

LLWYDCOED CREMATORIUM JOINT COMMITTEE

19th September 2017

REPORT OF THE TREASURER

1. PURPOSE OF REPORT

- 1.1 This report provides Members with the Annual Return for the Year Ended 31 March 2017, the Internal Audit Final Report for Llwydcoed Crematorium issued 2nd November 2016 and the 2017/18 Budget Monitoring Report.

2. RECOMMENDATIONS

2.1 It is recommended:

- That members note the report
- That members note the Annual Return for the year ended 31st March 2017 as presented. (Appendix 1)
- That the Chair of the Joint Committee signs the Approval and Certification section of the Annual Return
- That the members note and approve the Internal Audit Final Report (Appendix 2)
- That the members note and approve the 2017/18 Budget Monitoring Report (Appendix 3)

3. BACKGROUND

- 3.1 The Accounts and Audit (Wales) Regulations 2014 require all local councils and joint committees to prepare their annual accounting statements in accordance with proper practices.
- 3.2 The Accounts and Audit (Wales) Regulations 2014 define a joint committee with income and expenditure of less than £2.5 million per annum being defined as a 'smaller relevant body'.
- 3.3 In this case, the 'Governance and Accountability for Local Councils in Wales – a Practitioners Guide' has been identified as being proper practice for the preparation of accounts.
- 3.4 The Practitioners Guide allows bodies with income and expenditure of less than £2.5 million to prepare an annual return, which includes an income and expenditure account and a statement of balances, rather than a full statement of accounts.
- 3.5 The Accounts and Audit (Wales) Regulations 2014 require that the Joint Committee must formally approve the Annual Return by 30th June and certify that they present fairly the financial position of Llwydcoed Crematorium.

- 3.6 Following which unless the Annual Return needs to be amended, the auditor will certify the return and send it back to the Joint Committee for publication with no further approval required by the Joint Committee. If however amendments are required, the auditor will send the return back to the Joint Committee for amendment and re-approval before the auditor can certify the return. The certified annual return must be published by no later than 30th September

4. FINANCIAL PERFORMANCE AND MOVEMENT OF USABLE RESERVES

- 4.1 The first part of the table below shows the controllable income and expenditure for 2016-17 compared to budget. It then shows the impact of interest earned on reserves and capital expenditure charged directly to reserves on the balance of reserves available to the Joint Committee.

2016/17	Budget £	Actual £	Variance £	Annual Return Ref
Controllable Expenditure				
Employees	167,360	171,017	3,657	Line 4
Premises	126,970	88,417	(38,553)	Line 6
Transport	3,000	110	(2,890)	Line 6
Supplies & Services	107,880	141,341	33,461	Line 6
	405,210	400,885	(4,325)	
Controllable Income				
Receipts/Fees	(868,080)	(1,028,777)	(160,697)	Line 3
Controllable Surplus	(462,870)	(627,892)	(165,022)	
Add interest earned		(2,136)		Line 3
Revenue contribution to balances		(630,028)		
Capital expenditure charged directly to Reserves		308,512		Line 6
Net increase in Reserves		(321,515)		
General Reserves B/F 01.04.16		(809,778)		Line 1
General Reserves C/F 31.03.17		(1,131,293)		Line 7

- 4.2 The General Reserve is a distributable revenue reserve, which consists of the accumulated surpluses of the Crematorium's operations.

- 4.3 This can be apportioned between Cynon Valley (now part of Rhondda Cynon Taf CBC) and Merthyr Tydfil CBC in the ratio of respective populations (2011 Census Data) as follows:

	Merthyr Tydfil	Cynon Valley	Total
Relevant Population	58,802	63,238	122,040
Balance at 1 st April 2016	(390,172)	(419,606)	(809,778)
(Surplus)/Loss for the Year	(154,914)	(166,601)	(321,515)
Balance at 31st March 2017	(545,086)	(586,207)	(1,131,293)

- 4.4 The main reasons for the variances between budgeted and actual controllable expenditure were;

- employees' costs were over spent due to the net effect of an under spend on budgeted overtime and the employment of an agency gardener over and above the budgeted staff structure
- premises costs were lower than budgeted mainly because of an underspend on general maintenance costs and gas costs as a result of the replacement of the cremators in 2015/16
- supplies & services were over spent mainly due to the contribution to balances being higher than budgeted, due to the reductions in expenditure relating to replacement of the cremators in 2015/16

- 4.5 The main reasons for the variances between budgeted and actual controllable income were;

- income received was higher than budgeted due to an increase in the number of cremations undertaken

5. **BALANCE SHEET FOR THE YEAR ENDED 31ST MARCH 2017**

- 5.1 In addition to the Annual Return, a supplementary Balance Sheet is provided in the table below. This supplementary information provides a further breakdown of the figures reported in the Annual Return, is purely for information only, and is not subject to audit at year end.

