



Fareham Borough Council

Final Internal Audit Report

Portchester Crematorium – Governance Audit - 2014/15

November 2014

This report has been prepared on the basis of the limitations set out on page 11.

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1. Executive Summary

This report details the Internal Audit work carried out in 2014/15 of some of the governance controls in place for the Portchester Crematorium partnership. This Internal Audit has been undertaken in accordance with the 5 year plan of work approved by the Joint Committee in June 2013 and supplements the certification audit work.. Our audit approach and a summary of the work undertaken are provided in the Audit Framework in Appendix A.

	Minimal	Limited	Reasonable	Strong
Audit Opinion & Direction of Travel				
			↔ 2012/13	

Key Findings

Our findings in the areas examined has indicated that control is generally effective and all 4 recommendations from previous audits were found to have been implemented.

Strengths

- A Partnership Agreement is in place, which has been signed by all relevant parties and which sets out the key details including accounting arrangements.
- Roles and responsibilities of officers are set out in a Scheme of Delegations (SoD).
- Each year an Annual Governance Statement is drawn up, which contains eight statements and describes how the PCJC complies with each statement.
- A Business Continuity Plan (BCP) is in place. IT systems are backed up daily to server held remote by the supplier.
- The PCJC Memorandum of Agreement sets out the Committee's policy in respect of borrowing arrangements and the PCJC's SoD determines that the Treasurer to the Committee is responsible for the management of all aspects of the financial affairs of the Committee

Weaknesses

- Monitoring reports taken to the PCJC by the Engineers/Surveyors need additional information to allow informed decisions to be made.
- The Committee's arrangements for managing the excess cash of the PCJC need to be more formally documented.

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations/Issues Raised		
			Essential (🔴*)	Important (🟡)	Advisory (🟢)
Partnership arrangements			-	-	-
Roles, responsibilities and accountability			-	1	-
Corporate governance framework			-	-	-
Business continuity			-	-	-
Treasury management			-	1	-
Follow up			-	-	-

Other Assurances	Finding
Income and Expenditure Errors	None identified during this audit
Level of Previous Recommendation Implementation	We followed up on four important previous recommendations. All were found to have been implemented. (See section 4)

For the full scale of audit opinions and recommendation priorities used please follow this link to the intranet.
<http://fbcweb/sid/working/departments/internalservices/audit/gotanauditdue.asp#opinions>

2. Summary of Findings

Partnership Arrangements

A Partnership Agreement is in place for the Portchester Crematorium Joint Committee (PCJC) which covers the four participating councils (Fareham Borough Council, Gosport Borough Council, Havant Borough Council and Portsmouth City Council). The Agreement is dated 23rd November 2006 and has been signed by all relevant parties. Examination of the agreement confirmed that it clearly sets out the Constitution, Membership and Powers of the Committee, Including accountability arrangements, arbitration and termination arrangements.

We confirmed that a Scheme of Delegations (SoD) was in place and this was last amended in April 2010. Examination of the SoD confirmed that the powers, duties and functions are set out for each specific delegated officer.

Roles, Responsibilities and Accountability

The PGJC is constituted of eight Members (two from each of the participating councils) and meets four times a year.

The Partnership Agreement sets out the responsibilities of the 4 partners and the requirement for the PCJC to keep proper accounts of all income and expenditure transactions. At the end of each year a report is published which includes the final accounts and the operations of the Committee for that financial year.

We confirmed that 11 sets of new Financial Regulations have been drawn up and were formally approved at the PCJC on 17th June 2013.

Reports are regularly taken to the PCJC by the Engineers / Surveyors, Horticultural Consultant and the Crematorium Registrar/Manager. Examination of these reports found that there was limited financial details within the Engineers/Surveyors reports. An [important recommendation](#) was therefore raised.

Corporate Governance Framework

We confirmed that the PCJC has a Corporate Governance Framework and that it is detailed in the Annual Governance Statement (AGS) which is reported within the Annual Financial Return, in June each year. We confirmed that the AGS for the 2013/14 financial year was reported to the PCJC in June 2014. Examination of the AGS found that it included eight statements and how the PCJC complied with each statement.

There are also a number of policies and procedures in place specifically written for the Crematorium.

