

**Central Durham Crematorium
Joint Committee**

24 April 2013

**Annual Internal Audit Report
2012/13**



Report of the Head of Internal Audit

Purpose of the Report

1. The purpose of this report is to present the Annual Internal Audit Report for 2012/13. (Copy attached at Appendix 2).
2. The report also looks ahead and details, at Appendix 3, Internal Audit and Risk Services to be provided in 2013/14.

Background

3. This report fulfils the requirement of the CIPFA Code of Practice for the Head of Internal Audit to provide, "a written report to those charged with governance timed to support the Statement of Internal Control", which is now incorporated as part of the Council's Annual Governance Statement.
4. The Annual Internal Audit Report should therefore be considered in the context of fulfilling the requirement to provide an opinion on the overall adequacy and effectiveness of the Council's control environment during the year, and how this opinion has been derived.
5. Based on the work undertaken, the Head of Internal Audit is able to provide a **Substantial** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Joint Committee in 2012/13. This substantial 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 2012/2013 Annual Governance Statement.

Recommendation

6. 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 2012/13.
7. Members approve the proposal for the provision of Audit and Risk Services to be provided in 2013/14.

Appendix 1: Implications

Finance

There are no direct financial implications arising for the Joint Committee as a result of this report, although we aim through our audit planning arrangements to review core systems in operation and ensure through our work that the Joint Committee has made 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

None



**CENTRAL DURHAM CREMATORIUM
JOINT COMMITTEE**

**INTERNAL AUDIT
ANNUAL REPORT
2012/13**

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Appendix 2 Annual Review of the Central Durham Crematorium 2012/13

Appendix 3 Audit and Risk Services 2013/14

Introduction

1. This report summarises work carried out by Durham County Council Internal Audit and Risk Service during 2012 / 2013, as part of the 4 year Service Level Agreement covering the provision of Internal Audit Services up to 31 March 2014.
2. All Internal Audit work carried out in 2012/13 was in accordance with proper internal audit practices as described within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006)
3. This report fulfils the requirement of the CIPFA Code of Practice for the Head of Internal Audit to provide, "a written report to those charged with governance timed to support the Statement of Internal Control", which is now incorporated as part of the Joint Committee's Annual Governance statement appended to the Joint Committee's Annual Statement of Accounts which will be presented to the Joint Committee for approval in June 2013.

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, last reviewed by the Joint Committee in April 2012, establishes and defines the role the terms of reference and scope of audit work, including the audit strategy, organisational independence and the reporting lines of Internal Audit. No changes to the Charter were required during 2012/13.
7. In accordance with the Internal Audit Charter, a risk based audit approach has been applied to work undertaken in 2012/13.
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 2012/13 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 2012/13 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 January 2013 in accordance with terms of reference agreed with the Crematorium's Superintendent and Registrar. 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 2. Minor weaknesses in control identified at audit as set out in the action plan of the report are being addressed by management.
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 6 monthly reviews being reported for consideration by the Joint Committee in September 2012 and January 2013 respectively.
13. Processes in place provide assurance that the Crematorium Superintendent and Registrar 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'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

16. The scope and terms of reference for this year's annual audit review were developed using a risk based approach agreed with the Crematorium's Superintendent and Registrar. This approach ensured that audit resources were applied to agreed high risk areas where there was little or no other assurance.
17. 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.
18. The accuracy of audit findings were confirmed by the Crematorium's Superintendent and Registrar who was given the opportunity to challenge audit findings and the draft report prior to them being finalised.
19. In total, 22 audit days have been incurred this year. This compares with the 20 audit days planned in accordance with the Service Level Agreement. This was primarily due to a change in audit staff and additional transaction testing due to an increase volume of business in 2012/13. No additional charge will be made for this.
20. A customer satisfaction survey is issued after every audit to provide feedback and help the service continually improve,
21. Under the Account and Audit Regulations, the County Council is required to carry out an annual review of the effectiveness of Internal Audit. The Joint Committee, classed as a smaller body under the Regulations, is not required to carry out such a review. However, the Joint Committee can take assurance on the quality of internal services provided during 2012/13 from the outcomes of the last review of the service undertaken by the County Council's Corporate Director Resources and its Audit Committee in May 2012. This review was informed by consideration of a series of questions, designed to evaluate compliance with best practice, independently by
- The Chair of the Audit Committee
 - The Corporate Director Resources

- The Head of Internal Audit
 - External Audit
22. The Committee noted that good progress had been made with the implementation of a risk based approach to auditing but recognised that the skills mix of the in house team needed to be strengthened in some specialist areas. Overall the Committee concluded that the service was effective and reliance could be placed on the audit opinion provided by the service.
23. In arriving at this conclusion the Audit Committee also monitor performance against an agreed set of performance indicators. One of these indicators that is particularly relevant to services provided to the Joint Crematorium is the cost per chargeable audit day. The service performance target was to be lower than CIPFA Benchmarking Club average. Actual performance for 2011/12 was £279 compared with the average of £313. This demonstrates the competitiveness of fees charges to the Joint Committee through the SLA of £250 per day.

