

Central Durham Crematorium Joint Committee

12 May 2010

Draft 2009/2010 Annual Governance Statement



Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Stuart Crowe – Corporate Director: Resources and Treasurer to the Joint Committee

Purpose of the Report

- 1 The purpose of this report is to provide the details of the draft Annual Governance Statement (AGS) for the year April 2009 to March 2010. The draft AGS, which will need to be formally approved by members in June as part of the consideration of the Statement of Accounts 2009/2010 is attached at Appendix B.

Background

- 2 The Central Durham Joint Crematorium Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in a way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3 In discharging this overall responsibility the Joint Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risks.
- 4 The Joint Committee has adopted and operates under (via Durham County Council, its lead Authority), a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework – ‘Delivering Good Governance in Local Government’. The Annual Governance Statement (AGS) explains how the Joint Committee complies with this code and also meets the requirements of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a Statement on Internal Control.
- 5 The AGS will need to be formally signed by the Chair to the Joint Committee and Treasurer to the Joint Committee (the Corporate Director: Resources) after the final statement is approved in June and published as part of the Joint Committee’s Annual Statement of Accounts.

The Annual Governance Statement

- 6 The format and structure of the statement is prescribed in guidance contained within the Statement of Recommended Practice 2009 (SORP) and is broken down into a number of different sections.
- 7 The terminology used is therefore consistent across all authorities. These are:-
 - Scope of Responsibility;
 - The purpose of the Governance Framework
 - The Governance Framework – incorporating details of the internal control environment i.e. the systems, procedures and processes by which the Joint Committee directs and controls its functions, including the formulation of strategy, its objectives and how it delivers its service to meet those objectives;
 - Review of Effectiveness – which sets out details of a review of the Governance Framework (set out above) and which is informed by the work of internal audit, the Superintendent Registrar, external auditors and other review agencies and inspectorates; and
 - Significant Governance Issues – the Joint Committee must identify any areas of significant internal control, including what action is being taken to address them.
- 8 The statement is initially compiled by the Neighbourhood Services Head of Finance, HR and Business Support, in accordance with guidance contained within the SORP. The statement reflects the current position within the Crematoria, however, should any major concerns arise between the production of the Statement and the date that the Statement is approved then this must be brought to the attention of the Head of Finance HR and Business Support and the statement amended to reflect the new position.
- 9 The statement is evidence based and relies on written assurances from the Superintendent Registrar (who prepares a standardised comprehensive assurance statement on an annual basis), Internal audit's views, having carried a review during the year and commented on the assurance given by each; external auditors and other review agencies and inspectorates and the assurances contained within their reports to the Joint Committee.
- 10 The draft statement is discussed and agreed by members of the Joint Committee, where some amendments may also be made. The Statement is then submitted to the Central Durham Crematorium Joint Committee with the Statement of Accounts for approval before submission to External Audit before 30 June 2010 with an External Audit opinion by 30 September 2010.

Recommendations and reasons

- 11 It is recommended that:

That the Joint Committee consider the content of the Draft 2009/2010 Annual Governance Statement and approve it for inclusion within the Durham Crematorium 2009/2010 Statement of Accounts.

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Appendix 1: Implications

Finance

Financial planning and management is a key component of effective corporate governance.

Staffing

Ensuring the adequate capability of staff meets a core principle of the CIPFA/ SOLACE guidance.

Equality and Diversity

Engaging local communities including hard to reach groups meets a core principle of the CIPFA/ SOLACE guidance.

Accommodation

Asset management is a key component of effective corporate governance.

Crime and disorder

None

Sustainability

Moving forward, corporate governance will increasingly highlight the key risks around sustainability.

Human rights

None

Localities and Rurality

Engaging local communities meets a core principle of the CIPFA/ SOLACE guidance.

Young people

None

Consultation

Engaging local communities meets a core principle of the CIPFA/ SOLACE guidance.

Health

None

DRAFT ANNUAL GOVERNANCE STATEMENT 2009/2010

1. SCOPE OF RESPONSIBILITY

The Central Durham Joint Crematorium Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a responsibility under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy efficiency and effectiveness. This Committee was jointly established by the City of Durham Council and Spennymoor Town Council. Following Local Government Reorganisation, as successor to the City of Durham Council, Durham County Council acts as the lead authority.

In discharging this overall responsibility, the Central Durham Joint Crematorium Committee is also responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Central Durham Joint Crematorium Committee has adopted and operates under the Code of Corporate Governance (the Local Code), policies and strategies including Contract Procedure rules, Financial procedure rules, financial regulations, developed, agreed and adopted by the Durham County Council, its lead authority.

