

4th February 2011

External Audit Report 2009/2010– Progress
Update

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

Purpose of the Report

1. The purpose of this report is to update members of the Mountsett Crematorium Joint Committee on the progress made against the external auditors BDO LLP findings and recommendations from the 2009/2010 Audit, as detailed in the Issues Arising Report dated 10 September 2010.

Background Information

2. Members will be aware that whilst the audit of the Annual return 2009/2010 did not highlight any material weaknesses in internal control, minor issues in relation to the Review of the Effectiveness of Internal Audit and the recommendations proposed within the Internal Audit Report were identified.
3. The following recommendations were made in order to strengthen the internal control arrangements of the Joint Committee:

- **R1: Internal Auditors Recommendations:**

‘The body must implement the recommendation made by the internal auditor to improve the financial systems of the Joint Committee as soon as possible or in any event before the end of the current financial year.’

- **R2: Review of the Effectiveness of Internal Audit:**

‘The body should ensure a more robust review of the effectiveness of the internal audit is undertaken annually before the end of the financial year. This review is recommended to be undertaken when reviewing the risk assessment’

4. In addition to these formal recommendations, the following considerations/ recommendations have also been made by the Head of Finance, HR and Business Support based on findings of the external audit of the Central Durham Crematorium Accounts 2009/10:

- **R3 : Adoption of the lead authority member Code of Conduct by all members of the Mountsett Crematorium Joint Committee;**

- **R4 : Requirement for a separate “Declaration of Interests” return to be completed by all members of the Joint Committee on an annual basis; and**
- **R5 : A written record prepared between Durham County Council and the Committee setting out the terms of the Treasury Management Arrangements.**

Progress Update

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

R1 – Internal Auditors Recommendation

6. Whilst the 2009/2010 Internal Audit provided **Substantial** Assurance, the following governance and internal control issues (categorised as medium), were also identified:

Recording of Income

- **Income should be checked on a monthly basis to ensure that correct coding has been carried out.**

The Superintendent & Registrar now reconciles all income from the source recording document to the Interim FMS which in turn is reconciled by Financial Services to the Durham County Council FMS. Any miscoding is highlighted, and corrected via the robust Budgetary Control processes in place. This process was introduced in January 2010 and therefore this recommendation has been fully met.

Contaminated Bodies – Procedures

- **A policy should be compiled and adopted regarding the procedures to be followed for the disposal of a contaminated body.**

In conjunction with the Central Durham Crematorium, the Superintendent & Registrar has been working with a consultant in Communicable Disease at the health Protection Agency in Newcastle upon Tyne to provide a framework for any action necessary around contaminated body disposals. Initial processes have been put in place in that, upon notification of a contaminated body to be cremated, contact is to be made with the Health Protection Agency, whereby advice will given on a case by case basis.

The following action has also been added to the operational risk register: “*Such directions as may be given by the Health Protection Agency will be adhered to*”. Procedures have been put in place to ensure that, in the event of the receipt or potential receipt of a contaminated body, staff are aware of the need to contact the Health Protection Agency to seek advice and to make appropriate records of and act on that advice

R2 – Review of the Effectiveness of Internal Audit

7. A review of Durham County Council's system of Internal Audit was undertaken in March 2010 and reported to the Audit Committee of the County Council, who concluded that the system was "effective". A copy of that review was made available to the external auditor during the conduct of the audit on the 2009/10 Annual Return, Statement of Accounts and Annual Governance Statement, but was not presented to the Joint Committee for consideration.
8. To be fully compliant with the Account and Audit Regulations 2006, the Joint Committee should undertake its own independent review of the effectiveness of the Internal Audit Service. The Review of the Effectiveness of Internal Audit Report and Self Assessment Checklist included later in the Agenda for Members' consideration aims to address this.

R3 – Adoption of the Lead Authority Member code of Conduct

9. Members of the Joint Committee have not, since vesting day of the new DCC authority, formally considered and adopted the Durham County Council (as lead authority) Member Code of Conduct.
10. Attached at Appendix 2 is the Durham County Council Code of Conduct for Members and at Appendix 3 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.

R4 – Declarations of Interest

11. During the 2009/2010 closure process officers also considered the Declaration of Personal Interests and the need for members of the Joint Committee to prepare a separate declaration, relevant to the activities of the Joint Committee. Attached at Appendix 4 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.

R5 – Written Agreement for Treasury Management Arrangements

12. The 2009/2010 closure process also highlighted the lack of any formal written agreement in relation to the Treasury Management Arrangements undertaken on behalf of the Joint Committee by Durham County Council.
13. The agreement, signed by the Head of Finance: Resources – Jeff Garfoot and the Chair is attached at Appendix 5 for consideration by members and for signature by the Chair to the Joint Committee.

Recommendations and reasons

14. It is recommended that:-

- Members of the Joint Committee note the progress made with regards to addressing the External Audit recommendations arising from the Issues Arising report 2009/2010.
- 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.
- Members of the Joint Committee note the contents of the Treasury Management Agreement, and authorise the Chair to sign the agreement on their behalf.

Background Papers

2009/2010 Issues Arising Report
2009/2010 Internal Control Report

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Appendix 1: Implications

Finance

None

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 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 Gateshead Council were consulted on 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.