

# Mountsett Crematorium Joint Committee

13 June 2014

2013/14 Annual Governance Statement



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

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### Purpose of the Report

- 1 The purpose of this report is to provide details of the Annual Governance Statement (AGS) for the year April 2013 to March 2014. 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 2013/14 and is attached at Appendix 2.

### Background

- 2 The Mountsett Crematorium Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in a way which functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3 In discharging this overall responsibility, the Mountsett Crematorium Joint Committee is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risks.
- 4 The Mountsett Crematorium Joint Committee has adopted and operates under (via Durham County Council, its lead Authority), a code of Corporate Governance which is consistent with the principles of the 2007 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 2011 in relation to an annual review of the effectiveness of its system of internal control.
- 5 Under the Accounts and Audit (England) Regulation 4(3), the AGS will need to be formally signed by the Chair and Treasurer (Durham County Council's Corporate Director: Resources) to the Mountsett Crematorium Joint Committee and published as part of the Mountsett Crematorium Joint Committee's Statement of Accounts and Annual Return by no later than the 30 June 2014.

## The Annual Governance Statement (AGS)

6 The format and structure of the AGS is prescribed in guidance contained within the Code of Practice on Local Authority Accounting 2013/14 (the CODE) and is broken down into a number of different sections. The terminology used is therefore consistent across all authorities. These are:-

- Scope of Responsibility
- The Purpose of the Governance Framework
- The Governance Framework – incorporating details of the internal control environment i.e. the systems, procedures, processes and Financial Management by which the Joint Committee directs and controls its functions, including the formulation of strategy, its objectives and how it delivers services 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 Bereavement Services Manager, external auditors and other review agencies and inspectorates
- Significant Governance Issues – the Mountsett Crematorium Joint Committee must identify any areas of significant internal control weaknesses, including what action is being taken to address them
- Signature by the leading member (Chair) & Treasurer to the Joint Committee.

7 The statement is initially compiled by the Head of Finance (Financial Services), in accordance with guidance contained within the CODE.

The statement reflects the current position within the Joint Committee.

8 The statement is evidence based and relies upon the review of the effectiveness of internal audit undertaken by the Audit Committee of the lead authority (Durham County Council) along with written assurances from the Bereavement Services Manager (who prepares a standardised comprehensive assurance statement on an annual basis), Internal Audit's views, having carried out a review during the year and commented on the assurance given by each, external auditors and other review agencies and inspectorates and the assurances contained within their reports to the Mountsett Crematorium Joint Committee.

9 The Statement is submitted to the Mountsett Crematorium Joint Committee with the Statement of Accounts and Annual Return for approval with submission to External Audit – BDO LLP by 7 July 2014.

## **Recommendations and Reasons**

10 It is recommended that:-

The Mountsett Crematorium Joint Committee examines the content of the 2013/14 Annual Governance Statement and approve it for consideration within the Statement of Accounts and Annual Return.

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## **Appendix 1 - Implications**

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### **Finance**

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

### **Staffing**

Ensuring staff are adequately trained and professionally competent to meet the core principles of the CIPFA/SOLACE guidance.

### **Risk**

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

### **Equality and Diversity / Public Sector Duty**

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.

## Appendix 2

### Annual Governance Statement

#### 1 Scope of Responsibility

The Mountsett Crematorium Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a responsibility under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy efficiency and effectiveness. This Committee was established in 1964 by the Urban District Councils of Stanley and Consett (transferred to Derwentside District Council, 1976) and the Urban District Councils of Blaydon and Whickham (transferred to Gateshead Metropolitan Borough Council, 1976).

Following Local Government Reorganisation in 2009, as successor to Derwentside District Council, Durham County Council acts as the lead authority.

The Mountsett Crematorium Joint Committee is also responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Mountsett Crematorium Joint Committee has adopted a code of corporate governance consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' and operates under the policies and strategies including Contract Procedure Rules, Financial Procedure Rules, Financial Regulations, developed, agreed and adopted by the Durham County Council, its lead authority.

