

# Final Internal Audit Report

## Portchester Crematorium 2013/14


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# Executive Summary

This report details the Internal Audit work undertaken to check compliance with a selection of procedures and controls in place over Portchester Crematorium. This Internal Audit has been undertaken in accordance with the 2013/14 Internal Audit Plan. Our audit approach and a summary of the work undertaken are provided in the Audit Framework in Appendix A.

	Minimal	Limited	Reasonable	Strong
<b>Audit Opinion &amp; Direction of Travel</b>				
			New opinion scale	

## Key Findings

### Strengths

- Authorisation limits set out in the Scheme of Delegation were found to have been complied with during all tests undertaken.
- Appropriate checks were evidenced for all invoices processed.
- Payroll payments processed were found to be accurate.
- Adequate records of income were in place during all tests undertaken.
- A sample of income collected was traced to the bank statement reconciliation.

### Weaknesses

- Due to recent building work, the alarm system and CCTV cameras to aid building security were not working at the time of audit due to the wires having to be cut. It was also noted that a list of key holders is not currently maintained.
- At the time of the audit the Financial Regulations were in the process of being drafted. This was an outstanding previous recommendation.
- Risk registers lacked sufficient detail of control measures in place and evidence of periodic review.

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Essential (☛)	Important (▲)	Advisory (Ⓜ)
Expenditure			-	1 (previously raised and in progress)	1 (previously raised and not yet started)
Risk Management			-	1	1
Income			-	-	-
Payroll			-	-	2
Other Operational Controls			-	1	1
Other Assurances		Finding			
Income and Expenditure Errors identified		None noted during this audit.			
Level of Previous Recommendation Implementation		Eleven previous recommendations were followed up from the previous audit of which three Important recommendations had been implemented (one in progress), 75% implementation rate, and five Advisory recommendations had been implemented (one no longer relevant and one not yet started).			
Fraud Assurance		A sample of 12 assets procured by the Crematorium was tested to confirm it could be located, In each case it was confirmed that the asset could be located as per the records retained.			

# Summary of Findings

## Expenditure

### **Financial Regulations and Contract Standing Orders**

At the time of the audit, Financial Regulations specific to the Crematorium were in the process of being drafted following a recommendation from the previous year's audit report. They were subsequently approved by the Joint Committee in June 2013. Audit obtained the draft Financial Regulations and confirmed that duties for key financial tasks were clearly defined. It was confirmed that a Standing Orders document is in place for staff to follow when producing any contract by, or on behalf of, the Portchester Crematorium Joint Committee (PCJC). This may be a contract for any type of good or service. The document details the tendering process as follows:

- Where the estimated value is less than £10k, the responsible officer (RO) may enter into such a contract with any person that he/she deems competent for the purpose; verbal quotations must be confirmed in writing.
- Where the estimated value is over £10k, the RO must where possible, seek at least 3 quotations in writing (or tenders if over £50K). If 3 cannot be obtained the RO must record the reasons.
- Where the estimated value is over £100k then the chair/vice-chair and Treasurer must be involved in the award the contract.

It was confirmed that a Scheme of Delegation to Officers is in place which formally documents the powers, duties and functions of the Clerk, Treasurer, Engineer and Surveyor, and Horticultural Consultant to the Committee, and the Manager and Registrar of the Crematorium.

### **Contract Tendering**

From the extract of the financial system provided, it was noted that there were no contracts procured in 2012/13 with a value in excess of £50K. It was noted that payments, not relating to contract procurement, in excess of £50K have been made within 2012/13. None were over £100K. We selected a sample of four of these payments and confirmed that in two cases, the tendering procedures outlined above would not have been required. The remaining two payments related to a capital programme for which the supplier is Facultative Technologies, a specialist abatement contractor. This programme was tendered for and the tender was awarded by the Joint Committee in January 2011. The tendering for this contract was covered in the 2012/13 audit in which it was found that the Contract Standing Orders was adhered to.

