

NWIFCA Quarterly Meeting

18th March 2021: 10.00 a.m.

**AGENDA
ITEM NO.
6**

FINANCIAL REPORT

A. Purpose of Report

- To present the Budget Review to 31 December 2020
- To report on audit delay and approve appointment of independent auditors (Annex A)
- To complete the annual review of risk assessment (Annex B)

B. Recommendation

- That the Budget Review to 31 December 2020 is approved
- That Moore & Smalley LLP are appointed as independent auditors when government restrictions allow
- That the risk assessment is reviewed and approved

Budget Report from 1 April to 31 December 2020

Apr-Dec 2020	Actual	Budget	Variance	Notes
Income				
Levy	£1,337,079	£1,337,079	£0	Levy Invoiced 1 April 2020 for Year 20-21
Sampling	£8,731	£8,731	£0	More invoices to be issued March 2021
Permit Fees	£84,500	£65,000	£19,500	2x£9k Dredge Permits/ £1.5k extra B3
Interest	£881	£881	£0	More interest added at next withdrawal
TOTAL	£1,431,191	£1,411,691	£19,500	
Expenditure				
Employees	£648,907	£711,048	£62,141	Payroll savings due to staff turnover
Premises	£49,653	£52,828	£3,175	Maintenance will be spent by year end
Transport	£147,227	£173,792	£26,565	Savings on fuel and repairs in lockdown
Supplies/Services	£38,448	£42,375	£3,927	Paperless savings on copies/stationery
Corporate	£18,479	£21,850	£3,371	Byelaw adverts to be spent/savings on travel
TOTAL	£902,714	£1,001,893	£99,179	
Surplus/(Deficit)			£118,679	Plus all of vessel fund of £121,151 saved

The first 9 months of the financial year 2020-21 have been an unusual one for NWIFCA with government restrictions in place for the whole period and interruptions to normal working patterns. The main areas of underspend have been:

1. Payroll savings due to staff turnover and the extra delays caused to recruitment by government restrictions.
2. Fuel and Oil and Repairs had a £25k underspend, largely due to the difficulties of operating North Western Protector in the Spring;

Some areas required extra spending and an extra small van was acquired in Whitehaven in June to enable officers to work safely and avoid vehicle sharing where possible. A ten year old science van was traded in for a newer vehicle at a net cost of £10,995. These came out of the annual budget for new vehicles and ATVs.

Overall there is a good working surplus of £118,679 at the end of December 2020. The Patrol Vessel fund of £121,151 has also been retained as planned and will go into Reserves at 31 March 2021. A balance sheet at 31 December 2020 is also included below. The Profit and Loss at this stage includes the running costs for the remaining 3 months of the current financial year.

Transactional Balance Sheet from 1 April to 31 December 2020

	<u>Period</u>	<u>Year to Date</u>	
<u>Fixed Assets (in Annual Return at Cost)</u>		£0	£0
<u>Current Assets</u>			
Investments	£600,000	£1,497,000	
VAT	£7,760	£7,760	
Debtors	-£14,783	£2,376	
Payments in advance	-£71,261	£0	
Cash & bank	£0	£156,694	
	£521,716		£1,663,830
<u>Current Liabilities</u>			
Creditors	-£17,943	£45,615	
Receipts in advance	-£577,083	£0	
Cash & bank	£588,266	£0	
	-£6,760		£45,615
<u>Current Assets less Current Liabilities:</u>	£528,476		£1,618,215
<u>Total Assets less Current Liabilities:</u>	£528,476		£1,618,215
<u>Capital & Reserves</u>			
Revenue Reserves	£0	£1,089,739	
P&L Account	£528,476	£528,476	
	£528,476		£1,618,215

Audit for the year ended 31 March 2020

As Carnforth office staff have been working from home according to government restrictions (with only one member of staff in the office to prevent interactions), the annual independent audit by Moore and Smalley has not yet taken place. By the end of the summer 2020 it looked like this would be possible, but conditions locked down again. The auditors cannot carry out the audit until it is possible to do so in the office, as they sample records and speak to various members of staff.

As the audit is no longer a legal requirement there are 2 possible options available:

1. Assuming the government relaxes the working from home rule in June 2021, Moore and Smalley can carry out a 2 year audit for 2019-20 and 2020-21 at the same time. I have spoken to the auditors and they would be able to do this at the usual audit time around June 2021.
2. The 2019-20 audit is cancelled which would produce a cost saving, as the 2020-21 audit should show up any potential issues anyway.

Auditors and Finance Officer would recommend option 1.

Annual review of the appointment of auditor is included at Annex A

Annual Review of Financial Risks to NWIFCA

Annual review of financial risks to NWIFCA is included at Annex B.