This statement explains how the Mountsett Crematorium Joint Committee has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit regulations 2011.

#### 2 The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Mountsett Crematorium Joint Committee directs and controls its activities through which it accounts to, engages with and leads the community. It enables the Committee to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Mountsett Crematorium Joint Committee's aims and objectives, its policies and

procedures, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Mountsett Crematorium Joint Committee for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts and Small Bodies Annual Return.

### 3 The Governance Framework

The Governance Framework consistent with the principles of the CIPFA /SOLACE framework – Delivering Good Governance in Local Government supports the Mountsett Crematorium Joint Committee in establishing, implementing and monitoring policies and objectives. The system of internal control refers to the system by which the Mountsett Crematorium Joint Committee directs and controls its operational functions and relates this to the community it serves. It is therefore the totality of the strategies and objectives of the Joint Committee and the management systems, procedures, and structures it has adopted, that together determine and control the way in which the Mountsett Crematorium Joint Committee manages its business, and sets about delivering its services to meet those objectives.

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

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

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

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

Mountsett Crematorium Joint Committee ensures that the necessary roles and responsibilities for the Governance of the crematorium are identified and allocated so that it is clear who is accountable for decisions that are made. This is achieved by:-

- Electing a Chair and Vice Chair with defined Executive responsibilities
- The Mountsett Crematorium Joint Committee Constitution which clearly describes the composition of the Committee and how appointments are made. The roles of the Chair and Vice Chair are also clearly documented. Arrangements are in place for a review to be undertaken at the Annual General Meeting of the Joint Committee in June of each year

- Adopting Durham County Councils Constitution (including the Scheme of Delegation for Senior Officers), undertaking regular reviews of the operation of both the Mountsett Crematorium Joint Committee and Durham County Council Constitutions
- Ensuring that all policy and decision making is facilitated through the Mountsett Crematorium Joint Committee with all party membership being drawn from nomination by the constituent authorities
- Making Durham County Council's nominated Responsible Financial Officer (under S151 of the Local Government Act 1972) responsible for the proper administration of its financial affairs (Treasurer)
- Developing protocols that ensure effective communications between Members and Officers
- Regularly reviewing the Corporate Governance arrangements in place.

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

Mountsett Crematorium Joint Committee fosters a culture of behaviour based on shared values, high ethical principles and good conduct. This is achieved by:-

- Adopting the Human Resource policies, plans and procedures of the lead authority, Durham County Council
- Adopting the Register of Gifts and Hospitality in line with the lead Authority Durham County Council's policy
- Establishing and keeping under review, systems for reporting and dealing with any incidents of fraud and corruption
- Appropriate and timely advice, guidance and training for both Members and Officers
- Formally adopting, the Member and Officer Codes of Conduct of the Lead Authority ensuring that expected standards of behaviour are communicated and embedded throughout the Joint Committee
- Formal/written declarations of Member Personal Interest
- Considering the requirement of the Localism Act to promote and maintain high standards of conduct, and adopting the ethical framework introduced via Durham County Council
- Adopting (via the Lead Authority), the revised Single Equality Scheme including the strengthened Equality Impact Assessment process to ensure that the impact on equality is fully considered in Joint Committees decision making processes.

### **Identifying and communicating Mountsett Crematorium Joint Committee's vision of its purpose and intended outcomes for citizens and service users**

The vision for Mountsett Crematorium is set out within the Treasurer's Report to the Statement of Accounts. The vision encompasses the lead Authority's 'Altogether

Better Durham' focus reflecting the aim to improve service provision and make a real difference to service users.

