



## Final Internal Audit Report

# North East Surrey Crematorium

June 2019

**Issued to:** Mark Davies - Treasurer

**Auditor:** Audrey Thomas

**Audit Manager:** Andrew Hamilton

**Report Status:** Final

**Overall Assurance:** Substantial Assurance

**Number of Recommendations:**

<b>P1</b>	0
<b>P2</b>	3
<b>P3</b>	0

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## 1. EXECUTIVE SUMMARY

### Introduction

- 1.1 This report sets out the findings and recommendations of an audit of controls and procedures in place at North East Surrey Crematorium (NESC). The crematorium, located in Morden, is administered by the North East Surrey Crematorium Board (NESCBoard) comprised of Councillors from Merton, Sutton and Wandsworth Borough Councils. Enable Leisure and Culture undertake the day-to-day management of the Board's crematorium operations.
- 1.2 The focus of the audit was to evaluate the effectiveness of the controls in place to ensure that the business administration objectives are being met.
- 1.3 We would like to take this opportunity to thank management and staff for their assistance during the audit.

### Overall Audit Opinion

- 1.4 Based on the work performed during this audit, we can provide overall **Substantial Assurance**. Whilst there is a largely sound system of control, there are some weaknesses, which may put a limited number of the system objectives at risk.

### Summary of Recommendations

- 1.5 We have made 3 recommendations: 3 classified as 'Priority 2' to strengthen the internal controls, management and audit trail.
- 1.6 Please see Management Action Plan at Appendix A for further details.

## 2. ASSURANCE BY RISK AREA

2.1 Our specific objectives in undertaking this work, as per the Audit Brief, were to provide the NESCB with assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas:

Risk Area	Opinion	P1	P2	P3
Budget	Full Assurance	0	0	0
Corporate Governance	Full Assurance	0	0	0
Income Debtors	Substantial Assurance	0	1	0
Cash	Full Assurance	0	0	0
Contract Staffing	Full Assurance	0	0	0
Procurement	Substantial Assurance	0	1	0
Cremation	Substantial Assurance	0	1	0
Inventory	Full Assurance	0	0	0
Performance Review Management	Full Assurance	0	0	0
Accounts and Systems	Full Assurance	0	0	0
Members Allowance	Full Assurance	0	0	0
Investments	Full Assurance	0	0	0
Monitoring	Full Assurance	0	0	0

<b>Overall</b>	<b>Substantial Assurance</b>
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2.2 See definitions for the above assurance levels at Appendix B. (NB full assurance is based only on the sample tested and does not guarantee that there are no instances of control failure within a system that we have looked at).

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
1	<p><b><u>Income debtors</u></b></p> <p><b>Funeral Directors Debtors' Accounts</b></p> <p>To ensure income is received in full and on a timely basis, regular monitoring should be carried out between Funeral Directors' debtors accounts and the income received. Where payments are overdue, reminder letters should be sent and if late payments persist, credit terms should be revoked.</p> <p>Examination of ten Funeral Directors' accounts identified two where invoices throughout the year were not always paid promptly. For one Funeral Director, five out of nine 2018/19 invoices examined were paid between 51 and 70 calendar days after the end of the month to which the invoice related to. For another Funeral Director, three were paid 47 days after the end of the month to which the invoice related to and one was 80 days after. Neither of these Funeral Directors have had their credit terms revoked.</p> <p>There was also one invoice for a third Funeral Director where the invoice for November 2018 was not paid until February 2019.</p> <p><b>Risk/Implication</b></p>	2	<p>The NESCB should agree how many times a Funeral Director can pay late before revoking their credit terms.</p> <p>When Funeral Directors breach this, their credit terms should be revoked immediately.</p>	<p><b>Responsible Officer:</b> Bereavement Services Manager</p> <p><b>Management Response:</b> The processes for monitoring collection of Funeral Director Debt will be further reviewed given the recommendations. Should Funeral Directors persistently pay outstanding sums beyond the agreed 30-day terms then payment on account facilities will be revoked.</p> <p>It should be recognised however the improvements made following the introduction of a formal system of reminder letters following recommendations from last year. This has had a significant impact which is evidenced from the improvement in the amount of debtors outstanding at the end of the financial year (£139k in 2018/19 compared to £241k in 2017/18 of which £122k in 2017/18 compared to £55k in 2018/19 was considered overdue at the point of reporting).</p>	Immediate

