

FAREHAM

BOROUGH COUNCIL

Portchester Crematorium

2016/17

INTERNAL AUDIT REPORT No. 1083 (Reduced Version)

Responsible Service:	Portchester Crematorium Joint Committee
Lead Auditors:	Jenny Moses and Clare Rogers (FBC)
Date of Report:	August 2016

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1 BACKGROUND

This report covers the Internal Audit work carried out in 2016/17 in accordance with the 5 year plan approved by the Joint Committee.

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 3200 cremations a year generating a surplus which is divided amongst the funding Councils.

It was noted that the number of cremations is showing a downward trend, see table below, which is thought to be due to the opening of another Crematorium by the Co-op, 'The Oaks Havant Crematorium'.

Year	2013/14	2014/15	2015/16
Cremations	3,960	3,411	3,240
Income	2,045,160	1,927,087	1,767,700

Cremation fees are still by far the largest income source generating £1.77m which was approximately 93% of all income in 2015/16.

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 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 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.

- Payroll

All starters and leavers had been appropriately treated within the CHRIS payroll system, paid the correct amounts and at the correct dates. The sample of employees tested, found them all to have been paid the correct salary, including any overtime or expenses. All had been appropriately approved and all deductions for PAYE and NI were verified.

- Maintenance of Registers

The sample of applications tested, were all entered onto the Epilog (electronic register) correctly. The electronic register is regularly backed up and stored offsite. Access to the register is restricted to the office staff only.

- Organists

The invoices checked were claims made for the correct dates and services and paid at the correct rates.

- Medical Referees

The sample cremation applications checked all had signed medical forms attached. The medical referees operate on an availability basis. The invoices checked were paid at the correct fees and the dates claimed agreed to the office diary of Doctors rotas.

2.2 Issues or Weaknesses

Issues or control weaknesses found during the audit were:

- Password control to office computers

It was found that the passwords to access the office computers and the Epilog system have never been changed. If passwords are not changed regularly or are of a robust nature, there is a security risk that staff leavers or regular customers can get into the systems and the data they contain. It has now been agreed that the manager will ensure that all passwords to the computers and the Epilog system will be changed, following the Fareham Borough Council password protocol.

Performance Management

There is a Development Plan for the Crematorium and regular reports on the number of cremations.

However, there are no other forms of performance monitoring at the Crematorium. In particular it is recommended that all complaints received are recorded and monitored and reported to the Joint Committee. Without this monitoring there is a danger of poor performance being repeated and the opportunity for improvements missed, which could impact on the number of people choosing to book the crematorium.

There is also no official system of staff appraisals within the team at the Crematorium. This can make it difficult to monitor and record employee performance, which can lead to good performance going unrecognised and poor performance not being managed.

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	1	2	-	-	-
Income			-	-	-	-	-	-	-
Payroll			-	-	-	-	-	-	-
Operational			-	1	-	-	-	-	-
Governance			-	2	-	-	-	-	-
Financial Management Follow up			-	-	-	1	-	-	

3 RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

New Important Recommendations

1. ICT Controls

Recommendation	Rationale	Managers Comments
<p>Passwords to the office PCs and the Epilog system should be changed immediately to ensure their integrity. They should contain at least one uppercase letter, lower case letters, at least one number and/or a symbol.</p>	<p>The passwords to the office computers and Epilog system have never been changed. This can lead to the loss of integrity of the passwords and inappropriate access may be gained to the computers and system.</p>	<p>The passwords can be changed just something that has never occurred to them as being necessary.</p>
Agreed Action		Responsibility
<p>The computer passwords will be changed as per the Fareham Borough Council computer password protocol (sent to JC 03/08/16).</p>		<p><i>Manager and Registrar (JC)</i></p>

2. Employee performance management

Recommendation		Rationale
HR practices should be looked at to implement staff appraisals to ensure that there is a written record kept to protect the interests of both the employee and the line manager.		Without an official system of staff appraisals within the team at the Crematorium, it can make it very difficult to monitor and record employee performance, which can lead to good performance going unrecognised and poor performance not being managed.
Agreed Action		Responsibility
The responsibility of the HR arrangements of the Crematorium is with Portsmouth City Council. Due to recent restructures and reorganisations this arrangement will need to be reviewed and appropriate practices, such as performance management systems, implemented at the Crematorium.		<i>Clerk to the Joint Committee (JH)</i>