Note: This was required in 2013 as part of the Audit Regulations now not applying to NWIFCA and was based on NALC templates. It does not include Health and Safety/Enforcement/Operational risks to the organization which are covered extensively by other departments.

Finance Officer
9 March 2021

ANNEX A: Annual Review of Appointment of Independent Auditor

STANDARD	QUESTION	ANS	NWIFCA DETAIL
Scope of Independent Audit	Does the independent audit sufficiently cover all aspects of the financial controls relevant to the Authority? Are terms of reference in place and approved?	Yes	Moore & Smalley LLP: <ul style="list-style-type: none"> • conduct annual audit after financial year end • submit a report to the Authority for approval. • terms of reference are in place • audit is no longer a statutory requirement • independent audit is good practice for the Authority
Independence	Is the Auditor independent?	Yes	Moore & Smalley LLP: <ul style="list-style-type: none"> • act in accordance with financial regulations • have no other role within the Authority • report in their own name to management • have direct access to all records, and to any NWIFCA officers they require
Competence	Is the Independent Auditor competent to carry out their work ethically, with integrity and objectivity?	Yes	Moore & Smalley are registered by the Institute of Chartered Accountants in England and Wales to carry out audit work. (Authorised and regulated by the Financial Services Authority.)
Relationships	Are the Authority and responsible officers (CEO, Clerk and FO) consulted in the audit plan?	Yes	<ul style="list-style-type: none"> • Authority review effectiveness of audit annually and approve appointment of auditor • Authority can request any additional checks to be made by auditor if required • Auditor may speak to any officers, inspect any aspect of their work and spend at least a whole day in the Carnforth office • Office responsibilities are defined in the risk assessment in relation to internal control, risk management, fraud and corruption matters
Audit Planning and reporting	Is there a plan for when the independent audit will take place? Does the plan properly take account of risk?	Yes	<ul style="list-style-type: none"> • Independent audit planned to take place after financial year end in June/July • Audit plan reviewed annually • Financial risks reviewed annually • Auditor may be consulted at any time for advice
Appointment of Independent Auditor for 2019-20 and 2020-21	Should Moore & Smalley be re-appointed as Independent Auditor for the financial year 2019-20 (delayed due to government restrictions) and 2020-21 to take place in June/July 2021 or as soon as possible thereafter?	Yes	Moore & Smalley LLP: <ul style="list-style-type: none"> • provide reliable, reputable, thorough and prompt service • meet all the criteria for an effective independent audit • know NWIFCA systems well • facilitate compliance with any statutory audit requirements • advise on any improvements • can provide extra audit checks if Authority require this • can attend finance meetings if required

ANNEX B: Annual Review of Financial Risks to NWIFCA

Part 1: Financial Risks to NWIFCA (H=High, M=Medium, L=Low)

	RISK IDENTIFIED		MANAGEMENT OF RISK	STAFF ACTION
Levy	Not submitted	L	Full minute to approve–Clerk/FO follow up	Clerk/FO
	Not paid by council	L	Check receipt/Issue reminders	FO
	Adequacy of precept	H	Monthly review of budget to actual	FO
Other Income	Cash handling /banking	L	Income comes as BACS, cheques or card payments, not cash	FO/Auditor
	Sampling income	L	Check sampling records to invoices	FO verify
Grants	Claim when available	L	CEO contact with DEFRA	CEO/FO
Funding for Vessel	Need large extra levy or source of income	L	Now being set aside annually at a rate of £121,151 per year in reserves	Review annually
Permit Fees	Variable source of income	H	Used to meet administrative costs of permit and enforcement	Review annually
Investment Income	Received on withdrawal	L	FO check as required	FO/Auditor
	Surplus funds	L	Invested with Lancashire CC	FO/Auditor
Reserves-General	Adequacy	L	Consider at Budget setting. Keep minimum of 3 months running costs.	FO/Audit advice
Assets	Loss, Damage etc.	M	Annual inspection, update insurance and asset registers	FO/Auditor
	Risk or damage to third party property or individuals	M	Review adequacy of Public Liability Insurance at renewal	FO
Staff	Loss of key personnel	L	Assess & manage hours, health, stress, training, long term sick, early departure	CEO/HR/Heads of Teams
	Fraud by staff	L	Fidelity Guarantee value appropriately set	Review annually
Loss	Consequential loss due to critical damage or third party performance	L	Review adequacy of insurance cover	FO
Maintenance	Reduced value of assets or amenities-loss of performance	M	Regular maintenance inspections and inventory	All staff
Legal powers	Illegal activity or payment	M	Educate officers as to their legal powers	Head of Enforcement
Financial Records	Inadequate records	L	FO check regularly + audit review advice followed	FO/Auditor
Minutes	Accurate and legal	L	Review at following meeting	Chair/Members
Members interests	Conflict of interest	M	Declarations of interests at NWIFCA meetings/standing orders	Chair/Members
Salaries	Wrong salary/hours /rate paid	M	Check salary, hours and rate to contract. Auditor checks.	FO/Auditor
	Wrong deductions-NI and Income Tax	M	Check to PAYE calculations. Auditor checks.	FO/Auditor
Direct Costs and overhead expenses	Goods not supplied	M	Check goods received before invoice paid	FO
	Invoice incorrectly calculated or recorded	L	Check arithmetic on Invoices and perform bank reconciliation on monthly basis	FO/CEO/Auditor
	Cheque payable is excessive/wrong payee	L	Bank require 2 Signatories	FO/CEO/Auditor
VAT	VAT analysis incorrect	L	All items checked on Sage	FO/Auditor
	VAT purchases/sales	L	Check Sage/quarterly VAT reconciliation	FO/Auditor
	Claimed by time limits	M	Returns submitted by HMRC deadline	FO/Auditor

