

NORTH EAST SURREY CREMATORIUM BOARD**14th March 2017****REPORT OF THE TREASURER****Review of Internal Control****INTRODUCTION**

1. This report introduces the work undertaken by Wandsworth Council's Internal Audit Service (IAS). Additionally, this report includes a review of the effectiveness of the Internal Audit service.

QUALIFIED ASSURANCE

2. The Internal Audit Service completed an audit of the Board's operations, with most of the fieldwork undertaken during late January and early February 2017.
3. The report (attached as an appendix to this report) issued by Internal Audit provides qualified assurance, which means that there are basically sound systems, but there are some weaknesses identified. Concerns are raised about the process for ensuring prompt payment of accounts, recording of statistical information and record keeping for overtime hours. These concerns are detailed in the report and are all Priority 2 recommendations for local management action, sooner than major issues.
4. The report also contains the management responses to the points raised and indicates the timescales in which the issues are planned to be addressed.
5. The first recommendation relates to the process for monitoring payments from Funeral Directors. A total of nine funeral directors have accounts with Board and are issued with a monthly invoice. The audit identified that two funeral directors are not paying promptly and also one case where a payment had not yet been recorded on the account. Enable's management have undertaken to introduce a more formal process of reminder letters to address this situation. One of the funeral directors identified as having arrears is paying regularly, but normally two months in arrears and this will be discussed with them. The other funeral director in arrears has now started to clear the backlog of payments.
6. The second recommendation relates to the recording of statistical information. The internal record sheet is currently not formatted to reflect the categories on the Burials and Cremation Administration System (BACAS) and this had led to a recording error on the record sheet. Management have reviewed the categories and see no reason for the internal record sheet to differ from BACAS and it will be changed for the new financial year.
7. The final issue concerns the recording of overtime by Enable's staff. Enable's management are happy that overtime is only ever worked with prior permission, but Internal Audit requires some supporting documentation to be held. Management will need to ensure that evidence of the prior agreement to overtime is retained for audit purposes.

CORPORATE GOVERNANCE

8. The Audit Report includes comments on the governance arrangements of the Board. As a "smaller relevant body" as defined by the Accounts and Audit Regulations, the Board approves and submits its Annual Governance Statement as part of the Annual Return for the year.
9. The Annual Governance Section within the Annual Return for the year ended 31st March 2016 was approved by the Board at its meeting on 14th June 2016. The Internal Audit Report (page 5 of the Annual Return) confirmed compliance with ten principle control objectives. This section was completed on 25th May 2016 and the Return was submitted to BDO LLP for audit. The Board approved the audited Annual Statement at its meeting on 6th December 2016. The External Auditor, BDO LLP, raised a concern regarding the approval of the Risk Management Strategy section of the Treasurer's report at the Board meeting in September 2015 in that its acceptance was not formally recorded in the minutes. The approval of the equivalent Risk Management Strategy section was formally recorded in the September 2016 minutes and officers will make sure that this happens in future.

REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT

10. Internal audit has always been undertaken by Wandsworth Council's Internal Audit Section (IAS). Comprehensive details of the Council's IAS can be found on the Council's web site (including objectives, strategy, the audit process and guidance on money laundering and anti-fraud and anti-corruption measures): -

http://www.wandsworth.gov.uk/info/200110/council_budgets_and_spending/476/internal_audit/1

11. Since 1st April 2004, the Board has gained further assurance through the Agreement with Wandsworth Council for the day to day management of the Board's operation, utilising the Council's staff, procedures and controls. Since 1st October 2015, the Council's sub-contractor has taken over most of the day to day management and this will need to be kept under review by the Board. The operations are still subject to scrutiny by the Council's IAS. The effectiveness of the IAS has also been reviewed by Wandsworth Council and the Council's external auditors, Ernst and Young LLP (EY).

Scope of the Internal Audit

12. The IAS provides an Internal Audit Brief which details the objectives, scope, methodology and timing of all audits undertaken each year. An "Audit Guide - Programmed Audits" is also provided and this covers the whole audit process from planning to reporting and follow-up. The Audit Brief is discussed with the Board's Chief Officers to ensure all areas of risk relevant to the Board's business are covered.
13. The Board's anti-fraud and anti-corruption arrangements principally rely on the guidance provided by the Wandsworth IAS - Audit Guides for "Money Laundering", "Anti-Fraud and Anti-Corruption Measures" which were included with the Internal Audit Brief.
14. The Audit Guides referred to above can be made available to Members if required and are available via the web link above.
15. The Board was established by its own Act of Parliament, and has its own framework of Standing Orders, Scheme of Delegations and Financial Regulations. The Board also has an Action Plan which is regularly reviewed. The IAS is familiar with this framework and has access to all of the Board's records.