The vision for the Mountsett Crematorium Joint Committee takes the following format:-

- To provide a sensitive, respectful and valued service fitting for the bereaved and their families
- To ensure sympathetic, supportive and confidential advice is given to the recently bereaved on funeral service arrangements and give assistance in co-ordinating the funeral process if required
- To provide consistent high quality standards of maintenance in Mountsett Crematorium, working to maximise value for money
- To fully comply with all environmental and regulatory standards and requirements
- To ensure the proper respect of Mountsett Crematorium with fair rules and regulations are fully explained to all visitors.

During 2013/14, the Joint Committee has engaged with Stakeholders to identify and communicate improvements to service provision and crematorium building requirements.

The Mountsett Crematorium Joint Committee revised its Service Asset Management Plan (SAMP) in October 2013 and commissioned further works as a result. The delivery of the Joint Committee's vision will be further demonstrated by:-

- Continuing to identify the property needs of the service to enable it to deliver its vision
- Continuing to assess the condition, sufficiency, suitability, accessibility and energy performance of the crematorium and looking at their appropriateness to deliver the future service
- Identifying the portfolio gaps and appraising the options and priorities to close the gaps between future needs and current provision
- Mapping a way forward to deliver the changes needed which takes in to consideration available funding streams and opportunities.

### **Reviewing Mountsett Crematorium Joint Committee's vision and its implication for its governance arrangements**

Mountsett Crematorium Joint Committee reviews its vision and its implication for its governance arrangements on an annual basis. This is achieved by:-

- Reviewing its Code of Corporate Governance, ensuring that it remains consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government



- Reviewing the Mountsett Crematorium Joint Committee Constitution on an annual basis
- Reviewing the SAMP on an annual basis.
- Adopting a clearly defined Reserves Policy and Medium Term Financial Strategy
- Focus on the Strategic and Operational Risks via six monthly reports to the Joint Committee

**Measuring the quality of service for users, ensuring they are delivered in accordance with the Mountsett Crematorium Joint Committee's objectives and ensuring they represent best use of resources**

Mountsett Crematorium Joint Committee measures the quality of service for users, ensures that they are delivered in line with service objectives and that they represent the best use of resources. This is achieved by:-

- Aligning the annual budget to the Joint Committee's performance management arrangements and continuing to report under its framework of quarterly budgetary control reporting and high level objective of `Effective use of Resources`
- Financial Awareness Training undertaken by the Bereavement Services Manager and other officers whom service the Crematorium
- Undertaking Performance Management Reviews through comparative statistics with other crematoria. National comparisons via CIPFA Cemeteries and Crematoria Statistics Returns are undertaken on an annual basis
- Consideration and acknowledgement of Letters of Appreciation by the Joint Committee and also via the Direct Services Management Team within Durham County Council
- Logging and recording complaints in line with the lead authority's policy, indicating the type of complaint, response time and outcomes. The process also identifies how the crematorium has changed practices, procedures and policies as a result of any such complaint.
- Adopting the lead authority's employee performance appraisal arrangements, designed around a number of key competencies. This is a key method of assessing the individual performance of officers, highlighting and addressing any areas for improvement
- The Joint Committee's overall approach to the management of the Crematorium assets enabling the best possible service delivery. The Joint Committee considers its assets in the widest sense, driving forward continual service improvement and investments
- The Service Asset Management Plan which ensures the Joint Committee make the best use of the assets available and prioritises investment in the facilities to maintain and improve the service offered to users ensuring value for money

- The application and award of the Green Flag, which recognises service quality and environmental cleanliness at Mountsett.