Audit Opinion Statement

24. The Joint Committee has responsibility for maintaining a sound system of internal control that supports the achievement of its objectives.
25. The Head of Internal Audit is required to provide an opinion on adequacy and effectiveness of the Joint Committee's risk management, control and governance processes.
26. 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
 - Matters arising from the work carried out by Internal Audit on the redevelopment of the Crematorium
 - 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

27. Based on the work undertaken, the Head of Internal Audit is able to provide a **Substantial** overall assurance opinion on the adequacy and effectiveness of internal control operating across the Joint Committee in 2012/13. This substantial opinion ranking is the same as 2011/12 and 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 2012/ 2013 Annual Governance Statement.



INTERNAL AUDIT REPORT

Durham Crematorium
 Ref No 13580/2013
Final Report

Assurance Opinion:	Substantial Assurance
Prepared by:	Debra Lewis, Senior Auditor
Reviewed by:	David Mitchell, Principal Auditor Stephen Carter, Audit Manager
Date issued:	19th February 2013
Distribution List	
For Action:	Alan Jose, Superintendent and Registrar
For Information:	Ian Hault, Streetscene Area Manager North Paul Darby, Head of Finance – Financial Services Graham Harrison, Bereavement Services Manager Terry Collins, Corporate Director for Neighbourhood Services Avril Wallage, Manager of Internal Audit and Risk Teresa Morgan, Strategic Insurance & Risk Officer Debra Kitching, Policy & Performance Team Leader



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EXECUTIVE SUMMARY

1. This report relates to the evaluation of the control framework in place to provide assurance on the management of the risks associated with the Durham Crematorium.
2. The objective of the review was to ensure that there are effective controls and procedures in place with regards to the running and operating of Durham Crematorium, and that practices are carried out in compliance with legislative requirements and the Code of Cremation Practice issued by the Federation of British Cremation Authorities.
3. Transactions were reviewed, from 1st January 2012 to 31st December 2012.
4. The review confirmed that there are effective arrangements in place for the management of the risks associated with the Durham Crematorium. There was one minor weakness identified however, with regards to the maintenance of stock records held for the Urns.
5. An action plan, summarising all findings and recommendations made to improve the evaluated control framework, is attached at Appendix A.
6. In conclusion, the audit work carried out can provide a Substantial level of assurance that the control framework in place is effective in managing risks.

BACKGROUND

7. This review has been carried out in accordance with the Terms of Reference attached at Appendix B.
8. 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 Head of Internal Audit on the adequacy and effectiveness of the entire control environment operating across the whole of the Authority, required to inform the Annual Governance Statement.
9. 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.
10. In carrying out the audit, the time and assistance afforded by Alan Jose of Durham Crematorium and his staff was greatly appreciated.

SCOPE AND AUDIT APPROACH

11. The scope and audit approach for this review were agreed as part of the preparation stage of the audit and reflected in the agreed terms of reference. The scope was informed by a Control Risk Assessment (CRA) determined in consultation with appropriate officers.

FINDINGS AND RECOMMENDATIONS

12. Our findings relating to issues of key concern, 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.

INTERNAL AUDIT REPORT – Durham Crematorium

13. The CRA has been updated to reflect actual evidenced controls in place and improvements agreed. This is attached as an accompanying document to aid monitoring and future self assessment of risks and the control framework. It is recommended that a Control Risk **Self** Assessment (CRSA) is carried out annually.

AUDIT FINDINGS AND ASSURANCE OPINION RATINGS

14. Details of how individual findings and assurance opinions have been assessed are detailed in Appendix C.

LIMITATIONS AND RESPONSIBILITIES

15. Details of limitations and responsibilities of auditors and management in relation to this review are summarised in Appendix D.

