

# Mountsett Crematorium Joint Committee

17 June 2011

2010 / 2011 Annual Governance Statement



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

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### Purpose of the Report

- 1 The purpose of this report is to provide details of the Annual Governance Statement (AGS) for the year April 2010 to March 2011. The AGS will need to be formally approved by members as part of the consideration of the Statement of Accounts and Small Bodies in England Annual Return 2010/2011 and is attached at Appendix 2.

### Background

- 2 The Mountsett Crematorium Joint 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 Mountsett Crematorium 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 Mountsett Crematorium 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 and Treasurer (the Corporate Director: Resources) to the Mountsett Crematorium Joint Committee and published as part of the Mountsett Crematorium Joint Committee's Statement of Accounts and Annual Return.

## **The Annual Governance Statement**

6 The format and structure of the statement is prescribed in guidance contained within the Code of Practice on Local Authority Accounting 2010/2011 and is broken down into a number of different sections. 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 Mountsett Crematorium Joint Committee must identify any areas of significant internal control, including what action is being taken to address them.

7 The statement is initially compiled by the Neighbourhood Services Head of Finance, HR and Business Support, in accordance with guidance contained within the CODE.

The statement reflects the current position within the Joint Committee.

8 The statement is evidence based and relies upon the review of the effectiveness of internal audit undertaken by the Head of Finance HR and Business Support along with written assurances from the Superintendent & Registrar (who prepares a standardised comprehensive assurance statement on an annual basis), Internal audit's views, having carried out 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 Mountsett Crematorium Joint Committee.

9 The Statement is submitted to the Mountsett Crematorium Joint Committee with the Statement of Accounts and Annual Return for approval with submission to External Audit – BDO LLP within 7 days.

## **Recommendations and Reasons**

10 It is recommended that:

The Mountsett Crematorium Joint Committee examine the content of the 2010/2011 Annual Governance Statement and approve it for consideration within the Statement of Accounts and Annual Return.

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## **Appendix 1: Implications**

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### **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.

### **Risk**

Risk is intrinsic to the system of internal audit and governance.

### **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**

There are no Crime and Disorder implications associated with this report.

### **Human Rights**

There are no Human Rights implications associated with this report

### **Consultation**

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

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

The Accounts and Audit Regulations and Code of 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.

### 1. Scope of Responsibility

The Mountsett Crematorium Joint 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 Derwentside District Council and Gateshead Metropolitan Borough Council. Following Local Government Reorganisation, as successor to Derwentside District Council, Durham County Council acts as the lead authority.

In discharging this overall responsibility, the Mountsett Crematorium Joint 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 Mountsett Crematorium Joint 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 Mountsett Crematorium Joint 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 Mountsett Crematorium Joint 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 Mountsett Crematorium Joint 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 Mountsett Crematorium Joint Committee for the year ended 31<sup>st</sup> March 2011 and up to the date of approval of the Statement of Accounts and annual return

### 3. The Governance Framework

The governance framework supports the Mountsett Crematorium Joint Committee in establishing, implementing and monitoring policies and objectives. The system of internal control refers to the system by which the Mountsett Crematorium Joint 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 Mountsett Crematorium Joint Committee 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 Mountsett Crematorium Joint Committee 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 Mountsett Crematorium 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 Mountsett Crematorium Joint Committee member and officer functions, with clear delegation arrangements and protocols for effective communication**

Mountsett Crematorium 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. This is achieved by:

- ◆ Electing a Chair and Vice Chair with defined executive responsibilities.
- ◆ The Mountsett Crematorium Joint Committee 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 Mountsett Crematorium Joint Committee and Durham County Council Constitutions.
- ◆ Ensuring that all policy and decision making is facilitated through the Mountsett Crematorium Joint 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**

Mountsett Crematorium Joint Committee fosters a culture of behaviour based on shared values, high ethical principles and good conduct. This is achieved 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.
- ◆ Appropriate and timely advice, guidance and training for both Members and Officers.
- ◆ Formally adopting the Member Code of Conduct of the Lead Authority
- ◆ Formal/ written declarations of member personal interest

**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.**

Durham County Council and Mountsett Crematorium 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 Mountsett Crematorium Joint Committee ensures that the risk management approach:

- ◆ Is conducted in accordance with the risk management policy and strategy of Durham County Council. The Superintendent and Registrar 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 2006. 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 BDO LLP 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 income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are undertaken and reported quarterly to Mountsett Crematorium 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

Mountsett Crematorium Joint 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.

