

**PORTCHESTER
CREMATORIUM
CERTIFICATION
WORK**

2014/15 Certificate

**INTERNAL AUDIT
FINAL REPORT No. 1047 (Reduced version)**

Responsible Service: Portchester Crematorium Joint
Committee

Lead Auditors: Jenny Moses and Clare
Rogers (FBC)

Date of Report: November 2015

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1 BACKGROUND

This report covers the Internal Audit work carried out in support of the 2014/15 internal audit certificate for the Portchester Crematorium.

1.1 Service Information

Portchester Crematorium was set up in 1957 by 4 neighbouring Councils who form the Joint Committee (PCJC) overseeing the operation of the facility. Fareham Borough Council is appointed to lead on the financial administration of the Crematorium.

The Crematorium carries out approximately 4000 cremations a year generating a surplus which is divided amongst the funding Councils.

An analytical review of income streams was carried out as part of the audit. Cremation fees are by far the largest income source generating £1.7m which was approximately 90% of all income in 2014/15.

1.2 Approach and Reason for the Audit

Since 2010/11 the Portchester Crematorium Joint Committee has moved to preparing accounts in line with the "small bodies" annual return procedure. This return includes an annual certificate from internal audit on the adequacy of a number of control objectives. A 5 year plan of audit work has therefore been agreed to cover the systems of control set out on the certificate.

This report covers the findings arising from the work carried out to support the 2014/15 certificate. This was a light touch year so testing was only carried out in relation to parts B, D and E of the certificate as documented in [Appendix C](#).

A follow up of the 3 important recommendations made during the previous year's work was also carried out.

2 SUMMARY OF FINDINGS

Overall, for the areas audited, we found that adequate controls are in place, which are working effectively.

2.1 Strengths and Improvements

Key controls and strengths noted as a result of the audit and sample testing were:

- Payments Made

All expenditure tested (21 invoices) was deemed appropriate for the Crematorium and supported by a valid invoice.

- Income Collection

There is a strong audit trail of income collected to income banked and no issues were found with the fees levied and income collected in the samples tested. All takings sampled (15) were traced to the bank account and general ledger. VAT had been accounted for. All banking had been done promptly in accordance with the Financial Regulations.

- Contributions to Authorities

The payments made to each authority in the partnership were found to agree with the values approved by the Joint committee.

- Financial Management

The budgets being managed were found to agree to those approved by the Joint Committee and the level of reserves was found to be appropriate. The treatment of investments was now being documented in the Finance Strategy.

- Reports of the Engineer and Surveyor

Improvements had been made to the content of the reports provided to the Joint Committee by the Engineer and Surveyor in that they now showed the actual and variation from budget for each scheme, with a commentary on costs and timescales.

2.2 Issues or Weaknesses

Issues or control weaknesses found during the audit were:

- Evidence of Value for Money Testing

Due to the lack of market testing evidence available for suppliers appointed by the previous consultants, Parker Torrington, it was recommended last year that the Engineer and Surveyors reports to the Committee included the results of tender

exercises to provide an audit trail. No tender information was found to have been included in recent building works reports although evidence was seen of some discussion about the use of suppliers in specific reports to the Committee. It is also understood that there are records of tenders being maintained by the new building maintenance advisors and key officers are kept informed about who is being appointed to carry out works. Recent discussions have therefore concluded that a sufficient audit trail would be established if this information was included in the reports provided by the Building Maintenance team to the Engineer and Surveyor, rather than needing to be in the Committee papers.

Spend with another supplier, Hilton Studios, was found to total £84,000 over the last 3 years and a review of the invoices indicated that the prices were being increased more than once a year. Whilst it is appreciated that it may not be appropriate to tender this work (Art work for the books of remembrance), no evidence was found that the prices being charged were being checked with other suppliers to ensure they remain competitive.

- Invoice Payments not Authorised

2/11 invoices were found not to have been signed by an authorised signatory. These were payments due to Facultatieve Technologies totalling £25,000, who are a well-known regular supplier. It has been confirmed that these payments were genuinely due to the supplier.

- Budget Monitoring

There are limited discussions of the budget positions during the year, and spending officers do not currently have access to budget statements; however the Deputy Treasurer would make parties aware if there were any major problems. Some variances over £10,000 were found in income and expenditure that it would have been useful if the Deputy Treasurer was made aware of earlier in the year so that any action could be taken if necessary (e.g. post an accrual in the year end accounts).

