

FAREHAM

BOROUGH COUNCIL

Report to Portchester Crematorium Joint Committee

Date: **15 December 2014**

Report of: **Treasurer to the Joint Committee**

Subject: **EXTERNAL AUDIT FOR THE YEAR ENDED 31 MARCH 2014
AUDITED ANNUAL RETURN
ISSUES ARISING REPORT**

SUMMARY

BDO LLP, the External Auditors for Portchester Crematorium Joint Committee, have completed their work on the Annual Return for the financial year ended 31 March 2014 and have also provided an Issues Arising report.

This report seeks acceptance and approval of the audited Annual Return, and also sets out the matters raised within the Issues Arising Report and details the action taken with regard to them, and any future action required.

RECOMMENDATIONS

- (a) That the audited Annual Return is accepted and approved;
- (b) That the BDP LLP External Audit Issues Arising Report for the year ended 31 March 2014, attached as Appendix A to this report, be noted;
- (c) That the actions taken and required with regard to Internal and External Audit recommendations be noted.

PORTCHESTER CREMATORIUM JOINT COMMITTEE

EXTERNAL AUDIT REPORT FOR PORTCHESTER CREMATORIUM JOINT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2014

INTRODUCTION

1. BDO LLP, the External Auditors for Portchester Crematorium Joint Committee, have completed their work and provided an unqualified Certificate and Opinion on the Annual Return for the year ended 31 March 2014, attached as Appendix A to this report.
2. BDO LLP have also provided an Issues Arising Report, attached as Appendix B to this report, raised to draw matters to the attention of Portchester Crematorium Joint Committee.
3. The matters raised within the report are set out below, along with an update of action already taken or required in the future, either as a matter of course or in direct response to the report.

MATTERS ARISING

FIDELITY GUARANTEE

4. BDO LLP have noted that the Fidelity Guarantee Cover held as part of the insurance policy with Zurich Municipal for Portchester Crematorium was insufficient in light of the bank balances held at 31 March 2014.

ACTION COMPLETED

5. The level of Fidelity Guarantee Cover has been increased to £600,000 as part of the Insurance Renewal process for 2014/15.

INTERNAL AUDITOR'S RECOMMENDATIONS

6. BDO LLP have recommended that the recommendations made by internal audit be implemented.

ACTIONS COMPLETED

7. The Internal Audit Report for 2013/14 is presented to the Joint Committee as a separate item at this meeting. Three new recommendations have been made and accepted, with action planned and completed as follows :
 - (i) Important recommendation
Market testing results are included in the Engineer and Surveyor's reports where required. This has been implemented; the structure of the Engineer and Surveyor's report has been revised and will include these details where required.

- (ii) Advisory recommendations
Example rates for Book of Remembrance art work and digitisation are obtained every few years – to be completed during 2014/15.
Market testing the provision of washroom supplies as part of the washroom refurbishment project – to be completed during 2014/15.
8. The Governance Audit 2014/15 has been completed, and is presented to the Joint Committee as a separate item at this meeting. Two new recommendations have been made and accepted, with action completed as follows :
- (i) Agreed Action
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. This has been implemented; the structure of the Engineer and Surveyor's report has been revised and will include these details where required.
 - (ii) Agreed Action
The arrangements for investing any surplus cash will be included in the annual Finance Strategy which is approved by the PCJC. This has been implemented, with the Finance Strategy for 2015/16 presented to the Joint Committee for approval as a separate item at this meeting.
9. The following action has already been taken in respect of findings reported in the Internal Audit Report for 2012/13 being presented and noted by the Joint Committee at its meeting held on 23 September 2013.
- (i) Control / Actions Plans included in Risk Registers – completed; with control / action plans incorporated into the Risk Register and circulated to the Joint Committee in September 2013.
 - (ii) Alarm System and CCTV will be fixed – works completed.
 - (iii) Annual Review of Risk Management Policy Statement – completed in June 2013
 - (iv) Staffing Structure – completed; with up to date staffing structure now held at the Crematorium.
 - (v) Expenses Claims – implemented; expense claims for postage stamps will only be processed if receipts are present.
 - (vi) Software Licence documentation – implemented; documentation now retained where required.

Andy Wannell CPFA
Treasurer to the Joint Committee
Civic Offices
Fareham

For further information on this report please contact Kate Busby on 01329 824685.

**ANNUAL RETURN FOR
PORTCHESTER CREMATORIUM JOINT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2014**



Small Bodies in England

Annual return for the financial year ended 31 March 2014

Small relevant bodies in England with an annual turnover of £6.5 million or less must complete an annual return in accordance with proper practices summarising their annual activities at the end of each financial year.

The annual return on pages 2 to 5 is made up of four sections:

- Sections 1 and 2 are completed by the person nominated by the body.
- Section 3 is completed by the external auditor appointed by the Audit Commission.
- Section 4 is completed by the body's internal audit provider.

Each body must approve this annual return no later than 30 June 2014.

Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Complete all sections highlighted in red. Do not leave any red box blank. Incomplete or incorrect returns require additional external audit work and may incur additional costs.

