

**Central Durham Crematorium
Joint Committee**

28 September 2011

**External Audit – Issues Arising
Report for the year ended 31
March 2011 and Response**



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 present to the Central Durham Crematorium Joint Committee, the External Auditors (BDO LLP) Issues Arising Report for the year ended 31 March 2011.
2. The report also details responses to the findings and recommendations identified within the Issues Arising Report for consideration by members.

Background Information

3. In June 2011, in line with the statutory requirements of a Smaller Relevant Body, the Central Durham Crematorium Joint Committee submitted the Small Bodies in England Annual Return for the year ended 31 March 2011 to BDO LLP for audit under the limited assurance audit regime.
4. This audit has now been finalised and the Issues arising Report dated 15 September 2011 has been received (see Appendix 2).

External Audit Recommendations and Action Plan

5. The Audit has not highlighted any material weaknesses around the Joint Committees system of internal control. It has, however, identified minor issues around Internal Audit coverage of Asset and investment registers and the initialling of formal minutes. The audit also reiterated the recommendations proposed within the 2010/11 Annual Internal Audit Report considered by members on 29 June 2011.
6. The following recommendations have been made in order to strengthen the internal control arrangements of the Joint Committee:
 - **R1: Internal Auditors Recommendations:**
'The body must implement the recommendations made by the internal auditor to improve the systems of the Joint Committee as soon as possible or in any event before the end of the current year.'

7. Members will recall that a response to the 2010/11 Annual Internal Audit Report and subsequent action plan was also considered at the 29 June 2011 meeting.
8. The action plan previously presented highlighted the issues raised and action taken / current position with regards to these as set out below. Members should note however that the actions regarding the Purchase order authorisation and IT Backup recommendations have been further updated following the implementation of the SAGE system on 31 August 2011:

- ***All orders should be independently authorised (this issue should be addressed during the development of SAGE). (Internal Audit rate this as Medium Priority for Action)***

As an interim measure, manual purchase orders are being raised by the Admin Officer and are then authorised by the Superintendent & Registrar thus strengthening the segregation of duties requirement. This was implemented immediately following the Internal Audit findings.

The SAGE system allows users to be set up within a hierarchical structure with a requisitioning function allocated to designated officers and escalating to designated authorisers. The purchase order module will be fully introduced by 1st October and will then completely remove the highlighted risk.

- ***Arrangements should be made for the IT system to be 'backed up' on a weekly basis. (Internal Audit rate this as Medium Priority for Action)***

The implementation of the SAGE system onto the DCC Server was completed on 31 August 2011, This has ensured that the system falls under the ICT Backup arrangements. All data is backed up on a daily basis.

As an interim measure, the Superintendent & Registrar ensured that the IT system was backed up on a weekly basis. This was implemented immediately following the Internal Audit findings.

- ***Ashes collection forms should be signed and dated by the Funeral Director (Internal Audit rate this as Low Priority)***

The Superintendent & Registrar has ensured that the administrative processes and procedures consistently include the signing and dating of such records. This action was implemented immediately following the Internal Audit findings.

- ***Consideration should be given to the development of a Service Asset Plan (Internal Audit rate this as Low Priority)***

The redevelopment plan and current works being undertaken at the Crematorium address the areas identified within the Master Plan previously approved in 2000. Going forward, the Superintendent & Registrar will ensure the production and completion of the Asset Management Plan by the end of the next financial year.

- ***Consideration should be given for a smoke alarm to be installed within the Superintendent & Registrars office (Internal Audit rate this as Low Priority)***

The Crematorium redevelopment works have included a fire rated storage room which will include heat/ smoke detectors.

To manage the risk however as an interim measure, a smoke alarm has been fitted within the Superintendent & Registrars office until the re-development works have been completed.

- ***Consideration should be given for the BACUS system to be used in future to determine Medical fees which are due for payment (Internal Audit rate this as Low Priority)***

The BACUS system reports on Medical fees due for payment is now being used to ensure that fees are paid correctly and reconciled at an individual level.

9. R2: Internal Audit Checks:

'Tests on the Asset and Investment Registers should be carried out in future years by the Internal Auditor. The Internal Auditor should provide a full report to the Joint Committee to ensure that all activities are properly carried out and recorded'

The Internal Audit Manager will ensure that this is included within the programme of works for 2011/12. It is anticipated that such tests can be accommodated within the 2 days contingency element of the Internal Audit SLA with no additional cost to the Joint Committee.

10. R3: Minutes

'The body should ensure with immediate effect that if a loose leaf minute book is maintained, the loose leaf pages are consecutively numbered and initialled by the person signing the minutes'

In line with the usual practice of the Lead Authority DCC, Minute Books and minutes are signed on the last page as follows:

Signed by Councillor
(Chair of the CDCJC Committee on xx Month xxxx)

Whilst the signed minutes could initially be classified as loose-leaf, all signed minutes are then stamped with page numbers, indexed and periodically bound by the Council's Archivist in hard backed volumes. They are then retained as the official bound Minute Book.

The actions identified above demonstrate the commitment of the Joint Committee in ensuring that all systems of internal control are as robust as possible.

Recommendations

11. It is recommended that:

- Members of the Joint Committee note the issues and recommendations identified within the External Auditor's Issues Arising Report dated 15 September 2011 (Attached at Appendix 2)
- Members of the Joint Committee note the actions, both implemented and required with regards to addressing the External Auditor's recommendations

Background Papers

Issues Arising Report for the year ended 31 March 2011

2010/2011 Annual Internal Audit Report and Audit Opinion

Response to the 2010/2011 Annual Internal Audit Report and Audit Opinion presented to the Joint Committee 29 June 2011

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Appendix 1: Implications

Finance

None

Staffing

There are no staffing implications associated with this report.

Risk

Addressing the recommendations identified in the External Auditor's Issues Arising Report for the year ended 31st March 2011 will ensure that the Joint Committee will improve its governance arrangements and address the minor inefficiencies identified with regards to the maintenance of the Joint Committees books and records. Failure to address these concerns could potentially adversely affect future audit conclusions and could also affect the working relationship that exists with our internal and external auditors.

Equality and Diversity/ Public Sector Equality Duty

None

Accommodation

There are no Accommodation implications associated with this report.

Crime and Disorder

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

Human Rights

None

Consultation

None. However, officers of Spennymoor Council were provided with a copy of the report and given opportunity to comment / raise any detailed questions on the content of the report in advance of circulation to members of the Central Durham Crematorium.

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