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	Where debtors are not monitored regularly, there are increased risks of debtors not consistently making their payments on a timely basis.				
2	<p><b>Procurement</b></p> <p><b>Goods Received Checks</b></p> <p>A full check should always be made within 24 hours of delivery and any discrepancies immediately reported to the supplier. This should be evidenced in writing and signed as such by the officer carrying it out.</p> <p>Discussions with the Bereavement Services Manager established that, where invoices are sent directly to Enable Leisure and Culture Finance for payment, they do not confirm with the NESC operational staff that the goods have been received. These mainly related to Office Depot purchases.</p> <p><b>Risk/Implication</b></p> <p>Where invoices are paid without checking that the goods and services have been received, there is a risk that Enable Leisure and Culture may pay for goods or services that have not been received, are unsatisfactory or are different to those ordered. These costs would then be passed on to the Board as part of the monthly</p>	2	<p>Where Enable Finance receive invoices direct from suppliers, they should obtain confirmation from NESC operational staff that the goods or services have been received in accordance with the Purchase Order.</p> <p>This confirmation should be annotated on the invoice by Enable Finance.</p>	<p><b>Responsible Officer:</b> Enable Finance / Bereavement Services Manager</p> <p><b>Management Response:</b> Where purchase orders are raised and invoices sent straight to Enable finance for processing by the supplier, confirmation that the goods or services have been received is not obtained in all instances prior to payment being released. It is proposed that a system of validation be put in place to ensure that goods and services have been received before payments are made.</p>	Immediate

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	invoicing process.				
3	<p><b><u>Cremation</u></b></p> <p><b>Billing</b> In order to ensure correct billing, cremations must be correctly linked to Funeral Directors billing address (normally their Head Office).</p> <p>Examination of ten cremations in 2018/19 identified one cremation where it had not been correctly linked to a Funeral Director's Head Office and was therefore not invoiced. It is acknowledged that this has been rectified and will be included in their May 2019 invoice run.</p> <p><b>Risk/Implication</b></p> <p>Where debtors are not invoiced, it increases the risk of debts becoming irrecoverable, potentially leading to financial loss to NESC.</p>	2	<p>Management should consider whether the BACAS system can provide any exception type reports to identify any debts that have not been invoiced. If this is possible, these should be run monthly to ensure all debts have been invoiced.</p> <p>If this is not possible, spot checks should be undertaken to ensure accounts are correctly set up on the BACAS system.</p>	<p><b>Responsible Officer:</b> Bereavement Services Manager</p> <p><b>Management Response:</b> Additional spot checks now introduced. Investigation on whether the BACAS system can produce exception based reporting to follow.</p>	<b>Immediate</b>

Levels of assurance	
<b>Full Assurance</b>	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified. (NB full assurance is based only on the sample tested and does not guarantee that there are no instances of control failure within a system that we have looked at unless we state that we have reviewed 100% of transactions).
<b>Substantial Assurance</b>	Whilst there is a largely sound system of control, there are some weaknesses, which may put a limited number of the system objectives at risk.
<b>Limited Assurance</b>	There are significant weaknesses in key control areas, which put the system objectives at risk.
<b>No Assurance</b>	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
<b>1</b>	Major issues that we consider need to be brought to the attention of senior management.
<b>2</b>	Important issues which should be addressed by management in their areas of responsibility to avoid exposure to significant risk.
<b>3</b>	Minor issues where the risk is low. Action is advised to enhance control or improve operational efficiency.