Central Durham Crematorium Joint Committee

29 June 2011

Annual Internal Audit Report 2010 / 2011

Report of the Manager of Internal Audit & Risk

Don McLure, Corporate Director Resources

Purpose of the Report

1. The purpose of this report is to present for Member's consideration the Central Durham Crematorium Joint Committee Annual Internal Audit Report for 2010 / 2011 (attached at Appendix 2).

Background

2. The Joint Committee has a responsibility for maintaining sound systems of internal control that support the achievement of its objectives and for reviewing their effectiveness.

3. The Joint Committee has in place a Service Level Agreement (agreed 29 September 2010) with Durham County Council's Internal Audit Service for the provision of Internal Audit Services for the period 01 April 2010 to 31 March 2014.

4. This report fulfils the requirement of the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006) for the Head of Internal Audit to provide, "a written report to those charged with governance (the Joint Committee) timed to support the Statement of Internal Control", which is now incorporated as part of the Joint Committee's Annual Governance Statement (AGS).

5. 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 Joint Committee's control environment during the year, and how this opinion has been derived. This is in compliance with professional guidelines and in accordance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations (Amendment) (England) 2006.

6. The opinion on the control environment and any significant issues arising will be reflected in the Joint Committee's Annual Government Statement (AGS) which will be published as part of the Joint Committee's Annual Statement of Accounts for 2010 / 2011.

7. As part of our work programme for the year we carried out an annual review of the Crematorium during March 2011, in accordance with the terms of reference agreed with the Crematorium Superintendent and Registrar. There were only a number of minor issues arising from the 2010 / 11 and all recommendations made have been agreed by Management. The final report was issued on the 23rd May 2011 and is included in Appendix 2 (Annex 4).

8. There is only one recommendation relating to the 2009 / 2010 audit (which relates to the lack of storage space for cremation records) that is still outstanding and this will be addressed when the new building is complete.

9. The Assurance level for the review has been classed as **Substantial.** This means that the control systems in place are working effectively but Internal Audit have identified some low risk, minor weaknesses which if addressed will further assist the Crematorium Superintendent and Registrar in meeting the Joint Committee's system objectives.

Recommendations

10. It is recommended that the Annual Internal Audit Report and the overall opinion provided on the adequacy and effectiveness of the Joint Committee's control environment for 2010 / 2011 is noted.

11. It is also recommended that the Joint Committee approve the revised Internal Audit Charter, programme of work and level of fees for 2011 / 2012 as set out in the Annexes to the Annual Internal Audit Report.

Background Documents

SLA Report to the Joint Committee
CIPFA Checklists
Internal Audit Charter, Internal Audit Report 2009 / 2010 and 2010 / 2011
Central Crematorium Joint Committee Annual Governance Report, Annual Audit Letter, Value for Money Conclusion

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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 areas outlined in the Service Level Agreement in operation and ensure through our broad programme of work that the Joint Committee has made safe and efficient arrangements for the proper administration of its financial affairs.

Staffing
None

Risk
The Internal Audit programme of work for 2011 / 2012 has been devised using a risk based audit approach which is dependent on an assessment of known risks and the reliability of other assurance sources.

Equality and Diversity
None

Accommodation
None

Crime and Disorder
None

Human Rights
None

Consultation
None

Procurement
None

Disability Discrimination Act
None

Legal Implications
This report is in accordance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations (Amendment) (England) 2006, and fulfils the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006).

APPENDIX 2

CENTRAL DURHAM CREMATORIUM JOINT COMMITTEE INTERNAL AUDIT ANNUAL REPORT

LIST OF CONTENTS

Introduction

1. This report summarises work carried out by Internal Audit during 2010 / 2011 and provides an independent opinion on the assurance on the effectiveness of the Joint Committee's control environment, risk management and corporate governance arrangements.

2. Our primary objective is the provision of reasonable, not absolute, evidence based assurance on the effectiveness of the whole of the Crematorium's risk management, control and governance environment to the Joint Committee in accordance with the Service Level Agreement.

3. All work carried out is in accordance with proper internal control practice for internal audit as described within the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

4. 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.

Service Provided and Audit Methodology

5. Internal Audit is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations.

6. The primary objective of Internal Audit is to provide an independent and objective opinion on the Joint Committee's control environment.

7. The Internal Audit Charter, agreed by the Joint Committee, establishes and defines the role, authority, scope of audit work, organisational independence, resource requirements, and reporting lines of Internal Audit. This was reviewed during the year to reflect changes in the audit process to a more risk based approach and is attached at Annex 1 for Joint Committee approval.

8. This report will describe the work carried out during the year as set out in Schedule 1 of the Service Level Agreement under the following headings:-

    - Management and Assurance
    - Advice
    - Risk Management
    - Corporate Governance
    - Counter Fraud
    - Value for Money Reviews

9. We will also compare the actual number of days spent on internal audit, risk management and Corporate Governance work during 2010 / 2011 with that planned together with an explanation for any variance.

10. A proposed Plan of Internal Audit work for 2011 / 2012 is also included for consideration by the Joint Committee.

Audit Quality Assurance Framework

11. Terms of Reference for each Audit Review are agreed with the Crematorium's Superintendent and Registrar who is also given the opportunity to challenge the findings and content of draft reports prior to them being finalised.

12. The Crematorium's Superintendent and Registrar will review the work of Internal Audit by completing and returning the Internal Audit Satisfaction Survey.

13. The Accounts and Audit (England) Regulation 2003 as amended by the Accounts and Audit Regulations (Amendment) (England) 2006, requires the Joint Committee to carry out an annual review of the effectiveness of Internal Audit. To ensure that this review is carried out independently of the service the Head of Finance, HR and Business Support, has carried out this review. The outcome will be reported to the Joint Committee in a separate report.

14. Independent quality reviews are undertaken by Audit Managers as a matter of routine and periodically by the Head of Internal Audit to ensure consistent application of agreed processes and procedures and to ensure expected quality standards are maintained.

15. The External Auditor, although no longer required to carry out a formal tri-annual review of the effectiveness of internal audit, carries out brief periodic reviews as part of the final accounts audit process.

16. The Durham County Council Internal Audit Service continues to be a member of the CIPFA Audit Benchmarking Club. 2009 / 2010 was the first year comparative unitary data was available. The outcomes, reported to the County Council's Audit Committee in October 2010 indicated that the cost of the service was well below average. Performance, in terms of chargeable days, was also below average. The latter was considered primarily due to the move to unitary status and the need to develop and embed consistent policies and procedures. The need to reduce controllable overheads has been recognised as an area for improvement and is being addressed. Comparative Data for the last 5 years is shown in the table below.

17. Comparative Data

	2005/06	2006/07	2007/08	2008/09	2009/10
DCC In House Cost	£592k	£525k	£571k	£732k	1,330k
FTE Auditors	14.2	13.1	13.5	13.8	30.6
DCC Cost per Auditor	£41,829	£40,076	£42,296	£52,945	£43,464
Average	£49,823	£51,796	£53,250	£55,659	£46,830
DCC Chargeable days per Auditor	170	161	164	158	167
Average	167	168	166	173	171

Comparator Authorities are Bristol, Middlesbrough, North Yorkshire, Sunderland, Cumbria, Lancashire, Northumberland, Newcastle and Wiltshire.

Summary of Audit Work Carried Out

Management and Assurance Work

18. During the past year Internal Audit have continued to provide an independent and impartial service in accordance with best professional practice as outlined by CIPFA's Code of Internal Audit Practice in Local Government in the UK 2006, and other professional bodies as considered relevant.

