



Final Internal Audit Report

West Herts Crematorium Small Bodies Annual Return 2022/23

December 2023

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Report Status:	Final
Reference:	Z5617/23/038
Overall Assurance:	Reasonable
Recommendations:	2 Advisory Actions

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1. EXECUTIVE SUMMARY

Introduction

- 1.1 This audit enables the completion and sign off of Section 3 of the Small Bodies in England Annual Return for the financial year ended 31 March 2023. This return is no longer a requirement for Small Bodies, but the West Herts Crematorium Joint Committee (WHCJC) decided that they still require an internal and external audit to support continued completion of this annual return.
- 1.2 The West Herts Crematorium is a self-financing organisation serving the Hertfordshire, Bedfordshire, Buckinghamshire, and Middlesex districts. Over 3,200 cremations are undertaken each year.
- 1.3 The Crematorium's activities are overseen by the West Herts Crematorium Joint Committee (WHCJC) comprising five local authorities – Watford Borough Council, St Albans City and District Council, Three Rivers District Council, Dacorum District Council and Hertsmere Borough Council.
- 1.4 The objectives of the audit were:
- To ascertain whether there have been any changes to the processes and controls for managing income, expenditure, and significant risks for the Crematorium since the last audit,
 - To appraise the adequacy, reliability, and effectiveness of those controls in offsetting any risks that may prevent the achievement of the Crematorium objectives,
 - To test the systems to ascertain whether they operate as described,
 - To draw conclusions and make recommendations as appropriate and to report to management, and
 - To conduct a follow-up of previous audit recommendations, where applicable.

Overall Audit Opinion

- 1.5 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. These are detailed in the Assurance by Risk Area Table in section 2 below.
- 1.6 For definitions of our assurance levels, please see Appendix A.

Summary of Recommendations

- 1.7 We have not made any recommendations as a result of this review.

Annual Governance Statement

- 1.8 This report provides reasonable levels of assurance to support the Annual Governance Statement.

2. ASSURANCE BY RISK AREA

2.1 Our specific objectives in undertaking this work, as per the Terms of Reference, were to provide the West Herts Crematorium Joint Committee (WHCJC) with assurance on the adequacy and effectiveness of internal controls, processes, and records in place to mitigate risks in the following areas:

Risk Area	No	Limited	Reasonable	Substantial
A. Accounting: Appropriate accounting records have been kept throughout the year.				
B. Financial Regulations and Payments: The Joint Committee's financial regulations have been met, payments were approved, and VAT was appropriately accounted for.				
C. Risk Management: The Joint Committee assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.				
D. Budget Setting and Monitoring: The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.				
E. Income: Expected income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.				
F. Petty Cash: Petty cash payments were properly supported by receipts, all expenditure was approved, and VAT appropriately accounted for.				
G. Payroll: Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.				
H. Asset and Investment Registers: Asset and investments registers were complete and				

accurate and properly maintained.				
I. Bank Reconciliations: Periodic and year-end bank account reconciliations were properly carried out.				
J. Year-end Procedures: Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, were supported by an adequate audit trail from underlying records, and, where appropriate, debtors and creditors were properly recorded.				
Overall				

2.2 See definitions for the above assurance levels at Appendix A.

2.3 The Crematorium has retained the services of internal audit and a firm of external auditors, as part of the 'third line of defence', to compensate for the inherent risks, review and strengthen the control environment and verify some financial transactions within the available audit time budgets. The responsibility for a sound system of internal control rests with Crematorium Management and the Joint Committee and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Internal audit work should not be relied upon to identify all circumstances of fraud or irregularity.

3. FOLLOW UP OF PREVIOUS INTERNAL AUDIT RECOMMENDATIONS

3.1 There were two medium and two low priority recommendations made in the 2021/22 internal audit report issued in April 2023, relating to the update and review of the Financial Procedure Rules document, the investigation of the difference on the year-end bank reconciliation, the correct processing and authorisation of the purchase orders and invoices and the reconciliation in a timely manner of the petty cash and the appropriateness of transactions paid via these means.

3.2 All of the above actions have been acknowledged and actioned where necessary with the exception of the Financial Procedure Rules document which we acknowledge is due to be completed by March 2024 as approved by the Joint Committee in the June 2022 meeting.

4. SUMMARY OF FINDINGS FOR INTERNAL CONTROL OBJECTIVES

A. Accounting: Appropriate accounting records have been kept properly throughout the year

- 4.1 A service level agreement is in place with the Three Rivers District Council (TRDC) Finance Team to manage the WHCJC accounts. We were satisfied that appropriate accounting records have been kept during the year. Accounting records are supported by a mix of paper and electronic files that provide an adequate audit trail.

B. Financial Regulations and Payments: The Joint Committee's financial regulations have been met, payments were approved, and VAT appropriately accounted for.

