

APPENDIX 1
COYCHURCH CREMATORIUM JOINT COMMITTEE
FRIDAY 2ND DECEMBER 2011
AUDIT INSPECTION

Confidential

Internal Audit Report

Bridgend County Borough Council
Communities Directorate
Coychurch Crematorium
2011/12

To: Louise Fradd, Director of Communities
Richard Fletcher – Head of Street Scene
Huw Jenkins – Group Manager Street Works
Sian Hooper – Bereavement Services Manager
Joanna Hamilton – Crematorium Manager & Registrar

From: Internal Audit

Auditor: Kathryn Usher

Audit Ref: AA042

1. Introduction

- 1.1. An audit review of the Coychurch Crematorium was undertaken as part of the 2011/12 Annual Internal Audit Plan.
- 1.2 This report sets out the findings of the review and makes recommendations where it is felt that improvements in financial and non-financial administration could be made.
- 1.3 The Crematorium is owned and operated by a Joint Committee on behalf of Bridgend County Borough Council, the Vale of Glamorgan Council and Rhondda Cynon Taff County Borough Council. During 2010/11 there were 1,803 cremations. The Crematorium has been self funding for a number of years and currently has reserves of £322k.

2. Objectives & Scope of the Audit

- 2.1. The objective of the audit was:

To provide assurance to the Joint Committee that satisfactory internal controls are operating at the Crematorium.

- 2.2 The scope of the audit was:

- To review controls over income receipting & banking processes to ensure that income is received and banked securely.
- To ensure compliance with financial and contract procedure rules with respect to the ordering & receipting of goods and services and the authorising of invoices.
- To ensure compliance with the Contract Procedure Rules with respect to the award of contracts.
- To ensure compliance with legal and regulatory requirements including health & safety.
- To review and comment on performance management & service planning to include consideration of the impact of the new Crematorium in the Vale of Glamorgan.

3. Strengths & Weaknesses

3.1 During the Audit a number of strengths and areas of good practice were identified as follows:

- The documentation reviewed is well maintained and organised with the systems in place creating a clear audit trail.
- Known impacts on the service have been reviewed and reported to the Joint Committee. These include an assessment of the impact of a Private Sector Crematorium, a pandemic action plan and the reporting of the £81,000 in CAMEO payments to be made as a result of not having a Mercury Abatement installed. These are all evidence that there are good governance arrangements in place.
- The fees charged are reviewed annually and are in the lowest quartile of the National Tables, with the Crematorium still being self funded.

3.2 The following key issues were identified during the Audit which need to be addressed:

- That the income collected is not banked frequently therefore the Council's Rules of Procedure 13.3 is not being adhered to.
- Testing of purchases made by the Crematorium identified the purchase of suits for employees. Under tax legislation these are a taxable benefit in kind but it has been confirmed that these have not been disclosed on form P11D and consequently the Crematorium has failed to comply with tax legislation.
- An error was identified with the allocation of income between VATable and non VATable. This has resulted in an overstatement of output VAT of approximately £1,200 and an understatement of income earned at the Crematorium.

4. Audit Opinion

4.1 Based on an assessment of the strengths and weaknesses of the areas examined, and through testing, it has been concluded that the effectiveness of the internal control environment is **reasonable**. This overall opinion is supported by the identification of risks in some areas of the system, which although not substantial in nature could compromise the overall control environment. Action is considered necessary to avoid potential exposure to significant risks.

5. Acknowledgement

5.1 A number of staff gave us their time and co-operation during the course of this review. We would like to record our thanks to all of the individuals concerned.

6. Findings and Recommendations

Risk may be viewed as the chance, or probability, of one or more of the organisation's objectives not being met. It refers both to unwanted outcomes which might arise, and to the potential failure to realise desired results.

*The **recommendations** column is categorised on the following basis:*

- Fundamental* - *action that is considered imperative to ensure that the organisation is not exposed to high risks;*
- Significant* - *action that is considered necessary to avoid exposure to significant risks;*
- Merits attention* - *action that is considered desirable and should result in enhanced control.*

6.1 Income and Banking

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
6.1.1	Loss of income to the Authority due to incorrect rates being charged for services or items provided.	<p>Copy of charges are displayed on all desks and provided annually to the local Funeral Directors.</p> <p>When the public purchase items such as plaques they are required to complete standard forms which includes the current price.</p> <p>The Joint Committee Minutes for March 2011 were reviewed; a price increase of 3% had been approved. The minutes advise that the cremation fee increased to £450 which agreed to the list of charges displayed.</p>	NA	

