

FAREHAM

BOROUGH COUNCIL

PORTCHESTER CREMATORIUM CERTIFICATION WORK

2013/14 Certificate

INTERNAL AUDIT FINAL REPORT No. 1026

Responsible Service: Portchester Crematorium Joint
Committee

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1 MANAGEMENT SUMMARY

1.1 Introduction

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 2013/14 certificate. This was a light touch year so testing was only carried out in relation to parts B and E of the certificate as documented in [Appendix A](#).

1.2 Main Findings from the Audit

Key Findings

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 expenditure tested was deemed appropriate for the Crematorium and supported by a valid invoice. Some arrangements could be strengthened to confirm that value for money is being achieved and Contract Standing Orders complied with.

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations / Issues Raised		
			Essential (●*)	Important (▲)	Advisory (□)
Expenditure				1	2
Income					
Other Assurances		Finding			
Income and Expenditure Errors identified		There were no errors noted during the audit			

2 FINDINGS

2.1 Expenditure

2.1.1 Appointment of Suppliers and Contractors

The main requirements of the Contract Standing Orders and or Financial Regulations for the Portchester Crematorium in regards to the appointment of suppliers and contractors are summarised below:

All Expenditure	<p>Value for money should be obtained from purchases by testing the prices of several suppliers by checking price lists, catalogues, trade journals, advertising and obtaining verbal and written quotes.</p> <p>Where a single supplier is used for a large quantity of small purchases throughout the year, documented price checking is only required on a 'basket of goods' basis, at least every year.</p> <p>Subsequent price checks are not needed for a similar purchase within 12 months, unless the market is volatile for the type of purchase, the preferred supplier wishes to increase their charge, or the cost exceeds £10,000.</p>
Contracts under £10,000	<p>The Responsible Officer may enter into a contract with any person that s/he considers competent for the purpose.</p> <p>Competitive prices and products should be sought wherever possible, and price checks undertaken.</p>
Contracts to be let over £10,000	3 quotations should be sought where practicable
Contracts to be let over £50,000	3 tenders should be sought

A report was obtained of payments taken from the General Ledger covering the period 2011 to 2014. The report was sorted into supplier names and each supplier amount was totalled to confirm the total expenditure for that period. A sample of ten suppliers, where expenditure in excess of £10,000 had occurred in the period, was selected to test if the expenditure had been made in line with the requirements above. A summary of the findings is given below and discussed in subsequent paragraphs:

Treatment	Number of Suppliers in Sample	Suppliers
Awarded after Tender and reported to Joint Committee.	2	Parker Torrington Facultative Technologies
Tender and extension as part of Portsmouth CC Tender	1	Brightstone Landscaping
Multiple Suppliers used for provision of same service	3	Organists and Medical Referees
Appointed by Building Maintenance Consultants – Evidence of market testing not available.	2	Lucas, Windebank and McNally Veolia
Historical Supplier which may need some periodic price testing	2	Viewtouch Initial Washrooms

Contractors Appointed by Consultants

Two contractors were included in the sample which had been selected by the Consultants advising on on-going building maintenance works. One of these contractors (Lucas, Windebank and McNally) had been paid over £50,000 that year for building maintenance work and therefore would fall over the threshold to be subject to tender.

At the time of audit it was not possible to confirm what market testing has been carried out in relation to these contractors or who else was involved in the tender exercise although it is a requirement of Finance Regulation 6.3.4 that *'documentary evidence must be maintained of price comparisons undertaken for at least 1 year after the purchase or end of the contract'*.

Unlike 3 other contractors in the sample this information was not available from the reports to the Joint Committee either.

It is therefore recommended that wherever possible relevant market testing information is included in the Engineers and Surveyors reports to the Joint Committee on the repairs and renewals works programme.

New Recommendation No. 1 (Important): The results of any market testing carried out for works relating to the Engineer and Surveyor responsibilities are included in the Engineers and Surveyor's reports to the Joint Committee.

Historical Suppliers:

Two suppliers were included in the sample which cost between £4,000 and £5,000 a year and had been used for at least 6 years.

The first of these was **View Touch** who are used to digitise the Books of Remembrance so that they can be viewed on line. This company is affiliated to Hilton Studios who provide the artwork required for the Books of Remembrance. There are advantages to using an affiliated company for this work, not least to prevent the books needing to be couriered to more than one organisation. Hilton Studios have been used for many years to ensure that the artwork is kept consistent between books. Their prices are increased each year but are checked that they are reasonable given the rate of inflation. Adjustments to the charges levied by the Crematorium are also made to cover the increased cost.

There is another major supplier available in the market who could be used as an additional way to periodically test the rates that are being offered by Hilton Studios and View Touch and allow further negotiation if necessary. An advisory recommendation is therefore made that this test is carried out every few years to confirm that value for money is still being achieved.