31-Mar-16 £		31-Mar-17 £	Annual Return Ref
	LONG TERM ASSETS		
1,997,177	Land & Property	2,199,408	
320	Plant & Equipment	240	
0	Assets Under Construction	0	
1,997,497	TOTAL LONG TERM ASSETS	2,199,648	Line 12
	CURRENT ASSETS		
5,962	Inventories	4,499	Line 8
47,861	Debtors	73,326	Line 8
1,013,273	Cash and Bank (Personal Account)	1,072,093	Line 9
1,512,301	TOTAL CURRENT ASSETS	1,149,918	
	CURRENT LIABILITIES		
(257,318)	Creditors	(18,625)	Line 10
809,778	NET CURRENT ASSETS	1,131,293	Line 11
2,807,275	TOTAL ASSETS LESS CURRENT LIABILITIES	3,330,941	
	LONG TERM LIABILITIES		
(377,000)	Defined Pension Scheme Liability	(339,000)	
2,430,275	NET ASSETS	2,991,941	
	REPRESENTED BY :-		
	USABLE RESERVES		
(809,778)	General Fund Balances	(1,131,293)	Line 11
	UNUSABLE RESERVES		
377,000	Pensions Reserve	339,000	
(73,722)	Revaluation Reserve	(70,773)	
(1,923,775)	Capital Adjustment Account	(2,128,876)	
(2,430,275)		(2,991,941)	

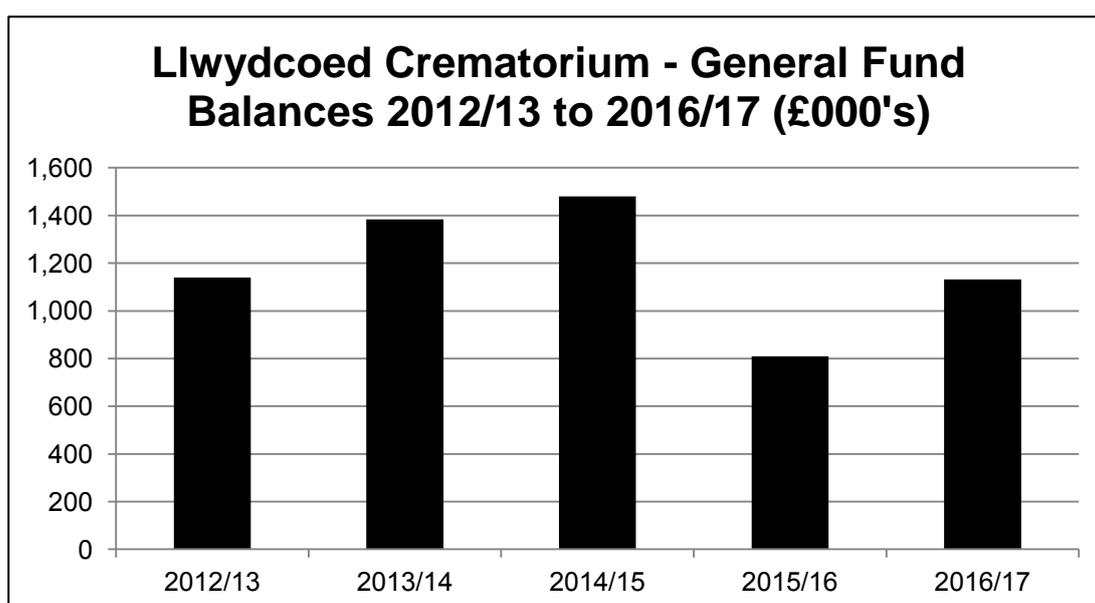
5.2 Further information to explain the balances are provided below:

- Long Term Assets include Land, Buildings and Equipment. The value of all land, buildings and equipment is based on a written down value after taking account of the assets remaining life and estimated cost of replacement. The value has increased during 2016/17 as a result of the expenditure on replacing the cremators
- Inventories are stock included in the Balance Sheet at the lower of cost and net realisable value and relates mainly to caskets, memorial bases and flower containers
- Debtors represents monies owed to Llwydcoed Crematorium by trade debtors such as Funeral Directors
- Cash and Bank (Personal Account) is the amount held on behalf of Llwydcoed Crematorium by Rhondda Cynon Taf County Borough Council. No separate bank account exists for Joint Committee
- Creditors are amounts owed by Llwydcoed Crematorium to suppliers for which goods and services were provided prior to the end of the financial year but at that time not invoiced

