:
 - Income is not accounted for/misappropriated.
 - Significant risks are not being managed and the objectives are not being achieved.
 - Ineffective budget monitoring processes are in place.
 - Unauthorised payments are made.
 - Employees are incorrectly paid.
 - Equipment failure.
 - Non-compliance with the Cremation Regulations 2008 and with the Federation of British Cremation Authorities Code of Cremation Practice.
 - Lack of experienced staff.
 - Insufficient capacity to meet demand in the event of an epidemic, pandemic or major disaster.
 - Stock / Assets are not accounted for / misappropriated.
 - Damage / theft of equipment.
 - Ashes are disposed of incorrectly
11. This review was carried out during January 2025 in accordance with terms of reference agreed with the Crematorium's Bereavement Services Manager.
12. The audit concluded that the internal control systems in place provided a **Substantial** level of assurance that the above risks were being effectively managed. The full audit report is attached as Appendix 3.
13. Further assurance on the effectiveness of risk management arrangements can also be taken from the work carried out by the County's Corporate Risk Officers who have continued to monitor strategic and operational risk registers during the year, with their latest reviews being reported for consideration by the Joint Committee on 24 April 2024 and 26 September 2024.
14. Processes in place provide assurance that the Bereavement Services Manager and his staff have a very good understanding of risk and adequate measures have been put in place to either mitigate or tolerate identified risks and it is evident from audit work carried out that risk management processes are well embedded.

15. No specific work has been carried out this year in reviewing the effectiveness of the Joint Committee's key corporate governance arrangements by Internal Audit as this was not considered a high risk area. The majority of the Joint Committee's key corporate governance arrangements in place reflect those of Durham County Council which are subject to an annual effectiveness review to inform the County Council's Annual Governance Statement. This is subject to review and challenge by the County Council's Audit Committee.
16. 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)

17. 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 confirm that the findings of the review "must be considered as part of the consideration of the system of internal control". At least once every five years, an external assessment of arrangements must also be carried out.
18. During 2024/25 Internal Audit completed a self-assessment against key elements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Local Government Application Note which demonstrated that the service was conforming with the requirements.
19. The Council's Audit Committee, at its meeting on 1 July 2022, received an evaluation, in the form of an external assessment, carried out by the Chartered Institute of Public and Finance and Accountancy (CIPFA), in February 2022, of the Internal Audit Service's conformance to the Public Sector Internal Audit Standards (PSIAS) and CIPFA's Local Government Application Note.
20. The opinion delivered by CIPFA's external assessment was that '**Durham County Council's Internal Audit Service's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**'.
21. In compliance with the service's quality assurance framework, the 2024/25 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.
22. 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.

23. The accuracy of audit findings was confirmed by the Bereavement Services Manager who was given the opportunity to challenge audit findings and the draft report prior to it being finalised.
24. A customer satisfaction survey is issued after every audit to provide feedback and help the service continually improve.

Audit Opinion Statement

25. The Joint Committee has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives.
26. 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.
27. 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
 - 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
28. 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 the governance, risk management and internal control arrangements operating across the Joint Committee in 2024/25. This opinion ranking provides assurance that "There is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risk". Consequently, there are no significant issues that warrant inclusion in the 2024/25 Annual Governance Statement.



Internal Audit Report

Durham Crematorium

13580/2025

Final Report

Assurance Opinion: Substantial

Prepared by: Alison Clarke, Senior Auditor
Graeme Adcock, Internal Audit Assistant

Reviewed by: John Horsman, Principal Auditor
Nicola Cooke, Internal Audit Manager

Date issued: 07 April 2025

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Introduction

1. As part of the 2024/25 Internal Audit Plan, an audit was carried out in January 2024 to evaluate the control framework in place on the management of the risks associated with Durham Crematorium.
2. The last audit in this area was completed in February 2023 and resulted in a Substantial assurance opinion.
3. For the period January 2024 to December 2024, a total of 2,314 cremations took place at Durham Crematorium.

Conclusion

4. 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.

Summary of Findings

5. For a sample of 40 cremations which took place during the months of May and August 2024, it was identified that entries in the register of cremations were supported by complete source documentation (such as application forms, medical forms, and authorisation to cremate forms).
6. For the same sample the fees charged were in accordance with fees approved by Durham Crematorium Joint Committee, all invoices had been promptly raised on the Burial and Cremation Administration System (BACAS) on the date when each cremation had taken place, and all invoices had a corresponding payment.
7. Between 1st January and 31st December 2024, 180 book of remembrance entries, and 279 vase blocks, memorial leaves, plaques or plaque renewals had been purchased.
8. For a sample of 32 book of remembrance entries, plaques and renewals and memorial leaves, it was found that the entry or inscription matched the original application, and that the fees charged were in accordance with fees approved by Durham Crematorium Joint Committee.

