

## **AUDIT COMMITTEE**

### ***Committee Report***

#### **Public**

**Date of Meeting:** 31<sup>st</sup> October 2011

**Title:** AUDIT SERVICES PROGRESS REPORT

**Report of:** Assistant Director (Resources)

**Report reference:** RD.58/11

#### **Summary:**

This report summarises the work carried out by Audit Services since the previous report to Committee on 27<sup>th</sup> September 2011 and details the progress made against the 2011/12 Audit Plan up to the 30<sup>th</sup> September 2011 (quarter 2 position).

#### **Recommendations:**

Members are requested to receive this report and note progress made against the agreed 2011/12 Audit Plan.

**Contact Officer:** Gill Martin,  
Audit Manager

**Ext:** 7294

## CITY OF CARLISLE

To: Audit Committee  
31<sup>st</sup> October 2011

RD.58/11

### Audit Services Progress Report – Quarter 2

#### **1 Summary of Audit Work**

1.1 This report summarises the work carried out by Audit Services since the previous report to Committee on 27<sup>th</sup> September 2011 and monitors progress made on the 2011/12 Audit Plan up to the end of September 2011 (quarter 2 position).

#### **2 Audit Performance Against the 2011/12 Audit Plan**

2.1 The 2011-12 Audit Plan was presented to the Audit Committee on 12th April 2011 – report RD5/11 refers.

2.2 To assist Members in monitoring progress against the agreed Audit Plan, **Appendix A** (page 6) illustrates the work completed by the Audit Team. As shown, 250 days (46.7%) of the 535 total direct audit days expected in 2011/12 were delivered by 30<sup>th</sup> September 2011, which is only marginally under the target for this position in the year (254 days – 47.5%).

2.1 Appendix A shows that there has been overruns, totalling 43 days, on some of the planned audits delivered in the first 6 months and this has had an impact on the number of completed audits expected to have been delivered by this half year position. Whilst the use of the contingency has been made to address some of this overrun, there is a recognised need to claw back this time in the next 6 months through the following measures:

- By reassessing the time allocations on some of the remaining higher / medium risk and ICT audits in the Plan.
- By addressing the additional time required to complete the unplanned audit of the Connect 2 Cycleway Project. The initial time allocation was insufficient for the size and depth of the review required and as such, the funding of this additional audit time (27 days at 30<sup>th</sup> September) still needs to be fully considered by management.

### 3 **Follow-up Reviews**

#### 3.1 **Audit of Grants - Follow Up**

3.1.1 The last audit review of Grants which was completed in September 2010, was carried out as part of the Material Systems programme in place at that time. A total of 24 audit recommendations were arising from this review and based on the nature and grading of these recommendations, a **restricted** assurance rating was given to this audit area. In line with agreed audit practice, a comprehensive follow up of these recommendations has now been completed.

3.1.2 The follow up audit has highlighted several issues which have impacted on the ability of officers to successfully implement some of the agreed actions to be taken to address the recommendations as:

- Some actions are no longer wholly relevant e.g. grant claims have since been completed and closed, procedures have changed.
- The responsibility for some of the recommendations have required amendment as some were initially restricted to individual officers, but on reflection it is now considered that a more robust approach would be to delivered these through corporate grant support and/or directed to a wider audience in general. This will help to ensure that the required grant procedures are more fully established, applicable to all and support the longer term improvements to the service.

3.1.3 The completeness of the actions taken to address each audit recommendation has been examined and it is found that whilst actions have been taken to address some of the issues raised, insufficient actions have been undertaken to effectively address recommendations of a corporate nature – this mainly concerns the provision of training to officers.

#### **Training**

3.1.4 Despite the recognised need for further training raised by the audit, no such training has been scheduled for staff since this audit review. This matter has been recently discussed at a meeting of the Ethical Governance Group and it is understood that final accounts training has been organised for 21<sup>st</sup> March which will cover the year end requirements for the submission of grant claims and supporting evidence to the Auditors.

3.1.5 The training should be made compulsory to all officers with grant processing responsibilities and tailored to the City Council's procedures surrounding grant

monitoring and control, including seeking grant assistance, authorisation and administrative processes, financial controls and other reporting requirements. The need for key quality checks to be undertaken throughout the course of the grant, with specific attention on the detail required to support the submission of claims should also be covered.