2.3 Assurances

Recommendations have been raised across the scope areas covered as summarised below:

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation			
			Essential (⚡)	Important (▲)	Advisory (Ⓜ)	Implemented	Partly Implemented	Cancelled	Not Implemented
Expenditure			-	1	2	-	1	-	-
Income			-	-	-	-	-	-	-
Financial Management			-	1	-	-	-	-	-
Roles, Responsibilities & Accountability follow up			-	-	-	1	-	-	-
Treasury Management follow up			-	-	-	1	-	-	-

3 RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

New Important Recommendations

1. Evidence of Market Testing – Books of Remembrance

Recommendation	Rationale	Managers Comments
Example rates being charged by an alternative supplier for the provision of the Books of Remembrance art work and digitisation should be obtained every few years to verify that the rates of the current suppliers still represent value for money.	There has been £84,000 spent with this supplier over the last 3 years which is above the tender threshold in Contract Standing Orders. The prices with this supplier have been increasing several times a year. Whilst it is recognised that this is a specialist supplier there is an alternative supplier on the market who can be used to test that the current supplier is still offering value for money.	This should be easy to do using a supplier in Brighton and would be useful for comparison and to have as a backup if our supplier ceases trading in the future.
Agreed Action		Responsibility
Example rates will be obtained from an alternative supplier of the Books of Remembrance art work and digitisation and compared to the rates being charged by the current supplier.		<i>Manager and Registrar (JC)</i>

2. Budget Discussions

Recommendation	Rationale
There should be regular circulation of the budget monitoring statements to spending officers.	Some budget variances over £10k (income and expenditure) were found at the year-end. Some were due to issues that the Deputy Treasurer needed to be made aware of promptly in case she wanted to act on the variance, e.g. make an accrual in the accounts for a late invoice, or adjust the proposed pay-out to the Councils if income levels are higher than anticipated. Circulating the budget monitoring statements will give officers regular updates on the budget position and prompt them to make the Deputy Treasurer aware of anything not yet reflected in the accounts.
Agreed Action	Responsibility
The budget monitoring statement will be circulated to spending officers (including Building Maintenance) to make them aware of the budget position and to encourage communication back of any variances that may affect the budget. This will be done as part of the end of period actions.	<i>Deputy Treasurer (KB)</i>

Outstanding Actions from Previous Audits

3. Audit Trail of Market testing - Engineer Suppliers

Year	Rec Ref	Priority	Action Required	Audit Findings
2014 /15	1026/1	I	The results of market testing exercises should be included in the FBC Building Maintenance reports provided to the Engineer and Surveyor. (New wording) <i>FBC Planned Maintenance Surveyor (IC)</i>	Although a tender opening register is being maintained locally, there is no audit trail from these, to support the reports to the Committee produced by the Engineer and Surveyor.

Appendix A – Best Practice / Advisory Issues

Recommendation	Rationale
<p>4. Market Testing of IT Providers</p> <p>Consideration should be given to market testing the provision of the computer database and back up suppliers, including looking at whether there are any existing Council contracts that could be bought into.</p>	<p>ROCC and Gower Consultants have provided IT packages to the Crematorium for the last 20 years. Spend with these suppliers over the last 3 years has been £18,000 and £11,000 respectively. There is no evidence to confirm that the charges being made by the suppliers still offer value for money.</p> <p>Market testing using price comparisons would help demonstrate that value for money is being obtained from the current suppliers in accordance with Financial Regulations.</p>
<p>Manager's Comment)</p>	
<p>I am aware of an alternative system, which is not as good as the one we are using, in terms of functionality and integrating with other systems. It could also be difficult to migrate to another system as previous data extraction exercises caused some data corruption but this was some time ago. However, it would be useful to look at what the other supplier charges for maintenance so we can compare to our current system. <i>Manager and Registrar (JC)</i></p>	
<p>5. Audit Trail of Building Works Schemes</p> <p>The building works reports to the Engineer should include a unique reference number for each project and projects should remain on consecutive reports including those postponed or cancelled. The table of projects should also include estimated spend and commitments against the total budget.</p>	<p>Examination of consecutive Engineer reports found there was no clear trail of planned and progressing items as items disappear and the references for schemes is not consistent. There is also no indication of the total spend against the whole maintenance budget for the year.</p> <p>Improving the information in the reports will provide an audit trail of the projects such that what has been happening on one project can be followed between reports. This will also help decision making in relation to the total budget.</p>
<p>Manager's Comment</p>	
<p>Agreed. <i>FBC Planned Maintenance Surveyor (IC)</i></p>	

Appendix C - Elements of Audit Scope Covered this Audit

System of Control	Last Audited*	Covered This Year
CERTIFICATION WORK		
A. Book Keeping	2011/12	
B. Expenditure	2013/14	YES
C. Risk Management	2012/13	
D. Financial Management	2011/12	YES
E. Income	2013/14	YES
F. Petty Cash	2010/11	
G. Payroll	2012/13	
H. Assets	2011/12	
I. Banking	2011/12	
J. Year End Procedures	2011/12	

*N.B. This is the year of the relevant certification. The audit work will have been carried out early on in the following year.

Appendix E - Staff Interviewed or Contacted

- Kate Busby Deputy Treasurer
- James Clark Manager and Registrar
- Terry Garvey Engineer and Surveyor to the Committee
- Ian Cousins Senior Planned Maintenance Surveyor
- John Haskell Clerk to the Committee

A planning meeting was held to agree the Terms of Reference with the Deputy Treasurer on 21 April 2014.

An exit meeting was held with the Deputy Treasurer on 9 June 2015 and with the Manager and Registrar on 10 June 2015.