



Statement of Accounts 2009/2010

Mountsett Crematorium Joint Committee



Chairman - Councillor O Temple
Treasurer - Mr S D Crowe, CPFA

Explanatory Foreword

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts for Mountsett Crematorium Joint Committee for the financial year 2009/10, assist in the interpretation of the accounting statements, and provide an explanation in overall terms of the financial position at 31 March 2010. It also gives a brief commentary on the influences affecting Mountsett Crematorium Joint Committee income and expenditure and cash flow.

The Statement of Accounts comprises:

1. Report of the Treasurer and Financial Summary

This report outlines the main financial results for the year ended 31st March 2010. They summarise the income and expenditure incurred by the Joint Committee and highlight any change to the financial position that occurred during the year.

In 2009/2010 the Joint Committee's Capital spending was nil.

2. Statement of Accounting Policies

This explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. In certain circumstances, where more than one accounting basis or estimation technique is acceptable, the accounting policy and/or estimation techniques followed can significantly affect an authority's reported results and financial position. The view presented can only be appreciated properly if the policies which have been followed for material items and estimation techniques which have been used in applying those policies are explained.

The accounting policies that were followed in preparing these accounts are explained on pages 7-8

3. Crematorium Core Financial Statements

Income and Expenditure Account

This statement is fundamental to the understanding of the Joint Committee's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed.

The Crematorium's Income and Expenditure Accounts is shown on page 9.

Statement of Movement on the Constituent Authorities Account Balance

This statement contains the amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the Constituent Authorities Account in determining the movement on the constituent Authorities Account Balance for the year.

The Statement of Movement on the Constituent Authorities Account Balance is shown on page 10

Balance Sheet

The Balance Sheet is fundamental to the understanding of the Joint Committee's financial position at the year-end. It shows its balances and reserves and the fixed (where applicable) and net current assets employed in its operations, together with summarised information on the fixed assets held and disposed of.

The Balance Sheet is shown on page 11

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and where applicable capital purposes. Cash is defined for the purposes of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

The Cash Flow Statement is shown on page 12

Notes to the Core Financial Statements

The notes to the core financial statements are required to be shown together, after the core financial statements. They are shown on pages 13 -16

4. Supplementary Financial Statements

Annual Governance Statement

The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2003 (as amended) which requires authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and to prepare a statement on internal control 'in accordance with proper practices'

Report of the Treasurer

Overview of Financial Performance in 2009/2010

Each year the Joint Committee approves a budget for the forthcoming year. This report outlines the main financial results for the year ended 31st March, 2010. It summarises the income and expenditure incurred by the Joint Committee and highlights any change to the financial position that occurred during the year.

The 2009/10 Budget anticipated that the Joint Committee would achieve a surplus of £164,890. This was based on a permitted contribution to reserves of £35,000.

The table below summarises the budget and actual income and expenditure for 2009/10. Variations are shown alongside.

	Budget 2009/2010 £	Actual 2009/2010 £	Variance 2009/2010 £
Gross Expenditure on Services	285,310	274,486	(10,824)
Capital Financing Costs	0	0	0
Total Expenditure	285,310	274,486	(10,824)
Total Income	(485,200)	(496,238)	(11,038)
(Surplus) / Deficit for the year	(199,890)	(221,752)	(21,862)
Transfer from Capital Adjustment A/c	0	0	0
Contribution to Reserves	35,000	56,862	21,862
Transfer from Reserves	0	0	0
To Constituent Authorities A/c	164,890	164,890	0
Allocated to:-			
Durham County Council	107,178	107,178	0
Gateshead Metropolitan Borough	57,712	57,712	0
Balance	0	0	0

The table above shows a reduction in gross expenditure of **£10,824** and an increase in income of **£11,038**. The main reasons for these variances are as follows:

Gross Expenditure:

Mercury Abatement Budget not required during 2009/2010

Income:

Additional cremation fee income due to increased number of cremations and additional entries into the book of Remembrance

Capital Expenditure

There was no Capital Expenditure during 2009/10. As a result of Local Government Re-organisation, Mountsett Crematorium has adopted Durham County Council's de minimus level for the capitalisation of assets. This level is £10,000.