## Ordering and Receipt of Goods, Invoice Processing and Payment, Authorisation Limits and Approval of Expenditure

Payments made on behalf of Portchester Crematorium must be supported by invoices and authorised by a member of staff with appropriate authority, as stated in the Scheme of Delegation of Officers. This states that:

- The Clerk to the Committee;
- The Treasurer to the Committee;
- The Engineer and Surveyor to the Committee;
- The Horticultural Consultant to the Committee;
- The Manager and Registrar to the Committee

*“are all to incur routine revenue expenditure, and to incur capital expenditure up to a limit of £100k when in consultation with the Treasurer. They can all authorise any officer under his or her direct managerial control or any other officer employed by the Committee to exercise any of the functions delegated to the officer”.*

An authorised signatory form must be completed for any Officer allocated authority to sign invoices. For the sample of five payments selected, in each case it was confirmed that the payment was supported by invoices, and expenditure was approved as required within the Scheme of Delegation by someone with an authorised signatory form. Within the sample tested, one payment related to goods rather than services and, in this instance, it was verified that a purchase order was raised. Only one of the five invoices was for goods and therefore only this one had a corresponding purchase order on file.

The VAT on the sample of payments selected was found to have been handled correctly.

### Accounting for VAT

VAT Returns are filed in a folder together with VAT reports generated from efinancials as supporting evidence. The figures on the report are entered into a working paper set out to apportion VAT. Evidence has been retained that the return has been submitted for the 2012/13 financial year.

Audit obtained the VAT return submitted for 2012/13 based on VAT reports generated from efinancials. The total value of sales and other outputs in this period was £682,149 of which £7,944 was due in VAT. The total value of VAT reclaimed by PCJC in this period on purchases and other inputs was £15,512 so the net VAT to be paid was £7,568. It should be noted that we did not confirm the accuracy of this amount but it was verified that prior to submission to HMRC, the return was authorised by the Deputy Treasurer.

## Risk Management

### **Risk Management Framework**

The Joint Committee has adopted a brief Risk Management Policy Statement in December 2009. The Risk Management Framework sets out the Clerk to the Joint Committee as being the figurehead for the Policy and the Treasurer to the Joint Committee responsible for maintaining the Policy. The framework also stipulates that the Policy will be updated in March of each year and reported to the Joint Committee.

Audit obtained the Risk Management Policy Statement adopted in 2009. It is understood that that officer-led reviews of the framework are undertaken each year. However, at the time of audit the statement had not been submitted to the Joint Committee for formal review since 2009 and, therefore, not updated in line with the requirement detailed above. An [Advisory Recommendation](#) has been raised. It is noted that this has subsequently been addressed and an updated framework submitted to the Joint Committee in June 2013.

Risk registers are in place at a Strategic and Operational level to encourage risk awareness. It is understood that officer led reviews of the risks are carried out each year, however, no evidence was found during the audit. As such an [Important Recommendation](#) has been raised which also incorporates the new actions below. It was stated that the risk registers will be agreed at the upcoming meeting of the Control Assurance group to verify the risk management framework and also present the details to the Joint Committee.

### **Risk Identification, Assessment and Action**

It was confirmed that each risk in the Strategic and Service level risk registers has been assigned to an appropriate Risk Manager. The Risk Managers are the Registrar, the Treasurer, the Clerk to the Joint Committee and the Engineer and Surveyor to the Committee. It was noted that controls or action plans are not currently documented in the risk registers to show how risks are being mitigated, and risks are not linked to strategic objectives; the ['Important' recommendation](#) raised above also covers this issue.

## Income

### **Setting fees and charges**

The Joint Committee agrees the schedule of fees and charges annually for each of the income streams, following proposals from the Treasurer &/or Deputy Treasurer. It was confirmed that the current fees & charges schedule is available on the Crematorium website. Audit obtained the fees & charges schedules for both 2012/13 and 2013/14 and verified that the changes were agreed by the Joint Committee during the meeting in December 2012.

## **Funeral Director bookings**

Cremations are logged within the electronic crematorium diary; Funeral Directors will either telephone the Crematorium to reserve a timeslot, which is entered by the crematorium staff, or the Funeral Director has a direct link to the dairy system to enable them to schedule their own cremation. A manual book is also completed. At the end of each week, the number of cremations carried out for each Funeral Director is ascertained from the book. An adjustment for the number of cremations carried out free of charge, i.e. under 16s, is made before requesting payment from the Funeral Directors.