On election Members of the PCJC are required to make a general declaration of interest and to update it as and when changes occur. These declarations are made to each constituent Councils' Monitoring Officer and are published by that Council on their websites.

At each Committee meeting the first item on the agenda is 'declarations of interest' at which time any member with a declarable interest in an item due for discussion is required to state what it is and for that interest to be recorded in the minutes.

Business Continuity

A Business Continuity Plan (BCP) is in place and is dated May 2012. All Crematorium contacts listed within the BCP were confirmed as current employees. We also confirmed that a hardware and software suppliers contact list is in place.

We also noted that at the PCJC Governance Assurance Group meeting on 12th February 2014 it was noted that the BCP should be revisited thus demonstrating the intention to review the BCP.

A new IT package is in place which backs up to the supplier's servers every day. The software supplier's servers (including back-up to their servers) are off site from the Crematorium. We were informed that the data can be accessed by the Crematorium staff in an emergency situation.

Treasury Management

The PCJC Memorandum of Agreement sets out the Committee's policy in respect of borrowing arrangements but does not state what the Committee's arrangements are in respect of investments. Clarification sought from the Deputy Treasurer confirmed that there is minimal treasury management activity and that PCJC only invests excess funds with FBC.

We confirmed that the PCJC's SoD determines that the Treasurer to the Committee is responsible for the management of all aspects of the financial affairs of the Committee and clarification sought from the Treasurer confirmed that the PCJC's policy for investments is 0.5% below the base interest rate and that this arrangement had been agreed by the PCJC many years previous. We were however, unable to evidence this through any documented minutes or agreements and an [important recommendation](#) has been made to address this.

Examination of the investments folder confirmed that for each sum invested a Bond Certificate is drawn up and signed by the FBC Director of Finance and Resources (Treasurer to PCJC). Each sum invested has a sequentially numbered bond certificate, the certificate sets out the investment amount, who the 'lender' is and the interest percentage payable. On repayment of the loan, the bond is updated with the loan re-paid date and signed to say that sum has been received. As the base interest rate has been 0.5% for a considerable time due to the extended recession, the recent investments have therefore been at 0%. The last investment made was £151,400 on 19th June 2014 taking the cumulative investment with FBC at that time to £1,091,400.

Acknowledgement

We would like to thank management and staff at Fareham Borough Council for their time, kindness and hospitality during the course of the internal audit.

3. Recommendations and Management Action Plan

New Important Issues

1. Monitoring reports from the Engineer and Surveyor to PCJC (Important)

Recommendation	Rationale	Managers Comments
<p>Monitoring reports from the Engineer and Surveyor should contain sufficient and detailed information to allow the PCJC Members to make informed decisions and sufficiently challenge officers.</p>	<p>Providing the PCJC with sufficiently detailed reports assists Members to make decisions based on information and to sufficiently challenge officers at Committee meetings.</p> <p>Examination of reports to the PCJC noted that the Maintenance/progress report by the Engineer and Surveyor sets out the Progress and Financial Statement, which lists schemes, progress steps, budget target and actual cost. It does not set out the actual / variation percentage and provides no detailed narrative regarding progress and future action against each scheme.</p> <p>Where sufficient detailed information is not provided within monitoring reports presented to the PCJC, there is an increased risk that the Committee's Members do not have enough information to allow them to make informed decisions or to allow them to challenge officers where necessary.</p>	<p>Deputy Engineer (Mark Pam) - I have no problem in agreeing with this recommendation in fact it makes sense to expand on the information which was previously provided by PT (Parker Torrington).</p> <p>In reality we will pass on this responsibility to Chris Newman or whoever else takes on the consultancy.</p> <p>Audit Response</p> <p>Action taken addresses the issue.</p>
Agreed Action		Responsibility
<p>The monitoring reports to the Joint Committee from the Engineer and Surveyor will now include the actual / variation percentage of budget spent against each scheme, plus a narrative regarding progress and future action against each scheme.</p> <p>This has been implemented; the structure of the Engineer and Surveyor's report has been revised and will include these details where required.</p>		<p>The Engineer and Surveyor to the Committee (TG)</p>