Major Fixed Asset Acquisitions and disposals

During 2009/10, investigations have highlighted that fixed assets of Land, Buildings and fixtures and fittings are owned by the Constituent Authorities in accordance with Mountsett Crematorium Joint Committee Constitution (dated 7 September 1964) in the following percentages:

Durham CC (as successor to Derwentside District Council)	60%
Gateshead MBC	40%

As a result, such fixed assets previously recorded within Mountsett Crematorium Joint Committee's Balance Sheet have now been removed and transferred to the Balance Sheets of the Constituent Authorities.

Reserves

The Crematorium Committee holds various reserves to earmark resources for future spending plans. Reserves are created by appropriating amounts in the Statement of Movement on Constituent Authorities Account Balance. When expenditure to be financed from a reserve is incurred, it is charged to the Crematorium revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge.

In 2009/2010 there has been no expenditure financed via any earmarked reserves.

Reserve	Balance at start of year	Contribution to Reserves	Use of reserve	Balance at 31.3.10
Repairs Reserve	17,428	20,119	0	37,547
Cremator Reserve	123,670	36,742	0	160,412
Revaluation Reserve	61,445	0	(61,445)	0
Capital Adjustment Account	406,181	0	(406,181)	0
TOTAL	608,724	56,862	(467,626)	197,959

Material and unusual charges and credits

There are no unusual charges or credits within the 2009/2010 Statement of Accounts.

Significant Changes in Accounting Policies

There were no changes in accounting policies during 2009/2010.

Significant Changes to Statutory Functions

There were no changes in statutory functions in 2009/2010 that had a significant impact on the Statement of Accounts.

SIGNED:

S D Crowe CPFA
Treasurer to the Joint Committee

Statement of Accounting Policies

General Principles

The form and general principles adopted in compiling these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy in documents such as the Best Value Code of Practice on Local Authority Accounting (BVACOP) and accompanying Guidance Notes for Practitioners. The Institute's guidance notes on the application of Statements of Standard Accounting Practice (SSAP), Statements of Recommended Practice (SORP) and Financial Reporting Standards (FRS) have also been taken into account.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Fees and charges due from customers are accounted for as income at the date the Joint Committee provides the service.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the balance sheet.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Support Services Allocations

The costs of Durham County Councils Support Services are allocated to the service areas that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full costs of support services are shared between users in proportion to the benefits.

Interest

Surplus monies are invested externally by Durham County Council on behalf of the Mountsett Crematorium Joint Committee, which receives the interest earned on the actual rate achieved. Interest payable on external borrowings and investment income is also accounted for on an accruals basis and is credited to the Income and expenditure account.

Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Joint Committee and the service it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

During 2009/10, investigations have highlighted that fixed assets of Land, Buildings and fixtures and fittings are owned by the Constituent Authorities in accordance with Mountsett Crematorium Joint Committee Constitution (dated 7 September 1964) in the following percentages:

Durham CC (as successor to Derwentside District Council)	60%
Gateshead Council	40%

As a result, such fixed assets previously recorded within Mountsett Crematorium Joint Committee's Balance Sheet have now been removed and transferred to the Balance sheets of the Constituent Authorities.

Redemption of Debt

The Local Government and Housing Act 1989 states that the Joint Committee must set aside prescribed proportions of any Capital Receipts for the redemption of debt. The Act also stated that the Authority must make a Minimum Revenue Provision of 4% on all other debt. Mountsett Crematorium Joint Committee is currently debt-free and therefore no Minimum Revenue Provision is required for 2009/2010.

Current Assets - Stock

Stocks held at the Crematorium are included in the Balance Sheet at Average cost.

This practice conflicts with SSAP 9, which recommends that stocks should be shown at the lesser of cost or realisable value. The rate of movement of stock, however, is such that valuation in the latter bases would not significantly affect the stock balance.

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing and managing a Crematorium service during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed.