- Defined Pension Scheme Liability – As part of the terms and conditions of the employees of Llwydcoed Crematorium they are offered retirement benefits by the Joint Committee. Although these benefits will not be payable until retirement, the Joint Committee has a commitment to make these payments. The liability for these payments need to be accounted for at the time the future entitlement is earned
- Reserves are reported in two categories. Usable reserves can be used by the Committee to provide services subject to the need to provide a prudent level of reserves. Unusable reserves are not available to provide services
- The General Fund Balance is a distributable revenue reserve, which consists of the accumulated surpluses of the Crematorium’s operations
- The Pensions Reserve covers the Defined Pension Scheme Liability
- The Revaluation Reserve contains the gains made by the Joint Committee arising from increases in the value of its Property, Plant and Equipment
- The Capital Adjustment Account represents the difference between the cost of fixed assets used by the Joint Committee and the capital financing set aside to pay for them

6. GENERAL FUND BALANCES 2012/13 TO 2016/17

6.1 The table below shows Llwydcoed Crematorium’s level of General Fund Balances for the last five years. It can be seen that the level of the Crematorium’s reserves had grown steadily before being reduced in 2015/16 as a result of the costs of the replacement of the cremators. Further expenditure on the replacement of the cremators was incurred in 2016/17 due to the final stage payments of the contracted works but this was compensated by increased income received.



7. INTERNAL AUDIT FINAL REPORT

7.1 The Internal Audit Final Report Llwydcoed Crematorium was issued 2nd November 2016. The Audit Opinion states that “The overall control environment at Llwydcoed Crematorium is considered to be effective with opportunity for improvement.”

7.2 Management have reviewed and responded to the findings of the Report and are in the process of implementing procedures to ensure the recommendations are met.

8. 2017/18 BUDGET MONITORING REPORT

8.1 The Budget Monitoring Report provides a comparison of actual and projected expenditure and income against the approved budget for the first three months of 2017/18 financial year. This is shown in the attached Appendix 3.

8.2 The Joint Committee on 21st March 2017 approved a revenue budget for 2017/18, which projected a net contribution to reserves of £449,100.

8.3 Projected expenditure for 2017/18 totals £559,556 against a budget of £442,000 – an over spend of £117,556.

8.4 The main expenditure variance is as follows: -

- Employees £19,559 over spent. This is due to the operational decision made during 2016/17 to employ a full time grounds operative via Randstad Agency
- Premises £52,681 over spent. This is due to £35,000 works relating to the Rose Garden and Drainage which were not completed in 2016/17 and also because the NNDR charge for the Crematorium has increased to £35,429 following a recent revaluation by the Valuation Office.
- Supplies & Services £45,759 over spent. This is due to the first year's charge of the 15 year service agreement with Facultatieve Technologies.

8.5 Projected income for 2017/18 totals £926,402 against a budget of £887,600 showing a surplus of income of £38,802. This is based on the best estimates of the number of cremations to the year-end and will continue to be monitored closely.

8.6 Summary position for 2017-18

	£
General Reserves brought forward 1st April 2016	809,778
Net revenue contribution to reserves in 2016-17	<u>321,515</u>
General Reserves carried forward 31st March 2017	1,131,293
Projected Net Revenue contribution to reserves in 2017/18	<u>370,346</u>
Projected General Reserves 31st March 2018	1,501,639

9. SUMMARY

- 9.1 The level of reserves are required to fund further capital expenditure as part of the ongoing delivery of the service and is considered to be prudent as at 31st March 2017.
- 9.2 The level of reserves will be monitored closely as part of the ongoing Budget Monitoring process and reported to the Joint Committee at appropriate intervals