Sample testing of five Funeral Director bookings on the manual file confirmed that the income received reconciled to the receipts and the approved scale of charges, with the exception of one instance where ten bookings were paid for but eleven bookings took place; this was due to a late cancellation the week previously whereby eleven were paid for the week before and only ten were conducted. Audit obtained the records to verify this.

## **Book of Remembrance and Memorial Cards**

The charge for inscription in the Book of Remembrance is based on the number of lines of text and whether a motif is required, the minimum is two lines and the maximum is eleven lines. Forms are completed to request inscription. Three forms for orders for inscription in the Book of Remembrance were selected for testing and it was confirmed that each had a receipt retained as evidence of the accurate amount of income being received.

Fees for Memorial Cards are based on whether orders are for single, double or triple entry and whether a badge or crest is included. Orders for memorial cards are recorded in a manual book and receipts are completed for payment received. It was verified for a sample of five memorial card orders that accurate payments were received and receipts were retained.

## **Storage and Scattering of Ashes**

The Crematorium does not charge for storage of ashes, and charges are only made for the scattering of ashes if the deceased was cremated elsewhere. The current charge for this is £48, in 2012/13 it was £47. Sample testing of five scatterings of ashes from other crematoria confirmed that accurate payments of £47 (correct as at 2012/13) were received for each scattering, and this was recorded in the receipt book and is stored at the Crematorium.

## **Receipting and Record Keeping**

Payment is generally received through the post and a receipt is produced. A single receipt is issued to Funeral Directors for the cremations carried out on their behalf. The receipt shows the number of cremations carried out and the number of times an organist or organ was used. The receipt number is recorded within the cremation ledger and also on the application form. Details of the receipt are also recorded on the application form for entries to the Book of Remembrance &/or Memorial Cards.



Sample testing of cash journals established these were correct and accurately input into the financial system from source documentation.

## **Banking Arrangements**

Bank statements are reconciled against ledger balances using a system that lists any items that do not reconcile due to timing. These are generated and checked on a weekly basis. Five weeks were selected and it was verified that a reconciliation has been completed each week. For the weeks selected in July, September, November 2012 and January 2013, the balances reconciled. The sample selected in March 2013 did not reconcile; this was due to a direct debit from Corona Energy of £12,744.14 missing from the statement; it was confirmed that this was noted on the reconciliation sheet and subsequently resolved.

## **Accounting for VAT**

The Joint Committee has a VAT partial exemption status and with the agreement of HMRC has a special method of calculating for reclaiming VAT; each quarter's calculation is completed with an individual quarterly return and a payment is made or received from HMRC. It was confirmed that this amount has to be taken into account on the Quarter One return in the new financial year.

Sample testing of coding of income established VAT had been identified and handled correctly on the cash journal and subsequently coded correctly within the financial system.

## **Debtor Management**

The Crematorium rarely has debtors; the main debtor is the Co-Operative who pays for cremations and associated services in arrears. Records of income received from the Co-Operative are recorded on a spreadsheet which was obtained by Audit. The spreadsheet showed regular payment throughout the year.

## **Payroll**

### **Staffing Structure and Pay Scales**

Audit obtained the Staffing Structure from the Audit System Notes and updated it by removing leavers and including the one new starter. Currently there are sixteen members of staff working for Portchester Crematorium. The staff based at the crematorium are paid based on a local grade scale which is aligned to the pay scales set by the National Joint Council for

Local Government Services. However, no locally maintained staffing structure was in place and an [‘Advisory’ recommendation](#) has been raised.

### **Appointment Approval and Pay Awards**

The Registrar is authorised to appoint staff on a grade up to and including spinal point 28 and to agree an appropriate salary point within the scale applicable to the post. The one new employee in 2012/13 was employed on spinal point 14 and therefore the Manager and Registrar was authorised to appoint him. The salary point was confirmed as appropriate as it is the same grade as other Attendants in employment at the Crematorium. As detailed within Appendix A of this report, Human Resource Management checks, including pre-employment checks, have not been covered within this audit.