### Quality Checks

- 3.1.6 The need for enhancements to the quality checks on grant documentation held by responsible departments was raised by the audit. The completeness of such procedures within departments can not be ascertained without undertaking further audit testing but again, training in this area would help to directly address such matters, particularly as staff changes and further restructuring of directorates in the last 12 months have had an impact on posts with grant processing responsibilities.
- 3.1.7 Corporate grant procedure notes are updated and quality checks on financial data is provided by Financial Services to support individual claims. This helps to ensure data submissions are complete and arithmetically correct.
- 3.1.8 To conclude, further audit work is scheduled for completion in the last quarter of 2011/12. This will involve a quality review of a sample of grant claims and will help to provide further assurance over the completeness of grant maintained by departments and the accuracy checks on the claims prior to submission. This audit will also revisit the actions taken to provide the necessary training to officers mentioned above at 3.1.5.
- 3.2 There are no other issues concerning follow up reviews which need to be brought to Members' attention at this time.

## **4 Review of Completed Audit Work**

- 4.1 There are two final audit reports to be considered by Members at this time.
  - 4.1.1 The audit of Insurance Arrangements is attached as **Appendix B**. This has been given reasonable assurance. Members' attention is drawn to the key issues arising from this review, which are summarised in section 6 of the Management Summary on page 13 and the agreed recommendations which are shown within the action plan which follows on page 15.
  - 4.1.2 The audit of Bereavement Services is attached as **Appendix C**. Again, this has been given reasonable assurance. Members' attention is drawn to:

- The follow up of the audit recommendations arising from the previous audit review, when Bereavement Services was undertaken as a material system review. The key issues regarding the follow up are summarised in section 5 (page 22) and the detail against each recommendation is provided in the follow up schedule which follows on page 25.
- The key issues arising from this audit review are summarised in section 7 of the Management Summary on page 23 and the agreed recommendations are shown within the action plan which follows on page 28.

## 5 **Recommendations**

### 5.1 It is recommended that Members:

- Note the progress made towards completion of the 2011/12 Audit Plan (for the period up to 30<sup>th</sup> September (position at quarter 2) as illustrated in **Appendix A**.
- Receive the completed audit reports on Insurance and Bereavement Services which are attached as **Appendix B and C** respectively.

P. Mason  
Assistant Director (Resources)

**PROGRESS AGAINST THE AUDIT PLAN 2011/12**

**Quarter 2 -up to 30/09/11**

<b><u>Status</u></b>	<b><u>Directorate</u></b>	<b><u>Audit Area</u></b>	<b><u>Allocated Days</u></b>	<b><u>Days Charged</u></b>	<b><u>Comments</u></b>
<b><u>HIGH RISKS</u></b>					
Ongoing	Local Environment	Recycling	15	4	
	Local Environment	Refuse Collection	10		
Ongoing	Local Environment	Highways Contract & Claimed Rights	15	5	
Draft Report Issued	Local Environment	Connect 2 Cycleway Project - Sustrans Grant	10	37	Initial time allocation – to be reviewed
Completed	Local Environment	Bereavement Services	12	14	Final report to be considered by the October 2011 Audit Committee
Completed	Local Env./ Resources	Insurance (inc highways )	10	*25	Final report to be considered by the October 2011 Audit Committee
	Resources	Asset Management	15		
	Resources	Transformation	15		
Ongoing	Resources	Partnerships	10		
					Wider review than initially planned.
Completed	Resources	Properties for Rent & Industrial Estates	10	*20	Final report was considered by the August 2011 Audit Committee
	Resources	Capital Resources / Programme	15		

Ongoing	Resources / Governance	Tendering & Contracting	15	7	
		ICT Connect - Shared Service Governance Arrangements	5	8	Joint ICT review with Allerdale BC - Findings & Action Plan was considered by the September 2011 Audit Committee
Completed	Resources	Facilities Management / Building Maintenance	10		
		Health & Safety	10	12	Final report was considered by the July 2011 Audit Committee
Completed	Governance	Customer Contact Centre	15		
Pending	Com. Engagement	Tullie House	10	1	
	Com. Engagement	Events	10		
	Com. Engagement	Community Support	10		
Completed	Com. Engagement	Housing Benefits Overpayments	15	15	Final report was considered by the August 2011 Audit Committee
					Comprehensive first review of this area. Final report was considered by the September 2011 Audit Committee
Completed	Corporate	Risk Management Arrangements	10	*21	
		<b>TOTAL DAYS FOR HIGHER RISK AUDITS</b>	<b>247</b>	<b>169</b>	
<b><u>LOWER / MEDIUM / OTHER RISKS</u></b>					
	Resources	VAT	10		
	Resources	CRB Compliance	5	0	
Completed	Local Environment	Pest Control	5	6	Final report was considered by the July 2011 Audit Committee