3. Performance indicators

Recommendation		Rationale
Complaints received should be monitored and reported to committee as a further form of performance monitoring, and to ensure any patterns in occurrence are detected and addressed.		Without an official system for performance monitoring of the Crematorium, complaints that are not recorded and monitored could lead to any poor performance being repeated and the opportunity for improvement missed, which could impact on bookings and future income.
Agreed Action		Responsibility
All complaints are recorded and monitored and reported to the JCC.		Clerk to the Joint Committee (JH)

Outstanding Actions from Previous Audits

1. Audit Trail of Market testing - Engineer Suppliers

Year	Rec Ref	Priority	Action Required	Audit Findings
2015 4/16	1047/1	I	Up to date rates should be obtained for all quotes for the book of remembrance work. These should be compared bi-annually to ensure that value for money is being obtained. (New wording) The Manager and Registrar (JC)	Although 3 quotes had been obtained it was noted that the quote from the current supplier was two years old and therefore may not reflect their current prices.

Appendix A – Best Practice / Advisory Issues

Recommendation	Rationale
<p>1. Petty Cash</p> <p>The petty cash book should be updated as and when a purchase is made and a running total should be recorded and balanced to the cash tin.</p>	<p>If the petty cash book is not kept up to date there is a risk that receipts may go missing or any errors in reconciliation may be difficult to trace.</p>
Manager's Comment	
<p><i>The petty cash is usually maintained up to date and reconciled regularly. There is only a couple of weeks entry to do. It will be entered more promptly going forward. Manager and Registrar (JC)</i></p>	

Appendix B – Follow up of Recommendations

Reference (Year)	Priority	Action Required	Audit Findings
1047/1 2015/16	Important	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.	<p>Status: Complete (with new important recommendation)</p> <p>The manager had obtained three quotes from suppliers including the current supplier; However, it was noted that the current supplier's rates were from 2014/15 some two years out of date.</p> <p>It is suggested that up to date rates for all quotes for the book of remembrance works are compared bi-annually to ensure that value for money is being obtained.</p>
1047/2 2015/16	Important	There should be regular circulation of the budget monitoring statements to spending officers.	<p>Status: Complete</p> <p>Budget monitoring statements are circulated to spending officers at the end of each period.</p>
1026/1 2014/15	Important	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>	<p>Status: Complete</p> <p>It was evidenced that a number of projects have been carried out, and/or progressed during 2015/16 which has been included in the report to the Engineer and Surveyor. This shows that market testing has been carried out as per contract standing orders.</p>

Appendix C - Elements of Audit Scope Covered this Audit

System of Control	Year Last Audited	Covered This Year
CERTIFICATION WORK		
A. Book Keeping	2012/13	
B. Expenditure	2014/15	YES
C. Risk Management	2013/14	
D. Financial Management	2014/15	
E. Income	2014/15	YES
F. Petty Cash	2011/12	YES
G. Payroll	2012/13	YES
H. Assets	2012/13	
I. Banking	2012/13	
J. Year End Procedures	2012/13	
OTHER OPERATIONAL CONTROLS		
K. Maintenance of Registers	2013/14	YES
L. Organists	2013/14	YES
M. Medical referees	2013/14	YES
N. Garden Improvement Fund	2013/14	
O. ICT Controls	2013/14	YES
P. Other	2013/14	
RECOMMENDATION FOLLOW UP	2014/15	YES
GOVERNANCE CONTROLS		
Q. Partnership Arrangements	2014/15	
R. Roles, Responsibilities & Accountabilities	2014/15	
S. Corporate Governance Framework	2014/15	
T. Performance Management	2011/12	YES
U. Human Resources Management	2009/10	
V. Health and Safety	No audit	
W. Sustainability	1999/00	
X. Counter Fraud	No audit	
Y. Business Continuity	2012/13 part	
Z. Legal and Regulatory Compliance	No audit	
AA. Treasury Management	2014/15	

*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 D - Staff Interviewed or Contacted

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

A planning meeting was held to agree the Terms of Reference with the Deputy Treasurer on 17th May, 2016.

An exit meeting was held on 20th July, 2016 and with the Manager and Registrar.