16. The IAS has considerable experience of the Board's organisation and business, and is also responsible for the audit of Wandsworth Council's operations. This enables a wide and comprehensive overview to be taken of compliance with operational requirements, comparative performance, and challenges and risks facing the service and their impact on corporate governance requirements
17. The Board's Financial Regulations identify the requirements for Risk Management and Control of Resources, including, amongst other matters, Internal Control and Audit.
18. The work of the IAS considers the various reports presented to the Board by Chief Officers, including regular reviews of Internal Control, Risks and Risk Management Strategy, and the Board's approval of the Annual Governance Statement within the Annual Return for each financial year. The Board's Chief Officers, and the Wandsworth/Enable staff involved in the day to day operation of the crematorium, are encouraged to identify risks and risk management measures, and the IAS contribute by drawing on their knowledge and experience elsewhere.
19. The latest Audit report in the name of the Internal Audit Service is attached to this report.

Independence

20. The Board's Financial Regulations state: -

"Audit

The Treasurer is responsible for ensuring -

- i. the maintenance and procurement of an internal audit function that is sufficient in its coverage and independent in its planning and operation;*
- ii. that the Head of Audit has direct access to the Clerk, all levels of management and the Board; and*
- iii. that the internal auditors have been trained to comply with professional good practice."*

21. Apart from the provision of an internal audit service, the IAS does not perform any other services for the Board. It is therefore considered that the IAS sufficiently independent, unbiased and objective.

Competence

22. Wandsworth Council's IAS provides the internal audit function for the NESCB. The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Code of Practice for Internal Audit in Local Government that is deemed to be statutory proper audit practices as stated in the Accounts and Audit Regulations 2015. The Code includes a self-assessment checklist to enable relevant public authorities to determine their compliance with it. The checklist has been completed and the IAS's compliance with it has been assessed. It highlights that the IAS complies with the CIPFA Code.
23. There is no evidence of failure to carry out the Board's internal audit work ethically, with integrity and objectivity. Previous audit reports have highlighted areas requiring further attention and the resultant action plan has been monitored to ensure compliance.

24. Wandsworth Council's Audit Committee received a report (Paper No 16-324) which in paragraph 81 gave evidence of the Council's External Auditors "being able to use the work of Internal Audit to inform their risk assessment".
25. The conclusion of the audit includes a questionnaire to be completed by the officers concerned providing feedback on the quality of the audit.

Relationships

26. The roles and responsibilities of the Board's Members and Officers are set out in a number of published documents: -
- a. North East Surrey Crematorium Board Act 1956
 - b. NESCB Standing Orders
 - c. NESCB Scheme of Delegations
 - d. NESCB Financial Regulations
27. In addition to their roles on the NESCB, the Board's Members are comprised of councillors from the constituent authorities. Reliance can be placed on the provision of appropriate training to Members by those authorities, and the issue and maintenance of appropriate Codes of Conduct, anti-fraud, anti-corruption, and whistle blowing procedures.

Audit Planning and Reporting

28. The annual audit plan considers the risks identified by the Board's Chief Officers in their joint report on Risk Management, the Review of Internal Control and other issues raised in reports to the Board during the year, and draws on the IAS's experience and knowledge of similar work undertaken and risks at Wandsworth Council. The audit plan takes these issues into consideration, together with any concerns raised by the Board's Members and Officers.
29. Each year, the cyclical audit plan is discussed and agreed with the Treasurer and the Surveyor. The audit plan identifies the name of the auditor and the timescale for completion of the audit.
30. The previous Internal Audit Report was reported to the Board on 8th March 2016 in accordance with the plan.

CONCLUSION

31. Based on the evidence throughout this report, together with the Treasurer's personal experience of the service, the Board can be assured that the Wandsworth Council Internal Audit Service delivers an effective service.
32. The Board can take some comfort from the regular scrutiny of its procedures, controls and accounts. Reviews are undertaken at least annually by the WBC Internal Audit Service, and, in respect of the accounts, by the external auditors (BDO LLP). All findings of both reports are followed up as a matter of course.
33. However, the internal auditors have given qualified assurance this year due to the issues raised in paragraphs 5, 6 and 7, therefore is no room for complacency as the system of internal control must be demonstrably robust at all times.

RECOMMENDATION

34. The Board is recommended to note the report by Wandsworth Council's Internal Audit Service and endorse the management actions proposed.
35. The Board is recommended to reconfirm the appointment of the Wandsworth Internal Audit Service as the Board's internal auditors.

The Town Hall
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J M STEVENSON
Treasurer to the Board

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