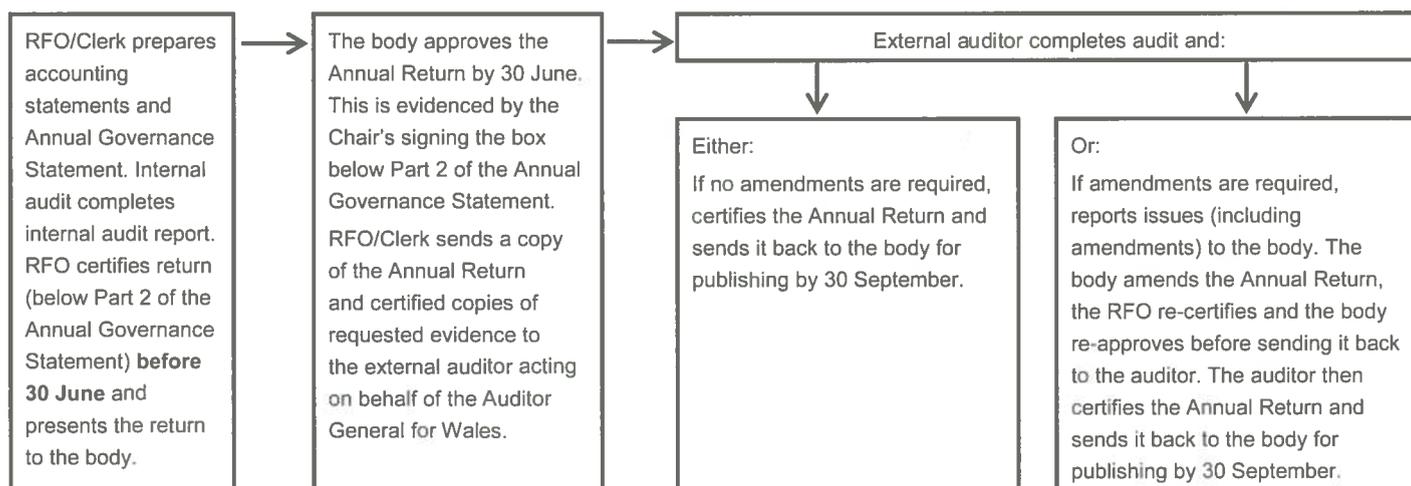
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Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2017

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners' Guide** (the Practitioners' Guide). The Practitioners' Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

The accounts and audit process

The accounts and audit arrangements follow the process as set out below.



Please read the guidance on completing this Annual Return and complete all sections highlighted in red including both sections of the Annual Governance Statement.

Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. Unless requested, please **do not** send any original financial or other records to the external auditor.

Audited and certified returns are sent back to the body for publication or display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

Completion checklist

'No' answers mean that you may not have met requirements		Done?	
		Yes	No
Initial submission to the external auditor			
Accounts	Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2017?		✓
	Do the accounts add up and does the balance carried forward from last year equal the opening balance this year?	✓	
	Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year?	✓	
	Does the bank reconciliation as at 31 March 2017 agree to line 9?	✓	
All sections	Have all red boxes been completed and explanations provided where needed?	✓	
	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.	✓	
Supporting evidence	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.	✓	

Accounting statements 2016-17 for:

Name of body:

	Year ending		Notes and guidance for compilers				
	31 March 2016 (£)	31 March 2017 (£)					
Statement of income and expenditure/receipts and payments							
1. Balances brought forward	1,479,506	809,778	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.				
2. (+) Income from local taxation/levy	0	0	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.				
3. (+) Total other receipts	796,327	1,030,913	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.				
4. (-) Staff costs	-155,724	-171,017	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.				
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).				
6. (-) Total other payments	-1,310,331	-538,381	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).				
7. (=) Balances carried forward	809,778	1,131,293	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).				
Statement of balances							
8. (+) Debtors and stock balances	53,823	77,825	Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end.				
9. (+) Total cash and investments	1,013,273	1,072,093	All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.				
10. (-) Creditors	-257,318	-18,625	Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end.				
11. (=) Balances carried forward	809,778	1,131,293	Total balances should equal line 7 above: Enter the total of (8+9-10).				
12. Total fixed assets and long-term assets	1,997,497	2,199,648	The original asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.				
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).				
14. Trust funds disclosure note	Yes	No	N/A	Yes	No	N/A	The body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).
			✓			✓	

Annual Governance Statement (Part 1)

We acknowledge as the members of the Council/Board/Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2017, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref	
	Yes	No*			
1. We have put in place arrangements for: <ul style="list-style-type: none"> effective financial management during the year; and the preparation and approval of the accounting statements. 	✓		Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12	
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	✓		Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7	
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Council/Board/Committee to conduct its business or on its finances.	✓		Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6	
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	✓		Has given all persons interested the opportunity to inspect and to ask questions about the body's accounts.	6, 23	
5. We have carried out an assessment of the risks facing the Council/Board/Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9	
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	✓		Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8	
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council/Board/Committee and, where appropriate, have included them on the accounting statements.	✓		Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6	
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	✓		Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23	
9. Trust funds – in our capacity as trustee, we have: <ul style="list-style-type: none"> discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit. 	Yes	No	N/A	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6
			✓		

* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

Annual Governance Statement (Part 2)

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No*		
1. We have registered as an employer with HM Revenue and Customs and properly operate Pay As You Earn as part of our payroll arrangements; or We do not need to register for PAYE because none of our employees are paid £112 or more a week, get expenses and benefits, have another job or get a pension.	✓		Has registered as an employer and properly operates PAYE unless all of the exemption criteria are met.	13
2. We have maintained proper payroll records for each of our employees including deductions of tax and national insurance.	✓		Has kept records of payments made to employees including taxable expenses or benefits and of payments made to HMRC.	13
3. We have adopted a Code of Conduct setting out proper standards of behaviour expected of councillors and individually, have agreed to abide by the code.	✓		The body and its members have adopted and agreed to abide by a Code of Conduct as required by law.	8

* Please delete as appropriate.

Council/Board/Committee approval and certification

The Council/Board/Committee is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

Certification by the RFO I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2017.	Approval by the Council/Board/Committee I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:
	Insert minute reference and date of meeting
RFO signature: <i>signature</i>	Chair signature: signature required
Name: name required CHRISTOPHER LEE	Name: name required
Date: dd/mm/yyyy 07/08/2017	Date: dd/mm/yyyy

Council/Board/Committee re-approval and re-certification (only required if the annual return has been amended at audit)

Certification by the RFO I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2017.	Approval by the Council/Board/Committee I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:
	Insert minute reference and date of meeting
RFO signature: signature required	Chair signature: signature required
Name: name required	Name: name required
Date: dd/mm/yyyy	Date: dd/mm/yyyy

Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2017 of:

LLWYDCOED CREMATORIUM JOINT COMMITTEE

External auditor's report

~~[[Except for the matters reported below]]~~* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]]* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated _____.

Other matters and recommendations

On the basis of our review, we draw the body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the body.

CONTRARY TO THE ACCOUNTS + AUDIT REGULATIONS 2014 PART 5 15(2), THE JOINT COMMITTEE WAS NOT ABLE TO APPROVE THE ACCOUNTING STATEMENTS PRIOR TO 30 JUNE 2017, AS THE JOINT COMMITTEE HAD NOT BEEN ESTABLISHED FOLLOWING LOCAL ELECTIONS.

(Continue on a separate sheet if required.)

External auditor's name: JOHN HEENIMAN	
External auditor's signature: 	Date: 6.9.2017
For and on behalf of the Auditor General for Wales	

* Delete as appropriate.

Annual internal audit report to:

Name of body: Insert name of body LLWYDCOED CREMATORIUM JOINT COMMITTEE

The Council/Board/Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2017.

The internal audit has been carried out in accordance with the Council/Board/Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council/Board/Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.				✓	CENTRAL FUNCTION
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	✓				DETAILED INTERNAL AUDIT REPORT PRESENTED TO BODY
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓				DETAILED INTERNAL AUDIT REPORT PRESENTED TO BODY
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.				✓	CENTRAL FUNCTION AND REGULAR TREASURERS REPORT PRESENTED TO JOINT COMMITTEE
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	✓				DETAILED INTERNAL AUDIT REPORT PRESENTED TO BODY
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.			✓		LLWYDCOED CREMATORIUM DOES NOT OPERATE A PETTY CASH ACCOUNT
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.				✓	CENTRAL FUNCTION ADMINISTERED BY COUNCIL'S PAYROLL SERVICE
8. Asset and investment registers were complete, accurate, and properly maintained.				✓	CENTRAL FUNCTION

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.				✓	CENTRAL FUNCTION
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.				✓	CENTRAL FUNCTION
11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee.			✓		N/A

For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
12.					
13.					
14.					

* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

** If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

[My detailed findings and recommendations which I draw to the attention of the Council/Board/Committee are included in my detailed report to the Council/Board/Committee dated 02/11/2016.] * Delete if no report prepared.

