

PART A

Report to: West Herts Crematorium Joint Committee

Date of Meeting: 29 January 2024

Report of: The Treasurer

Title: EXTERNAL AND INTERNAL AUDITS - 2022/23 OUTCOMES

1:0 Purpose of Report:

- 1:1 To consider and approve the Audited 2022/23 Annual Return.
- 1:2 To consider issues raised in the 2022/23 external and internal audits and the proposed actions to be taken.
- 1:3 To confirm the arrangements for external and internal audit.

2:0 Background

- 2:1 The Joint Committee is currently subject to two audits:
 - an Internal Audit, focusing mainly on internal systems and procedures, currently undertaken by the Hertfordshire Shared Internal Audit Service (SIAS)
 - an External Audit, which scrutinises the Annual Return and overall governance and financial arrangements. For several years, the accountants at BDO were appointed by the Audit Commission to undertake this for the Joint Committee. The requirement for a formal external audit ceased from 2014/15 - however, the Joint Committee decided at its January 2015 meeting that we should seek to maintain an external audit of the final accounts, and BDO have been engaged to provide a continuation of the previous external audit arrangement.
- 2:2 Findings and recommendations from the audits are reported to members, at least annually, in the form of an Audit Action Plan, which indicates actions planned and taken.

3:0 Audit Outcomes

- 3:1 the annual internal audit was completed during 2023 and is considered as part of the Annual Return audit; the final internal audit report is not usually received in time for the June meeting and is therefore reported to the following January meeting.

- 3:2 The internal auditor was able to sign off the internal audit section of the 2022/23 Annual Report (attached as Section 4 of **Appendix A**). There are no new recommendations from this audit. There is one recommendation brought forward.
- 3:3 These recommendations are detailed on the attached Audit Action Plan (**Appendix B**) together with the Treasurer's comments and target implementation dates.
- 3:4 The internal auditor stated in his final report that "Based on the work performed during this audit, we can provide overall **reasonable assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review."
- 3:5 The report of the external auditors, BDO, is currently outstanding.
- 3:6 It is a requirement that the audited Annual Return, together with the Audit Opinion is reported to the Joint Committee for approval and acceptance. The full return is attached as **Appendix A**.

4:0 Future Audit Arrangements

External Audit

- 4:1 Until 2015, there had been a requirement for Joint Committees to have an annual external audit, independent of their constituent bodies. This requirement ceased with the introduction of the "Local Audit and Accountability Act 2014 - Changes to Audit Requirements for Joint Committees", and this was reported to the Joint Committee in January 2015.
- 4:2 However, the Joint Committee agreed with the Treasurer's recommendation that the Crematorium should continue to maintain its own separate accounts and should continue to have them subject to an independent external audit.
- 4:3 BDO have been engaged to provide the external audit since 2015/16. The Treasurer recommends that BDO are once again engaged to provide this service for the 2022/23 accounts subject to the Joint Committee's views. BDO have provided a quoted fee of £2,940 for the 2023/24 audit.
- 4:4 This recommendation may change dependent on the outcomes of the Lead Authority Model.

Internal Audit

- 4:4 The Annual Return has a section (Section 4 of **Appendix A**) which requires an internal auditor to certify that various "internal control objectives" are met. It has therefore been necessary for an internal audit to take place to enable this section to be completed.
- 4:5 For the last ten years the Hertfordshire Shared Internal Audit Service (SIAS) has undertaken the work. SIAS is the principal source of internal audit for Hertfordshire authorities, and the Treasurer has been confident in both the quality of the service provided and the scope and extent of the auditing undertaken.

- 4:6 Although the change brought about by the Local Audit and Accountability Act removed the statutory requirement for an internal audit, the Joint Committee in 2015 did approve the continuation of the annual internal audit exercise, to maintain an independent and alternative view of the Joint Committee's internal systems and procedures. Subject to the members' views, the Treasurer recommends appointing SIAS for a further year.
- 4:7 SIAS have once again been engaged to act as internal auditors for the year 2023/24 and have quoted £2,500 to undertake the work in the 2024/25 financial year.

5:0 **Recommendations**

The Joint Committee is asked to:

- 5:1 Approve and accept the audited 2022/23 Annual Return, including the "Section 3 – External Report 2022/23 Certificate", attached as **Appendix A**.
- 5:2 Review the updated Audit Action Plan (**Appendix C**), showing previous years' audit recommendations, and the progress in implementing them.
- 5:3 Consider the continued engagement of BDO to provide the external audit.
- 5:4 Appoint the Hertfordshire Shared Internal Audit Service as the Joint Committee's internal auditor for 2023/24, as recommended by the Treasurer.

Appendices:

- A 2022/23 Annual Return
B Internal Audit Report
C Audit Action Plan

File Reference: WHCJC Audit files

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