Year Ended 31 March 2009		Year ended 31 March 2010
£	Expenditure	£
110,725	Employees	107,281
91,126	Premises	103,349
44,623	Supplies and Services	39,681
17,295	Agency & Contract Services	15,845
8,810	Establishment Expenses	8,330
33,929	Capital charges	
<u>306,508</u>		<u>274,486</u>
480,019	Income	495,272
<u>0</u>	Interest and Investment income	<u>966</u>
<u>-173,511</u>	Net Cost of Services	<u>-221,752</u>
<u>-173,511</u>	(Surplus) /Deficit for the year	<u>-221,752</u>

Statement of Movement on Constituent Authorities Account Balance

The purpose of this statement is to clarify how the surplus / deficit from the Income and Expenditure Account impacts the resources available to fund the activities of the Constituent Authorities.

The Income and Expenditure Account shows the Joint Committee's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Constituent Authorities are required to raise council tax on a different accounting basis, the main difference being:

- ◆ Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- ◆ Retirement benefits are charged as amounts become payable to pensions funds and pensioners rather than as future benefits are earned

This reconciliation statement summarises the difference between the surplus / deficit on the Income and Expenditure Account and the amount available to be added in the future to the General Fund Balance of each Constituent Authority.

Year Ended 31 st March 2009 £	Notes	Year Ended 31 st March 2010 £
-173,511	(Surplus)/Deficit for the year on the Income and Expenditure Account	-221,752
179,044	Net additional amount required by statute and non-statutory proper accounting practices to be debited or credited to the Constituent Authorities A/c Balance for the year	223,378
<u>5,533</u>	(Increase)/Decrease in the Constituent Authorities A/c Balance for the year	<u>1,626</u>
-64,871	Constituent Authorities A/c Balance Brought Forward	-59,338
<u><u>-59,338</u></u>	Constituent Authorities A/c Balance Carried Forward	<u><u>-57,712</u></u>

Balance Sheet as at 31 March 2010

Year Ended 31 st March 2009 £		Year Ended 31 st March 2010 £
	Fixed Assets	
	Operational Assets	
350,321	Operational Land & Buildings	0
117,305	Other operational assets	0
<u>467,626</u>	Total Fixed Assets	<u>0</u>
	Current Assets	
160,376	Cash in Hand	226,354
30	Petty Cash	30
2,276	Stock	1,520
37,755	Debtors	35,970
<u>200,437</u>	Total Current Asset	<u>263,874</u>
	Current Liabilities	
0	Creditor	8,202
0	Total Current liabilities	8,202
<u>668,063</u>	Total assets less Current Liabilities	<u>255,672</u>
	Financed By	
59,338	Constituent Authorities A/c (Note 1)	57,712
17,428	Repairs Reserve (Note 3)	37,547
123,670	Cremator Reserve (Note 4)	160,412
61,445	Revaluation Reserve (Note 5)	0
406,181	Capital Adjustment A/c (Note 6)	0
<u>668,063</u>	Total Net Worth	<u>255,672</u>

The Cash Flow Statement

Year Ended 31 st March 2009 £ Restated		Year Ended 31 st March 2010 £ Note
	Revenue Activities	
	<i>Cash Outflows</i>	
175,073	Cash paid to Constituent Authorities	166,517
110,725	Cash paid to and on behalf of employees	107,281
162,821	Other operating cash payments	158,247
	<i>Cash Inflows</i>	
(473,200)	Cash received for goods and services	(497,057)
	Other operating cash receipts	
<u>(24,581)</u>	Net cash (inflow)/outflow from revenue activities	<u>(65,012)</u>
	Dividends from Joint Ventures and Associates	
	<i>Cash Inflows</i>	
<u>0</u>	Dividends received	<u>0</u>
<u>0</u>	Net cash (inflow) from Joint Ventures and Associates	<u>0</u>
	Returns on Investments and Servicing of Finance	
	<i>Cash Outflows</i>	
0	Interest paid	0
0	Interest element of finance lease rental payments	0
	<i>Cash Inflows</i>	
(4,220)	Interest received	(966)
<u>(4,220)</u>	Net cash (inflow)/outflow from returns on investments	<u>(966)</u>
	Capital Activities	
	<i>Cash Outflows</i>	
23,853	Purchase of fixed assets	0
0	Purchase of long-term investments	0
0	Other capital cash payments	0
	<i>Cash Inflows</i>	
0	Sale of fixed assets	0
0	Other capital cash receipts	0
<u>23,853</u>	Net cash (inflow)/outflow from capital activities	<u>0</u>
	Management of Liquid Resources	
0	Net (increase)/decrease in short-term deposits	0
0	Net (increase)/decrease in other liquid resources	0
	Financing	
0	<i>Cash Outflows</i>	0
0	<i>Cash Inflows</i>	0
<u>(4,948)</u>	Net (increase)/decrease in cash	<u>(65,978)</u>

