



Bridgend & Vale
Internal Audit
Shared Service

Internal Audit Report

Authority	Bridgend County Borough Council
Directorate	External
Audit Title	AA590
Audit Year	2015/16

Authority	Bridgend County Borough Council
Audit	AA590 Crematorium

Report Date	February 2016
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To	Joanna Hamilton, Crematorium Manager & Registrar
CC	Gareth Evans, Parks & Playing Field Manager
Auditor	Vicky Macey
Report Date	February 2016
Audit Ref	AA590

1. Introduction

- 1.1. An audit review of Coychurch Crematorium was undertaken as part of the 2015/16 annual Internal Audit Plan.
- 1.2. Coychurch Crematorium is operated by a Joint Committee comprised of the host authority Bridgend County Borough Council, the Vale of Glamorgan Council and Rhondda Cynon Taff County Borough Council. During 2014/15 there were 1,599 cremations providing income of £1,139,512 for cremation fees and miscellaneous fees including the sale of memorials.
- 1.3. The income for the current year as at the end of period 9 was £692,827 with a projected deficit of £733,000, however there will be a transfer from earmarked reserves. The main reason for the planned overspend is the replacement of the Cremators at an estimated cost of £850,000.
- 1.4. This report sets out the findings of the review in section 6. On this occasion no recommendations were deemed necessary.

2. Objectives & Scope of the Audit

- 2.1. The objectives of the audit were to provide assurance on the internal controls in operation at the Crematorium in order to complete the relevant parts of the Wales Audit Office Annual return for 2015/16.
- 2.2. The scope of the audit was to review the controls in place in relation to:
 - Orders & Payments
 - Petty Cash
 - Income Management
 - Budgetary Control

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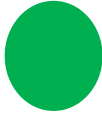
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3. Strengths & Areas for Improvement

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

- All documentation examined was complete, accurate, thorough and easily accessible.
- Invoices and reminders are sent promptly to funeral directors at the end of each month.
- Robust controls were found to be in place in relation to the payment of suppliers.

4. Audit Opinion

<p>Based on an assessment of the strengths and weakness of the areas examined, and through testing it has been concluded that the effectiveness of the internal control environment is considered to be sound and therefore substantial assurance can be placed upon the management of risks. This overall opinion is supported by the identification of a well-controlled system where only minor recommendations may have been made where it is considered that the action required is desirable and should result in enhanced control or improved value for money</p>	<div style="text-align: center;">  <p>Substantial Assurance</p> </div>
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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.

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6. Findings & 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 criticality of each recommendation is as follows:

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. Orders & Payments

Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.1.1.	<p><u>Expected Controls:</u> Official orders should be raised for all goods or services.</p> <p><u>Risks</u> <i>Goods ordered for personal use and misappropriated.</i></p>	<p>A sample of 15 transactions were examined.</p> <ul style="list-style-type: none"> Copies of all invoices are retained at the Crematorium. All 15 orders had been raised before or on the same day as the invoice. 15/15 orders were deemed reasonable and thorough details had been included within the order detail. All 15 orders had been approved by the authorised signatory. All invoices where VAT was applicable had been correctly claimed. 	None	N/A
6.1.2.	<p><u>Expected Controls:</u></p>	<p>A segregation of duties was evident throughout the testing with the</p>	None	N/A