### **Payroll Procedures and Support Officer Payments**

Audit selected a sample of five members of staff employed by the Crematorium and checked the payroll payments made in October 2012 and January 2013. Two of the employees sampled were full time employees and three were Support Officers (members of the PCJC who do not work at the Crematorium full time), but all are paid with a salary. All payments made in October 2012 and January 2013 selected were confirmed to be accurate against the standing post data; the Attendant (a full time employee) was paid extra in both months for overtime. The Scheme of Delegation states that the Manager & Registrar is authorised to approve planned overtime where estimate provision exists (either capital or revenue). This employee's overtime was based on weekends and bank holidays for which estimate provision exists, and both overtime forms were submitted and authorised by the Manager & Registrar.

### **Expense Claims**

Expenses claims for crematorium staff are processed by Fareham Borough Council as part of the support arrangements. The claims are authorised by crematorium staff (either by the Registrar or the Deputy Registrar) and are issued to the FBC Payroll Team for processing. Five expense claims processed were selected for testing; in all cases selected, it was verified that the claim had been authorised by a member of the Crematorium, in line with the Scheme of Delegation. Receipts were attached as required in two cases, however, in the remaining cases, one claim was missing receipts for stamps, one was missing receipts for stamps and one parking ticket, and one had no receipts attached. An [Advisory Recommendation](#) has been raised.

### **PAYE and NI Deductions**

Tax deductions are processed on the Payroll system and this data is extracted in order to make payments to HMRC. Testing of two months confirmed that the payroll is processed by one Officer and the deductions report is checked and signed by a separate Officer. Payroll output reports show a breakdown of PAYE and NI deductions from each employee. The calculation of PAYE and NI through use of system parameters was also found to be accurate in the sample tested above.

## **Members Allowances**

FBC Members are entitled to travel allowance only for attending a meeting of the Joint Committee. It was verified that there were no expense claims processed for FBC Members in 2012/13.

## **Other Operational Controls**

### **Maintenance of Registers**

The register of cremations at Portchester Crematorium is maintained using Epilog, a crematorium administration system. Audit observed the database and obtained an example of a register of a cremation at Portchester Crematorium. It was confirmed that data entered includes a cremation number for reference, cremation and death dates, name, and address detailed of the deceased and also the person who applied for the cremation, and details of the people signing certificates.

### **Organists Expenditure and Income**

Expenditure for organists is incurred when organists are required for cremations. Organist bookings are recorded manually in a book held at the Crematorium. Invoices are received on a fortnightly basis from Organists for payment. Audit sampled five invoices processed for Organist services and verified that in all cases the number of services paid for reconciled to the number of services recorded manually in the book. All invoices had been signed to verify that the work had been completed and authorised by the Manager & Registrar.

Income for organists is received along with cremation fees, where an organist is booked. Organist bookings are recorded manually in a book listed by day. Corresponding receipt numbers are recorded in the book to evidence payment by the Funeral Directors. The cost for the use of the organ in 2012/13 was £31.35 and £19.65 for the services of the organist, equalling a total of £51. Audit sampled five weeks of organist bookings and confirmed in all cases that the payment received as stated on the receipts and this matched the number of organist services carried out, as recorded in the manual Organist book.

### **Medical Referees Expenditure and Income**

Invoices are received for Medical Referees fees on a quarterly basis. Invoices are signed to state the work has been completed and are subject to authorisation by either the Manager & Registrar or the Deputy Superintendent & Registrar, in line with the Scheme of Delegation. Income for Medical Referees is received as part of the Cremation fees.

Four quarterly invoices processed for services of Medical Referees were sampled by Audit, and it was confirmed in each case that invoices reconciled to the bookings manually recorded in the Medical Referees book, invoices were signed by the Deputy Treasurer to document the receipt of services, prices were checked by the Manager & Registrar, and payments were authorised by the Deputy Superintendent & Registrar.

### **Management of Garden Improvement Fund**

Upon receipt of donations, the details are recorded manually in a receipts book. Five donations to the Garden Improvement Fund were sampled, in all cases receipts were on file to evidence that payments were received. Payments received accurately matched donations recorded in the book.

Donations received are receipted by the Manager & Registrar and reconciled at year end for work that the Horticultural Assistant had completed. The total value of donations made in 2012/13 was £1,443. This was matched against £1,016 for the provision of the stone pathway linking the pond to the main path, and the remainder contributed to the replacement of seating.