Part 2: General Financial and Governance Risks to NWIFCA

	RISK IDENTIFIED		MANAGEMENT OF RISK	STAFF ACTION
Carnforth Office	Loss or damage	L	Building Insurance through Landlord	Landlord/annual review
	Loss of contents	M	Contents insurance	Zurich Municipal review
	Security of building	H	Alarm, monitoring, security camera	Clerk
Whitehaven Office	Loss or damage	L	Buildings Insurance	Zurich Municipal/review
	Loss of contents	M	Contents insurance	Zurich Municipal/review
Public Liability	Damage to third party by NWIFCA	M	Public Liability Insurance	Zurich Municipal/annual review
Legal Action	Third party action against NWIFCA staff	M	Libel and slander cover added to insurance	Zurich Municipal
	Legal action by permit holders	H	Rigorous, transparent and fair systems for permit issue/new database	Head of Enforcement
	Staff time lost in case preparation	H	Detailed records of any problems/HOE manage cases	CEO/Head of Enforcement
	Legal challenge to byelaws	M	Ensure good consultation and sound legal basis	Members/CEO/engage specialist legal advice
	Legal defence expenses incurred	M	Legal expenses cover added to insurance/keep insurer well informed	Zurich Municipal
	Prosecution expenses/problems	H	Costs not fully reimbursed/defendants raise complex defence on legal aid	Use solicitor to pursue costs
	FOI requests for extensive information	H	Reduce time and costs to staff and organisation	Training in FOI/Data Protection
Insurance	Adequacy/robustness	L	Consider annually/ good communication	Use reputable insurers/FO
Patrol Vessel and other marine vessels	Main patrol vessel replacement	L	New vessel in place, Fund being saved annually for future replacement	Vessel Committee/CEO
	Lack of vessel cover for whole district	L	NW Protector kept in good order by skilled Engineer. Use of 3 large RIBS across district very effective.	New Patrol Vessel now in place. Proposed new RIB.
	Unexpected repairs	L	Adequate budget set	FO
	Loss or damage	L	Adequate marine insurance	British Marine/annual review
Motor Vehicles	Loss, Damage etc.	M	Adequate insurance cover	Zurich Municipal/ review annually
	Damage to third party property or individuals	M	Adequate insurance cover	Zurich Municipal/ review annually
	Maintenance	H	Regular checks by officers/servicing	Head of Enforcement
Staff	Injured in course of duties	M	Employer's Indemnity Insurance. Health & Safety Consultant gives advice	Annual review of Zurich Municipal cover/FO
	Key personnel leave and service suffers	M	Ensure that records are well kept and work could be transferred to new staff/ good IT system	Good management and communications/CEO
	Staff threatened by fishers	H	Avoid lone working /call police to arrest/review protective clothing	Head of Enforcement
	Threats by fishers not pursued by police	H	Meet with police to discuss better support for IFCOs	Head of Enforcement
	Performance and adequacy for duties	M	Staff appraisal system in place and training offered where required	CEO/FO
Minutes of Authority	Proper documentation	L	Minutes promptly prepared,/pages numbered/ master copy signed by Chair	Chair/Clerk to the Authority
Members interests	Corruption or self interest	H	Declaration signed at each Authority meeting by anyone with a financial interest in an item – may not vote	Chair/Members
	Lobbying of members by groups	H	Members must maintain independence and work for equal good of all sectors	Chair of NWIFCA
Dealing with public	Failure to provide good service	M	Procedures kept on record and followed/ records kept/complaints handled well	CEO/Clerk
Authority procedures	Inadequate safeguards	M	Good governance/ observe standing orders at meetings	Chair/Members