Corporate	External Grant Funding	5	0	
Corporate	National Fraud Initiative (NFI)	15	16	Exercise 95% complete
	<b>TOTAL DAYS FOR OTHER AUDITS</b>	<b>40</b>	<b>22</b>	

**MATERIAL AUDIT REVIEWS**

	Local Environment	Car Parking	10	
	Resources	Income Management & Cash Collection	12	
	Resources	Fixed Assets	12	
	Resources	Main Accounting System	15	
Ongoing	Resources	Treasury Management	8	
	Resources	Creditors	8	
	Resources	Payroll	10	
	Resources	Debtors	8	
	Com. Engagement	Housing & Council Tax Benefits	12	
Ongoing	Com. Engagement	Housing Regeneration (Improvement grants)	8	
	Com. Engagement	NNDR	10	
	Com. Engagement	Council Tax	12	
		Contingency for material audits	15	10
		<b>TOTAL DAYS FOR MATERIAL AUDITS</b>	<b>140</b>	<b>10</b>

Relates to time taken to clear remaining draft reports from 2010/11 and "hot assurance" work involving cash management procedures

**ICT REVIEWS**

IT Strategy	10		
Network Controls	10		
Service Desk, Incident & Problem Management	10		
<b>TOTAL DAYS FOR ICT AUDITS</b>	<b>30</b>	<b>0</b>	
<b>*CONTINGENCY</b>	<b>28</b>	<b>23</b>	Additional time allocations, VFM and other misc. advice / support provided
<b>AUDIT MANAGEMENT</b>	<b>40</b>	<b>20</b>	Audit Management Reporting, Planning and Committees
<b>AUDIT FOLLOW UP REVIEWS</b>	<b>10</b>	<b>6</b>	
<b>TOTAL AUDIT DAYS</b>	<b>535</b>	<b>250</b>	

<u>Position of Audit Plan (end of quarter 2):</u>	-		
- Direct audit days expected		47.50%	
- Direct audit days delivered		46.72%	
- <i>Variance</i>		<u>-0.78%</u>	Marginally under target for this position of the year



## **AUDIT SERVICES**

*A Shared Service between Cumbria County Council, Carlisle City Council and  
Copeland Borough Council*

## **FINAL REPORT**

### **Audit of Insurance Arrangements**

**Draft Report Issued: 4<sup>th</sup> October 2011**

**Final Report Issued: 20th October 2011**

*The Interim Chief Executive, Strategic Director and relevant Assistant Directors receive a copy of the final report.  
The Audit Committee will be presented with a copy of the relevant sections of this final report at the meeting to be held  
on 31st October 2011.*

## Section 1 – Management Summary

### 1. REASON FOR THE AUDIT

- 1.1 The audit of Insurances was identified for review as part of the agreed Audit Plan for 2011/12.

### 2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Paula Norris.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Assistant Director (Resources)	Report to be noted.
Financial Services Manager (Resources)	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Chief Accountant (Resources)	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan
Development & Support Manager (Resources)	Action Required. Please refer to Appendix A – Summary of Recommendations/Action Plan
Finance/Insurance Officer (Resources)	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan
Safety, Health & Environmental Manager (Governance)	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan
Highways Services Manager (Local Environment)	Report to be noted.
Insurance & Information Officer (Local Environment)	Report to be noted.

### 3. BACKGROUND INFORMATION

- 3.1.1. Insurance within the public sector is relatively specialised and competition within the market is limited. Currently, City Council insures its main portfolio with Travelers and its Highways Agency responsibilities with Zurich Municipal.
- 3.2. All claims (except Highways Insurance Claims) are processed through Financial Services with the bulk of the work being done by the Finance & Systems/Insurance Officer, with clerical support from the Accountancy Assistant. These duties are overseen by the Financial Services Manager and the Chief Accountant.
- 3.3. Carlisle City Council has responsibility for highways maintenance within the urban area of the City. Responsibilities for repair and maintenance are devolved from Cumbria County Council under the “Claimed Rights” agreement. Whilst not empowering the City Council

## Section 1 – Management Summary

with identical responsibilities of the highways authority (Cumbria County Council), the City Council retains the statutory duty to maintain the highway under section 41 of the Highways Act, and as such, where the Council fails to fulfil this responsibility, the potential for claims exist. Zurich Municipal is the appointed insurer for this type of claim.

