

# FAREHAM

BOROUGH COUNCIL

## Portchester Crematorium

2017/18

### INTERNAL AUDIT FINAL REPORT No. 1110 (Reduced Version)

Responsible Service: Portchester Crematorium Joint  
Committee

Lead Auditors: Jenny Moses and Clare  
Rogers (FBC)

Date of Report: February 2018

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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 3,400 cremations a year generating a surplus which is divided amongst the funding Councils.

Cremation fees are still by far the largest income source generating £1,893,440 which was approximately 93 % of all income in 2016/17.

Year	2014/15	2015/16	2016/17
Cremations	3,411	3,240	3,424
Income	1,927,087	1,767,700	1,893,440

## 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:

- 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 bankings were prompt and in accordance with the Financial Regulations.

- Banking

Bank Reconciliations are undertaken on a weekly basis and any imbalances are addressed promptly.

- Payments Made

All expenditure tested was deemed appropriate for the Crematorium and supported by a valid invoice. All payments were correctly authorised.

- General Ledger

All sample transactions from the income and expenditure tests had been accurately posted to the general ledger for the Crematorium.

- VAT

The four quarterly VAT returns for 2016/17 had been completed and submitted within the required timescale as prescribed by HM Revenues and Customs. In addition, the VAT return for quarter 2 was verified to the Deputy Treasurer's working papers.

- Year-end Procedures

The year-end procedures were clearly documented. There was a strong audit trail from the underlying financial records to the crematorium accounts. The transactions recorded in the Deputy Treasurer's working papers, were traced through the system and confirmed as correct in the Ledger and the report to the Portchester Cremation Joint Committee.

- Governance

There are clear roles and responsibilities for officers and members. The Joint Committee met the required number of times and there was a clear audit trail from decision making to payout of the profit share.

## **2.2 Issues or Weaknesses**

Issues or control weaknesses found during the audit were:

- Inventory Checks

Although there are inventory lists for various areas within the Crematorium there are no annual inventory checks undertaken. Also, there was no inventory for the Remembrance Hall, however the books of remembrance that are in there are insured for £1.1m and are transported back and fore to the inscribers.

- Business Continuity

A Continuity Plan is in place that is regularly reviewed and updated. However, the plan has never been tested. Without testing of the Continuity Plan there is no assurance it is adequate or everything is in place should an unexpected event happen. It is recommended that the testing includes requesting a back up restore from ROCC.

- Security of Passwords

Although all passwords have been changed to the FBC standard, as previously recommended, it was found that the office team have all written their passwords down and use each other's passwords when needing to log onto other computers. There is a risk therefore that the sharing and documenting of individual passwords could lead to the loss of integrity of the passwords and inappropriate access may be gained to the computers and the system.

- Market Testing of Expenditure

Payments over £10k to suppliers were tested and two supplier payments (Veolia and Viewpoint digitisation) were found not to comply with financial regulations for obtaining quotes to ensure best value is achieved. Another supplier where payments made were over £10,000, was in respect of Facultatieve Technologies, for the maintenance and relining of the Cremators. Although Financial Regulations had been followed the 5 year contract ends in 2018 and therefore the contract is due to be retendered.

During the invoicing test, it was found that the charges for BT supply of telecommunications was very high for the minimal usage of calls the Crematorium office makes. This is a long-standing contract that should be reviewed for best value for money.

- Employee Performance Management

The previous audit undertaken in 2016/17 identified that there was no official system of staff appraisals within the team at the Crematorium and a recommendation was raised. This recommendation remains outstanding, however, the Registrar agreed the importance of such things but explained as his is such a small team if he had anything to say he would say it there and then. He agreed that if this was brought in as a requirement he would comply. Discussions are ongoing and all future controls of the crematorium have yet to be agreed.

## 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 (ℹ️)	Implemented	Partly Implemented	Cancelled	Not Implemented
Expenditure			-	2	-	-	-	-	-
Income			-	-	-	-	-	-	-
Banking			-	-	-	-	-	-	-
Book-Keeping			-	-	-	-	-	-	-
Year End Procedures			-	-	-	-	-	-	-
Assets			-	2	-	-	-	-	-
Governance			-	1	-	-	-	-	-
Follow up – Operational			-	1	-	2	-	1	-
Follow up – Building Security			-	-	-	1	-	-	-
Follow up – Employee Performance Management			-	-	-	-	-	-	1
Follow up – Metal recycling			-	-	-	1	-	-	-

### 3 RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

#### New Important Recommendations

##### 1. Telecoms Contract

Recommendation	Rationale
The telecommunications supply is reviewed to see if a better deal can be achieved for the small call usage the Crematorium makes.	Without reviewing the market for the best services and prices the Crematorium may not be receiving the best deal for its telecommunications provision.
Agreed Action	Responsibility
A review of telecommunications providers for services and prices is undertaken.	<i>Manager and Registrar (JC)</i>

##### 2. Market Testing for spend over £10k

Recommendation	Rationale
Three quotes should be obtained for Contracts/or purchases likely to exceed £10k over a 3 year period.	Where contracts are not regularly reviewed, there is no assurance that value for money is being obtained. Also notice is raised regarding the very high value contract for the maintenance of the cremators due for renewal 2018.
Agreed Action	Responsibility
Three quotes (based on the crematoriums actual requirements) are obtained for the provision of the books of remembrance and digitising service. (This supercedes previous recommendation 1083/4)	<i>Manager and Registrar (JC)</i>
Three quotes are obtained for the supply of the skips and compactors for the waste flower/wreath displays.	<i>Manager and Registrar (JC)</i>