### **ICT Controls**

The Crematorium use F:Secure workstation security and virus software, this is installed and monitored by their IT consultants ROCC computers. It was confirmed that user names and passwords are required to be entered in order to gain access to the computer system. Audit could also confirm and evidence that a separate login name and password is required to be entered for access to the Epilog system, where sensitive and confidential data is stored. Through discussion with the Manager & Registrar it was found that, to his knowledge, Epilog does not have a licence agreement. An [Advisory Recommendation](#) has been raised.

The Backup process was covered in the 2012/13 audit of Backup and Disaster Recovery; one important and two advisory recommendations were made. These were outstanding at the time of the audit. The Disaster Recovery process was covered in the 2012/13 audit of Backup and Disaster Recovery also; it was found that the last formal Disaster Recovery test was conducted in July 2009. One important recommendation was raised in this area; however there have been no formal Disaster Recovery tests since the previous audit. For full details of these audits, please refer to the individual audit reports.

### **Building Security**

All members of staff have a key to the buildings, however, it was noted that a register of key holders is not currently maintained. An alarm system and CCTV cameras are in place. Through discussion with the Manager and Registrar it was found that due to recent building work the alarm system and CCTV cameras have had their wires cut and are no longer working. An [Important Recommendation](#) has been raised.

## **Franking Machines**

It was verified by the Manager and Registrar that there is no longer a franking machine at Portchester Crematorium. When postage stamps are required, they are purchased and the cost is claimed back through expenses.

## **Fraud Test - Physical Verification of Assets**

A sample of 12 assets procured by the Crematorium was tested to confirm physical location; in each case it was confirmed that the asset could be located as per the records retained.

## **Follow up of Recommendations**

Three important recommendations were found to have been implemented and one important recommendation was in progress. Five advisory recommendations were found to have been implemented whilst one advisory recommendation was not yet started and one was no longer required (not valid); further details of outstanding recommendations are set out in the follow up recommendations table.

# Recommendations and Management Action Plan

## New Important Issues

### 1. Controls/Action Plans included in Risk Registers (Important)

Recommendation	Rationale	Managers Comments
<p>It is recommended that controls and/or action plans to mitigate each risk are documented within the risk registers and linked to strategic objectives. In addition the details relating to the six monthly review should be recorded.</p>	<p>The inclusion of controls within the risk register will provide a clearer indication of where there are weaknesses in the control environment, enhancing risk awareness and improving the risk management processes within the Crematorium.</p>	<p>Agreed</p>
	<p>It was found that there are currently no controls or action plans listed within the risk registers and that no review details are recorded.</p>	<p><b>Audit Response</b></p>
	<p>If mitigating controls are not included within risk registers, this could result in an inadequate level of risk management, leading to poor management decisions made. Through recording review details, it will be clear to show how risks how been managed over a period of time.</p>	<p>Agreed action mitigates risk.</p>
Agreed Action	Responsibility	Deadline
<p>Controls or Action Plans will be included within risk registers.</p>	<p>Treasurer of PCJC</p>	<p>30 September 2013</p>

## 2. Alarm system and CCTV restored

(Important)

Recommendation	Rationale	Managers Comments
<p>It is recommended that the alarm system and CCTV cameras are restored to be fully functional.</p> <p>In addition, a list of current and past key holders should be maintained.</p>	<p>Restoring the alarm system and CCTV cameras will result in increased security over the building, staff and assets. Through holding a list of key holders it will be evident who has access to the building outside of normal hours and provide assurance over the adequacy of security arrangements.</p> <p>Through discussion with the Manager &amp; Registrar, it was found that due to recent building work, the alarm system and CCTV cameras were not working due to the wires having to be cut. It was also noted that a list of key holders is not currently maintained.</p> <p>Without a fully functional alarm system and CCTV cameras there is an increased risk of theft of assets, leading to a financial loss to the Crematorium. In addition, if a list of key holders is not maintained, there is a risk that assurance cannot be obtained over the adequacy of security arrangements.</p>	<p>Agreed</p> <hr/> <p><b>Audit Response</b></p> <p>Agreed action mitigates risk.</p>
Agreed Action	Responsibility	Deadline
Alarm system and CCTV will be fixed.	Engineer and Surveyor to PCJC	19 August 2013