APPENDIX A: ACTION PLAN FOR IMPLEMENTATION – Durham Crematorium

Action Ref	Finding	Potential Impact	Priority	Recommendation	Management Comment	Responsibility Timescale
01 CRA Risk 11	Stock recorded in the stock book does not agree to physical stock held. Stock checks are not currently being carried out.	Insufficient stock held Stock may run out.	Low	A physical stock check is carried out and the stock book updated to reflect this. Thereafter, regular stock checks should be carried out to ensure the stock book continues to accurately reflect the stock held. The stock book should be initialled or signed to demonstrate this has taken place.	The stock take has not been perfect for the urns over the past year or so due to building disruption and moving stock from place to place and the matter will be addressed.	Alan Jose, Superintendent and Registrar 31/03/2013

DURHAM COUNTY COUNCIL INTERNAL AUDIT SERVICE

Terms of Reference

Client	Neighbourhood Services
Service	Bereavement Services
Head of Service	Ian Hoults, Streetscene Area Manager North Paul Darby, Head of Finance – Financial Services Graham Harrison, Bereavement Services Manager
Responsible Key Contact	Alan Jose, Superintendent and Registrar
Nominated Manager	Alan Jose, Superintendent and Registrar
Audit	Durham Crematorium

Introduction

1. This review is being undertaken in accordance with the approved Internal Audit Plan for 2012/13.

Overall Objective of the Audit

2. To evaluate the control environment of Durham Crematorium and provide an independent opinion on whether or not controls are adequate, appropriate and effective in providing reasonable assurance that risks to the achievement of service/system/process objectives are being managed effectively.
3. In arriving at this opinion consideration will be given to the effectiveness of:
 - relevant key corporate governance policies and procedures
 - the arrangements in place to identify, assess and monitor risks
 - the control design to ensure that the Council'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.

System Objectives

4. The objectives Durham Crematorium are :
 - To provide a sensitive, respectful service suitable for the bereaved.
 - To ensure cremations comply with the Cremation Regulations 2008.
 - To ensure the FBCA Code of Cremation Practice is complied with.
 - To ensure all income and expenditure is in line with financial regulations.

Control Risk Assessment

5. A summary of identified risks, the potential impact and expected controls, agreed as part of the audit planning process, using a control risk assessment (CRA) methodology to inform the scope of this review, is attached as an accompanying document.
6. The criteria used to assess identified gross risks (before controls are applied) are attached as Appendix A.

Scope of Audit

7. The scope of this audit is to provide assurance on 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.

Audit Approach

8. The review will be carried out using a risk based approach informed by the CRA and will involve:
- Review of relevant documentation held and maintained
 - Interviews with responsible persons where necessary
 - Assessment of existing controls
 - Perform testing.

Key Contact

9. Key contacts for this review are
- Debra Lewis, Lead Auditor
 - David Mitchell, Principal Auditor

Target Dates

10. The target dates for this review are:
- Fieldwork start date: 21st January 2013
 - 12 audit days
 - Draft report issued date: 31st March 2013
11. These timescales are subject to the following assumptions:
- All relevant documentation, including source data, reports and procedures will be made available promptly on request.
 - Staff and management will make reasonable time available for interviews and will promptly follow-up questions or requests for documentation.
 - Assistance will be available in scheduling meetings and interviews where required.

APPENDIX B: TERMS OF REFERENCE – Durham Crematorium

Reporting Arrangements

12. Alan Jose will be kept regularly informed of progress on our review. Any significant issues will be discussed as they arise.
13. On completion of the review, our findings together with recommendations to address any control weaknesses will be discussed with Alan Jose at an exit meeting prior to the preparation and issue of a Formal Draft report. The Formal Draft will then be issued to Alan Jose and will include responses.
14. We request that managers aim to provide a full response within 20 working days of receipt of the agreed draft report.
15. An updated CRA will be provided as an accompanying document to draft reports to reflect any changes to expected controls identified through the audit process and actual controls in place. Any recommendations made to improve the control environment will be incorporated into an action plan and reflected in the updated CRA to aid future self assessment of risks and the control framework.

Limitations of scope

16. This audit review will focus on Crematorium arrangements and the financial reporting of expenditure from these activities.
17. The review of the pre-payment cremation bonds will not be reviewed as part of this audit as this is still within its development stages.