- 3.4. The responsibility for the administration of Highways insurance claims is held within the Highways Section and the Insurance and Information Officer has responsibility for managing these claims. The reason for the two portfolios of claims being separate is due to the high level of technical expertise required to challenge and process highways related claims.
- 3.5. All claims data is captured on Figtree, the corporate claims management system, which is administered by Financial Services.

### 4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	Review of Insurance Policies and Consultancy/Advice Contracts.
2.	Accurate Data/Records Management.
3.	Review of Insurance Costs and Premiums.
4.	Highways Claims
5.	Risk Management Relationship with Insurance

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to insurance arrangements which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Assistant Director and necessary updates to Directorate's Operational Risk Registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

### 5. RECOMMENDATIONS

- 5.1. Each recommendation has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.

## Section 1 – Management Summary

C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

*\*A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).*

5.2. There are 13 recommendations arising from this review :

- 6 at grade B
- 6 at grade C
- 1 at grade D

### 6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

6.1. Satisfactory systems and procedures are in place for managing insurance claims, although a number of opportunities to further enhance controls have been identified and these are shown in Appendix A – Summary of Audit Recommendations and Action Plan.

6.2. The key issues arising from this review are:

- Contractual arrangements relating to some insurance services have not been appropriately tendered and this is considered as being non compliant with the Council's Contract Procedure Rules.
- Asset details held by both Financial Services and Property Services do not always correlate and the vehicle weightings required for the motor premium allocations have not been accurately applied.
- The terms stipulated in leasehold agreements managed by Property Services regarding insurance are not fully exercised.
- The insurance portfolio is not always updated with changes brought about through completed capital projects works.
- The Council is insuring assets which are no longer its responsibility.
- Available claims history information is not being used to its full potential.
- Potential Health and Safety risks previously flagged within the area of Highways are yet to be fully addressed.

### 7. STATEMENT OF ASSURANCE

7.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

## Section 1 – Management Summary

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

- 7.2. The assurance level given to an audit area can be influenced by a number of factors: including stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 7.3. From the areas examined and tested as part of this audit review, we consider the current controls operating within insurance provide **reasonable** assurance.
- 7.4. Areas have been identified where improvements could be made to strengthen controls and these are detailed in Section 2 – Matters Arising. The Summary of Recommendations /Action Plan is attached as Appendix A.

**RESOURCES DIRECTORATE**  
**Audit of Insurance**

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Potential non-compliance to Contract Procedure Rules.	The Brokers Service should be tendered by the Corporate Procurement Unit on a 3-5 year basis and the relevant tendering procedure on the expected value over this term should apply. This will ensure full compliance to Contract Procedure Rules.	B	The Development & Support Manager will consult with the Assistant Director (Resources) and Financial Services Manager with a view to tendering for the services over the most economically advantageous time frame. The Development & Support Manager will also liaise with other local Councils with a view to wider collaboration.	Development & Support Manager	01/04/2012
R2	Asset details held by both Financial Services and Property Services do not always correlate.	Financial Services should pass the Asset Register information to Property Services prior to the allocation of costs.	C	Financial Services will continue to work with Legal and Property Services to identify all assets held by the Authority.	Financial Services Manager / Legal Services Manager / Property Services Manager	31/03/2012
R3	The Council does not confirm the insurance details of its commercial leaseholders.	Dependant on available resources, management should decide either to apply the terms stipulated in the existing lease documents regarding	C	As above, working together and resources permitting, Lease documents will be reviewed to establish correct liability and to	Financial Services Manager / Legal Services Manager /	31/03/2012

		the declaration of insurance or remove the term from the agreement.		ensure full recovery of insurance costs if required.	Property Services Manager	
R4	Insurance portfolio is not always being updated with changes brought about through completed capital projects works.	The Insurance Officer should be informed of all planned and completed projects which impact on property asset values so these changes can be appropriately assessed and if necessary the insurance portfolio updated to reflect any increases in value.	B	Agreed – Process to be amended immediately.	Financial Services Manager	19/10/2011
R5	The vehicle weightings required for the motor premium allocations has not been applied.	The Vehicle Premium Allocation spreadsheet maintained in Financial Services should be amended and the premiums reallocated and the necessary adjustments be made in the General Ledger.	B	Premium reallocations to be reviewed in due course.	Financial Services Manager	31/05/2012
R6	The Council is insuring a vehicle belonging to the ICT Shared Service.	Insurance arrangements for the ICT Connect Shared Services Vehicle located in Carlisle should be reviewed. If the asset remains in the ownership of Carlisle City, the existing insurance arrangements may be considered appropriate, but it is suggested the associated cost should be recovered from Allerdale BC as part of the Shared Service Agreement.	C	Contractual arrangements regarding the ICT shared services will be examined with a view to recouping any costs if necessary.	Financial Services Manager	30/11/2011