2. Arrangements for managing PCJC's excess funds

(Important)

Recommendation	Rationale	Managers Comments
<p>The arrangements for managing the excess cash of the Committee should be formally documented and approved by PCJC.</p>	<p>Formally determining the investment arrangements for PCJC will ensure that the PCJC's Members are aware of and have approved how investment of any surplus cash can occur.</p> <p>The PCJC Memorandum of Agreement sets out the Committee's policy in respect of borrowing arrangements but does not state what the arrangements are in respect of investments.</p> <p>Clarification sought from the Treasurer and Deputy Treasurer confirmed that investments are only made with FBC at 0.5% below base rate and that this arrangement had been agreed by the PCJC many years previous. We were however, unable to evidence this through any documented minutes or agreements.</p> <p>We acknowledge that the SoD states that the Treasurer is responsible for the management of all financial aspects of the Committee and examination of the investments file confirmed that each investment was supported by a Bond Certificate signed by the Treasurer.</p> <p>Where arrangements for the investment of the PCJC's surplus funds are not formally documented and approved, there is a risk that Committee Members are not aware of the arrangements and this may lead to conflict and possible reputation damage.</p>	<p>Agreed.</p> <p>Audit Response</p> <p>Action taken addresses the issue.</p>
Agreed Action		Responsibility
<p>The arrangements for investing any surplus cash will be included in the annual Finance Strategy which is approved by the PCJC.</p> <p>This has been implemented, with the Finance Strategy for 2015/16 being presented to the Joint Committee for approval at their December meeting.</p>		<p>Treasurer to the PCJC (AW)</p>

4. Follow Up of Outstanding Actions from Previous Audits

Reference (Year)	Priority	Action Required	Audit Findings
922/7	Important	Explore the opportunities for offsite storage of back up files on a periodic basis, with the Head of ICT at FBC.	Status: Implemented The Registrar / Manager advised that a new IT package is in place which backs up to the supplier's servers every day. We were informed that the data can be accessed by the Crematorium staff in an emergency situation. The software supplier's servers (including back-up to their servers) are off site from the Crematorium.
922/8 (2011/12)	Important	The contact list and BCP be updated to include key contact details of hardware and software suppliers for the Crematorium. The BCP will be reviewed on a regular basis.	Status: Implemented We confirmed that the contact list is up to date. We examined the BCP and confirmed that version control had been applied. The plan dated May 2012 was version 2, which has been drawn up after the 2011/12 audit. We confirmed that a list of computer contacts is now in place, listing contact details for the software and hardware suppliers.
990/1	Important	Controls or action plans should be added within the risk registers.	Status: Implemented Examination of the risk registers confirmed that controls have been added to both the operational and strategic risk registers. We also confirmed that both the risk registers and the Risk Management Strategic Framework and Policy were reported to the PCJC in March 2014.

990/2	Important	The alarm system and CCTV should be fixed.	Status: Implemented We confirmed with by the Registrar / Manager that both the alarm and the CCTV systems were in working order and that the alarm system is zoned, as per the insurer's recommendation. We visited the Crematorium and confirmed by observation that the office has a monitoring screen for the CCTV system which was working and the cameras were operational. For practical reasons we were unable to physically test the fire alarm system.
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Appendix A - Reporting Definitions

Audit Objectives

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

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:

- Partnership Arrangements;
- Roles, Responsibilities and Accountabilities;
- Corporate Governance Framework;
- Business Continuity; and
- Treasury Management.

Specific Tests Completed / Additional Areas

- Follow up of four important actions

Appendix B - Staff Interviewed

- Andy Wannell Director of Finance and Resources and Treasurer to PCJC
- Kate Busby Senior Management Accountant and Deputy Treasurer to PCJC
- James Clark Portchester Crematorium Registrar / Manager
- John Haskell (via email) Clerk to the Committee

A planning meeting was held to agree the Terms of Reference on 11 June 2014.

An exit meeting was held with the Director of Finance and Resources and Treasurer to PCJC and the Senior Management Accountant and Deputy Treasurer to PCJC on 9th October 2014. Email confirmation was also received on 28th October 2014 from the Engineer and Surveyor to the Committee in respect of recommendation1.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

November 2014

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