**Developing the capacity and capability of Members and Officers to provide effective service provision and undertake robust decision making.**

Mountsett Crematorium Joint Committee is committed to continually reviewing the development needs of members and officers. This is achieved by:-

- Adopting the Member Learning and Development Strategy; People and Organisational Development Strategy; and the Recruitment and Selection Policy of Durham County Council

During 2013/14 the following improvements (via DCC policies) have been undertaken:-

- Review of the Corporate Induction Programme
- Review and implementation of the Recruitment and Selection Policy
- Implementation of a staff records system, directly accessible by the Bereavement Services Manager through the DCC Intranet, leading to improved efficiency and shortened processing timescales
- Implementation of the revised Grievance Policy
- Implementation of the “The Durham Manager” Development Programme, which was rolled out to managers from September 2013
- ◆ Appointment of a Business Administration Apprentice to the Crematorium staffing Establishment
- ◆ Successful completion of the ICCM qualification by a member of staff with another employee enrolled to undertake the qualification during 2014/15

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

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

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

The Mountsett Crematorium Joint Committee ensures that the Risk Management approach:-

- Is conducted in accordance with the Risk Management Policy and Strategy of Durham County Council. The Bereavement Services Manager is advised by the Corporate Risk Management Working Group where strategic and operational risks are considered
- Involves Risk Register reviews reported on a six monthly basis for consideration by the Joint Committee.
- Has strategically aligned, during 2013/14 (via Durham County Council's newly formed Corporate Fraud Team), the Internal Audit and Fraud service provision to enable access to trained investigators and allow greater coverage of counter fraud work when required
- Includes a Fraud Awareness training programme undertaken by Senior Officers
- Involves regular reports by internal audit to those charged with governance, to standards defined in the CIPFA Code of Practice, and in accordance with the Accounts and Audit Regulations 2006. These include the Chief Internal Auditor and Corporate Fraud Manager's independent opinion on the adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
- Involves independent annual audits carried out by BDO LLP with the recommended outcome of these reviews actioned and undertaken
- Ensures Financial Management is undertaken by the Head of Finance (Financial Services) under the scheme of delegated responsibilities by the Treasurer of the Joint Committee in accordance with Standing Orders, Contract Procedure and Procurement Rules, Financial Regulations and Financial Procedure Rules of Durham County Council
- Has comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are undertaken and reported quarterly to Mountsett Crematorium Joint Committee
- Includes SMART targets which are set to measure financial and other performance
- Ensures clearly defined capital expenditure guidelines are adhered to (where applicable) in line with Durham County Councils performance and governance framework to improve the financial control of the capital portfolio.
- Enables employees, contractors and suppliers providing services to the Crematorium to raise concerns regarding any potential breaches of conduct in decision making via Durham County Council's Confidential Reporting Code (Whistle Blowing Policy)
- Allows non statutory complaints to be considered in line with Durham County Council's Complaints Policy.

## **Ensure the Joint Committee's financial management arrangements conform to the governance requirements of the CIPFA statement on the Role of the Chief Finance Officer**

Mountsett Crematorium Joint Committee ensures that its financial management arrangements conform to the CIPFA statement by:-

- Appointing as its Treasurer, the Corporate Director: Resources and Chief Finance Officer (CFO) from the lead authority along with the Head of Finance (Financial Services) under the scheme of delegated responsibilities by the Treasurer. The Corporate Director and Head of Finance are professionally qualified and possess the necessary skills, knowledge and experience to perform effectively in both a financial and non-financial role
- Ensuring the finance function in support to the Treasurer is adequately qualified and resourced to fulfil its duties and a structure is in place that provides a line of professional accountability for the finance staff
- Ensuring that key CIPFA Codes such as the Prudential Framework for Local Authority Capital Finance and the Treasury Management Code are complied with where required
- Having a clearly articulated Medium Term Financial Plan/Reserves Strategy and Policy
- Producing Monthly Budgetary Control Reports which are considered on a quarterly basis by the Joint Committee
- Ensuring proper Internal Audit, Risk and Governance arrangements are in place
- Maintaining the Service Asset Management Plan.

#### **4 Review of Effectiveness**

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

Mountsett Crematorium Joint Committee has the following processes in place to achieve this aim:-

- Formalised arrangements with Durham County Council for the provision of Internal Audit and Risk Management Services are established and embedded following

the consideration and approval of the Mountsett Crematorium Joint Committee Internal Audit Charter

- Internal Audit arrangements are clearly defined and articulated through a formally approved Service Level Agreement (SLA) covering the following areas:-
  - Management and Assurance
  - Advice and Guidance
  - Risk Management
  - Financial and Non - financial key systems of Internal Control.
  