Notes to the Core Financial Statements

1. Constituent Authorities Surplus Account

This account contains any deficit or surplus generated in the Revenue Account, and shows the extent to which these are attributable to each of the Mountsett Crematorium Joint Committee's Constituent Authorities.

A summary of the movements during the year is shown below

Year Ended 31 st March 2009 £		Year Ended 31 st March 2010 £		Total £
		Durham County Council £	Gateshead Council £	
59,338	Balance 1 April	0	59,338	59,338
-59,338	Payments during year	0	-59,338	-59,338
221,752	Surplus for Year	144,139	77,613	221,752
0	Capital Accounting Adjustment	0	0	0
-20,119	Transfers to Repairs Reserve	-13,119	-7,000	-20,119
0	Transfers from Repairs Reserve	0	0	0
-36,742	Transfers to Cremator Reserve	-23,840	-12,901	-36,742
0	Transfers from Mercury Abatement Reserve			0
<u>164,890</u>	Balance 31 March	<u>107,178</u>	<u>57,712</u>	<u>164,890</u>
<u>-107,178</u>	Repaid to Authority	<u>-107,178</u>	<u>0</u>	<u>-107,178</u>
<u><u>57,712</u></u>	Balance c/fwd	<u><u>0</u></u>	<u><u>57,712</u></u>	<u><u>57,712</u></u>

2. Explanation of the significance of the Statement of Movement on the Constituent Authorities Account Balance

The Income and Expenditure Account summarises all of the resources that the Joint Committee has generated, consumed or set aside in providing its service during the year. However, this accounting basis is currently out of line with the statutory provisions that specify the net expenditure that the Constituent Authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation. The full significance of the Statement for local taxation is described in the introduction to the statement itself.

3. Breakdown of reconciling items in the Statement of Movement on the Constituent Authorities Account Balance

Year ended 31 st March 2009 £		Year Ended 31 st March 2010 £
	Amounts to be included in the Income and expenditure Account but required by statute to be excluded when determining the movement on the general fund/ constituent Authorities account Balance for the year	
(33,929)	Depreciation and Impairment of Fixed assets	0
0	Amounts treated as revenue expenditure but which are classified as Capital expenditure under Statute	0
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement of the General Fund Balance for the year:	
	Net Transfers to (from) Earmarked Reserves	
20,000	Transfers to Repairs Reserve	20,119
-2,100	Transfers from Repairs Reserve	0
20,000	Transfers to Cremator Reserve	36,742
0	Transfers to/ (from) Mercury Abatement Reserve	0
110,201	Transfers to/ Durham County Council	107,178
64,871	Transfers to Gateshead Council	59,338
<u>179,044</u>	Net additional amount required by statute and non-statutory proper accounting practices to be debited (or credited) to the Constituent Authorities A/c Balance for the year	<u>223,378</u>

4. Movement on Fixed Assets

Ownership of Assets

In accordance with Constitution for the Mountsett Crematorium Joint Committee, Legal title of Fixed Assets of Land, Building, Plant, Furniture and Equipment is vested in the Constituent Authorities in the following percentages:

Durham County Council	60%
Gateshead Council	40%

	Operational Assets		
	Land & Buildings £	Plant Furniture and Equipment £	Total £
Net Book Value as at 31/03/09	350,321	117,305	467,626
Additions	0	0	0
Revaluations	(61,445)	0	(61,445)
	288,876	117,305	406,181
Less			
Disposals	(288,876)	(117,305)	(406,181)
Depreciation for the year	0	0	0
Net Book Value as at 31/03/10	0	0	0

6. Reserves

The Joint Committee keeps a number of reserves in the Balance Sheet. Some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Repairs Reserve

A Repairs Reserve has been established to finance major capital works on the Crematorium buildings and Grounds.