9. Testing was undertaken on expenditure incurred during 2024. 300 creditor invoices were paid in the year, and it was confirmed that requisitions had been appropriately raised and approved for all items of expenditure. 77% of requisitions had been approved by the budget holder prior to invoice having been received. The remaining 23% was raised retrospectively, which is fewer than previous recent audits.
10. Sample testing of items of expenditure over £500 identified that quotes were requested from potential suppliers prior to placing orders or agreeing any works.
11. Reconciliations of income to the bank account were carried out by the Senior Accountancy Assistant on a monthly basis.
12. Adequate processes are in place to monitor outstanding debts owed by funeral directors.
13. Petty cash payments were supported by appropriate receipts, had been accurately recorded and were appropriate purchases. The petty cash balance was reconciled during the audit.
14. Income directly received at the crematorium was confirmed to have been accurately and fully recorded. It was confirmed that the income spreadsheet had been completed on a monthly basis by Finance.
15. Budgetary control and performance monitoring processes are in place. Budgetary control meetings are held quarterly between the Bereavement Services Manager and the Senior Accountancy Assistant and reported quarterly to the Joint Crematorium Committee.
16. Quarterly committee meetings are held in which items including the main service risks, service performance, fees, and the position of the budget are discussed and monitored.
17. Vase blocks which were due to be removed in 2024 had been removed and disposed of unless collected by the applicant.
18. Bank reconciliations are undertaken by the Senior Accountancy Assistant and reviewed by the Principal Accountant. Although it was identified that the Senior Accountancy Assistant is able to process bank transactions, they require approval by the Finance Manager, therefore, there is considered adequate separation of duties.
19. As a result of the audit, there were two medium priority findings. A summary of these is set out below;
 - A £228.00 cash payment for a Book of Remembrance (BOR) entry was identified during testing which could not be reconciled to the bank account. Evidence was sighted which confirmed that the money was collected by Loomis

on 7 August 2024. Finance undertakes a monthly bank reconciliation which identified the discrepancy; however, the Crematorium Site Manager had not been notified of the variance.

- Timesheets are completed manually, handwritten on printed templates. Testing identified that 15 timesheets had been miscalculated due to illegible handwriting and mathematical error. These miscalculations resulted in 1.75 hours of overtime being overclaimed by four employees across a four month period between July and October 2024.
20. Our findings, together with recommendations made to improve the management of identified risks and the resultant management response, are provided in the action plan attached as Appendix A.
 21. Five best practice recommendations have also been identified during the audit and are detailed in Appendix B.

Background

22. This review has been carried out in accordance with the Terms of Reference.
23. 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.
24. 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.
25. In carrying out the audit, the time and assistance afforded by Graham Harrison, Bereavement Services Manager and his staff was greatly appreciated.

Scope and Audit Approach

26. 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

27. 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	There is a sound system of control. Any weaknesses identified expose some of the system objectives to minor risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some weaknesses, which expose objectives to risk.
Limited Assurance	There are weaknesses in key areas in the system of control, which expose objectives to unacceptable levels of risk.

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

Priority	Definition
High	Action required, that is considered imperative , to improve the control environment so that objectives are not exposed to unacceptable risks through lack of or weaknesses in critical or key controls.
Medium	Action required to improve the control environment so that objectives are not exposed to risks through weaknesses in controls.
Best Practice	The issue merits attention and its implementation will enhance the control environment.

Appendix A – Action Plan of Findings and Recommendations



Finding	Recommendation	Management Comment	Responsibility Timescale
<p>Action Ref: 01 Income Variance</p> <p>A £228.00 cash payment for a Book of Remembrance (BOR) entry was identified during testing which could not be reconciled to the bank account.</p> <p>Evidence was sighted which confirmed that the money was collected by Loomis on 7 August 2024, the Crematorium Site Manager has also been able to confirm with Loomis that the cash was then delivered to Lloyds bank.</p> <p>Finance undertake a monthly bank reconciliation which identified the discrepancy; however, the Crematorium Site Manager had not been notified that of the variance.</p>	<p>Priority: Medium</p> <p>The £228.00 variance should be investigated further with Lloyds Bank.</p> <p>Where variances are identified during the reconciliation process, Finance should inform the Crematorium Site Manager to allow for appropriate and timely investigation.</p> <p>Any variances which cannot be explained should be escalated in line with the Handling and Transportation of Cash Policy.</p>	<p>Lloyds bank has confirmed payment has been made.</p> <p>When Finance carry out the monthly reconciliation between the bank statement and the income spreadsheet provided by the Crematorium, there are sometimes items on the spreadsheet which are not yet on the bank statement due to timing delays. In the majority of cases these will appear on the bank statement the following month and be matched up. If this is not the case then they will be flagged up with the Crematorium Site Manager. In future, Finance will provide to the Crematorium Site Manager on a monthly basis a list of any income received in prior periods which cannot be matched between the bank statement and the income spreadsheet so that it can be investigated.</p>	<p>Graham Harrison 31/03/25</p>