Terms of Reference Approval

18. These terms of reference have been reviewed and approved by:
 - Alan Jose, Superintendent and Registrar
 - Stephen Carter, Audit Manager

APPENDIX C: AUDIT FINDINGS, RECOMMENDATIONS AND ASSURANCE OPINION RATINGS

Findings

Individual findings are assessed on their impact and likelihood based on the assessment rationale in the tables below:

Impact Rating	Assessment Rationale
Critical	A finding that could have a:
	Critical impact on operational performance (Significant disruption to service delivery)
	Critical monetary or financial statement impact (In excess of 5% of service income or expenditure budget)
	Critical breach in laws and regulations that could result in significant fine and consequences (Intervention by regulatory body or failure to maintain existing status under inspection regime)
	Critical impact on the reputation of the Council (Significant reputational damage with partners/central government and/or significant number of complaints from service users)
	Critical impact on the wellbeing of employees or the public (Loss of life/serious injury to employees or the public)
Major	A finding that could have a:
	Major impact on operational performance (Disruption to service delivery)
	Major monetary or financial statement impact (1-5% of service income or expenditure budget)
	Major breach in laws, regulations or internal policies and procedures (non compliance will have major impact on operational performance, monetary or financial statement impact or reputation of the service)
	Major impact on the reputation of the service within the Council and/or complaints from service users
Minor	A finding that could have a:
	Minor impact on operational performance (Very little or no disruption to service delivery)
	Minor monetary or financial statement impact (less than 1% of service income or expenditure budget)
	Minor breach in internal policies and procedures (non compliance will have very little or no impact on operational performance, monetary or financial statement impact or reputation of the service)

Likelihood	Assessment criteria
Probable	Highly likely that the event will occur (>50% chance of occurring)
Possible	Reasonable likelihood that the event will occur (10% - 50% chance of occurring)
Unlikely	The event is not expected to occur (<10% chance of occurring)

APPENDIX C: AUDIT FINDINGS, RECOMMENDATIONS AND ASSURANCE OPINION RATINGS

Overall Finding Rating

This grid is used to determine the overall finding rating.

LIKELIHOOD			
Probable	M	H	H
Possible	L	M	H
Unlikely	L	L	L
	Minor	Major	Critical
	IMPACT		

Priority of our recommendations

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

High	Action that is considered imperative to ensure that the service/system/process objectives are not exposed to significant risk from weaknesses in critical or key controls
Medium	Action required to ensure that the service/system/process objectives are not exposed to major risk from weaknesses in controls
Low	Action required to ensure that the service/system/process objectives is not exposed to minor risk from weaknesses in controls
Advisory	Action that is considered desirable to address minor weaknesses in control that if implemented may not reduce the impact or likelihood of a risk occurring but should result in enhanced control or better value for money.

Overall Assurance Opinion

Based upon the ratings of findings and recommendations arising during the audit as summarised in risk matrix above we define the overall conclusion of the audit through the following assurance opinions:

Full Assurance	There is a sound system of control designed to achieve the process/system/service objectives and manage the risks to achieving those objectives. (No H, M or L findings/recommendations)
Substantial Assurance	Whilst there is a sound system of control, there are some weaknesses, which may put some of the system objectives at minor risk. (No H or M findings/recommendations)
Moderate Assurance	Whilst there is basically a sound system of control, there are some weaknesses, which may put some of the system objectives at major risk. (No H findings/recommendations)
Limited Assurance	There are weaknesses in key areas in the system of control, which put the system objectives at significant risk.(H findings/recommendations)
No Assurance	Control is weak as controls in numerous key areas are ineffective leaving the system open to significant risk of error or abuse

Limitation inherent to the internal auditor's work

We have undertaken this review subject to the following limitations.

Internal Control

Internal control, no matter how well designed and operated, can provide only reasonable assurance not absolute assurance regarding achievement of the service objectives. The likelihood of the achievement is affected by limitations inherent in all internal control frameworks. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future Periods

The assessment of the control framework in place relating to this review is at 14th February 2013. Historic evaluation of effectiveness is not relevant to the future period due to:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of fraud and irregularities. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We will endeavour to plan our work so that we have a reasonable expectation of detecting **significant control weaknesses** and if detected, we will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Management responses

We ask that management responses to our recommendations are provided within 20 working days of the draft report being issued.

Outstanding responses will be monitored. Any overdue responses will be escalated to the responsible Corporate Director and reported to the Audit Committee.

Follow up

In accordance with the Internal Audit Charter, we will monitor progress on the implementation of agreed recommendations and the findings will be reported to the audit committee. Where considered appropriate follow-up audits will be scheduled.