Send the annual return, together with your bank reconciliation as at 31 March 2014, an explanation of any significant year on year variances in the accounting statements and any additional information requested, to your external auditor by the due date.




Your external auditor will identify and ask for any additional documents needed for audit. Therefore, unless requested, do not send any original financial records to the external auditor.

Audited and certified annual returns will be returned to the body for publication or public display of sections 1, 2 and 3. You must publish or display the audited annual return by 30 September 2014.

It should not be necessary for you to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guides for either local councils or internal drainage boards. These publications may be downloaded from the National Association of Local Councils (NALC) or Society of Local Council Clerks (SLCC) websites (www.nalc.gov.uk or www.slcc.co.uk) or from the members area of the Association of Drainage Authorities website (www.ada.org.uk).


Section 1 - Accounting Statements 2013/14 for:
Portchester Crematorium Joint Committee

	Year ending		Notes and guidance
	31 March 2013 £	31 March 2014 £	
1. Balances brought forward 	1,492,548 1,432,884	860,976 793,418	Total balances and reserves at the beginning of the year as recorded in the body's financial records. Value must agree to Box 7 of the previous year.
2. (+) Income from local taxation and/or levy	0	0	Total amount of local tax and/or levy received or receivable in the year, including funding from a sponsoring body.
3. (+) Total other receipts	2,176,029	2,169,249	Total income or receipts as recorded in the cashbook less income from taxation and/or levy (line 2). Include any grants received here.
4. (-) Staff costs	(228,694)	(230,396)	Total expenditure or payments made to and on behalf of all body employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the body's borrowings (if any).
6. (-) All other payments 	(2,578,907) (2,586,801)	(1,664,173) (1,640,869)	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward 	860,976 793,418	1,135,656 1,091,402	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).
8. Total cash and short term investments	860,976	1,135,656	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9. Total fixed assets plus other long term investments and assets	7,689,162 RESTATED FROM 6,065,374	7,906,707	The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the body as at 31 March.
10. Total borrowings	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that for the year ended 31 March 2014 the accounting statements in this annual return present fairly the financial position of the body and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer

Date:



 16/6/2014

I confirm that these accounting statements were approved by the body on:

And recorded as minute reference:

Signed by Chair of meeting approving these accounting statements.

Date:

16/6/2014
 583(a)

 16/6/2014

Section 2 – Annual Governance Statement

We acknowledge as the members of **Portchester Crematorium Joint Committee** our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2014, that:

	Agreed -		'Yes'
	Yes	No	Means that the body :
1. We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	✓		prepared its accounting statements in the way prescribed by law.
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the body to conduct its business or on its finances.	✓		has only done what it has the legal power to do and has complied with proper practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year has given all persons interested the opportunity to inspect and ask questions about the body's accounts.
5. We carried out an assessment of the risks facing the body and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the body's accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the body.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the body and where appropriate have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the yearend if relevant.

This annual governance statement is approved by the body and recorded as minute reference :		Signed by:	
583(b)		Chair	
Dated: 16/6/2014		Dated	
		Signed by:	
		Clerk	
		Dated	

*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how the body will address the weaknesses identified.

Section 3 – External auditor certificate and opinion 2013/14

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2014 of:

Portchester Crematorium Joint Committee

Respective responsibilities of the body and the auditor

The body is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The body prepares an annual return in accordance with proper practices which:

- summarises the accounting records for the year ended 31 March 2014; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor report

(~~Except for the matters reported below~~)* on the basis of our review, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met. (*~~delete as appropriate~~).

(continue on a separate sheet if required)

Other matters not affecting our opinion which we draw to the attention of the body:

Please see enclosed report

(continue on a separate sheet if required)

External auditor signature



External auditor name

ADD LLP Southampton
United Kingdom

Date:

23/9/14

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission's publication entitled *Statement of Responsibilities of Auditors and of Audited Small Bodies*.

Section 4 - Annual Internal Audit Report 2013/14 to Portchester Crematorium Joint Committee

The body's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2014.

Internal audit has been carried out in accordance with the body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and alongside are the internal audit conclusions on whether, in all significant respects, the control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the body.

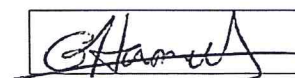
Internal control objective	Agreed? Please choose from one of the following Yes/No*/Not covered**
A. Appropriate accounting records have been kept properly throughout the year.	Not Covered Last covered in 2011/12 and found to be satisfactory
B. The body's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	Yes
C. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	Not Covered Last covered in 2012/13 and found to be satisfactory
D. The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	Not Covered Last covered in 2011/12 and found to be satisfactory
E. Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	Yes
F. Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.	Not Covered Last covered in 2011/12 and found to be satisfactory
G. Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	Not Covered Last covered in 2012/13 and found to be satisfactory
H. Asset and investments registers were complete and accurate and properly maintained.	Not Covered Last covered in 2011/12 and found to be satisfactory
I. Periodic and year-end bank account reconciliations were properly carried out.	Not Covered Last covered in 2011/12 and found to be satisfactory
J. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.	Not Covered Last covered in 2011/12 and found to be satisfactory

For any other risk areas identified by the body (list any other risk areas below or on separate sheets if needed) adequate controls existed:

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Print name of person who carried out the internal audit : ELAINE HAMMELL

Signature of person who carried out the internal audit:



Date: 25th June 2014

***Note:** If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

****Note:** If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Guidance notes on completing the 2013/14 annual return

- 1 You must apply proper practices for preparing this annual return. Proper practices are found in the Practitioners' Guides* which are updated from time to time and contain everything you should need to prepare successfully for your financial year-end and the subsequent audit. Both NALC and SLCC have helplines if you want to talk through any problem you may encounter.
- 2 Make sure that your annual return is complete (i.e. no empty red boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are drawn to the attention of and approved by the body, properly initialled and an explanation is provided to the external auditor. Annual returns containing unapproved or unexplained amendments will be returned unaudited and may incur additional costs.
- 3 Use the checklist provided below. Use a second pair of eyes, perhaps a member or the Chair, to review your annual return for completeness before sending it to the external auditor.
- 4 Do not send the external auditor any information not specifically asked for. Doing so is not helpful. However, you must notify the external auditor of any change of Clerk, Responsible Financial Officer or Chair.
- 5 Make sure that the copy of the bank reconciliation which you send to your external auditor with the annual return covers all your bank accounts. If your body holds any short-term investments, note their value on the bank reconciliation. The external auditor must be able to agree your bank reconciliation to Box 8 on the Accounting statements. You must provide an explanation for any difference between Box 7 and Box 8. More help on bank reconciliation is available in the Practitioners' Guides*.
- 6 Explain fully significant variances in the accounting statements on page 2. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a complete analysis to support your explanation. There are a number of examples provided in the Practitioners' Guides* to assist you.
- 7 If the external auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 8 Make sure that your accounting statements add up and the balance carried forward from the previous year (Box 7 of 2012) equals the balance brought forward in the current year (Box 1 of 2014).
- 9 Do not complete section 3. The external auditor will complete it at the conclusion of their audit.

Completion checklist – 'No' answers mean you may not have met requirements		Done?
All sections	All red boxes have been completed?	
	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	
Section 1	Approval by the body confirmed by signature of Chair of meeting approving the accounting statements?	
	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2014 agreed to Box 8?	
	An explanation of any difference between Box 7 and Box 8 is provided?	
Section 2	For any statement to which the response is 'no', an explanation is provided?	
Section 4	All red boxes completed by internal audit and explanations provided?	

*Note: Governance and Accountability for Local Councils in England – A Practitioners' Guides, is available from NALC and SLCC representatives or Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guides, is available from the ADA at The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL or from the NALC, SLCC or ADA websites - see page 1 for addresses.

BDO LLP

**ISSUES ARISING REPORT FOR
PORTCHESTER CREMATORIUM JOINT COMMITTEE
AUDIT FOR THE YEAR ENDED 31 MARCH 2014**

**ISSUES ARISING REPORT FOR
Portchester Crematorium Joint Committee
Audit for the year ended 31 March 2014**

Introduction

The following matters have been raised to draw items to the attention of Portchester Crematorium Joint Committee. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2014.

The audit of the annual return may not disclose all shortcomings of the systems as some matters may not have come to the attention of the auditor. For this reason, the matters raised may not be the only ones that exist.

The matters listed below are explained in further detail on the page(s) that follow;

- Internal auditor's recommendations
 - Fidelity Guarantee
-

The following issue(s) have been raised to assist the body. The body is recommended to take action on the following issue(s) to ensure that the body acts within its statutory and regulatory framework.

Internal auditor's recommendations

What is the issue?

The internal auditor has noted a number of weaknesses in the financial systems of the body.

Why has this issue been raised?

The body is exposed to the risks associated with these weaknesses.

What do we recommend you do?

The body must implement the recommendations made by the internal auditor to improve the financial systems of the body as soon as possible or in any event before the end of the current financial year.

If the body addresses all the issues raised by the internal auditor the body should improve internal controls which will help to prevent and detect error and fraud and assist the body to operate in an effective and efficient manner.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in England - A Practitioners Guide, NALC/SLCC

Fidelity Guarantee

What is the issue?

The body has fidelity guarantee cover, however this appears to be insufficient in light of the bank balances held at 31 March 2014.

Why has this issue been raised?

A body, under S114 of the Local Government Act 1972, must take security as it considers sufficient in the case of any of its officers likely to handle its money. The body may decide that insurance is not 'sufficient' for them, but in order to come to this opinion it must have reviewed the requirement annually and have objective grounds for such a conclusion.

What do we recommend you do?

The body should consider the level of insurance cover and set it to a level that will protect the body against potential loss. The body should review the level of cover at least annually as circumstances may change throughout the year.

The amount should be sufficient to cover the maximum amount of money the body holds at any one time during the year. A body does not have to have fidelity guarantee insurance if it considers that no security is 'sufficient' but there must be objective grounds for such a conclusion.

Further guidance on this matter can be obtained from the following source(s):

Local Council Administration, 8th Edition, Charles Arnold-Baker, Chapter 9.8

Governance and Accountability in Local Councils in England - A Practitioners Guide, NALC/SLCC

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 23 September 2014