## New Advisory Issues

### 3. Annual review of Risk Management Policy Statement

(Advisory)

Recommendation	Rationale	
<p>It is recommended that the Risk Management Policy Statement is updated on an annual basis and reported to the Joint Committee</p>	<p>It is stated in the Risk Management Framework that the Treasurer has responsibility for the Risk Management Policy and should update the Policy annually and have it approved by the Joint Committee.</p> <p>Audit obtained the Risk Management Policy Statement adopted in 2009; it was noted that the Statement has not been subject to review since 2009 and, therefore, not reviewed in line with the requirement detailed above.</p> <p>Without an annual update of the Policy, the key features of the Policy may become out of date and less useful resulting in poor Risk Management processes.</p>	<p>Agreed Deputy Treasurer to PCJC</p>
<p><b>Action Taken</b>    <b>Already</b></p>	<p>It is noted that this has subsequently been addressed and an updated framework was submitted to the Joint Committee in June 2013.</p>	



## 4. Staffing Structure

(Advisory)

Recommendation	Rationale
<p>The staffing structure at Portchester Crematorium should be updated as and when changes occur.</p>	<p>Through regular review of the staffing structure, the Crematorium will be able to state the current status of the establishment.</p> <p>Whilst the staffing structure could be ascertained through discussion with Officers and through observation of Payroll, it was confirmed that no up to date staffing structure was held at the Crematorium.</p> <p>Where an up to date staffing structure is not recorded, there is a risk that Payroll errors may not be identified and also that the establishment is unknown.</p>

## 5. Supporting Documentation for Expense Claims

(Advisory)

Recommendation	Rationale	Managers Comments
<p>It is recommended that receipts are required to be provided for expense claims for postage stamps.</p>	<p>The provision of receipts to support all expense claims will provide assurance that only accurate and valid claims are paid.</p> <p>Testing of a sample of expense claims noted three instances where supporting documentation was not available to support the claim; these related to postage stamps and/or parking receipts.</p> <p>If supporting documentation is not provided, there is a risk that payments may be made in respect of incorrect claims which could result in financial loss to the Crematorium.</p>	<p>Agreed - Expense claims for postage stamps will only be processed if receipts are present.</p> <p>Deputy Treasurer to PCJC</p>

## 6. Software Licences

(Advisory)

Recommendation	Rationale
<p>Details of software licences should be retained to prove the authenticity of the software and to support that the Crematorium is authorised to use the software systems.</p>	<p>In order to demonstrate compliance with software regulations, documentation should be retained to evidence that a valid licence is in place.</p> <p>Through discussion, it was ascertained that the Manager &amp; Registrar was unaware of any licence agreement for the Epilog system.</p> <p>Where the Crematorium is unable to prove it has valid software licences, there is a risk of unauthorised use of software which could leave the Crematorium unsupported in the event of software failure or at risk of fines if permission is not obtained and up to date to utilise such software.</p>

# Outstanding Actions from Previous Audits

Reference (Year)	Priority	Action Required	Audit Findings
945/1 2012/13	Important	A set of simple and succinct Financial Regulations specific to the Crematorium should be produced for all employees, part time officers and consultants to follow.	<b>In progress but subsequently implemented</b> The implementation of this recommendation is in progress but not yet complete at the time of audit: Financial Regulations specific to the Crematorium are in the process of being produced and are currently available in a draft format. <b>It is noted that they were subsequently presented to the Joint Committee in June 2013.</b>
945/6 2012/13	Advisory	A threshold should be introduced into the Financial Regulations above which the value of an order placed should be.	<b>Not yet started but subsequently implemented</b> The implementation of this recommendation has not yet started: Within 7.2.4 of the Draft Financial Regulations, Information Contained on Orders, it states "? Threshold required" indicating that there is intent to complete this area and include the required information but it has not started yet.

# Appendix A - Audit Framework

## Audit Objectives

The audit was designed to provide assurance that management have implemented adequate and effective controls over Portchester Crematorium.

## Audit Approach and Methodology

The aim of the audit was to establish that:

- there are adequate internal controls in effective and efficient operation;
- the processes are meeting the requirements of internal policy and procedural standards; and
- the processes are meeting external codes of practice, professional and statutory regulations.