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
6.1.2	Loss of income due to not all clients being charged and income not being received.	<p>A sample of the Preliminary Application for Cremation forms were examined to ensure they had been approved by a Doctor. The forms were then traced through the system and invoices identified. All had been charged the correct values for the service provided. Payment of invoices was also examined to ensure timeliness of invoice issued and payment received.</p> <p>The paying in book was examined from April to July 2011; all slips were checked to ensure that they had been stamped as received by the bank.</p> <p>The paying in slips were traced to the e-forms, banking spreadsheet and the COA Ledger. All banking had been received although a discrepancy was noted on the banking dated 18th April for £8,710.36 where only £7,367.02 had been recorded on the ledger. This was found to be due to the VATable and non VATable income being entered against the incorrect reference on the e-return, which resulted in the output VAT being overstated and income being understated by over £1,000. Other minor discrepancies were also noted for the amount of VAT recorded.</p>	<p>That in order to comply with the Financial Procedure Rules 13.3, all income is banked promptly.</p> <p>That VAT should be correctly accounted for.</p>	<p>Significant</p> <p>Merits Attention</p>

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
		<p>All card payments were traced from the e-returns to the banking spreadsheet and COA Ledger. All payments had been received and recorded although there were two discrepancies due to the amount of VAT recorded.</p> <p>The frequency of the banking was also examined with the average number of days between banking being 13 days, although there were two occasions where the banking had not been done for 19 days.</p> <p>Receipt Numbers were also examined and verified that all were consecutive.</p>		
6.1.3	No guidance or continuity between staff	<p>Staff are made aware of the procedure by initial training when they start the job and the Crematorium Manager & Registrar (CMR) advised that the processes are documented in a training file.</p> <p>There are instructions in place for how to use the card payment reader.</p>	NA	

6.2 Orders and Banking

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
6.2.1	<p>Unauthorised orders are placed that breach financial regulations.</p>	<p>From the sample of invoices examined, orders had been raised on the BRIDGE_buy System by the Admin Assistants and approved by the CMR. All invoices had been grid stamped and signed by the CMR. Two of the invoices examined were for a contract and therefore no order was required. There was no division in duties for one invoice which was prior to BRIDGE_buy being implemented as the CMR had authorised the order and invoice.</p> <p>The order was raised after the invoice had been received in 2 instances within the sample.</p> <p>Only one invoice did not have an order raised as it was for a conference. However, the conference itself was for the CMR who had also authorised the invoice. It is suggested that in such cases it would be better for the Bereavement Services Manager to authorise the invoice.</p>	<p>That with the exception of utilities, purchase orders should be raised prior to any order being placed or invoice received.</p> <p>That when an order is for the CMR to attend a Conference, the order is authorised by the Line Manager in order to verify that the course is in line with the service provided.</p>	<p>Merits Attention</p> <p>Merits Attention</p>

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
6.2.2	The Authority may pay for goods not received, damaged or missing.	<p>When deliveries are received they are checked by the Admin Assistants or Cremator Technicians, depending on where the delivery is required. Delivery notes are then passed to the CMR who checks it to the invoice when it arrives.</p> <p>The CMR completes and signs the grid stamp prior to the invoices being sent to Street Scene Finance for input and payment.</p> <p>From the sample of invoices examined only 10/12 invoices had delivery notes, with only 3 being signed by the receiving officer. The grid stamp had not been signed to verify that delivery had been received.</p>	That in order to verify goods have been received and checked delivery notes should be retained and grid stamp signed to verify delivery was correct.	Merits Attention
6.2.3	Goods arriving late or are not delivered prior to being required resulting in a loss or delay of service being provided.	Anyone who has requested an item to be ordered and has not received it will advise the CMR if it is still outstanding.	NA	
6.2.4	Failure to comply with tax legislation.	From the sample of invoices examined two were for staff uniforms that amounted to £2,005.20. These included suits for staff which are a taxable benefit to the employee and should be included on the employees P11 D.	The purchase of suits should be declared on employee expenses and benefits form P11D.	Significant

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
		Discussions with Crematorium Manager and the Bereavement Services Manager confirmed that these have not been declared as a benefit in kind and consequently the Crematorium has failed to comply with HMRC requirements.		

6.3 Contract Procedures

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
6.3.1	That the Councils Contract Procedure Rules are not adhered to.	The CMR is aware of procedures and is informed of any changes in department meetings.	NA	
6.3.2	That value for money is not obtained.	A sample of six invoices over £2,500 were examined to ensure quotes had been obtained. One had been by tender with only two companies returning the tender documents. The CMR advised that quotes had not been obtained for the others but reasonable explanations were provided.	NA	
6.3.3	That the Council's Contract Procedure Rules are not adhered to and value for money is not obtained.	There was only one invoice over £50,000 identified. This was examined and the CMR advised that Building Maintenance had arranged for a tender exercise to be completed. When the tenders were received details of the companies and values were provided to the CMR. The	NA	

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
		Company with the lowest quote was approved by the Joint Committee in March 2009		

6.4 Legal and Regulatory Requirements

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
6.4.1	That the Council does not comply with legal requirements which could result in financial, physical and or reputational risks materialising.	<p>The Crematorium is a Member of the Federation of Burial and Cremation Authorities, previously named Federation of British Cremation Authorities. Membership is not mandatory but is best practice.</p> <p>The Environmental Health Department have to monitor the Cremator emissions twice a year and ensure that they comply with the Environmental Emissions Act 1980.</p> <p>It is the responsibility of the Crematorium Manager to ensure that Crematorium Regulation 1930 Number 1016, as amended by Cremation (amended) regulation 2006 and the Local Authority Cemeteries Order 1977.</p>	NA	
6.4.2	Accidents at the Crematorium leading to litigation or loss of reputation	The Risk Assessment is reviewed annually by the CMR and updates are passed to the Business Support Officer to review and amend on the Intranet.	NA	