Appendix 3

Audit and Risk Services to be provided for 2013/14

1. Details of the Internal Audit and Risk Services to be provided by Durham County Council's Internal Audit and Risk Services are set out in the Service Level Agreement (SLA) approved by the Joint Committee in September 2010. Indicative days to deliver the services, as per the SLA, together with actual days taken on 2012/13 are given the table below. The proposed days required for 2013/14 reflecting past experience and new initiatives that will impact on service is also indicated.

AREA PER SLA	2012/13 Actual	2013/14 Indicative	2013/14 Proposed	Comments
Management and Assurance				Management, planning, preparation and quality assurance
Preparation of Internal Audit plan (including risk assessment of audit needs, planning for reviews and production of report)	3	3	5	The Internal Audit Charter will require review in 2013/14 to ensure compliance with the introduction of the Public Sector Internal Audit Standards that come into effect 1/4/2013. A new SLA agreement will need to be negotiated for services beyond 31/3/2014.
Production of Annual report and opinion	2	2		
Attendance at ad hoc meetings, Committee pre meetings and Committee meetings	1	1		
Regular liaison with relevant staff and follow up of recommendations	1	1		
Fundamental Accounting Systems				
Audit testing in relation to Crematorium sub systems to include Personnel, Payroll, Expenditure/Purchasing, Accounts Payable, Accounts receivable.	2	2	0	

Crematorium Review				Annual Review of Control Environment
Establishment audit to include Petty Cash, Budgetary Control and Financial Reporting, Income & Debt Collection, Bank Reconciliation, Asset Management, stock control, Strategic Risks, Operational Risks, Risk Management Assurance Review and Corporate Governance Assurance Review	10	7	11	Applying a risk based audit approach the distinction between fundamental accounting systems and an establishment type audit is not necessary. The annual review will consist of a risk based evaluation of the control framework in place relating to key service activities and systems. This will include the provision of assurance on the management of both financial and non financial operational and strategic risks and compliance with corporate governance arrangements.
Ad Hoc Advice and Assistance	1	2	3	Provision for ad hoc advice and consultancy type services to consider control issues relating to any new or emerging risks on which assurance may be required outside of the annual review
Contingency	0	2		
Total	22	20	19	

Optional Additional Services;	2012/13	2013/14	2013/14	Comment
Risk Management Support	2	2	3	Risk management support in the identification, assessment, monitoring and reporting of strategic and operational risks and support on annual review of corporate governance arrangements
Corporate Governance Support	0			

28. The scope of the annual audit assurance review for 2013/14 will be informed by the maturity of the Crematorium's risk management arrangements, its risk appetite and the reliance that can be placed on other assurance sources. Operational risks relating to key service activities and key systems will be audited annually dependent and an audit assessment of known risks and the reliability of other assurance sources.
29. Other sources of assurance to be considered when determining the scope of the review will include:

Other Assurance Sources
The External Auditor annual audit letter and opinion on the financial statement of accounts and VFM conclusion
Independent testing of all cremators and equipment is carried out annually.
The Crematorium is licensed and is regulated by Durham County Council's Environmental Monitoring section. Regular progress reports are provided to the regulator regarding compliance with emissions.
The Crematorium Superintendent and Registrar is Secretary of the Northern branch of the Institute of Cemeteries and Crematoria
Crematorium charges are regularly benchmarked against other Crematoria.
The Crematorium Superintendent and Registrar must provide an annual statement to the Federation of Burial and Cremation Authorities that they have complied with the Federations Code of Practice
The Ministry of Justice can inspect Crematorium premises at any time, although this is normally carried out by the Regulator on their behalf

30. We will adopt a risk based approach to evaluate the effectiveness of controls designed to mitigate risks through substantive testing and / or compliance testing. Compliance testing will confirm if a control actually exists and substantive testing will provide assurance that the control is effective and / or is consistently applied. The level of testing will be relative to the impact and likelihood of the risk occurring due to a control weakness.
31. In accordance with the agreed Internal Audit Charter, we will agree the objectives, risks associated, other sources of assurance and the proposed scope of the review on the operation of the Crematorium with the Crematorium's Superintendent and Registrar, prior to the start of any fieldwork, using a Control Risk Assessment (CRA) methodology. Detailed terms of reference will be agreed with the Crematorium's Superintendent and Registrar, informed by the CRA, to formally agree the scope of the review, in respect of identified key risks, potential impact and expected key control.