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

- ◆ A process to formalise arrangements with Durham County Council for the provision of internal audit has been established following the consideration and approval of the Mountsett Crematorium Joint Committee Internal Audit Charter
- ◆ Strengthened existing internal audit arrangements through a formally approved Service Level Agreement (SLA) covering the following areas for the year :
  - Management and assurance
  - Fundamental Accounting Systems
  - Crematorium Review
  - Advice and assistance
- ◆ Strengthened and formalised support services provided by Durham County Council to the Joint Committee through the approval of a Service Level Agreement covering:

- Management Services
  - Financial Services
  - Administration Services
  - Payroll Services
  - Creditor Services
  - Human Resources Services
- ◆ Strengthened existing internal audit arrangements through the production of an Annual Audit Report and Audit Opinion to inform the Annual Governance Statement
  - ◆ Risk based assessments of key financial systems (as approved in the SLA) 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 Superintendent & Registrar and action plan reports produced and approved where necessary.
  - ◆ Strengthened year end procedures for producing financial statements with the production of a closedown timetable including risk assessment and control and ensuring those involved in the closedown process are fully aware of the closedown requirements for 2010/2011.
  - ◆ Strengthened budget setting processes to support its decision making process. Comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are also undertaken and reported quarterly to the Mountsett Crematorium Joint Committee.
  - ◆ 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.
  - ◆ Being a member of the Federation of Burial and Cremation Authorities, it requires that each year a signed declaration is made so that the Codes of Practice have been strictly adhered to. The Crematorium is also subject to bi annual inspection by the regulator (DCC) who has to be satisfied that all Environmental Legislation is being implemented.
  - ◆ Performance monitoring undertaken through the use of comparative statistics with other crematoria.
  - ◆ The Internal Audit Section is also subject to an annual review of its activities and performance by the Head of Finance, HR and Business Support (under the scheme of delegated responsibilities by the Treasurer to the Joint Committee) in order to meet the requirements of the Accounts and Audit Regulations 2006 (amended). This review is undertaken drawing on the CIPFA Self Assessment Checklist based on the Code of Practice which sets out the minimum standards required to maintain an effective Internal Audit Service. A formal report and



completed checklist regarding the Review of the Effectiveness of Internal Audit is presented to, considered by and minuted by the Joint Committee on a twice yearly basis.

- ◆ Completion of an Internal Audit Satisfaction Survey following the completion of each Audit Assignment to measure further the effectiveness of the Internal Audit service
- ◆ Formal Adoption of the FOI Act Publication Scheme approved and minuted by the Joint Committee.
- ◆ Formalised Treasury Management Arrangements through the production of a written agreement between the Joint Committee and the lead authority Durham County Council.

In summary, the governance framework and the system of internal control in place at the Mountsett Crematorium for the year ended 31<sup>st</sup> March 2011 and up to the date of approval of the annual report and accounts accords with proper practice.

## 5. Significant Governance Issues

Mountsett Crematorium Joint Committee is fully committed to the principles of Corporate Governance, and has made further progress in recent months in developing its arrangements.

The Internal Audit Section sought further assurance, via its annual plan of work and review of key systems.

As a result, Internal Audit has provided **Substantial** Assurance on the Joint Committees system of internal control, highlighting only very minor governance and internal control issues (categorised as low), with none of these issues warranting comment within the Annual Governance Statement.

## 6. 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 Mountsett Crematorium Joint Committee and are satisfied that plans to address weaknesses and ensure continuous improvement of the system is in place.

SIGNED:

Chair to the Joint Committee

Don McLure, CPFA

Corporate Director of Resources and Treasurer to the Joint Committee

17 June 2011