- Support Services provision are clearly defined and articulated through a formally approved Service level agreement (SLA) with Durham County Council covering the following areas:-
  - Management Services
  - Financial Services
  - Administration Services (including legal, monitoring and Clerk to the committee roles)
  - Payroll Services
  - Human Resources Services.
  
- Internal Audit arrangements produce an Annual Audit Report and Audit Opinion to inform the Annual Governance Statement
  
- Risk based assessments of key financial systems (as approved in the SLA) carried out in the final quarter of the financial year to ensure maximum coverage of the Crematorium's financial transactions and provide an informed opinion on the robustness, adequacy and effectiveness of the system of internal control, at the crematorium, together with recommendations for improvement
  
- The production of a Risk Register with regular reviews undertaken by the Bereavement Services Manager along with action plan reports produced and approved where necessary. Full details are reported to the Joint Committee on a six monthly basis
  
- Robust year end procedures for producing financial statements and the Small Bodies Annual Return with the production of a closedown timetable including risk assessment and control, ensuring those involved in the closedown process are fully aware of the closedown requirements for 2013/14
  
- Robust budget setting processes to support its decision making process. Comprehensive monthly budgetary control systems including income and expenditure reconciliations and the preparation of regular financial reports which indicate actual expenditure against budget and forecast year end positions are

also undertaken and reported quarterly to the Mountsett Crematorium Joint Committee

- Annual reviews of Corporate Governance arrangements and the annual review undertaken by the lead authority, Durham County Council, of its corporate governance arrangements, together with the arrangements that the lead authority, Durham County Council has in place to detect and deter fraud and corruption
- Membership to the Federation of Burial and Cremation Authorities, which requires that each year a signed declaration, is made so that the Codes of Practice have been strictly adhered to. The Crematorium is also subject to bi annual inspection by the regulator (DCC) who has to be satisfied that all Environmental Legislation is being implemented
- Performance monitoring undertaken through the use of comparative statistics with other crematoria and across years
- The Internal Audit Section is also subject to an annual review of its activities and performance. Whilst there is no legal requirement for the Joint Committee (as a small body) to meet the requirements of the Accounts and Audit Regulations 2011, evidence of the effectiveness of the Audit Service is presented to, and reviewed by the Audit Committee of the lead authority, Durham County Council. The assurance provided by the review is presented to, considered by and minuted by the Mountsett Crematorium Joint Committee
- Robust Service Asset Management Plan to drive investment and resource requirements to ensure crematorium facilities continue to maintain and improve service provision
- Completion of an Internal Audit Satisfaction Survey following the completion of each Audit assignment to measure further the effectiveness of the Internal Audit Service
- Formal Adoption of the FOI Act Publication Scheme approved and minuted by the Joint Committee
- Formalised Treasury Management Arrangements through the production of an annual written agreement between the Joint Committee and the lead authority Durham County Council
- Use of Green Flag Awards to measure and recognise service/environmental excellence at the site
- Financial Awareness Training with Crematorium Management staff.

In summary, the governance framework and the system of internal control in place at Mountsett Crematorium for the year ended 31 March 2014 and up to the date of approval of the Small Bodies Annual Return and Statement of Accounts accords with proper practice.

## 5 Significant Governance Issues

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

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

As a result, Internal Audit has provided **Substantial** Assurance on the Joint Committee's System of Internal Control, highlighting only 2 very minor governance and internal control issues (categorised as low), with none of these issues warranting comment within the Annual Governance Statement.

## 6 Declaration of Those Charged with Governance

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

SIGNED:

Chair to the Joint Committee  
13 June 2014

Don McLure, CPFA  
Corporate Director of Resources and Treasurer to the Joint Committee  
13 June 2014