Internal Audit Charter

19. In accordance with the SLA an Annual Review of the Internal Audit Charter has been carried out, which sets out the Terms of Reference and Audit Strategy of how the Service is to be delivered. The amended Charter includes changes to reflect a more risk based approach to the audit process and is attached at Annex 1.

Strategic Audit Plan

20. The Strategic Audit Plan has been amended in an effort to focus scarce audit resources in the most cost effective way. Strategic Risk Registers inform but do not drive the internal planning process and we will now audit those risks where controls have been identified as the means of managing the risk. Priority will be given to those risks which have a high gross score and a low net score, where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.

Annual Audit Plan 2011 / 2012 Preparatory Work

21. In respect of the Annual Audit Plan for 2011 / 2012 minimum assurance levels 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 on an audit assessment of known risks and the reliability of other assurance sources.

22. 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.

23. We will work with the Crematorium's Superintendent and Registrar to help embed effective risk management of operational risks by supporting them to carry out a control risk self assessment (CRSA) for each audit area subject to review in advance of each assurance audit.

24. We will agree the objectives and risks associated with each key system or service delivery area to be reviewed with the Crematorium's Superintendent and Registrar prior to the start of any audit to ensure that the scope and objectives of each review are focused on providing assurance on the high or significant risks identified through the CRSA. Terms of Reference will be issued to the Crematorium's Superintendent and Registrar to formally agree the scope of each review, in respect of identified key risks, potential impact and expected key controls.

25. As the budget had already been set for the Joint Committee before entering into the Service Level Agreement in 2010 / 2011, it was agreed with the Committee that the cost of audit, risk management and governance work for this year would be recharged in accordance with existing arrangements. From 2011 / 2012 onwards all time will be charged at the daily rate of £250.00 that has already been agreed.

26. To increase accountability in the future, Internal Audit will also record actual time spent for each of the individual areas shown in the proposed plan of work and this will be compared with the expected plan as part of the Annual Report.

27. For information the number of days work carried out in 2010 / 2011 compared to the proposed plan is shown below:-

Area	2010/11 Proposed	2010/11 Actual	Reason for Variance
Internal Audit	22	23	Additional testing to fulfil requirements of Audit Commission
Risk Management	1	1	
Corporate Governance	1	1	

28. In 2011 / 2012 Terms of Reference will confirm the scope of each review and the audit approach to be applied. The latter may vary due to the nature of the risk upon which assurance is required and the extent of reliance on other assurances sources.

29. A summary of expected Audit coverage for 2011 / 2012 is attached at Annex 2 for the Joint Committee's consideration.

Annual Review of the Crematorium

30. Our work programme for the year end 31 March 2011 was agreed by the Joint Committee on the 29 September 2010 and the SLA included an annual review of the Crematorium which was carried out during March 2011 in accordance with the terms of reference agreed with the Crematorium's Superintendent and Registrar. All recommendations have been agreed by Management and the final report was issued on the 23 May 2011 (see Annex 3).

31. There is only one recommendation relating to the 2009 / 2010 audit (which relates to the lack of storage space for cremation records) that is still outstanding and this will be addressed when the new building is complete.

32. There were three medium recommendations arising from the 2010 / 2011 audit together with some minor issues that have already been resolved. A summary of these together with progress on implementation is shown in the table below:

Recommendation	Progress to Date
All orders should be independently authorised. (Segregation of duties)	Implementation of Sage software is imminent. This recommendation has an agreed implementation date of 31st October. This gives the Service adequate time to implement the new system and carry out the required training. Segregation of duties to be incorporated into the system.
Arrangements should be made for the IT system to be backed up on a weekly	The implementation of the SAGE system on DCC Servers will ensure the system

Recommendation	Progress to Date
basis	falls under the ICT Backup arrangements. In the interim period it has been agreed that the IT system will be backed up on a weekly basis with backups being stored offsite.
Recommendation	Progress to date.
Consideration should be given for the development of a Service Asset Management Plan to be compiled.	The redevelopment plan and current works being undertaken at the Crematorium address the areas identified within the existing Masterplan (approved 2000) However, going forward it is suggested that a reviewed Service Asset Management Plan is required.

33. The Assurance level for the review has been classed as **Substantial**. This means that the control systems in place are working effectively but Internal Audit has identified some low risk, minor weaknesses which if addressed will further assist the Crematorium's Superintendent and Registrar in meeting the Joint Committee's system objectives.

Follow Ups

34. Follow ups in implementing agreed audit recommendations have been carried out in accordance with the Audit Charter.

35. The recent report to the Joint Committee in February 2011 on progress against outstanding Internal Audit and External Audit Recommendations is a positive step forward and Internal Audit welcome this improvement in the monitoring process.

Advice

36. Help and advice for the Crematorium's Superintendent and Registrar and his staff has been available / provided on an ad hoc basis during the year.

Risk Management

37. The Risk Register considered and approved by the Joint Committee in September 2010 has been reviewed, reassessed and updated in accordance with the Durham County Council methodology / approach to Risk Management in January 2011. The assessments carried out confirm that risks are being well managed and it can be demonstrated that there is a risk culture embedded within the business.

38. All risk actions have now been completed with the exception of one, Risk 7 "limited space in office area"; however, the accommodation issues have also been addressed in the plans for the forthcoming extension. This Action will remain until the works have been completed.

39. No new emerging risks were identified during the review, however, the possible adverse impact of the Wear Valley Crematorium at Coundon may still materialise, as mentioned in September's report, and this continues to be monitored on a regular basis, to identify any worrying trends as soon as possible.

Embedding Risk Management

40. In order to ensure that risk management continues to be embedded and that the Risk Register is kept up to date, regular reviews will need to continue to be carried out to ensure any new and emerging risks are identified, existing risks are removed if no longer appropriate and existing risks are reviewed taking into account current issues.

Corporate Governance

41. Internal Audit has undertaken work aimed to provide assurance on the effectiveness of key corporate governance policies and procedures, both in a compliance and an advice and consultancy role. The Joint Committee's corporate governance arrangements have also been reviewed using a pre determined check list incorporating the 6 principle areas considered for effective governance (see Annex 4).

42. The Central Durham Crematorium Joint Committee has adopted and operates under the Code of Corporate Governance, policies and strategies including Contract Procedure Rules, Financial Procedure Rules, Financial Regulations, developed agreed and adopted by Durham County Council, its lead Authority. Separate declarations of interest have also been submitted.

43. The Governance Framework comprises the systems, processes, culture and values by which the Central Durham 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.

44. I can conclude that from the work carried out the Central Durham Crematorium Joint Committee has appropriate Corporate Governance arrangements in place and that they are working effectively.

Counter Fraud

45. A number of counter fraud measures have been introduced by Durham County Council's Internal Audit service during the year to raise awareness. This has included the printing of leaflets for distribution at customer service points and other public places, specific targeted literature to Heads of Service and Line Managers, and updating of the Council's Intranet and Website.

Value for Money

46. There has been no formal value for money work carried out in 2010 / 2011 on behalf of the Central Durham Crematorium Joint Committee.

Key Areas for Opinion

47. The key areas of the control environment where assurance is required to inform our overall opinion are:

    - Financial Management
    - Risk Management
    - Corporate Governance

48. Assurance has been provided on all aspects of the Crematorium's Financial Management arrangements during the year.

49. Independent assurance on the effectiveness of the Crematorium's risk management arrangements has been provided by Durham County Council's risk management service. The review concluded that overall risk management arrangements are robust and effective, work well and are of benefit to the Managers that use it.