New Recommendation No. 2 (Advisory): 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.

The second was **Initial Washrooms** which provide the toiletries and waste handling for the washroom facilities. The toiletries need to fit the dispensers installed in the facilities which can limit the available suppliers. The services being purchased are reviewed with the company annually and a written quotation obtained of the rates to be applied that year. It is understood that the washrooms are scheduled for refurbishment in 2014/15 at which point the dispensers are likely to be changed. This would be a good opportunity to review the market to see what other suppliers and charges are available and whether there are any Council agreements with suppliers that the Crematorium could buy in to.

New Recommendation No. 3 (Advisory): Consideration should be given to market testing the provision of washroom supplies as part of the washroom refurbishment project, including looking at whether there are any existing Council contracts that could be bought in to.

2.1.2 Invoice Payments

A sample of ten individual invoices was selected from a report of payments made in 2013/14. The corresponding invoices were traced to check that they were appropriate for the Crematorium and had been authorised by an officer who has been delegated as an authorised signatory for PCJC on the relevant authorised signatories form. We also checked to confirm that VAT was correct on the invoice and had been correctly treated on the general ledger.

Sample testing confirmed that purchases made were appropriate for the Crematorium service. In nine instances written evidence was obtained to confirm that authorisation for payment had been correctly applied and was supported by an authorised signatory form. In one instance the invoice had been marked by the Deputy Treasurer to state that verbal authorisation had been obtained from the authorised signatory. As this invoice was supported by a written statement from the PCJC's accountant, and the authorising officer was supported by an authorised signatory form, we did not raise this as an issue.

Testing of the invoices above confirmed that VAT was correct on the invoices and had been correctly treated on the General Ledger entries

2.2 **Income**

2.2.1 Charges Levied

A sample of five funeral director bookings (which included organist's fees) were selected from the electronic booking schedule and reconciled to the relevant year's fees and charges and the income received.

Testing confirmed that charges had been correctly applied and matched to the income recorded on the relevant receipts.

We also selected five entries from the Book of Remembrance, tracked them to the relevant application form and checked to confirm that the correct charges had been applied for the type of entry.

Testing confirmed that the entries were traceable to the application form and supported by a receipt. We also confirmed that the correct fees had been applied in accordance with the type of entry requested.

2.2.2 Income Collection and Banking

The receipts for the ten items of income above were traced to the Cash Book and the banking totals. All had been prepared for banking within 4 days of receipt and the total banked agreed to the sum of the individual receipts making up the banking. Checks were also carried out to verify that all receipts issued were accounted for as part of the banking entries.

The total of the banking was also traced to a journal sheet given to the Deputy Treasurer to enter on the General Ledger. The Deputy Treasurer then carries out weekly reconciliations of these amounts to the income received on the bank statement.

Additional testing of five journal entries confirmed that the total amount of cash appeared on the bank statement and that VAT had been correctly handled on the cash journal.

The income audit trail was therefore considered to be strong. However, it was noted that a move to more electronic record keeping (for example setting up the cash book on a spreadsheet) may help save some administration time. It is understood that this may be given some consideration in 2014/15.

3 RECOMMENDATION ACTION PLANS

New Important Recommendation Raised

Rec. Ref.	Find. Ref.	Recommendation	Reason For Recommendation	Action Owner	Manager's Comment
1	2.1.1	The results of any market testing carried out for works relating to the Engineer and Surveyor responsibilities are included in the Engineers and Surveyor's reports to the Joint Committee.	It was not possible to confirm that Contract Standing Orders had been adhered to in relation to contractors appointed by the building maintenance consultants.	The Engineer and Surveyor to the Committee (TG)	We have no problem in agreeing with this recommendation. In fact it makes sense to expand on the information which the consultant used to give. In reality we will pass on this responsibility to whoever takes on the consultancy.

Advisory Issues

Find. Ref.	Recommendation	Reason For Recommendation
2.1.1	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.	This would help demonstrate that value for money is being obtained from the current suppliers.
2.1.1	Consideration should be given to market testing the provision of washroom supplies as part of the washroom refurbishment project, including looking at whether there are any existing Council contracts that could be bought in to.	This would help demonstrate that value for money is being obtained from the current suppliers or alternative suppliers identified.

4 APPENDICES

Appendix A

Elements of Portchester Crematorium Audit Scope Covered this Audit

System of Control	Certification Last Audited*	Covered This Year
CERTIFICATION WORK		
A. Book Keeping	2011/12	
B. Expenditure	2012/13	YES
C. Risk Management	2012/13	
D. Financial Management	2011/12	
E. Income	2012/13	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.