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
		<p>A member of the Health and Safety Team attends the Street Scene Departmental meeting, where the CMR is able to discuss any issues.</p>		
6.4.3	To the safety of staff and public	<p>Cremator Technicians have health and safety training and also receive Manual Handling training specific to their work. They have infrequent reviews and refresher training.</p> <p>The Senior Crematorium Technician is the only trained first aider. The CMR advised that a first aid needs assessment had been completed and that only one employee per department could be paid. The CMR also advised that staff were averse to becoming qualified first aiders due to the responsibility involved and that only the paid employee would be covered by insurance. Due to the number of elderly visitors the first aider is required to assist on a regular basis.</p> <p>Given the nature of the service provided one first aider on site may pose a risk.</p>	That the requirement for an additional first aider be further considered.	Merits Attention

6.5 Performance Managements / Service Plan

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
6.5.1	That there is no plan in place for the continuation of service.	<p>The Crematorium has a service plan for 2011/12.</p> <p>The Joint Committee meet on a quarterly basis where the service plan is agreed and reviewed as part of the overall business plan. The CMR advised that during the June meeting the Members have a site visit, where any future needs can be explained and current facilities examined.</p>	NA	
6.5.2	That the service provided does not meet the needs of the public.	<p>The Vale of Glamorgan Council has approved planning permission for a Private Sector Crematorium. The estimated effect to the service has been reported to Joint Committee. The CMR advised that when the private Crematorium is open, numbers will be monitored and reported to Committee at least twice a year.</p> <p>Plans have been drawn up to deal with an influenza pandemic which now forms part of the Corporate Emergency Plan for the Council.</p> <p>A Mercury Abatement System cannot currently be installed at the Crematorium. As DEFRA require emissions to reduce by half, they have agreed to make payments to CAMEO of £81k</p>	NA	

Ref	Possible Risk	Key Findings / Conclusions	Recommendation	Categorisation
		per year in order to assist with the cost for those Crematoria that have fitted them.		
6.5.3	That there is no control of the budget.	The budget is delegated to the CMR to authorise payments etc. although the budget holder is the Bereavement Services Manager	NA	
6.5.4	Manager may not be aware of position and continue to spend on an already overspent budget.	The Accountant presents the budget to the Joint Committee plus the CMR receives monthly monitoring statements	NA	

7. Management Implementation Plan

Rec. No.	Recommendation	Categorisation	Report ref.	Agreed	Management Comments	Officer Responsible	Date to be implemented
7.1	That in order to comply with the Financial Procedure Rules 13.3, all income is banked promptly.	Significant	6.1.2	Yes	The frequency of banking has been dictated by the workload and availability of administrative staff during the working week. During staff absences, regular banking is sometimes difficult to achieve. Alternative procedures are now in place to avoid future occurrences of delayed banking.	Joanna Hamilton	October 2011
7.2	The purchase of suits should be declared on employee expenses and benefits form P11D.	Significant	6.2.4	Yes	The purchase of suits and the tax implications for employees have huge repercussions for the Crematorium service. This is being investigated at present and if necessary alternative provisions will be implemented before the next annual purchase.	Sian Hooper	October 2011
7.3	That VAT should be correctly accounted for.	Merits Attention	6.1.2	Yes	All administrative staff have been informed of the	Joanna Hamilton	October 2011

					error and told to continually check that the sums are entered into the correct VAT and non-VAT columns.		
7.4	That with the exception of utilities, purchase orders should be raised prior to any order being placed or invoice received.	Merits Attention	6.2.1	Yes	The Crematorium is now utilising the Council's BRIDGE_buy system which will avoid future occurrences.	Joanna Hamilton	October 2011
7.5	That when an order is for the CMR to attend a Conference, the order is authorised by the Line Manager in order to verify that the course is in line with the service provided.	Merits Attention	6.2.1	Yes	The Line Manager will authorise any future order for attendance at conferences.	Sian Hooper/Joanna Hamilton	October 2011
7.6	That in order to verify goods have been received and checked delivery notes should be retained and grid stamp signed to verify delivery was correct.	Merits Attention	6.2.2	Yes	Goods and materials delivered to the Crematorium were always checked but not necessarily marked in the required manner. The Crematorium Manager was informed of how delivery notes could be printed off the BRIDGE-buy system and will ensure that all future deliveries will be	Joanna Hamilton	October 2011

					correctly signed off.		
7.7	That the requirement for an additional first aider be further considered.	Merits Attention	6.4.3	Yes	Additional First Aiders are not acknowledged by Corporate Services and do not receive any financial reward (£8.67/month) for these duties. It has been difficult to encourage another member of staff to volunteer for this role.	Sian Hooper	unknown