Internal audit confirmation

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2015-16 and 2016-17. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: name required	MARC CRUMBIE
Signature of person who carried out the internal audit: signature required	
Date: dd/mm/yyyy	06/06/2017

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange (www.audit.wales/good-practice/finance/community-council-money) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs.
4. **There are now two boxes for certification and approval by the body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2016) equals the balance brought forward in the current year (line 1 of 2017). Explain any differences between the 2016 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Council holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in section 1. More help on bank reconciliation is available in the Practitioners' Guide*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**



Rhondda Cynon Taf
County Borough Council

Internal Audit Final Report

**LLWYDCOED
CREMATORIUM**

MANAGEMENT IN CONFIDENCE

Date of Audit:	September 2016
Auditor(s):	Huw Griffiths - Lead Auditor Lisa Cumpston – Review Manager
Report Distribution:	Janet Lewis - Bereavement Services Manager Ceri Pritchard – Crematorium Manager (see full distribution list in Section 3)
Date of Issue:	2nd November 2016

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INTERNAL AUDIT FINAL REPORT: LLWYDCOED CREMATORIUM**1. INTRODUCTION**

- 1.1 Llwydcoed Crematorium is managed and administered by the Llwydcoed Crematorium Joint Committee, under the Local Government (Wales) Act 1994. The Committee is made up of nine members, five from Rhondda Cynon Taf CBC and four from Merthyr Tydfil CBC. In 1996 RCTCBC became the host authority for the Joint Committee.

2. SCOPE & OBJECTIVES

- 2.1 In accordance with the Internal Audit Plan for financial year 2016/17, a review of the establishment's main financial systems was undertaken.
- 2.2 Audit testing was carried out on transactions made during the financial year 2016/17 to ensure that fundamental controls are present and operating satisfactorily.

3. AUDIT APPROACH

- 3.1 Having agreed the objectives, fieldwork took place.
- 3.2 A draft report was prepared and provided to management for review and comment with an opportunity given for discussion or clarification if required.
- 3.3 This final report incorporates management comments together with the timetable for the implementation of agreed recommendations.
- 3.4 It has been issued electronically to the following Officers:
- Chief Executive
 - Group Director, Corporate & Frontline Services
 - Group Director, Community & Children's Services
 - Service Director, Public Health & Protection
 - Community Facilities Manager
 - Bereavement Services Manager
 - Service Director, Performance & Improvement
- 3.5 The Joint Committee should receive a copy of this report.
- 3.6 Management will be contacted and asked to provide feedback on the status of each agreed recommendation once the target date for implementation has expired.

INTERNAL AUDIT FINAL REPORT: LLWYDCOED CREMATORIUM**4. AUDIT OPINION**

- 4.1 The overall control environment at Llwydcoed Crematorium is considered to be effective with opportunity for improvement.
- 4.2 Six areas were examined as part of the review with recommendations made in three of these areas, namely Collections & Deposits, Receipts and Purchase Card. The other three areas Data Security, Statutory Obligations and Invoices were operating effectively with no findings noted.
- 4.3 **Collections & Deposits / Receipts** - assurance is given that income has been recorded, receipted and banked appropriately via secure collection. Since 2014 the site has used the Webpaystaff system to record all income received directly on site. This system allows the site to take payments in person, over the phone and take card payments via chip and pin device. Entries onto the system are in real time. The system then generates receipts which are given directly to or sent to customers (via email) and a copy retained on site. As a back up to the system they use an income ledger which is updated as and when income is received.
- A number of instances were noted where by entries in the ledger were not supported by a physical receipt and one occasion where a receipt was present but no entry recorded in ledger. There was also some inconsistency with regards to the recording of the Webpaystaff receipt numbers in the income ledger.
- 4.4 **Purchase Card** - assurance can be given that the administration of the purchase card is managed satisfactorily. A transaction log is maintained and is updated as and when transactions occur. It was again noted that all purchase card transactions are being authorised by a member of the administrative support team based in Ty Elai, rather than the on-site Crematorium Manager who should now be responsible for authorising all purchase card transactions. This was reported on in a previous review.
- 4.5 Implementing the recommendations in the report will improve the control environment further.

ACKNOWLEDGEMENTS

A number of staff gave their time and cooperation during the course of this review. Internal Audit would like to record its thanks to all individuals concerned.

5. DETAILED FINDINGS

The findings of the review are reported on an exception basis to focus on issues where action is recommended. Each of the issues / recommendations detailed has been given a priority rating to assist management in directing and prioritising resources in accordance with areas of risk, these ratings being high, medium or low.

INTERNAL AUDIT FINAL REPORT: LLWYDCOED CREMATORIUM

5.1 Collections & Deposits / Receipts

AUDIT OBJECTIVE: All income due to the Council is identified and all collections are receipted and banked promptly and completely.