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Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	<p>Appropriate segregation should be evident between the person ordering goods, checking delivery and authorising invoices.</p> <p><u>Risks</u> <i>Fraudulent purchases, misappropriation of goods</i></p>	<p>Admin Assistant / Senior Assistant Registrar ordering goods, the other Admin Assistant checking delivery and the Crematorium Manager & Registrar authorising invoices.</p>		
6.1.3.	<p><u>Expected Controls:</u> Value for money can be demonstrated in all purchases.</p> <p><u>Risk:</u> <i>Economy and efficiency cannot be demonstrated, waste of resource.</i></p>	<p>Value for money had been demonstrated throughout the sample of purchases with quotes being obtained for specific work as and where needed.</p> <p>Corporate contracts are utilised wherever possible.</p>	None	N/A
6.1.4.	<p><u>Expected Controls:</u> Official orders are raised and processed through official ordering system.</p> <p><u>Risks:</u> <i>Inappropriate use of the Non orders.</i></p>	<p>15/15 orders had official purchase orders raised. All of which had sufficient narrative entered to ensure it was clear exactly what was being ordered.</p> <p>At the time of the Audit the only outstanding purchase orders were recently placed orders.</p>	None	N/A

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Ref.	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	<i>Excessive use of Non Orders, poor budgetary control.</i>			

6.2. Income Management

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.2.1.	<p><u>Expected Controls:</u> All income can be accounted for.</p> <p>Regular monitoring of collections by Crematorium Manager & Registrar.</p> <p><u>Risks</u> <i>Misappropriation of money.</i></p>	The Admin Assistant / Senior Assistant Registrar maintain a spreadsheet of income received which the Crematorium Manager & Registrar monitors on a regular basis. The Auditor evidenced records maintained for this during the Audit which were thorough and easy to reconcile.	None	N/A
6.2.2.	<p><u>Expected Controls:</u> All sources of income are recorded.</p> <p>Invoices for services are raised promptly and income duly collected.</p>	<p>Invoices are raised on a monthly basis for all funeral directors. These are mostly paid via cheque or credit card.</p> <p>Members of the public paying for memorials/ rose bushes etc. are required to pay for the item(s) at the time of purchase. This can be done so via cash/ card or cheque. Upon entry onto the Gower system a receipt is generated and a copy held within a file at the Crematorium. At the end of the month a report of all such</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	<p>Risks Charges for services not raised, loss of income to Council</p> <p>Income received by the crematorium is misappropriated.</p> <p>VAT regulations are not complied with.</p>	<p>purchases is run and reconciled. This was evidenced at the time of the Audit for the previous 2 months, where all transactions reconciled.</p> <p>The Gower system cannot separate both subjective codes (8471 & 8433); however a manual spreadsheet is maintained by the Admin Assistant & Senior Assistant Registrar which provides a breakdown of cash/ cheque and credit card payments received.</p>		
6.2.3.	<p>Expected Controls: Cash held and stored securely.</p> <p>Risks Loss of money due to theft/inadequate security.</p>	<p>Very little cash income is received as most payments tend to be either card or cheque. However what cash is collected is stored within the safe at the Crematorium between payment being received and being banked.</p> <p>Only the Crematorium Manager and Registrar & the Admin Assistant / Senior Assistant Registrar have access to the safe.</p>	None	N/A
6.2.4.	<p>Expected Controls: Regular banking is undertaken.</p> <p>Risks Uninsured losses due to funds held in the safe exceeding</p>	<p>Banking is usually done on a weekly basis, however this is dependent upon how busy Crematorium has been & the number of cheques received.</p> <p>The Auditor examined 23 invoices/ banking's and 19/23 had been banked in a timely manner – the outstanding 4 were recent invoices that had not been paid to date.</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	<i>insurance limits.</i>	Upon examination it was evident that the maximum amount of money held on site at any one time throughout the year did not exceed the insurance limit.		