## SUMMARY OF RECOMMENDATIONS & ACTION PLAN

## APPENDIX A

R7	There is no requirement to make reference to the Irthing Centre in the All Risks Insurance schedule as this is no longer Carlisle City Councils responsibility.	All insurance related to the Irthing Centre in Brampton be removed from the policy schedule. These schedules should be reviewed annually to ensure that all information held in them is correct.	C	This will be altered as part of the annual review.	Financial Services Manager	31/03/2011
R8	Suggested revised method in which to allocate Employers Liability premiums.	Consideration should be given to weighting the premium allocation on claim history rather than on the number of manual workers to make the cost process more equitable.	D	Premium reallocations to be reviewed in due course.	Financial Services Manager	31/05/2012
R9	Available Public Liability claims history information is not being used to its full potential.	Claim History information for Public Liability claims should be used for the purpose of risk identification and analysis so that directorates are assisted in targeting weak areas and mitigating those risks.	C	Agreed - The recently upgraded Figtree system will assist in this.	Financial Services Manager	31/11/2012
R10	The Highways Insurance Claim Contract has not been tendered.	The contract for Highways Insurance Claims should be tendered in line with the Authority's Contract Procedure Rules.	B	As in R1.	Development & Support Manager	01/04/2012
R11	Insufficient use of claims management information.	The management reports from Figtree need to be developed and shared with service users.	B	As in R9.	Financial Services Manager	31/01/2012
R12	Consultancy risk management days from Travelers Ltd have not been fully utilised.	Full utilisation of the remaining consultative days for 2011/12 should be made – management may support the use of these to provide a more in	C	Agreed – Effective use of the remaining days will be reviewed.	Financial Services Manager	30/11/2011

		depth review of risk reducing practices in Green Spaces.				
R13	Potential Health and Safety risks previously flagging the area of Highways are yet to be fully addressed.	Concerns relating to safe working practices in Highways Services should be examined further and appropriate actions for address taken as priority.	B	<p>The Safety, Health &amp; Environmental Manager has advised and presented mitigating action for all concerns raised. The success of this advice is dependent on the take-up of the Local Environment Managers.</p> <p><b><u>NB – Audit Note</u></b> – implementation should be monitored by the Risk Management Group.</p>	Safety, Health & Environmental Manager	29/02/2012



## **AUDIT SERVICES**

*A Shared Service between Cumbria County Council, Carlisle City Council and  
Copeland Borough Council*

## **DRAFT REPORT**

### **Audit of Bereavement Services**

**Draft Report Issued: 13 October 2011**

**Final Report Issued: 20<sup>th</sup> October 2011**

*The Chief Executive, Deputy Chief Executive / Strategic Director and relevant Assistant Directors receive a copy of the final report.*

*The Audit Committee will be presented with a copy of the relevant sections of this final report at the meeting to be held on 31st October 2011.*

## Section 1 – Management Summary

### 1. REASON FOR THE AUDIT

- 1.1. The audit of Bereavement Services Income was identified for review as part of the agreed Audit Plan for 2011/12.

### 2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Diane Strong.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Assistant Director (Local Environment)	Report to be noted.
Neighbourhoods and Green Spaces Manager, Local Environment	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Bereavement Services Team Leader, Local Environment	Report to be noted.