REF & PRIORITY	FINDING	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY & TARGET DATE
5.1.1 Low	<p>Review of the income records at the site identified a number of occasions where a receipt was not present but the receipt number had been recorded in ledger;</p> <p>07.7.2016 - AE - £420.00 (RCSH10238297) 19.7.2016 - CT - £140.00 (RCSH10240470) 29.7.2016 - PM - £140.00 (RCSH10242642) 29.7.2016 - FC - £655.00 (RCSH10242630)</p> <p>One instance was also noted whereby income supported by a receipt (RCSH10162149 for £80.00) had not been entered into the income ledger.</p> <p>As a result of absent receipts there were instances whereby the amounts on Financials could not be traced back to a receipt as below;</p> <p>07.7.2016 - £71.00 - 8422/8352 19.7.2016 - £90.00 - 8422/8352 19.7.2016 - £50.00 - 8422/8357 29.7.2016 - £71.00 - 8422/8352 29.7.2016 - £655.00 - 8422/8353 29.7.2016 - £50.00 - 8422/8357</p>	<p>Income records are incomplete.</p> <p>The management trail is incomplete. Income received cannot be easily matched to a supporting receipt.</p>	<p>The administrative staff must ensure that all income is receipted and entered into the income ledger. All transactions should be supported by relevant receipts and must ensure that all income receipts are printed out and retained to support the entries recorded in the income ledger.</p>	<p>Agreed - Income is receipted and recorded in the ledger and all transactions are supported by relevant receipts. Incidents highlighted occurred during a period where the computers were not working on site for nearly 2 months.</p> <p>Agreed - All receipts are printed and retained to support ledger entries as above. Staff at Llwydcoed do not have access to Financials.</p>	<p>Crematorium Manager</p> <p>Implemented</p>

INTERNAL AUDIT FINAL REPORT: LLWYDCOED CREMATORIUM

REF & PRIORITY	FINDING	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY & TARGET DATE
5.1.2 Medium	<p>There is uncertainty regarding the Payment Card Policy requirements for the retention and destruction of credit and debit card payment receipts (merchant copies). There were some receipts held in a file in the admin office which dated back to 2014 and the admin staff showed some receipts that were held in the safe but these were "retailer copies".</p> <p>It was noted however that they do have a copy of the Payment Card Policy document which the site manager has incorporated into their financial procedures document.</p>	<p>Non compliance with Payment Card Policy requirements.</p> <p>Staff unsure of their responsibilities.</p>	<p>All staff should be made aware of the requirements of the Payment Card Policy.</p> <p>Merchant copies of card payments should be retained separately, held securely in the safe and destroyed by means of a cross cut shredder after no more than 6 months.</p>	<p>Agreed - Staff have been reminded of the Payment Card Policy and all receipts are stored correctly and are shredded at the appropriate time.</p>	<p>Crematorium Manager</p> <p>Implemented</p>
5.1.3 Low	<p>Review of the income records identified inconsistency in the practice of recording the Webpaystaff system receipt numbers in the income ledger book. Below are details of transactions where the receipt number had not been recorded;</p> <p>1.7.16 - JH - £121.00 1.7.16 - DMP - £655.00 1.7.16 - SJN - £655.00 1.7.16 - ATB - £72.25 1.7.16 - FC - £1016.00 1.7.16 - AW - £140.00 1.7.16 - BS - £50.00 14.7.16 - PB - £121.00 14.7.16 - WGL - £655.00 14.7.16 - AHL - £655.00 14.7.16 - AVG - £655.00 14.7.16 - GJ - £655.00</p>	<p>Difficulties may be experienced matching the receipts to the entries in the ledger.</p>	<p>Staff responsible for receiving and recording income must ensure that they record the Webpaystaff system receipt number against each entry in the income ledger in a consistent manner.</p>	<p>Agreed - All instances highlighted have been rectified, again these instances occurred during a long period where the computers were not working.</p>	<p>Crematorium Manager</p> <p>Implemented</p>

INTERNAL AUDIT FINAL REPORT: LLWYDCOED CREMATORIUM**5.2 Purchase Card****AUDIT OBJECTIVE: The Purchase Card is being used in accordance with guidance and procedures issued by the Procurement Service.**