A summary of the movements during the year is shown below

Year ended 31 st March 2009 £		Year Ended 31 st March 2010 £
22,961	Balance Brought Forward	17,428
20,000	Contribution from Constituent Authorities Account	20,000
420	Interest Earned	119
(25,953)	Use of Fund	0
<u>17,428</u>	Balance Carried Forward	<u>37,547</u>

Cremator Reserve

A Repairs Reserve has been established to finance major capital works on the Cremators

A summary of the movements during the year is shown below

Year ended 31 st March 2009 £		Year Ended 31 st March 2010 £
99,870	Balance b/fwd	123,670
20,000	Contribution from Constituent Authorities Account	35,896
3,800	Interest Earned	846
0	Use of Fund	0
<u>123,670</u>	Balance c/fwd	<u>160,412</u>

Revaluation Reserve

The Revaluation Reserve contains revaluation timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Due to the ownership change in assets, the movement during the year is as follows:

Year ended 31 st March 2009 £		Year Ended 31 st March 2010 £
0	Balance b/fwd	61,445
61,445	Revaluations	0
0	Revaluation – Removal of previously re-valued asset	(61,445)
<u>61,445</u>	Balance c/fwd	<u>0</u>

Capital Adjustment Account

The balance on the Capital Adjustment Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Year ended 31 st March 2009 £		Year Ended 31 st March 2010 £
416,257	Balance b/fwd	406,181
23,853	Capital Expenditure financed from reserves	0
(33,929)	Depreciation	0
0	Removal of Assets	(406,181)
<u>406,181</u>	Balance c/fwd	<u>0</u>

7. Notes relating to the Cash Flow Statement

Reconciliation of Net Surplus/Deficit on the Income and Expenditure Account to the Revenue Activities to Net Cash Flow in the Cash Flow Statement.

Year ended 31 st March 2009 £000s		Year Ended 31 st March 2010 £000s
(173,511)	Surplus/(Deficit) from Income and Expenditure Statement	(221,752)
	Non-cash transactions:	
(33,929)	Depreciation and impairment of Fixed Assets	0
	Debtors and Creditors	
6,820	Net movement in revenue debtors and creditors	(9,987)
966	Movement on stocks	(756)
175,073	Movement on provisions and Reserves	166,517
	Items classified in another category in cash flow statement	
0	Interest received	966
<u>(24,581)</u>	Net Cash flow from Revenue Activities	<u>(65,012)</u>

Movement in Cash and Cash Equivalents:

Year ended 31 st March 2009 £000s		Year Ended 31 st March 2010 £000s	
		Balance 31.3.10 £000s	Movement in Year £000
160,376	Cash and Bank Balances	226,354	65,978
<u>160,376</u>	Net Movement	<u>226,354</u>	<u>65,978</u>

Annual Governance Statement

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 31st March 2010 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, 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.

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 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 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 BDO Stoy Hayward 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 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:

- ◆ 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 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 2009/2010
- ◆ Strengthened the budget setting process to support its decision making process. Comprehensive monthly budgetary control systems including 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.

- ◆ 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 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
- ◆ The FOI Act Publication Scheme formally adopted and minuted.

In summary the governance framework and the system of internal control in place at the Mountsett 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

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. Following the production of the External Auditors Issues Arising 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.

Whilst Internal Audit has provided **Substantial** Assurance, the following governance and internal control issues (categorised as medium), have been 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 Durham County Council FMS. Any miscoding is highlighted and corrected via the robust Budgetary Control processes in place.

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 Central Durham Crematorium, the Superintendent Registrar is working with a consultant in Communicable Disease to provide a framework for any action necessary around contaminated body disposals. This will then be incorporated into the Risk Register once completed.

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

SIGNED:

Councillor Owen Temple
Chair to the Joint Committee

Stuart Crowe, CPFA
Corporate Director of Resources and Treasurer to the Joint Committee