- 4.2 We have provided reasonable assurance in this area, due to previously reporting in the 2021/22 audit that the Financial Procedure Rules have not been reviewed since December 2011. We acknowledge the delay in completing this action is due to waiting for the second Crematorium site to be completed, however financial regulations are important for good financial control. We acknowledge that this has been set a completion date by the Joint Committee for the Financial Procedure Rules to be updated and reviewed by March 2024 therefore an **Advisory Action** has been applied with the endorsement that this is implemented by said date.
- 4.3 Payments to HMRC for VAT are setup in Xero to meet the required deadline of one calendar month plus seven working days. Upon viewing a selection of bank statements, we can confirm that the payments to HMRC were completed within the required time limit.

C. Risk Management: The Joint Committee assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

- 4.4 The Risk Register and Business Continuity Plan documents are reviewed annually, and both these papers were reviewed and approved at the WHCJC meeting in June 2022.

D. Budget Setting and Monitoring: The annual taxation or levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

- 4.5 The Budget Strategy is reviewed annually which includes a ten-year forward projection. Under the current Financial Procedure Rules, it states, "*a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken*" The budget monitors are also required to be sent to various officers, including the CEOs, of the five local authorities and Crematorium staff. During discussions with the Technical Accountant, who is the main officer for TRDC providing management accounting support to the Crematorium they confirmed that during the year 2022/23 budget monitors were provided six times. With the Financial Procedures Policy being updated in the near

future we advise that there is a specific mention of when the budget monitors are to be produced.

- 4.6 We confirmed that reserves are maintained across several accounts and investments. Balances as of 31 March 2023 reserves were verified with the appropriate statements.

E. Income: Income was fully received, based on correct prices, properly recorded, and promptly banked; and VAT was appropriately accounted for.

- 4.7 We established that the fees and charges for 2022/23 were reviewed and approved at the WHCJC meeting on 10 January 2022.

- 4.8 During the audit we sample tested 5 different areas of services over two separate months (May & December 2022) and can conclude that in these cases the income tested was found to be charged in line with the agreed fees and or charges, the income was received in a timely manner and where VAT was applicable, this was accounted for appropriately.

F. Petty Cash: Petty Cash payments were properly supported by receipts, expenditure was approved, and VAT appropriately accounted for.

- 4.9 After completing some sample testing, we found that suitable documentation accompanied each sample checked. This included a Petty Cash Claim Form fully completed with 2 different approval signatories observed. In last year's audit it was stated that the claim for 'Glasses and Eye Tests' were classed as a staff benefit and therefore should be paid through Payroll.
- 4.10 During the sample testing we identified 3 payments throughout the year being attributed towards 'Glasses and or Eye Tests'. It was confirmed by the Technical Accountant that as of 1 April 2023 the Crematorium staff would be under the banner of TRDC and so any payments of this type would automatically go through Payroll. We acknowledge that all the samples tested were correctly recorded and accounted for.

G. Payroll: Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.

- 4.11 We randomly tested four staff members from the December 2022 payroll and confirmed that their salaries were paid as approved. It was also confirmed by the Technical Accountant that no allowances were paid to members.
- 4.12 Payroll is outsourced to an external provider, Midland, who are responsible for the calculations relating to PAYE and NI but a member of the TRDC payroll department sign off all payroll certificates after checking the amounts on a monthly basis.

H. Asset and Investment Registers: Asset and investment registers were complete and accurate and properly maintained.

4.13 We identified that the Asset and Investment Registers have been reviewed and approved on an annual basis, but we were advised that these are not presented to the Joint Committee as individual items but fall under the wider Annual Governance Statement.

4.14 The Technical Accountant maintains the Asset and Investment Registers. We would issue an **Advisory Action** that the Asset Register, which is mainly for items kept at the Crematorium, is maintained by a member of the Crematorium staff with the Technical Accountant reviewing it annually as best practice.

I. Bank Reconciliations: Periodic and year-end bank account reconciliations were properly carried out.

4.15 We confirmed that monthly bank account reconciliations were completed between the cashbook and bank statement. We reviewed the 2022/23 year-end bank reconciliation and noted that there was a difference of £4,391.00 relating to income that had not yet appeared on the bank statement. This amount was accounted for in the following month, April 2023.





4.16 It should be noted that within the limited audit budget, we have not conducted a full re-performance of any bank reconciliations although the Technical Accountant walked through the process that he would conduct each month.

J. Year-End Procedures: Accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, were supported by an adequate audit trail from underlying records and, where appropriate, debtors and creditors were properly recorded.

4.17 We confirmed that the accounting records are prepared using the accruals accounting basis. Our work included a review of the cashbook, income, and expenditure during the year. This provided a good audit trail through to the final accounts where end of year debtors and creditors are included.

4.18 We also viewed the Creditors and Debtors spreadsheet and found them to be adequately recorded and completed. We were advised that a new system, Epitaph, was implemented in mid-April 2023 which has allowed the process to move from manual accounting to digital, hence becoming more efficient and allowing the process of a clear audit trail being followed mainly in relation to chasing debtors.

Assurance Level	Definition
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority Level		Definition
Corporate	Critical	 Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e., reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High	 Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	Medium	 Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	 Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.