### 3. BACKGROUND INFORMATION

- 3.1. At the time of this audit Bereavement Services was undergoing a Lean Systems Thinking Review (LSTR). The LSTR is a framework which looks at:
- Defining the purpose of the service under review, in this case, Bereavement Services;
  - Establishing what matters to its customers;
  - Reviews current performance (demands, type, frequency, and workflow);
  - Why the Service performs like this (causes of performance variation);
  - Redesign the system to workflow and demand; and
  - Identify proposals for change.
- 3.2. To ensure that this audit did not impact upon the LSTR that was underway, it has concentrated on Bereavement Services' Income, to provide assurance that income due is received and that there is an adequate system of internal control to ensure its completeness and accuracy. Where the LSTR leads to any changes to processes and system controls, Internal Audit should be invited for their comments and to provide any relevant advice, before their implementation.
- 3.3. The total budgeted income for Bereavement Services for 2011/12 is £1,091,100 (sum of £262,500 and £828,600) which comprises:

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Cemeteries (Detail Code 26510)		Crematorium (Detail Code 26520)	
Description	2011/12 Projected Budget (£)	Description	2011/12 Projected Budget (£)
Burial Rights	72,200	Sale of Urns	6,000
Internments	144,300	Sale of Remembrance Cards	1,300
Burial Chapel Use	5,200	Inscriptions	13,700
Headstones	33,800	Cremation Fees	781,200
Donation Income	500	Memorial Wall Plaques	24,300
General Rent Income	1,500	Scattering of Ashes	700
Investment interest Received	5,000	Postage of Ashes and Bearer Duty	1,400
<b>Total</b>	<b>262,500</b>		<b>828,600</b>

Source: Main Accounting System Ledger Codes 26510 and 26520 printed 20/07/11

- 3.4. Bereavement Services Team is overseen by the Neighbourhoods and Green Spaces Manager and consists of 6 (FTE) members of staff:
- 1 x Bereavement Services Team Leader;
  - 1 x Crematorium Supervisor;
  - 2 x Crematorium Technician/Chapel Attendant (one post currently vacant);
  - 1 x Administrative Officer; and
  - 1 x Administrative Assistant.
- 3.5. The provision of the day to day management of cemetery services is non-statutory; however, the Council does have a duty to ensure the environmentally protected disposal of the deceased.
- 3.6. There are 3 cemeteries under the Council's responsibility - Richardson Street, Upperby and Stanwix, the latter two being much smaller sites but still accrue regular income.
- 3.7. There are two main risks (classed as medium level) contained within the operational risk register, dated 28 April 2011 relating to Bereavement Services. These are shortage of burial space and private sector competition. The stated current controls corresponding to each (in order to monitor/manage the risks) have remained the same since the 2008/09 audit review. The only change is that the shortage of burial space has reduced from a high to a medium risk during this time. These two risks have been incorporated within this review for further investigation.
- 3.8. The 2008/09 Bereavement Services audit was classed as a 'material review' due to the substantial level of income that the service accrued at the time. As a 'material review,' the follow up arrangements are covered at the next audit review as they are undertaken annually. The Bereavement Services review has not been classed as 'material' since

## Section 1 – Management Summary

2008/09 and it would appear that the recommendations were not followed up as was anticipated in 2009/10, thereby slipping through the net until this audit review. For this reason, the follow up of the recommendation arising from the 2008/09 audit review has been incorporated into this current audit.

### 4. SCOPE

- 4.1 Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and the detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	Follow up 2008/09 Audit Review Recommendations
2.	Burial & Cremation Income
3.	Outstanding Debts
4.	Reconciliation
5.	Future Income Considerations

- 4.2 The scope and testing undertaken as part of this review reflects identified risks specific to Bereavement Services which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3 Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Assistant Director and necessary updates to the Directorate's Operational Risk Registers should be made. If risks are of a strategic nature, these will be reviewed by the Corporate Risk Management Group.

### 5 FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1 An audit of Bereavement Services' Income was previously carried out in 2008/09. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2 It is concluded, generally, that insufficient action has been taken to effectively implement all previous audit recommendations made.
- 5.3 Further actions are required, although these should be considered and addressed with the final implementation of the outcome of the LSTR that is currently being undertaken.

### 6 RECOMMENDATIONS

- 6.1 Each recommendation has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

## Section 1 – Management Summary

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

*\*A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).*

6.2 There are 6 recommendations arising from this review, all of which are grade B.

### 7 KEY FINDINGS ARISING FROM THE AUDIT REVIEW

7.1 A number of opportunities to further enhance controls have been identified and these are shown in Appendix B – Summary of Audit Recommendations and Action Plan.

7.2 The main issue relates to the fact that income management and cash receipting systems and procedures relating to Bereavement Services operate outside the Council's corporate arrangements and are considered not to be in full compliance with the Council's Financial Procedure Rules.