<p>The preparation for retendering of the cremator maintenance contract is commenced. (The Property Manager is unaware of where the responsibility for this lies and will seek advice at the next committee meeting)</p>	<p><i>Manager and Registrar (JC), and The Property Manager (IC)</i></p>
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### 3. Inventory checks

Recommendation	Rationale
<p>Annual Inventory checks should be undertaken</p>	<p>Where no inventory checks are undertaken, missing items are not highlighted and additional items may not be covered by adequate insurance.</p>
Agreed Action	Responsibility
<p>An annual inventory check will be undertaken and records updated where appropriate</p>	<p><i>Manager and Registrar (JC)</i></p>

### 4. Inventory for the Remembrance Hall

Recommendation	Rationale
<p>An inventory list for the Remembrance Hall should be introduced to include the very valuable books held there.</p>	<p>Without a record of the movement of the Books of Remembrance there is a risk that the exact location of any one of the books may not be known by all members of staff at a given time.</p>
Agreed Action	Responsibility
<p>A document that records the movement of the Books of Remembrance will be introduced.</p>	<p><i>Manager and Registrar (JC)</i></p>

## 5. Business Continuity

Recommendation	Rationale
<p>The Continuity Plan should be tested. This should include request a back-up file from ROCC and testing that it is loadable and useable on an FBC PC.</p>	<p>Without testing the continuity plan there is no assurance that it is adequate or that everything is in place should an unexpected event happen.</p>
Agreed Action	Responsibility
<p>Arrangements will be made to test the continuity plan in the near future.</p>	<p><i>The Clerk to the Committee (JH)</i></p>

## 6. Records of Passwords

Recommendation	Rationale
<p>The passwords to the office computers and Epilog system should not be written down or shared.</p>	<p>The sharing and documenting of individual passwords could lead to the loss of integrity of the passwords and inappropriate access may be gained to the computers and system.</p>
Agreed Action	Responsibility
<p>The existing passwords will be changed and not written down or shared with other members of staff.</p>	<p><i>Manager and Registrar (JC)</i></p>

## Appendix A - Best Practice / Advisory Issues

Recommendation	Rationale
Invoices should be date stamped on receipt at the Crematorium.	Without a date received it is difficult to establish the exact timescale between receipt and posting of the invoice to Efinancials.

## Appendix B - Follow up of Recommendations

Reference (Year)	Priority	Action Required	Audit Findings
990/2 2013/14	Important	<b>Building Security:</b> The alarm system and CCTV should be fixed.	<b>Status: Complete</b> Evidence of Alarm maintenance invoices seen therefore can assume the alarm is fixed. And seen CCTV working in the small office room.
1083/1 2016/17	Important	<b>Operational:</b> The computer passwords will be changed as per the Fareham Borough Council computer password protocol (sent to JC 03/08/16).	<b>Status: Complete <a href="#">(with new important recommendation 6)</a></b> Although all passwords have been changed to the FBC standard It was found that the office team have all written their passwords down and use each other's passwords when needing to log onto other computers.
1083/2 2016/17	Important	<b>Employee Performance Management:</b> 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.	<b>Status: In Progress</b> The Registrar agreed the importance of such things but explained as his is such a small team if he had anything to say he would say it there and then. He agreed that if this was brought in as a requirement he would comply. Discussions are ongoing and all future controls of the crematorium have yet to be agreed.
1083/3 2016/17	Important	<b>Operational:</b> All complaints are recorded and monitored and reported to the JCC.	<b>Status: Complete</b> The Registrar includes any notes of complaint or praise within his quarterly report to committee. Evidenced in 2016/17 Committee meetings.

Reference (Year)	Priority	Action Required	Audit Findings
1083/4 2016/17	Important	<b>Operational:</b> Market testing by way of obtaining comparable quotes should be regularly carried out. The quotes should reflect the actual work required by the Crematorium for the Books of Remembrance. (New wording)	<b>Status: Superseded (with new recommendation made)</b>  Although price lists had been obtained (not all of them current), they did not reflect comparable quotations for the actual work the crematorium requires for the Books of Remembrance.
1050/6 2015/16	Important	<b>Metal Recycling:</b> Information about the metal recycling scheme should be published on the Crematorium's website.	<b>Status: Complete</b>  Scheme is included on the website

## Appendix C - Elements of Audit Scope Covered this Audit

System of Control	Year Last Audited*	Covered This Year
<b>CERTIFICATION WORK</b>		
A. Book Keeping	2012/13	YES
B. Expenditure	2015/16	YES
C. Risk Management	2013/14	
D. Financial Management	2014/15	
E. Income	2015/16	YES
F. Petty Cash	2015/16	
G. Payroll	2015/16	
H. Assets	2012/13	YES
I. Banking	2012/13	YES
J. Year End Procedures	2012/13	YES
<b>OTHER OPERATIONAL CONTROLS</b>		
K. Maintenance of Registers	2015/16	
L. Organists	2015/16	
M. Medical referees	2015/16	
N. Garden Improvement Fund	2013/14	
O. ICT Controls	2015/16	
P. Other	2013/14	
RECOMMENDATION FOLLOW UP	2015/16	YES
<b>GOVERNANCE CONTROLS</b>		
Q. Partnership Arrangements	2014/15	
R. Roles, Responsibilities & Accountabilities	2014/15	YES
S. Corporate Governance Framework	2014/15	
T. Performance Management	2015/16	
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	YES
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 Property Manager
- John Haskell Clerk to the Committee

A planning meeting was held to agree the Terms of Reference with the Deputy Treasurer on 26<sup>th</sup> July, 2017.

An exit meeting was held on 7<sup>th</sup> August, 2017 with the Manager and Registrar.