This statement explains how the Central Durham Joint Crematorium Committee has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 including circular 03/2006 which replaces the publication of a statement of internal control with an annual governance statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance framework comprises the systems, processes, culture and values by which the Central Durham Joint Crematorium Committee directs and controls its activities through which it accounts to, engages with and leads the community. It enables the Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Central Durham Joint Crematorium Committee's aims and objectives, its policies and procedures, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Central Durham Joint Crematorium Committee for the year ended 31st March 2010 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The governance framework supports the Central Durham Joint Crematorium in establishing, implementing and monitoring policies and objectives. The system of internal control refers to the system by which the Central Durham Joint Crematorium Committee directs and controls its operational functions and relates this to the community it serves. It is therefore the totality of the strategies and objectives of the joint committee and the management systems, procedures, and structures it has adopted, that together determine and control the way in which the Central Durham Joint Crematorium manages its business, and sets about delivering its services to meet those objectives.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers appointed by the joint committee to facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its objectives. The Central Durham Joint Crematorium's system of internal control reflects its control environment which encompasses its organisational structure.

In particular, the system includes control activities, information and communication processes and processes instigated by the Joint Committee and its lead authority for monitoring the continuing effectiveness of the system of internal control.

The key elements of the systems and processes that comprise the Joint Committee's governance arrangements include:

Defining and documenting the roles and responsibilities of the Central Durham Joint Crematorium Committee member and officer functions, with clear delegation arrangements and protocols for effective communication

The Joint Committee ensures that the necessary roles and responsibilities for the Governance of the crematorium are identified and allocated so that it is clear who is accountable for decisions that are made. The Joint Committee does this by:

- ◆ Electing a Chair, Vice Chair with defined executive responsibilities.
- ◆ The Central Durham Joint Crematorium Committee's Constitution which clearly describes the roles of the Chair and Vice Chair.
- ◆ Adopting Durham County Councils constitution, undertaking regular reviews of the operation of both the Joint Committee and Council Constitutions.
- ◆ Ensuring that all policy and decision making is facilitated through the Central Durham Crematorium Committee with all party membership being drawn from the constituent authorities.

- ◆ Making Durham County Council's nominated Senior Officer responsible for the proper administration of its financial affairs (Treasurer)
- ◆ Developing protocols that ensure effective communications between Members and Officers.
- ◆ Regularly reviewing the Corporate Governance arrangements in place.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers

The Joint Committee fosters a culture of behaviour based on shared values, high ethical principles and good conduct. The Joint Committee does this by:

- ◆ Adopting the Human Resource policies, plans and procedures of the lead authority, Durham County Council.
- ◆ Establishing and keeping under review, systems for reporting and dealing with any incidents of fraud and corruption.
- ◆ The Crematorium's values on leadership as set out in the business plan.
- ◆ Appropriate and timely advice, guidance and training for both Members and Officers.

Reviewing and updating financial instructions and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required in managing risks.

The Council and Joint Committee Constitutions set out how they operate, how decisions are made and the procedures which are followed to ensure that these are effective, transparent and accountable to service users

A risk management approach is in operation that aids the achievement of strategic objectives, supports decision making processes, protects the reputation and other assets of the Crematorium and is compliant with statutory and regulatory obligations. The Joint Committee ensures that the risk management approach:

- ◆ Is conducted in accordance with the risk management policy and strategy of Durham County Council. The Crematorium Superintendent is advised by the corporate risk management working group where strategic and operational risks are considered.
- ◆ Involves regular reports by internal audit, to standards defined in the CIPFA code of practice, and in accordance with the Accounts and Audit Regulations 2003. These include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ Involves independent annual audits carried out by the Audit Commission with the recommended outcome of these reviews actioned and undertaken.
- ◆ Ensures financial management is undertaken by the Neighbourhood Services Head of Finance, HR and Business Support under the scheme of delegated responsibilities by the Treasurer of the Joint Committee in accordance with the

standing orders, contract procedure and procurement rules, financial regulations and financial procedure rules of Durham County Council.