7.3 Bereavement Services makes no use of the corporate debtor system. Invoices raised by the service are not in the official format and there are potential VAT implications. Also, debtor accounts raised directly by Bereavement Services, during the last two audit reviews, identified issues regarding them being fully accounted for on an accruals basis. It is recognised, however, that Bereavement Services appear to have good arrangements in place for encouraging pre-payments, thus avoiding the need for debtor accounts to be raised.

7.3.1 Corporate debt recovery processes are not applied. There are inadequate arrangements in place and provision for dealing with bad debts. Whilst necessary action on outstanding debts appear to be taken directly by the service, this could not be fully substantiated as the report which shows position of all debtors accounts could not be produced and has not been for some time.

7.3.2 Bereavement Services has retained the manual Kalamazoo cash receipting system which is considered no longer fit for purpose. Payments are slow to process, require substantial effort in Financial Services to match and balance each month and do not provide a full management trial (in terms of cash transactions). Direct use of ICON, the Council's corporate cash receipting system, should be utilised. This offers a more secure and accountable income receipting process with a wider selection of payment methods for customers.

7.4 Other matters raised by the audit are:

On the reverse of the pay in slip the cash element should be individually recorded (in accordance with cash receipts received) by noting the receipt number and totalled to agree with the pay in slip cash total;

## Section 1 – Management Summary

BACAS should be reconciled to the Kalamazoo (or electronic record) to ensure its completeness and accuracy; and

There should be greater evidence available to demonstrate that operational risks are being appropriately managed.

- 7.5 It is suggested that this is due to Bereavement Services location and restricted access to Council networks. Based at Richardson Street, it is an outlying establishment with limited IT infrastructure. This should now be addressed by either providing access to such networks or centralising income management arrangements to the Civic Centre.
- 7.6 The LSTR currently being progressed within Local Environment should focus attention on these key findings with a view to bringing Bereavement Services income management arrangements directly in line with the Council's corporate systems, practices and procedures as a matter of priority.

### 8 STATEMENT OF ASSURANCE

- 8.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

- 8.2. The assurance level given to an audit area can be influenced by a number of factors: including stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 8.3. From the areas examined and tested as part of this audit review, we consider the current controls operating within Bereavement Services provide **REASONABLE** assurance. Although there are a number of grade B recommendations these relate to improvements that should be actioned so that the system is incorporated into corporate systems where they exist to ensure a greater robustness of controls.
- 8.4. These areas identified for improvement, to strengthen controls, are detailed in Section 2 – Matters Arising. The Summary of Recommendations/Action Plan is attached as Appendix B.

## LOCAL ENVIRONMENT DIRECTORATE

## AUDIT FOLLOW UP OF BEREAVEMENT SERVICES

*Final report issued 12 June 2009*

REF	RECOMMENDATION	GRADE	ACTION TAKEN	SUCCESSFULLY IMPLEMENTED (Completed by Audit Services)
R1	<p>Improvements and efficiencies would be gained by replacing the receipt and deposit ledger book with a monthly spreadsheet incorporating running totals for each fee receipted. In addition to providing the exact figures necessary for the monthly return, this would also remove the risk of potential errors occurring from manual calculations. Further benefit would be gained from increased security (i.e. information is stored and backed up on the Authority's IT network) and also removing the requirement to store yet more paper records in already cramped office conditions.</p> <p>If excel training is required to fulfil this recommendation then Personnel &amp; Development should be advised in order to arrange this.</p>	C	<p>Still using the paper records (ledger book).</p> <p>Transformation proposals include migration of cash handling functions to central service support in Civic Centre to be implemented from April 2012.</p>	Not implemented since previous audit review.
R2	Bereavement Services staff should ensure that income received is paid in according to the Ledger Feeder System Timetable issued each year by Accountancy. This will guarantee that the income attributed to the correct period.	C	This action was implemented following the 2009 audit.	This audit review did not cover this area. Based on the comments received to support the follow up process, it would seem that it has been implemented.