50. Internal Audit have reviewed the overall risk management processes in place and found these to be working effectively.

51. A full description of the Governance Framework currently in place is contained within the Committee's Annual Governance Statement appended to the 2010 / 2011 Statement of Accounts. There were three significant governance issues reported for the year ending 31 March 2010.

    - Recording of Transactions – Not yet implemented. A new standalone system has been procured for the Crematorium which is in the process of being installed. It is anticipated that this will be up and running shortly. Once testing of the system has occurred and adequate training provided for staff it is anticipated that full implementation will occur by the 1 October 2011.

    - Stock Control – Fully implemented. Stock records have now been set up and records for emergency stock established. This system has been adequately maintained during 2010 / 2011.

    - Written Agreement for Treasury Management Arrangements - Fully implemented. A written agreement for the year ended 31 March 2011 was presented for consideration at the Joint Committee meeting on the 29 September 2010. The agreement has been signed by the Head of Finance – Resources and the Chair to the Joint Committee in November 2010.

52. The Audit Commission issued an unqualified opinion on the 2009 / 2010 Accounts stating that the Joint Committee had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. A

certificate of completion in accordance with the requirements of the Audit Commission Act 1998 and the Audit Commission Code of Practice was issued.

53. The audit did not highlight any material weaknesses in internal control, a number of minor inefficiencies were identified in relation to the maintenance of the Joint Committees accounting systems, books and records.

54. A review of the recommendations made in order to strengthen internal control arrangements was presented to the Joint Committee in January 2011, where it was recommended that Members note the progress made with regards to addressing the External Audit recommendations arising from the Annual Governance report and Annual Audit letter for 2009 / 2010.

55. A further update is shown in the table below:

Recommendation	Progress
Alternative to the current system of maintaining books and records.	Implementation of the new Sage software is imminent
Written agreement for Treasury Management arrangements	Fully implemented
Formal agreement of the account balance between DCC and the CDCJC	Not necessary – however, a year end reconciliation to be presented to the Joint Committee as part of the 2010 / 2011 final outturn report. This will provide assurance to the CDCJC and External auditor of the transactions carried out between the two bodies.
Adoption of Lead Authority Member Code of Conduct	Fully implemented
Declarations of Interest	Fully implemented
IFRS financial reporting	2009 / 2010 accounts to be restated. To be incorporated into 2010 / 2011 accounts. A report has been submitted to CDCJC on progress

56. There are no significant issues arising from the work carried out in 2010 / 2011 that warrants inclusion in the 2010 / 2011 Annual Governance Statement.

57. Independent assurance is also provided on the effectiveness of the Council's Corporate Governance arrangements through a number of external sources / inspection bodies. A summary of these is provided in the following table:

Other Assurance Sources
External Audit's Annual Audit Letter and Annual Governance Report – unqualified accounts VFM opinion – there are adequate arrangements in place to secure value for money.
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 set out during the year.
The Ministry of Justice can inspect Crematorium premises at any time, although this is normally carried out by the Regulator on their behalf
IIP Standard Retained

Audit Opinion Statement

58. The Joint Committee has responsibility for maintaining a sound system of internal control that supports the achieving of its objectives.

59. Internal Audit is required to provide an opinion on the Joint Committee's risk management, control and governance process.

60. 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.

61. 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

- 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 other sources of assurance

62. We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Joint Committee's system of internal control. Based on the work undertaken, we are able to provide a substantial overall assurance opinion on the adequacy and effectiveness of internal control operating across the operations of the Central Durham Crematorium in 2010 / 2011. This means that overall the control systems in place are working effectively. Some low risk, minor weaknesses have been identified which if addressed will further assist the Crematorium Superintendent and Registrar in meeting the Joint Committee's system objectives.

63. Where Internal Audit has identified areas for improvement, recommendations were made to minimise the level of risk, and action plans for their implementation were drawn up and agreed by management.

ANNEX 2

CENTRAL DURHAM CREMATORIUM JOINT COMMITTEE INTERNAL AUDIT CHARTER

MAY 2011

CONTENTS

Introduction

1. This Charter forms part of Durham County Council's corporate Audit Strategy and is designed to establish the terms of reference for Durham County Council's Internal Audit Service and outline how that service will be delivered in relation to the Crematorium.

Statutory Basis

2. Durham County Council is responsible for maintaining an adequate and effective Internal Audit function under the Accounts and Audit Regulations 2006. The guidance accompanying this legislation states that proper internal control practices for Internal Audit are those contained within CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
3. Our statutory responsibility and rights of access are included in Durham County Council's Financial Regulations, Financial Standards and Financial Procedure notes which are part of the Council's Constitution and which have been adopted by the Crematorium Committee.

Definition

4. The CIPFA Code of Practice for Internal Audit 2006 defines Internal Audit as:

5. "An assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance **by evaluating their effectiveness in achieving the organisations objectives.** It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources".

Strategic Aims

6. Our overall strategy is to support the Crematorium Committee in its strategic aims and objectives through the provision of a high quality internal audit service that gives the Committee reasonable assurance on the effectiveness of the Crematorium's internal control environment and acts as an agent for change by making recommendations for continual improvement. The Internal Audit Service aims to be flexible, pragmatic and to work in collaboration with the Committee to suit organisational needs. Through a risk based approach to audit planning, the Internal Audit Service will make a positive contribution to corporate governance arrangements and assist the Committee in developing a framework for achieving its objectives within acceptable levels of risk.

Objectives of Internal Audit

7. Our primary objective is the provision of reasonable, not absolute, evidence based assurance on the effectiveness of the whole of the Crematorium's risk management, control and governance environment to the Crematorium Committee.

8. The provision of our annual assurance opinion will be in compliance with professional guidelines and in accordance with the Accounts and Audit regulations 2003 as amended by the Accounts and Audit Regulations (Amendment) (England) 2006 and will be included in the Crematorium Committee's Annual Governance Statement which forms part of their published Annual Statement of Accounts.

9. To determine the audit opinion the internal audit service will review, appraise and report upon:

    - 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 Crematorium's corporate governance framework
    - The extent of compliance with relevant legislation
    - The extent to which the Crematorium'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 Crematorium's day to day operations.

10. When presenting the annual audit opinion the Head of Internal Audit will:

    - Disclose any qualification to that opinion, together with the reasons for that qualification
    - Present a summary of the audit work undertaken from which the opinion is derived, including reliance placed on the work of others
    - Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement
    - Compare the work actually undertaken to the work that was planned and summarise the performance of the internal audit service
    - Comment on compliance with the CIPFA Code of Practice for internal audit

11. Other objectives include:

    - Supporting the Treasurer of the Crematorium in discharging his/her duties for ensuring the proper administration of the Crematorium Committee's financial affairs

- Supporting the Committee to deliver good governance by helping to improve the Committee's risk management, control and governance processes by providing the Crematorium Committee with timely advice and guidance as required.
- Supporting the Crematorium Committee in fulfilling their governance responsibilities as detailed in the Committee's terms of reference set out in its Constitution.
- Supporting Officers and Members in identifying and understanding exposure to risk and providing advice on control design, techniques and strategies.
- Working with other assurance and review bodies to ascertain the extent to which reliance can be placed on the work of other auditors and inspectorates to maximise assurance and the effectiveness of audit resources available.
- Helping to promote a strong counter fraud culture through the adoption of Durham County Council's Counter fraud and Corruption Strategy and Anti-Money Laundering policy.
- Providing quality services through the highest standards of professional practice, quality assurance systems and investment in staff.

Outcomes of Internal Audit

12. Our main outcome is the provision of independent assurance to the Central Durham Crematorium Joint Committee on the effectiveness or otherwise of its risk management, control and governance arrangements and in so doing we contribute to:

- Improved identification and management of risks contributing to improved performance management and the successful achievement of the Central Durham Crematorium Joint Committee's vision and priorities.
- Improved corporate governance through helping to support compliance with relevant legislation, policies, plans and procedures.
- Improved accountability, and the safeguarding Central Durham Crematorium Joint Committee's assets and interests.
- Improved quality and reliability of financial and other management information used to support informed decisions

Independence of Internal Audit

13. To be effective Internal Audit must operate independently and have unrestricted access to all records deemed necessary in the course of our work.

14. As the Central Durham Crematorium Joint Committee has adopted Durham County Council's Financial Regulations, Financial Management Standards and Financial Procedure Rules this allows Internal Audit a right of access to all information relevant to the Crematorium's functions and services which is necessary to meet our responsibilities. Specifically this includes a right to:

- Access all assets, property, staff, records, documents, information (including computer files) correspondence and control systems.

- Receive any information and explanation considered necessary concerning any matter under consideration for the effective performance of the audit subject to legal constraints. Although prior notice of requests for access will be given in most instances, there may be occasions when this is not possible or appropriate and the absence of prior notice does not invalidate or limit the right of access.

- Require any employee of the Committee to account for cash, stores or any other Committee asset under his/her control. (This includes Crematorium information held by or managed by third parties on the Committee's behalf.)

- Direct access to the Central Durham Crematorium Joint Committee.

15. The Head of Internal Audit can report directly to those charged with governance, Officers or Members, at any level.
16. Our independence is achieved by reporting in our own name, ensuring that all Internal Auditors are free from any conflicts of interest and being free from direct management responsibility for the development, implementation or operations of systems.

Scope of Audit Work

17. Our role applies to all functions and services for which the Committee is responsible.
18. In addition to the regular review of all key systems of internal control which forms the bulk of our assurance work, we will:

- Respond to requests for support, advice and guidance on implementing and/or improving best practice control procedures for current and new systems.

- Promote the development and effective implementation of Control Risk Self Assessments

- Provide support, advice and guidance on risk and controls to staff involved in the design and implementation of new systems and processes.
- Provide assistance on key projects, including attendance on project boards, and conduct specialist consultancy and value for money reviews. The scope of this work will be agreed with the Committee and is subject to having the necessary resources, skills and ensuring suitable assurance over our independence and objectivity.
- Be alert in all our work to risks and exposure that could allow fraud or corruption to occur and to any indications that a fraudulent or corrupt practice may have been occurring.
- Determine the most appropriate course of action by which fraud and irregularities should be investigated.
- Review the effectiveness of the Committee's, corporate governance and risk management arrangements.

19. It must be noted that whilst Internal Audit will promote Durham County Council's counter fraud policy (which has been adopted by the Committee) to deter and prevent fraud, for example participating in the National Fraud Initiative, it does not have responsibility for the prevention and detection of fraud and corruption. We cannot guarantee that fraud or corruption will be detected in our work. Managing the risk of fraud and corruption is the responsibility of managers.

Strategic Audit Planning

20. The level of Internal Audit resources required to examine all of the Crematorium's activities will be agreed on an annual basis but must ensure that sufficient work is undertaken each year to draw reasonable conclusion and assurance on the effectiveness of the Crematorium's risk management, control and governance arrangements.

21. Our strategic planning process aims to provide a reasonable level of independent review of the Crematorium's risk management, control and governance systems in a way which affords suitable priority to the Committee's objectives and risks.

22. The starting point for our strategic planning is understanding the Committee's strategic aims and objectives, its corporate governance arrangements and the assurance framework in place by which those charged with governance gain confidence that any risks which may impact on the achievement of those aims and objectives are effectively identified, assessed and managed.

23. In consultation with the Crematorium's Superintendent and Registrar we will:

- Consider the Crematorium's risk across two categories:

    a. **Strategic Risks** - these are the high level risks that may arise both internally and externally from the Council and should be included in Corporate and Service Strategic Risk Registers

    b. **Operational Risks** - these are the risks that arise directly from the core activities of delivering services that may not always be documented.

- Identify key service delivery activities, and their objectives in supporting the delivery of the Committee's strategic aims and objectives, on which independent assurance is required.

- Review the assurance arrangements in place to clearly map out an integrated assurance framework of all known sources of assurance, independent or otherwise, and identify any gaps and duplication

- Assess the reliability of other assurance sources

- Regularly risk assesses each key service activity, and key systems that supports the delivery of service objectives, to determine our priorities for reviewing operational risks.

24. Strategic Risk Registers will inform but not drive the internal planning process and we will audit those risks where controls have been identified as the means of managing the risk. Priority will be given to those risks which have a high gross score and a low net score, where the effective management of the risk is heavily dependent on the identified controls, and there is little or no other source of assurance.

25. Assurance on the strategic risk of fraud and corruption will be provided each year with some specific targeted fraud prevention and detection reviews as part of a risk assessed counter fraud programme of work.

26. Operational risks relating to key service activities and key systems will be audited annually dependent on an audit assessment of known risks and the reliability of other assurance sources.

Annual Audit Plans

27. The Crematorium's systems and processes both financial and non financial (including such sub systems and support services that the Crematorium relies upon on a day to day basis) will be reviewed annually to provide a reasonable level of assurance on both strategic and operational risks and to enable an annual opinion on the entire control environment to be given. In areas which

are cross cutting (such as salaries and wages, creditors and debtors) assurance can be two fold overall assurance on these main financial systems can be provided by the actual audit review work carried out directly, however, where full assurance cannot be obtained this will be supplemented by testing specific transactions relating to those areas which directly impact on the Crematorium's operations.

28. The preparation of the annual plan will also consider any strategic objectives of the service in relation to delivering any commitments under Service Level Agreements or undertaking certain reviews at particular frequencies to fulfil statutory requirements. Agreement to annual audit plans will be submitted for approval by the Committee before the start of each audit year.

29. In addition to our risk based assurance reviews, our annual audit plans will also include provision for our advice and consultancy role. This provision covers time set aside for reactive and proactive work and value added work and includes:

- Proactive, responsive and innovative solutions to problems and opportunities to help the Committee achieve its business objectives.

- Timely response to ad hoc requests for advice on the identification, assessment and mitigation of risks through effective controls.

- Timely response to ad hoc requests for advice on the impact of proposed policy initiatives, programmes and projects as well as responses to emerging risks

- Planned involvement in new initiatives or working groups established to help identify and access risk and design suitable controls.

- Undertaking VFM reviews in accordance with the Committee's VFM strategy.

- Investigation of irregularities and suspected fraud and corruption

30. The level of audit resources required to deliver, at the very least, both a minimum level of independent assurance and adequate provision for advice and consultancy will be considered by the Head of Internal Audit. Minimum assurance levels will be informed by the maturity of the Crematorium's risk management arrangements and its risk appetite and the reliance that can be placed on other assurance sources. Any concerns the Head of Internal has over the quantity and quality of skills available to deliver the required level of assurance, or to add value through its advice and consultancy work, will be referred to the Treasurer, and the Central Durham Crematorium Joint Committee for consideration.

31. The terms of reference for the annual review of the Crematorium will be agreed with the Crematorium Superintendent.

Audit Approach

32. We will adopt a risk based approach to all our assurance work as outlined below:

Strategic Risk

Our reviews of strategic risks will provide assurance that:

- Risk management processes, defined by the Committee's risk management strategy and policy, are in place and are operating as intended.

- Managers are responding to risks adequately and effectively so that those risks are reduced to an acceptable level.

- The processes and controls that managers have in place are successful in managing those risks

Operational Risk

33. Our reviews of key service delivery activities and key systems will provide assurance on the effectiveness of

- Compliance with corporate governance arrangements

- Risk identification, assessment and business continuity

- The control environment to manage identified risks and to ensure that the Committee'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, including.

- Information governance (quality and integrity of financial and other management information and how it is used and communicated)

34. 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.

35. We will work with service managers to help embed effective risk management of operational risks by supporting them to carry out a control risk self assessment (CRSA) for each audit area subject to review in advance of each assurance audit.

36. We will agree the objectives and risks associated with each key system or service delivery area to be reviewed with the relevant service manager/key contact prior to the start of any audit to ensure that the scope and objectives of each review are focused on providing assurance on the high or significant risks identified through the CRSA. Terms of reference will be issued to key contacts to formally agree the scope of each review, identified keys risks, potential impact and expected key controls.

37. The key contact is the person who is authorised by the head of service to agree resultant draft reports and the implementation of any proposed audit recommendations.

38. Terms of reference will confirm the scope of each review and the audit approach to be applied. The latter may vary due to the nature of the risk upon which assurance is required and the extent of reliance on other assurances sources.

Audit Reporting

39. All audit assignments will be the subject of formal reports and all assurance reviews will include an audit opinion.

40. Our reporting structure is designed to ensure that final versions of reports are agreed with managers and are both accurate and practical.

41. Towards the end of an audit we will arrange an exit meeting with the key contact where we will share and discuss our initial findings. If this is not practical, we will issue an informal draft report to the key contact which will set out our initial findings.

42. The purpose of the exit meeting/informal draft stage is to give feedback and to eliminate any inaccuracies in our findings so that these can be resolved before a formal draft report is issued.

43. Draft reports will ask the key contact to provide a management response to the recommendations made and agree target implementation dates and responsible officer.

44. To assist managers in their response we categorise our recommendations as follows:

High	Action that is considered imperative to ensure that the control system is not exposed to high risk from weaknesses in critical or key controls
Medium	Action required to ensure that the control system is not exposed to significant risk
Low	Action that is considered desirable to address minor weaknesses in control that should result in enhanced control or better value for money

45. It is the responsibility of managers to accept and implement internal audit findings and recommendations, or accept the risk resulting from not taking action.

46. We will also provide an overall assurance opinion on each audit review to help us inform our overall opinion required to support the Committee's Annual Governance Statement. We categorise our opinions as:

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

47. The determination of our audit assurance opinion is derived from the overall level of assurance, positive as well as negative, of the effectiveness of controls operating in each specific area reviewed and is informed by risk identified through our recommendation rankings e.g. any area reviewed where a high risk ranking recommendation is made will lead to an audit assurance opinion of no more than Moderate. Where a Limited assurance opinion is given controls are considered to be ineffective overall and require improvement to maintain an acceptable level of control.

48. Managers responses to recommendations made in draft reports will be incorporated and reissued as finals. Copies of all final reports are shared with our External Auditors on request.

49. Wherever possible the circulation of audit reports will be agreed at the outset and will have due regard to confidentiality and legal requirements. Any information gained in the course of audit work remains confidential without limiting or preventing internal audit from meeting its reporting responsibilities.

50. It is the responsibility of the Crematorium's Superintendent and Registrar to assist in the progressing of draft reports to final report stage; any significant delay will be reported to the Head of Finance, HR and Business Support.

51. To ensure that adequate progress is made by the Crematorium's Superintendent and Registrar we request that a response to draft reports is provided within 20 working days. If a response has not been received within this timescale the following escalation process will be invoked.

ii. A reminder will be sent to the Crematorium's Superintendent and Registrar, and copied to the Head of Finance, HR and Business Support, requesting a response within the next 10 days.

iii. If a response is still not forthcoming, a second reminder will be issued to the Head of Finance, HR and Business Support, advising that if a response is not received within the next 5 days the matter will be reported to the relevant Corporate Director.

52. We will also follow up progress made by the Crematorium's Superintendent and Registrar on the implementation of all high and medium recommendations. In addition listings of all recommendations outstanding at the end of each month will be produced and issued to the Head of Finance, HR and Business Support.

53. We will report annually to the Central Durham Crematorium Joint Committee on progress made on delivering the agreed Service Level Agreement, overdue responses to draft reports, and progress made by the Crematorium Superintendent in implementing audit recommendations. We will also:-

1. Compare actual activity with planned work.

2. Provide an overall opinion on the control environment

3. A summary of work undertaken to formulate the annual opinion on the entire control environment, including reliance placed on work by other assurance bodies.

4. Draw attention to any issues considered particularly relevant to the preparation of the Annual Governance Statement.

Responsibilities of Managers

54. Internal Audit is involved in a wide range of internal and external relationships. The quality of these relationships impacts on the effective delivery of the service, its reputation and independence.

55. We strive to build effective working relationships with all our stakeholders, internal and external, by encouraging an environment of mutual trust, confidence and understanding.

56. A key relationship is with managers. Managers at all levels need complete confidence in the integrity, independence and capability of internal audit.

57. Managers' role is to manage the risks facing their service and to maintain an adequate and effective system of internal control to mitigate these risks. Managers are also responsible for ensuring that staff are aware of the processes and procedures required to operate the control systems in place.

58. We encourage managers to maximise the effectiveness of the outcome of internal audit work by:

- Commenting on, and inputting to, strategic and annual audit plans.
- Carrying out control risk self assessments (CRSA) prior to each audit.
- Agreeing terms of reference for each audit assignment to ensure attention is focused on areas of greatest risk or concern.
- Giving information and explanations that are sought during audit reviews.
- Providing access at all reasonable times to premises, personnel, documents and assets as necessary.
- Giving early notification of plans for change, including potential new initiatives, operational systems and processes.
- Ensuring key contacts provide responses to draft audit reports within the required timescales.
- Ensuring agreed actions arising from audit recommendations are carried out efficiently and on a timely basis.
- Notify internal audit of any suspected fraud, irregularity, improper use or misappropriation of the Committee's property or resources.
- Pending investigations and reporting, take all responsible steps to prevent further loss and to secure records and documents against removal or alteration.
- Acting in line with the Committee's disciplinary procedures.

Audit Resources, Skills and Service Quality

59. In order for Internal Audit to demonstrate high standards of professional conduct, the Internal Auditor must be impartial in discharging all responsibilities. Bias, prejudice or undue influence must not be allowed to limit or override objectivity.

60. The service operates in accordance with standards of best professional practice applicable to internal audit as identified through the Institute of Internal Auditors (IIA) and International Auditing Standards, but with particular reference to the CIPFA Code of Practice for Internal Audit in Local Government, as CIPFA is recognised as the key professional body for providing advice and guidance to Internal Audit in the public sector. This Code is identified as representing 'proper practices in relation to internal audit' and governs the way in which we operate. Policies and standard working practices have been put in place to ensure audit staff understand and comply with the Code and best professional practice.

61. In addition, the Council recognises and formally adopts the CIPFA Statement of Professional Practice on Ethics, as appropriate standards by which the conduct of the Internal Audit Service can be measured.

62. The service is provided by Durham County Council's in house internal audit team. The staffing structure will, as far as possible, be comprised of a suitable mix of qualifications, experience and skills.

63. The Head of Internal Audit ensures internal audit resources are sufficient to meet its responsibilities and achieve its objectives. Resource requirements are reviewed annually in relation to draft annual audit plans. Resources will be considered in terms of available days and the skills and experience of audit staff.

64. Individual training needs are identified in accordance with the Council's Performance Appraisal Scheme. As well as basic training in audit techniques and the development of specialist skills, the service is committed to coaching and mentoring its staff and to providing opportunities for continuous professional development (CPD).

65. Internal review of work standards is undertaken through a system of management review of working papers and reports prior to release.

66. Internal Audit maintains its awareness of national and local issues through membership and subscription to professional bodies such as CIPFA's Technical Information Service, "TIS online", the Finance Advisory Network (FAN) and the Institute of Internal Auditors as well as liaison with external audit and networking with other internal audit services.

67. A number of performance indicators and targets have been developed to measure and monitor the performance and effectiveness of the service.

68. The service is a member of the CIPFA IPF Audit Benchmarking Club.

69. Performance progress reports are submitted on a quarterly basis to the Audit Committee.

70. An annual review of the effectiveness of the system of internal audit is undertaken to fulfil the requirements of the Accounts and Audit Regulations 2006. The 'system of internal audit' is defined as,

    "The framework of assurance available to satisfy a local authority that the risks to its objectives, and the risks inherent in undertaking its work, have been properly identified and are being managed by controls that are adequately designed and effective in operation."

71. This annual review includes an independent assessment of the effectiveness of the internal audit service against the CIPFA Code. This is reviewed by the Treasurer to the Committee and is reported to the Crematorium Sub Committee for consideration.

72. External review of the quality of the service is undertaken by external audit.

Approval and Review

73. The Head of Internal Audit will annually review this Charter to ensure that it is kept up to date and fit for purpose. The Charter is endorsed by the Corporate Management Team and approved by the Central Durham Crematorium Joint Committee. Any amendments will be reported to the Central Durham Crematorium Joint Committee for approval. A copy of the Charter will be made available on the Council's Intranet and Website.

Key Contact

Head of Internal Audit	Avril Wallage, Manager of Internal Audit & Risk
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Fax:	0191 3835779
Email:	avril.wallage@durham.gov.uk
Address	Internal Audit and Risk Division Resources Directorate Durham County Council County Hall Durham DH1 5UE

Other Related Documents

Other related documents that should be read in conjunction with this Charter are:-

Durham County Council's

Code of Corporate Governance

Risk Management Strategy

Constitution – Financial Procedure Rules

Constitution – Codes of Conduct

Counter Fraud and Corruption Strategy

Confidential Reporting Code (Whistle Blowing Policy)

Fraud Response Plan

Central Durham Crematorium's

Constitution

Committee Terms of Reference

ANNEX 2

Summary of Expected Audit Coverage for 2011 / 2012

AREA	Proposed Days	
Management and Assurance	**2010/11**	**2011/12**
Preparation of Internal Audit Plan (including risk assessment of audit needs, planning for reviews)	3	1
Production of Annual report and opinion	2	3
Attendance at ad hoc meetings	1	1
Liaison with staff and follow up of recommendations	1	1
Fundamental Accounting Systems		
Audit testing in relation to sub systems including Payroll, Personnel, Expenditure/Purchasing, Accounts Payable, Accounts receivable	2	3
Crematorium Review		
Establishment audit to include Petty cash, Budgetary control, financial reporting, income, debt collection, bank reconciliation, Asset management, stock control, risk management and governance arrangements	7	7
Advice and Assistance	2	1
Redevelopment of Crematorium	2	1
Contingency	2	2
Total	22	20
Optional Additional Services		
Risk Management Support	1	1
Corporate Governance Support	1	1
Total for all Services	**24**	**22**

ANNEX 3

INTERNAL AUDIT REPORT

Durham Crematorium

Assurance level:	**Substantial Assurance**
Report status:	**Final**
Date:	**23 May 2011**
Prepared by:	**Tracy Henderson (Principal Auditor)**
Reviewed by:	**Peter Jackson (Audit Manager)**
Issued to:	**Terry Collins (Director of Neighbourhood Services)** **Alan Jose (Superintendent and Registrar)** **Paul Darby (Head of Finance, HR and Business Support)**
Copied to:	**Ian Hoult (Street Scene Area Manager North)** **Avril Wallage (Manager of Internal Audit and Risk)** **Teresa Maddison (Risk Officer)**

CONFIDENTIAL

INTRODUCTION

1. In accordance with the County Council's Annual Internal Audit Plan, we have carried out a review of Durham Crematorium. The review involved visits to Durham Crematorium between 14th March 2011 and 23rd March 2011.

2. In carrying out the audit, the time and assistance afforded by Alan Jose and his staff was greatly appreciated.

OBJECTIVES

3. The overall objective of our reviews is to provide a risk based assessment of the systems in place in order to form an opinion as to whether they are robust and provide an adequate basis for effective control. The detailed objectives for this audit, as specified in the terms of reference, were to ensure that the following areas were operated in accordance with Financial Procedures/good practice;

    - Income charged agrees with set rates, is collected and banked promptly and is correctly allocated
    - Expenditure complies with Durham County Council regulations
    - Budgetary control procedures are in place
    - All national policies are adhered to and all policies/service plans required for the operation of the Crematorium have been compiled and are followed
    - All legal requirements have been adhered to, including the Cremation Regulations 2008
    - All equipment is serviced and maintained in accordance with manufacturer's guidelines
    - Set contingency plans are in place
    - All information is held securely and in line with data retention requirements
    - There are effective risk management and governance arrangements in place
    - Payroll arrangements are adequate

SCOPE

4. The review undertaken by Internal Audit forms part of the overall assurance process now required by the Chief Executive and the Leader for inclusion within the Annual Governance Statement which is included as part of the Authority's Statement of Accounts.

5. The report is intended to present to management the observations and conclusions of the audit. Wherever possible the observations and recommendations have been discussed with members of staff and their views taken into account.

EXECUTIVE SUMMARY

6. Overall, internal controls at the Crematorium are embedded and risks are managed effectively. All income could be identified and reconciled and there was a clear audit trail in place. All income has been securely held and bankings have been regularly carried out. The budgetary control processes are in place and are working effectively. Policies, procedures and regulations are generally adhered to by the staff. Corporate Governance arrangements have been examined and are also considered to be adequate.

7. At the time of the audit review the following issues were raised:-

   Sage System
   Officers were reminded of the need to consider appropriate segregation of duties during the development and implementation of the SAGE system.

   Service Improvement Plan
   It was acknowledged that significant investment was being made at the Crematorium with regards to the improvements to car parking and access, plus the extension to accommodate the new Cremators, in full compliance with the Mercury Abatement regulations and in line with a Master Plan approved by the Committee in 2000. However, a revised and updated Service Asset Management Plan should now be prepared setting out the vision and investment requirements over the medium to longer term.

   IT Back Ups
   Current IT back up arrangements is inadequate and needs to be improved.

   Other Issues
   There were a number of additional minor issues identified which have been communicated to Crematorium staff and which have been included in the action plan as low risk.

OBSERVATIONS, RISKS AND RECOMMENDATIONS

8. Our observations together with the associated risks are detailed in the action plan accompanying this report. For each area where an observation is made, a recommendation and priority for action is attached.

9. We have categorised the importance of our recommendations as follows:

   - High – Action that is considered imperative to ensure that the control system is not exposed to high risk from weaknesses in critical or key controls

   - Medium – Action required to ensure that the control system is not exposed to significant risk

- Low – Action that is considered desirable to address minor weaknesses in control that should result in enhanced control or better value for money

10. Our review has highlighted 3 medium priority issues considered significant enough for inclusion within this report. A further 3 issues have been identified as low priority and are shown in the report to indicate where overall control could be improved.

AUDIT ASSURANCE LEVEL

11. Based upon the number and potential impact of the observations made, we can provide Substantial Assurance. This level of assurance is one of five possible levels which are shown in the table below.

Level of Assurance	Definition
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
Substantial Assurance	Whilst there is a sound system of control, there are some minor weaknesses, which may put some of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some significant / serious weaknesses, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key areas in the system of control, which put the system objectives at high risk.
No Assurance	Control is generally weak as controls in numerous key areas are ineffective leaving the system open to high risk of error or abuse

ACTION PLAN FOR IMPLEMENTATION – Durham Crematorium

Action Ref	Observation	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
1	All orders are raised and authorised by the Superintendent Registrar. It was acknowledged that orders are currently raised in a manual format however this process is due to be revised when SAGE is introduced from April 2011.	Orders may not be properly authorised	Medium	All orders should be independently authorised and this issue needs to be addressed during the development of Sage.	As an interim measure Orders will be raised manually by the Admin Officer and authorised by the Superintendent and Registrar. The Sage system allows users to be set up as designated requisitioners or authorisers which will remove the risk completely	Principal Accountant End October 2011
2	The audit testing carried out found that 25% of the collection form for ashes do not always include the name of the person collecting the ashes as well as the date of collection by the relevant Funeral Director.	Incomplete records	Low	Collection forms for ashes must be fully complete.	Agreed that all forms will be signed and dated in the future	Superintendent and Registrar Immediate
3	The Superintendent Registrar confirmed that good progress has been made over the last ten years in identifying and addressing areas of development which have been identified within the Master Plan for Durham Crem which was approved by the Joint Committee in 2000. However, it is recognised that no recent discussions have taken place to consider developing an	Opportunities for improvement not identified	Low	Consideration should be given for the development of a Service Asset Management Plan to be compiled.	The redevelopment plan and current works being undertaken at the Crematorium address the areas identified within the Masterplan (approved 2000) Going forward a Service Asset Mgt Plan is required	Superintendent and Registrar End of 2012/13 Financial Year

Action Ref	Observation	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
	improvement plan for the Crematorium for the future					
4	It is current practice for the IT System to be backed up every 2/3 months and the backup discs are retained off site. Both the main IT Server and the hardcopy Cremation financial records are located within the Registrar's Office. Although the building is alarmed there is no smoke alarm fitted within the Registrar's Office. In the event of a fire or break in there is the risk that both the electronic and manual records may be lost and the only back up arrangements would be via the offsite back up discs which are retained off site (which may be relatively out of date)	Loss of records	Medium	Arrangements should be made for the IT system to be back up on a weekly basis	The implementation of the SAGE system on DCC Servers will ensure the system falls under the ICT Backup arrangements. In the interim period it has been agreed that the IT system will be backed up on a weekly basis.	Superintendent and Registrar Immediate
5	Refer to above	Loss of records	Low	Consideration should be given for a smoke alarm to be installed within the Registrar's Office	The Crematorium redevelopment works have included a fire rated storage room which will include heat/ smoke detectors It has been agreed that a smoke alarm will be installed within the Registrar's Office as an interim measure until the redevelopment works	Superintendent and Registrar Immediate

Action Ref	Observation	Associated Risk	Priority	Recommendation	Management Comment	Responsibility Timescale
					and complete to manage the risk Until the redevelopment work is complete.	
6	The audit identified that the Medical fees which were paid to individual doctors for the period 1st October 2010 to 31st Dec 2010 were incorrect which is a direct result of errors been made when the number of sessions have been manually calculated. Discussions held with the Superintendent Registrar revealed that although the BACUS system is able to produce a report on Medical Fees which are due for payment this facility is not used	Incorrect / inaccurate payments made Inefficient use of staff time	Low	Consideration should be given for the BACUS system to be used in future to determine the Medical Fees which are due for payment.	The BACUS system is now being used	Superintendent and Registrar Immediate

Central Durham Crematorium's Compliance with a Standard Local Governance Code Requirements Annex 4

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 1 Focusing on the purpose of the Organisation and on outcomes for the community and creating and implementing a vision for the local area	**Exercising strategic leadership by developing and clearly communicating the Organisation's purpose and vision and it's intended outcome for citizens and service users**	**1.1**	Develop and promote the organisations purpose and vision	Corporate Plan	Y
				Service Delivery Plan	Y
				Service Improvement Plans	Y
		1.2	Review on a regular basis the Organisations vision for the local area and its impact on the Organisation's governance arrangements	Corporate Plan	Y
		1.3	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	Strategic Partnering Agreement	Y
		1.4	Publish an annual report on a timely basis to communicate the Organisation's activities and achievements, its financial position and performance	Annual Report and Financial Statement	Y
	Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	**1.5**	Decide how the quality of services for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	Corporate Plan	Y
				Performance management framework	Y
				Service Improvement Plans	Y
		1.6	Put in place effective arrangements to identify and deal with failure in service delivery	Complaints Procedure	Y
				Performance management framework	Y
	Ensuring that the Organisation makes best use of resources and that tax payers and service users receive excellent value for money	**1.7**	Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review VFM and performance effectively. Measure the environmental impact of policies, plans and decisions	Value for Money Strategy	DCC
				VFM Reviews	Y
				Benchmarking	Y
				Medium Term Financial Strategy	Y

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles	**Ensuring effective leadership throughout the Organisation and being clear about executive and non-executive functions and the roles and responsibilities of the scrutiny function**	**2.1**	Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach to putting this into practice.	Constitution	DCC
		2.2	Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers.	Terms of Reference	Y
				Members Code of Conduct	DCC
				Officers Codes of Conduct	DCC
		2.3	Determine a scheme of delegation and reserve powers within the constitution including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required	Scheme of Delegation	DCC
		2.4	Make a Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management	Constitution	DCC
				Committee Terms of Reference	Y
				Scheme of Delegation	DCC
		2.5	Develop protocols to ensure that the leader and chief executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	Regular Meetings between members and relevant DCC staff	Y
		2.6	Make a senior officer [the S151 officer /] responsible to the Organisation for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, for maintaining an effective system of internal control	Director of Resources (CFO) Job Description / Specification	Y
				Chief Financial Officer Conditions of Employment	Y
				Annual Accounts	Y
				Budget Documentation	Y
				External Audit Reports	Y
		2.7	Make a senior officer [usually the monitoring officer] responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	Company Secretary responsibilities	Y
				Internal Audit Reports	Y
				Constitution	DCC

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 2 Members and officers working together to achieve a common purpose with clearly defined functions and roles	**Ensuring relationships between the Organisation, it's partners and the public are clear so that each knows what to expect of each other**	**2.8**	Develop protocols to ensue effective communication between members and officers in their respective roles	Regular Meetings between members and relevant DCC staff	Y
		2.9	Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process' including an effective remuneration panel.	Officers Conditions of Employment	Y
				Constitution	DCC
				Members Conditions of Employment	Y
		2.10	Ensure that effective mechanisms exist to monitor service delivery	Committee Meetings	Y
				Performance management framework	DCC
				Complaints procedure	Y
		2.11	Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Corporate Plan	Y
				Service Delivery Plan	Y
				Service Improvement Plans	Y
				Medium Term Financial Strategy	Y
		2.12	When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relationship to the partnership and to the organisation	Strategic Partnering Agreement	DCC
		2.13	When working in partnership: ensure there is clarity about the legal status of the partnership; - ensure the representatives of organisations both understand and make clear to all other partners the extent of their authority to bind the organisation to partner decisions	Strategic Partnering Agreement	DCC

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	**Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance**	**3.1**	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	Code of Conduct	DCC
				Single corporate Equality Scheme	DCC
				Anti Fraud & corruption strategy	DCC
				Equality & Diversity Policy	DCC
		3.2	Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the Organisation, its partners and the community are defined and communicated through codes of conduct and protocols	Officers Code of Conduct	DCC
				Performance Appraisal System	DCC
				Complaints Procedure	DCC
				Single corporate Equality Scheme	DCC
				Equality & Diversity Policy	DCC
				Corporate equality group	DCC
				Competency Policy and Framework	DCC
				"Working Together" Guide spec. Confidential Reporting Code	DCC
		3.3	Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Standing Financial Instructions	DCC
				Single corporate Equality Scheme	DCC
				Corporate equality group	DCC
				Code of Practice on racial equality	DCC
				Member Codes of Conduct	DCC
				Officers Codes of Conduct	DCC
				Equality & Diversity Policy	DCC

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	**Ensuring that organisational values are put into practice and are effective**	**3.4**	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	Member Codes of Conduct	DCC
				Officers Codes of Conduct	DCC
				Single corporate Equality Scheme	DCC
				Code of Practice on racial equality	DCC
				Corporate equality group	DCC
				Equality & Diversity Policy	DCC
		3.5	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.	Member Codes of Conduct	DCC
				Officers Codes of Conduct	DCC
				Review of Governance arrangements / structure	DCC
				Single corporate Equality Scheme	DCC
				Corporate equality group	DCC
				Equality & Diversity Policy	DCC
		3.6	Develop and maintain an effective standards committee.	No Standards Committee	N/A
				Officers Codes of Conduct	DCC
		3.7	Use the organisations shared values to act as a guide to decision making and as a basis for developing positive and trusting relationships within the authority	Business Plan	Y
				Delivery Plan	Y
				Service Improvement Plans	Y
		3.8	In pursuing the vision of a partnership, agree a set of values against which decisions making and actions can be judged. Such values must be demonstrated by partners behaviour both individually and collectively	Strategic Partnering Agreement	DCC

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	**Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny**	**4.1**	Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible	Standards Committee	N/A
				Strategic Decisions made by the Committee - see minutes	Y
		4.2	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are made	Format of Committee reports - Standard template	Y
				Minute Book	Y
				Action plan monitored by committee	Y
				Risk Register	Y
		4.3	Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	Code of Conduct	DCC
		4.4	Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	Committee - Terms of Reference	Y
				Committee Member Training	DCC
				Committee Reports	Y
		4.5	Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	Complaints Procedure	DCC
				Performance management framework	DCC
				Record of Ombudsman complaints	N/A
	Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	**4.6**	Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications	Members Induction Programme	DCC
				Members training and Development Strategy	DCC
				Risk Register	Y
		4.7	Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	Legal and Financial implications are considered and recorded as part of all decisions and included within all committee reports	Y

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	**Ensuring that an effective risk management system is in place**	**4.8**	Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognizing that risk management is part of their jobs	Risk management Service	DCC
				Committee Responsibilities	Y
				Risk Management Policy Statement	Y
				Annual assurance statement	Y
				Risk Register	Y
		4.9	Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access	Whistle Blowing policy	DCC
				Confidential Reporting Code	DCC
	Using their legal powers to the full benefit of the citizens and communities in their area	**4.10**	Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	Terms of Reference	Y
		4.11	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	Specific advice as required	Y
				Legal aspects included in risk assessments as appropriate	Y
		4.12	Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationally, legality and natural justice – into their procedures and decision-making processes.	Specific advice as required	Y
				Appropriate job descriptions / specifications	Y
				Legal implications in reports	Y

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 5 Developing the capacity and capability of members and officers to be effective	**Making sure members and officers have the skills, knowledge, experience and resources they need to perform well in their roles**	**5.1**	Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	Training & Development Strategy	DCC
				IIP	Y
				Committee member training and development plans	DCC
				Officer training and development plans	DCC
				Induction program	Y
				Training courses / seminars / etc	Y
				One to One appraisals	DCC
		5.2	Ensure that the statutory officers have the skills, resources, and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	Job descriptions/person specs – Crematorium Superintendent	Y
				Job descriptions/person specs - Treasurer	Y
				Officers training and development plans	DCC
				One to One appraisals	DCC
	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	**5.3**	Assess the skills required by members and officers and make commitment to develop those skills to enable roles to be carried out effectively	Committee member training and development plans	DCC
				Officer training and development plans	DCC
				Training and development strategy	DCC
		5.4	Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	Committee Member Annual Appraisals	N
				Officers annual appraisals	Y
				Training and development strategy	DCC
				Staff annual training plans	DCC
				Committee member Annual training plans	DCC
		5.5	Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training and development needs	Committee Member Annual Appraisals	N

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 5 Developing the capacity and capability of members and officers to be effective	**Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal**	**5.6**	Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority		N/A
		5.7	Ensure that career structures are in place for members and officers to encourage participation and development	Committee Training and Development Plans	DCC
				Officer Training and Development Plans	DCC
				Succession planning arrangements	N
				Committee Succession Planning Arrangements	N
				Training and development strategy	DCC

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 6 Engaging with local people and other stakeholders to ensure robust public accountability	**Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.**	**6.1**	Make clear to themselves, all staff and the community to whom they are accountable and for what	Committee	Y
		6.2	Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	Surveys	N
				Publications	Y
				Web-site	Y
				Committee Meetings open to the public	Y
		6.3	Produce an annual report on the activity of the scrutiny function	Scrutiny function	N/A
		6.4	Ensure that clear channels of communication are in place with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively	Publications	N
				Web-site	Y
				Committee Meetings open to the public	Y
		6.5	Hold meetings in public unless there are good reasons for confidentiality	Committee Meetings open to the public	Y
		6.6	Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.	Citizens / customer Panel	N
				Focus Groups	N
				Customer Involvement Compact	N
				Surveys,	N
				Publications	N
				Web-site	Y

Principles	Supporting Principles	Ref	Local Code Requirement (The Code should reflect the requirement for the Council to:	Evidence / Source Documents to demonstrate compliance	
PRINCIPLE 6 Engaging with local people and other stakeholders to ensure robust public accountability	**Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning**	**6.7**	Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result.	Access & Customer Care Strategy	DCC
		6.8	On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well a information about its outcomes, achievements and satisfaction of service users in the previous period	Delivery Plan	Y
		6.9	Ensure that the Organisation as a whole is open and accessible to the community, service users and its staff to ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.	Terms of Reference	Y
				Equality & Diversity Policy	DCC
				Annual Governance Statement	Y
				DPA Policy	Y
				FOI Policy	Y
				Publication Scheme	Y
	Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	**6.10**	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	Union Meetings inc Board Representation	N
				Training and development strategy	DCC
				Management of Change	DCC
				HR Strategy	DCC
				Team Meetings	DCC
				One to One appraisals	DCC