6.3. Petty Cash

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.3.1.	<p><u>Expected Control:</u> All relevant records have been securely stored</p> <p><u>Risks</u></p> <ul style="list-style-type: none"> • <i>Misappropriation of cash</i> • <i>Financial documents lost/stolen.</i> 	<p>The Auditor undertook a petty cash reconciliation – all reconciled.</p> <p>All expenditure listings were deemed appropriate and receipts for all purchases were maintained.</p> <p>September & June petty cash reconciliations were examined, all purchases were supported by receipts, had all been authorised prior to purchase and the VAT had been accounted for correctly.</p> <p>Quarterly reimbursements are carried out by the Admin Assistant/ Senior Assistant Registrar. These are then checked and authorised by the Crematorium Manager & Registrar.</p>	None	N/A
6.3.2.	<p><u>Expected Control:</u> Adequate records are held for</p>	<p>A cash float of £126.09 was counted by the Auditor with receipts evident for £2.96. All receipts are held within the tin and all previous</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	any cash in hand. Risks <i>Misappropriation of cash</i>	reconciliations are held within a file. The cash tin is locked and kept in a locked draw within the Crematorium Manager & Registrar's office, for which only she has a key. Cash is administered by the Admin Assistant/ Senior Assistant Registrar with authorisation being given by the Crematorium Manager and Registrar.		
6.3.3.	Expected Control: Mileage claims are correctly paid through payroll. Risks <i>Inappropriate expenditure</i>	No mileage is paid via the petty cash account.	None	N/A

6.4. Budgetary Control

Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
6.4.1.	Expected Control: The delegated budget is allocated correctly. Risks <i>Budgetary mis-management</i>	The delegated budget had been input onto COA at the beginning of the current financial year correctly. The Auditor queried the projected budget of £1,000,000 with the dedicated Accountant who explained that this was for the replacement of the cremators project.	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	<i>leading to overspends.</i>	<p>It was also identified during the audit that Crematorium Staff Overtime has overspent by £2,644.76. Through discussion with the Crematorium Manager & Registrar this overspend was due to the replacement of the cremators. At the time when one cremator was out of action, staff were paid to work weekends in order to prevent a backlog.</p> <p>Upon discussion with the dedicated accountant it was apparent that HR had been costing weekend work to the overtime budget code. Assurance has been provided that this will be rectified for the 16/17 budget.</p>		
6.4.2.	<p><u>Expected Control:</u> Establish whether there is a deficit or surplus c/f from previous years.</p> <p><u>Risks</u> <i>Budgetary mis-management leading to overspends.</i></p>	<p>Where a surplus exists this is documented within the business plan and reported back to the Joint Committee.</p> <p>The reporting back to Joint Committee is documented within the minutes and any supporting evidence is included.</p> <p>Monitoring takes place centrally by the dedicated accountant to ensure the surplus is spent in line with the proformas documented.</p>	None	N/A
6.4.3.	<p><u>Expected Control:</u> The budget position is reviewed on a regular basis and up to date information produced.</p>	<p>An annual business plan is put together for the beginning of each financial year.</p> <p>The assigned Accountant (Project & Governance) monitors the budget and sends the accounts over to the Crematorium Manager</p>	None	N/A

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Ref	Expected Control & Possible Risk	Key findings / Conclusions	Recommendation	Criticality
	<p><u>Risks</u> <i>Budget positions are not reviewed on a regular basis, and at an appropriate level throughout the year resulting in overspend.</i></p>	<p>& Registrar every quarter for review. Information is then taken from these reports and presented to the Joint Committee on a quarterly basis.</p> <p>Finance reports are reconciled to COA by the Accountant.</p> <p>Copies of minutes reporting to Joint Committee were obtained by the Auditor which evidenced quarterly reporting of the budget position.</p>		
6.4.4.	<p><u>Expected Control:</u> Officers are provided with satisfactory financial documentation, relating to the budget of the Crematorium, on a regular basis.</p> <p><u>Risks</u> <i>Officers are unaware of the financial position of the Crematorium and the financial implications of the decisions that they make.</i></p>	<p>A copy of the Joint Committee minutes for 6th March 2015 were obtained which evidenced that they had approved the budget prior to the start of the financial year.</p> <p>Also included within the minutes was the Annual Business Plan and the proposed new cremation fees for the forthcoming year.</p> <p>Joint Committee meet on a quarterly basis and are kept up to date with budget information during these meetings. This can be evidenced through the minutes taken.</p>	None	N/A