R3	<p>Debts that Bereavement Services have been unable to recover should be referred to Sundry Debtors and an invoice raised on the Sundry Debtors system for the unpaid amount. Bereavement Service's debts are still monies owed to the Authority and as such should go through the proper recovery channels. This allows for the debt to be written off through the correct procedures should recovery be exhausted.</p> <p>It would be prudent to run the Outstanding Invoice report on BACAS each month to highlight any overdue debts to chase up for payment. Any debts over 6 weeks old should be passed to Sundry Debtors as described above.</p> <p>Stone masons with debts over 6 weeks old should automatically be refused any further permits of work until the debt is paid.</p>	C	<p>This was not followed up as the service adopted a 'payment in advance' policy. Currently there is only one bad debt (less than £50).</p> <p>This service will be migrated to Debtors as part of transformation (April 2012).</p>	<p>Discussions with Bereavement Services staff during the current audit review identified that this area has not been implemented. A query arose regarding an aged bad debt referred to in para. 5.2.9 which was stated to have been written off by Bereavement Services. No evidence was found to confirm that the appropriate accounting procedure has been undertaken, and it is unlikely to have been undertaken due to the Bereavement Service administration operating outwith the 'corporate' systems.</p> <p>A report from BACAS was requested to detail any outstanding debts. Unfortunately it was revealed that this was not being undertaken, see para.5.2.7.</p> <p>Discussion with Bereavement Services staff revealed that Stone Masons were refused further permits if they had debts outstanding. However without a print (referred to above) detailing outstanding debts then testing could not be undertaken to confirm what the 'actual' position was.</p>
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R4	(Two debts outstanding for over 5 months) the two debts should be raised on the Sundry Debtors system as per the above recommendation.	C	<p>This was not followed up as the service adopted a 'payment in advance' policy. Currently there is only one bad debt (less than £50).</p> <p>This service will be migrated to Debtors as part of transformation (April 2012).</p>	<p>This audit review did not revisit the two debts referred to. The Audit Comments raised at R3 refer to the issues surrounding outstanding debts and the full use of corporate debt recovery systems and procedures.</p>
R5	<p>Grave maintenance is the responsibility of the family of the deceased, however, there are potential health and safety issues if the headstone safety checks are allowed to lapse and dangerous memorials are not identified. The risk should be highlighted as the Authority is potentially liable if an unsafe gravestone was to cause injury or death to a member of the public.</p> <p>This issue should be reported to the Treasury &amp; Insurance Manager as soon as possible.</p>	B	<p>A programme for safety checks is being prepared for immediate resumption.</p>	<p>This audit review did not cover this area. However, this is an area which the LSTR has commented upon.</p> <p>Reliance has been placed upon the comments of the follow up schedule completed by service management.</p>

**LOCAL ENVIRONMENT DIRECTORATE**  
**Audit of Bereavement Services**

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Lack of service continuity if records lost e.g. due to fire.	The manual cash receipting system (the Kalamazoo book) should be replaced with an electronic system - ICON the Corporate Cash Receipting system should be directly utilised by Bereavement Services.	B	Action agreed – will be addressed by the Bereavement Services Lean Systems Thinking Review.	Neighbourhoods & Green Spaces Manager	April 2012
R2	There is a lack of audit trail which impacts upon establishing the completeness and accuracy of cash income received.	On the reverse of the pay in slip the cash element should be individually recorded (in accordance with cash receipts received) by noting the receipt number and totalled to agree with the pay in slip cash total.	B	Action agreed – will be addressed by the Bereavement Services Lean Systems Thinking Review.  N.B. Bereavement Services administration staff have agreed in the meantime to implement the recommendation immediately.	Neighbourhoods & Green Spaces Manager	April 2012
R3	To ensure that 'proper' invoices are issued.	Invoices should be raised through the Council's corporate debtor system	B	Action agreed – will be addressed by the Bereavement	Neighbourhoods & Green Spaces	April 2012

		and the centralised debt recovery procedures should be applied.  <i>See also recommendation R4 below.</i>		Services Lean Systems Thinking Review.	Manager	
R4	There is no evidence of a formal system of outstanding debt monitoring, actions taken and write off.	The identification of outstanding debts and appropriate follow up action to be taken (including write off where relevant) should be through the Council's main debtors system.	B	Action agreed – will be addressed by the Bereavement Services Lean Systems Thinking Review.	Neighbourhoods & Green Spaces Manager	April 2012
R5	There is no evidence that the BACAS system is accurate and complete.	BACAS should be reconciled to the Kalamazoo (or electronic record when recommendation R1 is implemented) to ensure its completeness and accuracy.	B	Action agreed – will be addressed by the Bereavement Services Lean Systems Thinking Review.	Neighbourhoods & Green Spaces Manager	April 2012
R6	The Council's risk management process is not embedded within its operations as intended.	There should be greater evidence available to demonstrate that operational risks are being appropriately managed.	B	Action agreed	Neighbourhoods & Green Spaces Manager	Immediate