REF & PRIORITY	FINDING	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBILITY & TARGET DATE
5.2.1 Low	Discussions with the cardholder revealed that the purchase card transactions are still currently being authorised by a member of staff based in Ty Elai. This process was initially put into place following the retirement of the former Registrar. This was highlighted in previous report.	Crematorium Manager has no involvement in the purchase card authorisation process.	Management should allow the Crematorium Manager to be the authorising officer for the purchase card system.	Authority will be given to the Crematorium on site manager to be the authorising officer for the purchasing card.	Bereavement Services Manager November 2016
5.2.2 Low	On review of the purchase card records it was noted that there is no evidence to confirm by when and whom the monthly reconciliation has taken place i.e. transactions ticked as correct and signed and dated by the officer responsible for this task.	No evidence to confirm the process of reconciliation of the Barclaycard account.	The officer responsible should ensure that the transaction log is used as part of the reconciliation of the account and that the log shows evidence of this and is signed and dated as correct by the cardholder.	Agreed - Cardholder will sign and date the monthly log after reconciliation of the account.	Crematorium Manager Implemented

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2017-18					Comments
	Budget	Actual to 30th June 2017	Projected outturn	Projected variance	
	£	£	£	£	
OPERATING EXPENDITURE					
Employees					
Admin salaries	79,950	22,902	79,910	-40	
Technicians wages	84,030	23,307	83,627	-403	
Agency staff	8,160	0	27,719	19,559	Grasscutting + Full Time Gardner
	172,140	46,209	191,256	19,116	
Premises					
Repair and Maintenance	60,000	35,470	95,500	35,500	Rose Garden and Drainage Works
Gas	24,070	1,845	24,070	0	
Electricity	20,270	544	20,270	0	
NNDR	18,250	35,429	35,429	17,179	Rateable Value has doubled following revaluation
Council Tax	700	702	702	2	
Water Charges	1,350	231	1,350	0	
Fixtures and Fittings	2,500	0	2,500	0	
Cleaning Materials	800	424	800	0	
General Insurance	5,800	0	5,800	0	
	133,740	74,643	186,421	52,681	
Transport					
Plant and Vehicles	1,500	421	1,500	0	
Car Allowances/Subsistence	1,500	0	1,500	0	
	3,000	421	3,000	0	
Supplies and Services					
Plaques and Memorials	14,000	2,763	14,000	0	
Caskets and Urns	5,000	0	5,000	0	
Books of Remembrance	2,000	226	2,000	0	
Hire Of Equipment	7,000	6,950	6,950	-50	
Computer Costs	8,500	0	8,500	0	
Protective Clothing	1,500	1,358	1,500	0	
Office expenses	5,500	1,314	5,940	440	
Subscriptions	1,500	664	1,500	0	
Analyst's Fees	1,500	1,145	1,500	0	
Medical Expenses	23,960	4,451	23,960	0	
Other Hired Services	0	0	0	0	
Contractor Payments	0	0	45,300	45,300	Facultative Technologies Cremator Service Contract
Consultants Fees	2,000	0	1,984	-16	
Audit Fees	1,500	-2,500	1,500	0	
Training	500	0	500	0	
Other Miscellaneous Expenses	0	100	100	100	
Credit/Debit Card Transaction Charges	500	0	500	0	
Employers liability insurance	1,530	0	1,515	-15	
	76,490	16,472	122,249	45,759	
Support costs					
Central Support costs	56,630	0	56,630	0	
	56,630	0	56,630	0	
Total Operating Expenditure	442,000	137,745	559,556	117,556	
OPERATING INCOME					
Caskets and Urns	-7,990	-1,050	-4,200	3,790	
Plaques and Memorials	-19,180	-5,405	-21,620	-2,440	
Cremation Fees	-773,680	-179,854	-812,609	-38,929	Estimated 1,241 Cremations
Books of Remembrance	-2,130	-997	-3,988	-1,858	
Burial Fees	-59,930	-11,429	-58,624	1,306	
Exhumation Fees	-710	-238	-952	-242	
Chapel Use	-6,100	-1,150	-4,600	1,500	
Memorial permits	-8,520	-2,640	-10,560	-2,040	
Mercury Abatement Income	-9,200	0	-9,200	0	
Energy Savings	0	-49	-49	-49	
Vending Sales	-160	0	0	160	
Total Operating Income	-887,600	-202,813	-926,402	-38,802	
Operating Surplus	-445,600	-65,067	-366,846	78,754	
Interest on Investments/ Balances	-3,500	0	-3,500	0	
Net contribution to/from Reserves	-449,100	-65,067	-370,346	78,754	
General reserves B/F	1,131,293		1,131,293	0	
Contributions to/ from Revenue	449,100		370,346	-78,754	
Capital expenditure charged to reserves	0			0	Cremator Replacement Expenditure
General reserves C/F	1,580,393		1,501,639	-78,754	

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