Appendix A – Action Plan of Findings and Recommendations



Finding	Recommendation	Management Comment	Responsibility Timescale
<p>Action Ref: 02 Timesheet Calculations</p> <p>Timesheets are completed manually, handwritten on printed templates.</p> <p>Testing identified that 15 timesheets had been miscalculated due to illegible handwriting and mathematical error.</p> <p>These miscalculations resulted in 1.75 hours of overtime being overclaimed by four employees across a four-month period between July and October 2024.</p>	<p>Priority: Medium</p> <p>Where possible, an automated electronic timesheets template should be used to ensure hours are clearly and accurately recorded and calculations are correct.</p> <p>If it is not possible to implement an automated electronic timesheet template, it would still be beneficial to use a simple electronic timesheet template to improve the legibility of information recorded.</p> <p>Where timesheets are manually calculated, whether handwritten or electronically, it should be ensured that hours are correctly calculated and appropriate deductions are made for breaks.</p>	<p>Certain staff do not have access to a pc to do an electronic timesheet.</p> <p>Staff had been advised to be clear and legible when completing timesheets and will be checked by Crematorium site manager.</p>	<p>Graham Harrison 31/03/25</p>

Appendix B – Best Practice Recommendations

Finding	Recommendation
<p>Best Practise Ref: 01 Debt Management</p> <p>Two debtors invoices issued to Pride Funeral Care in February and March 2023 totalling £1,550.00 were identified which were still outstanding. It was established that it is extremely unlikely that payment will be received as Pride Funeral Care has entered administration.</p>	<p>These invoices should be discussed with the Debtors team to establish the appropriate course of action. If the debt is considered unrecoverable, it should be written off in line with policies and procedures.</p>
<p>Best Practise Ref: 02 Incorrect Fee</p> <p>Fees and charges were approved by Durham Crematorium Joint Committee.</p> <p>Testing identified one fee relating to a Book of Remembrance (BOR) entry had been calculated incorrectly and was therefore not charged in line with the fees approved by Durham Crematorium Joint Committee. The applicant had paid £141.00 for two lines of text and an emblem to be added to the BOR, which should have been charged at £157.00.</p>	<p>When calculating fees, the approved fees and charges list should always be referred to in order to ensure that all fees are calculated and charged correctly.</p>

Appendix B – Best Practice Recommendations



Finding	Recommendation
<p>Best Practise Ref: 03 Return To Work Documentation</p> <p>As per the sickness absence policy, following each sickness absence a Return To Work (RTW) interview should be carried out within 3 days of the employee's return from absence. Of the five sickness absences tested:</p> <ul style="list-style-type: none"> • One (from 31/12/2024) has not yet had an RTW form uploaded to Resourcelink. • One (from 26/06/2024) did not have an RTW form uploaded to Resourcelink until 02/09/2024. <p>The Crematorium Site Manager explained that they had experienced issues uploading the RTW documentation relating to the June absence and the documentation relating to the December absence has been uploaded but isn't showing.</p> <p>It was confirmed that payroll sickness payments appeared to have been appropriately started and ended as expected.</p>	<p>Return to Work interviews should be conducted and documentation uploaded to Resourcelink in line with policies and procedures.</p> <p>Where issues are experienced or identified, they should be raised with the Payroll & Employee Services (PES) team.</p> <p>RTW documents should be uploaded for the one sickness absence still outstanding.</p>
<p>Best Practise Ref: 04 Register of Cremations</p> <p>In accordance with legislation, a registrar must keep a permanent register of all cremations carried out by the cremation authority. The register must be open to inspection by any person appointed by the Secretary of State or a Chief Police Officer.</p> <p>Whilst a register is held, as at 27th January 2025, 651 cremations had yet to be added to the register, dating back to 17th October 2024.</p> <p>Additionally, three errors were identified in the audit sample as follows:</p> <ul style="list-style-type: none"> • Two dates of deaths had been recorded incorrectly (126958 & 127522). • One surname had been misspelt (126960). 	<p>The Register of Cremations should be kept up to date in accordance with legislation The backlog of entries should be added to the Register of Cremations as soon as possible.</p> <p>The three errors identified should be formally corrected, clearly striking through the error, and signing/initialling the correction.</p>

Appendix B – Best Practice Recommendations



Finding	Recommendation
<p>Best Practise Ref: 05 Procedures</p> <p>It was found that procedures had not been updated since the implementation of the Plotbox system. Of six the procedural documents provided for review:</p> <ul style="list-style-type: none">• Three make no reference to the systems in use ('ashes guide', 'emails-forms guide', and 'how to order webcasts + service recordings').• Two only make reference to the previous system ('process' and 'how to order music').• One references both the new and previous systems ('plaque memorial renewal procedure').	<p>All procedure documents should be reviewed and updated where necessary.</p>