- ◆ Ensures comprehensive monthly budgetary control systems including the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are undertaken and reported quarterly to the Joint Committee.
- ◆ Ensures SMART targets are set to measure financial and other performance
- ◆ Ensures clearly defined capital expenditure guidelines are adhered to

4. REVIEW OF EFFECTIVENESS

The Central Durham Joint Crematorium Committee has responsibility for conducting, at least annually, a review of the effectiveness of its system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The Crematorium Joint Committee has established the following processes to achieve this aim:

- ◆ Formalised arrangements with Durham County Council for the provision of internal audit through the development of a formal service level agreement.
- ◆ Strengthened existing internal audit arrangements through an agreed annual plan of work covering all key financial systems for the year and the production of an annual report to inform the annual governance statement
- ◆ Risk based assessments of key financial systems (as agreed in the annual plan of work) carried out in the final quarter of the financial year to ensure maximum coverage of the Crematorium's financial transactions and provide an informed opinion on the robustness, adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ The production of a Risk Register with regular reviews undertaken by the Crematorium Superintendent Registrar and action plan reports produced and approved where necessary.
- ◆ Strengthened year end procedures for producing financial statements with the production of a full closedown timetable including risk assessment and control and ensuring those involved in the closedown process are fully aware of the SORP requirements for 2009/2010
- ◆ Annual reviews of corporate governance arrangements and the annual review undertaken by the lead authority, Durham County Council, of its corporate governance arrangements, together with the arrangements that the lead authority, Durham County Council has in place to detect and deter fraud and corruption.
- ◆ Performance monitoring undertaken through the use of comparative statistics with other crematoria.

- ◆ The Internal audit section is subject to regular inspection by the Council's external auditors who report annually to the Council. The external auditors place great reliance on the work carried out by the Internal Audit Section.
- ◆ The Internal audit section is also subject to an annual review of its activities and performance by key senior officers of the Council in order to meet the requirements of the Accounts and Audit Regulations 2003 (amended). A formal report on the performance of the Internal Audit section is considered by the County Council's Audit Committee in this respect.
- ◆ Internal Audit Reports presented to, and reviewed by the Joint Committee
- ◆ Attendance at Regional and National Seminars in a 'speaker' capacity by the Superintendent Registrar and provision of advice and mentoring to Durham university PHD students
- ◆ Commissioning of an options appraisal for procurement of replacement cremators and mercury abatement equipment to ensure the installation of such equipment by the regulatory deadline

In summary the governance framework and the system of internal control in place at the Central Durham Crematorium for the year ended 31st March 2010 and up to the date of approval of the annual report and accounts and except for the details of internal control issues at section 5 accords with proper practice.

5. SIGNIFICANT GOVERNANCE ISSUES

The Joint Committee is fully committed to the principles of corporate governance, and has made further progress in recent months in developing its arrangements. Following the production of the External Auditors Annual Governance Report for 2008/09 an action plan of the recommendations was produced and undertaken.

In addition to the issues contained within the action plan, Internal Audit sought assurance, via its annual plan of work and review of key systems.

The following governance and internal control issues have been identified:

Recording of Transactions

All transactions including income should be recorded within a single general ledger to reduce the risk of error caused by manual processes. An action plan has been produced and discussions made around the system setup within the Oracle FMS and bank account arrangements. Further work will continue to ensure the recording of all transactions within Oracle, however, procedures have been put in place to conduct and present robust reconciliation data between the two current systems, which should allay the concerns raised by the external auditor during the 2008/09 audit.

Receipt Issues

Pre numbered receipts should not be amended following the cancellation of a cremation to avoid the risk of possible fraudulent activity. New procedures have been introduced and will continue to be undertaken whereby receipts issued for 'cancelled' cremations will be made void and referenced to the miscellaneous receipt book from which a new receipt will be issued.

Stock Control

Stock records should be held and maintained for all stocks held in emergency stores to ensure all purchases/ sales are properly accounted for. Records for emergency stocks are being compiled by the Superintendent Registrar, further work will continue to ensure that full records are established and maintained in 2010/11.

Treasury Management Arrangements

Arrangements with Durham County Council regarding Treasury Management should be formally documented including the terms of agreement for all funds held on behalf of the Joint Committee. Meetings have taken place in the year and the updated Treasury Management Strategy has been requested along with regular update reports which will be presented to the Joint Committee on a quarterly basis from 2010/11 onwards..

5. DECLARATION OF THOSE CHARGED WITH GOVERNANCE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and the system of internal control by the Crematorium Joint Committee and are satisfied that plans to address weaknesses and ensure continuous improvement of the system is in place

SIGNED

Councillor John Marr
Chair to the Joint Committee

Date:

Stuart Crowe, CPFA
Treasurer to the Joint Committee

Date: