

Central Durham Crematorium Joint Committee



29 June 2011

Annual Governance Statement 2010 / 2011



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

Purpose of the Report

- 1 The purpose of this report is to provide details of the Annual Governance Statement (AGS) for the Central Durham Crematorium Joint Committee for the period 1 April 2010 to 31 March 2011. The AGS will need to be formally approved by members as part of the consideration of the Statement of Accounts and Small Bodies in England Annual Return for the year ended 31st March 2011 and is attached at Appendix 2.

Background

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

The Annual Governance Statement

- 6 The format and structure of the statement is prescribed in guidance contained within the Code of Practice on Local Authority Accounting in the United Kingdom (the CODE) and is broken down into a number of different sections.
- 7 The terminology used is therefore consistent across all authorities. These are:-
 - Scope of Responsibility;
 - The purpose of the Governance Framework
 - The Governance Framework – incorporating details of the internal control environment i.e. the systems, procedures and processes by which the Joint Committee directs and controls its functions, including the formulation of strategy, its objectives and how it delivers its service to meet those objectives;
 - Review of Effectiveness – which sets out details of a review of the Governance Framework (set out above) and which is informed by the work of internal audit, the Superintendent Registrar, external auditors and other review agencies and inspectorates; and
 - Significant Governance Issues – the Joint Committee must identify any areas of significant internal control, including what action is being taken to address them.
- 8 The statement has been compiled by the Neighbourhood Services Head of Finance, HR and Business Support, in accordance with guidance contained within the CODE and reflects the current position within the Crematorium.
- 9 The statement is evidence based and relies upon the review of the effectiveness of internal audit undertaken by the Head of Finance HR and Business Support along with written assurances from the Superintendent & Registrar (who prepares a standardised comprehensive assurance statement on an annual basis), Internal audit's views, having carried out a review during the year and commented on the assurance given by each, external auditors and other review agencies and inspectorates and the assurances contained within their reports to the Central Durham Crematorium Joint Committee.
- 10 This Statement is submitted to the Central Durham Crematorium Joint Committee with the Statement of Accounts and Small Bodies Annual return for approval, with submission to External Audit – by 29 July 2011.

Recommendations and Reasons

- 11 It is recommended that:
 - The Joint Committee note the report;
 - The Joint Committee examine the content of the 2010/11 Annual Governance Statement attached at Appendix 2 and approve it for consideration within the Statement of Accounts and Small Bodies Annual Return

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Appendix 1: Implications

Finance

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

Staffing

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

Risk

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

Equality and Diversity

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

Accommodation

Asset management is a key component of effective corporate governance

Crime and Disorder

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

Human Rights

There are no Human Rights implications associated with this report

Consultation

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

Procurement

None

Disability Discrimination Act

None

Legal Implications

The Accounts and Audit Regulations and Code of Practice set out the legal and regulatory framework in which the accounts of the Joint Committee are prepared. The proposals within this report seek to strengthen the Joint Committees compliance with these regulations

Annual Governance Statement

1. Scope of Responsibility

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

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

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

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

2. The Purpose of the Governance Framework

The Governance framework comprises the systems, processes, culture and values by which the 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.

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

The governance framework has been in place at the Central Durham Crematorium Joint Committee for the year ended 31st March 2011 and up to the date of approval of the Statement of Accounts and Annual Return.

3. The Governance Framework

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

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

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

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

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

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

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

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

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

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

- ◆ Adopting the Human Resource policies, plans and procedures of the lead authority, Durham County Council.
- ◆ Establishing and keeping under review, systems for reporting and dealing with any incidents of fraud and corruption.
- ◆ The Crematorium's values on leadership as set out in the business plan.
- ◆ Appropriate and timely advice, guidance and training for both Members and Officers.
- ◆ Formally adopting the Member Code of Conduct of the Lead Authority
- ◆ Formal/ written declarations of member personal interest

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

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

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

- ◆ Is conducted in accordance with the risk management policy and strategy of Durham County Council. The Crematorium Superintendent is advised by the corporate risk management working group where strategic and operational risks are considered.
- ◆ Involves regular reports by internal audit, to standards defined in the CIPFA code of practice, and in accordance with the Accounts and Audit Regulations 2006. These include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- ◆ Involves independent annual audits carried out by External Audit with the recommended outcome of these reviews actioned and undertaken.
- ◆ Ensures financial management is undertaken by the Neighbourhood Services Head of Finance, HR and Business Support under the scheme of delegated responsibilities by the Treasurer of the Joint Committee in accordance with the

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

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

4. Review of Effectiveness

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

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

- ◆ A process to formalise arrangements with Durham County Council for the provision of internal audit has been established following the consideration and approval of the Central Durham Crematorium Joint committee Internal Audit Charter.
- ◆ Strengthened existing internal audit arrangements through a formally approved Service level Agreement (SLA) covering the following areas for the year:
 - Management and Assurance
 - Fundamental Accounting Systems
 - Crematorium review
 - Advice and Assistance
 - Redevelopment of Crematorium
- ◆ Strengthened and formalised support services provided by Durham County Council to the Joint Committee through the approval of a Service Level Agreement covering:
 - Management Services
 - Financial Services
 - Administration Services
 - Payroll Services
 - Creditor Services
 - Human Resources Services
- ◆ Strengthened existing internal audit arrangements through the production of an Annual Audit Report and Audit Opinion to inform the Annual Governance Statement.
- ◆ Risk based assessments of key financial systems (as agreed in the SLA) carried out in the final quarter of the financial year to ensure maximum coverage of the Crematorium's financial transactions and provide an informed opinion on the

robustness, adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement

- ◆ The production of a Risk Register with regular reviews undertaken by the Crematorium Superintendent Registrar and action plan reports produced and approved where necessary.
- ◆ Strengthened year end procedures for producing financial statements with the production of a full closedown timetable including risk assessment and control and ensuring those involved in the closedown process are fully aware of the CODE requirements for 2010/11
- ◆ Strengthened budget setting processes to support the decision making process.
- ◆ Comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are also undertaken and reported quarterly to the Central Durham Crematorium Joint Committee. A reconciliation of the Account balance for all transactions between Durham County Council and the Joint Committee is reported to the committee on an annual basis as part of the Final Outturn reporting process.
- ◆ Annual reviews of corporate governance arrangements and the annual review undertaken by the lead authority, Durham County Council, of its corporate governance arrangements, together with the arrangements that the lead authority, Durham County Council has in place to detect and deter fraud and corruption.
- ◆ Performance monitoring undertaken through the use of comparative statistics with other crematoria.
- ◆ The Internal Audit Section is subject to an annual review of its activities and performance by the Head of Finance, HR and Business Support (under the scheme of delegated responsibilities by the Treasurer to the Joint Committee) in order to meet the requirements of the Accounts and Audit Regulations 2006 (amended). This review is undertaken drawing on the CIPFA Self Assessment Checklist based on the Code of Practice which sets out the minimum standards required to maintain an effective Internal Audit Service. A formal report and completed checklist regarding the Review of the Effectiveness of Internal Audit is presented to, considered by and minuted by the Joint Committee on a twice yearly basis.
- ◆ Completion of an Internal Audit Satisfaction Survey following each Audit Assignment to measure further the effectiveness of the Internal Audit section
- ◆ Attendance at Regional and National Seminars in a `speaker` capacity by the Superintendent Registrar and provision of advice and mentoring to Durham university PHD students.
- ◆ The Superintendent and Registrar has been asked if he would agree to be nominated as Vice President of the Institute of Cemetery and Crematorium Management (ICCM). The agreement to be nominated for the position does not mean a guaranteed election due to other potential nominations but in the event that the nomination was successful the support of the CDCJC would be essential. The work of representing the Institute involves four Board Meetings per year, the Annual Conference, meetings with Government Departments , visits to area Branches in the UK and attendance at Functions of kindred organisations. In total a maximum of ten days are likely to be taken up on ICCM business. The costs of these events would be met by the ICCM but time away from work would be necessary. If successful the position would start from September 2011, a position

that would lead to his taking on the role as President of the Institute from September 2012 and as such is a two year commitment. The opportunity of this role would benefit the CDCJC in terms of national profile and representation. The Superintendent and Registrar has for 15 years been the Secretary of the ICCM Northern Branch Forum and in that capacity arranges meetings and seminars, meets with Government Officials, writes articles for the trade magazines along with other duties. If the CDCJC were to support a successful nomination a replacement for the role of Secretary of the ICCM Northern Branch Forum would be sought.

- ◆ Membership of The Federation of Burial and Cremation Authorities requires that each year, a signed declaration is made to ensure that the codes of practice have been adhered to. The Crematorium is also subject to a bi-annual inspection by the regulator who must be satisfied that all environmental legislation is being implemented.
- ◆ Successful procurement of the replacement cremator and mercury abatement equipment to ensure the installation and utilisation/ operation of such equipment by the regulatory deadline.
- ◆ Formal Adoption of the FOI Act Publication Scheme approved and minuted by the Joint Committee.
- ◆ Formalised Treasury Management arrangements through the production of a written agreement between the Joint Committee and Durham County Council.

In summary the governance framework and the system of internal control in place at the Central Durham Crematorium for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts (and except for the details of internal control issues at section 5) accords with proper practice.

5. Significant Governance Issues

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

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

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

Declaration of Those Charged with Governance

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

Signed	Date
	29 June 2011
Chair to the Joint Committee	

Signed	Date
	29 June 2011
Don McLure, CPFA Corporate Director of Resources and Treasurer to the Joint Committee	