Significant weaknesses have then been brought to the attention of management and advice issued on how particular problems may be resolved and control improved to minimise future occurrence.

## Areas Covered

The audit specifically covered the following areas:

### Testing to support the Head of Audit & Assurance completion of the Annual Audit Certificate

- Expenditure;
  - Financial Regulations and Contract Standing Orders
  - Contract Tendering;
  - Ordering and Receipt of Goods;
  - Invoice Processing and Payment;
  - Authorisation Limits and Approval of Expenditure;
  - Accounting for VAT.
- Risk Management;
  - Risk Management Framework
  - Risk Identification, Assessment and Action
- Income;

- Setting Fees and Charges;
- Funeral Director Bookings;
- Book of Remembrance and Memorial Cards;
- Storage and Scattering of Ashes;
- Receipting and Record Keeping;
- Banking Arrangements;
- Accounting for VAT;
- Debtor Management.
- Payroll;
  - Staffing Structure;
  - Pay Scales;
  - Appointment Approval and Pay Awards;
  - Payroll Procedures;
  - Support Officer Payments;
  - Expenses Claims;
  - PAYE and NI Deductions;
  - Member Allowances.

### **Testing of Other Operational Controls**

- Maintenance of Registers;
- Organists Expenditure and Income Control;
- Medical Referees Expenditure and Income Control;
- Management of the Garden Improvement Fund;
- ICT Controls;
  - Security Strategy e.g. viruses;
  - PC Access Controls;
  - Software Licensing;
  - Backup;
  - Disaster Recovery.
- Other;
  - Building Security;
  - Franking Machines.

Specific tests to be completed/ additional areas:

- Update of internal audit system notes where appropriate
- Follow up of 11 previously raised recommendations; and
- Fraud Test - Physical location of a sample of purchases.

Areas not covered:

- **Other Certification Work (reliance will be placed on previous years' testing and the recommendations follow up for these areas):**
  - Book Keeping;
  - Budgetary Control
  - Petty Cash;
  - Assets;
  - Banking;
  - Year End Procedures
- **Governance:**
  - Partnership Arrangements;
  - Roles, Responsibilities & Accountabilities;
  - Corporate Governance Framework;
  - Performance Management;
  - Human Resources Management;
  - Health & Safety
  - Sustainability;
  - Counter Fraud;
  - Business Continuity;
  - Legal & Regulatory Compliance;
  - Treasury Management.

## Appendix B – Elements of Portchester Crematorium Audit Scope Covered this Audit

System of Control	Year Last Audited	Covered This Year
<b>CERTIFICATION WORK</b>		
A. Book Keeping	2012/13	
B. Expenditure	2012/13	YES
C. Risk Management	2007/08	YES
D. Financial Management	2012/13	
E. Income	2011/12	YES
F. Petty Cash	2011/12	
G. Payroll	2011/12	YES
H. Assets	2012/13	
I. Banking	2012/13	
J. Year End Procedures	2012/13	
<b>OTHER OPERATIONAL CONTROLS</b>		
K. Maintenance of Registers	1999/00	YES
L. Organists	2011/12	YES
M. Medical referees	2011/12	YES
N. Garden Improvement Fund	2009/10	YES
O. ICT Controls	2005/06	YES
P. Other	2005/06	YES
RECOMMENDATION FOLLOW UP	2011/12	YES
<b>GOVERNANCE CONTROLS</b>		
Q. Partnership Arrangements	2009/10	
R. Roles, Responsibilities & Accountabilities	2009/10	
S. Corporate Governance Framework	2007/08	
T. Performance Management	2011/12	
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	No audit	



## Appendix C – Staff Interviewed

- Andrew Wannell - Treasurer to PCJC
- Kate Busby - Deputy Treasurer to PCJC
- James Clark - Manager & Registrar
- Lawrence Epton - Deputy Superintendent & Registrar
- Suzanne Vick - Operational Finance Manager

A planning discussion was held to agree the Terms of Reference and timing with the Deputy Treasurer of PCJC in March 2013. An exit meeting was held with the Deputy Treasurer of PCJC on 29<sup>th</sup> April 2013.

### **Acknowledgement**

We would like to thank management and staff for their time and co-operation during the course of the internal audit.