

NWIFCA Quarterly Meeting

6th December 2018: 11.00 a.m.

AGENDA

ITEM NO.

6

FINANCIAL REPORT

A. Purpose of Report

- To present the Budget Review to 30th September 2018
- To approve the Budget and Levy for 2019-20 (Annex A and B)
- To review the effectiveness of independent audit (Annex C) and approve appointment of independent auditors
- To complete the annual review of risk assessment (Annex D)

B. Recommendation

- That the Budget Review to 30th September 2018 is approved
- That the Budget and Levy for 2019-20 is approved
- That the effectiveness of independent audit is reviewed and approved and Moore & Smalley LLP appointed as independent auditors
- That the risk assessment is reviewed and approved

1. Budget Review to 30th September 2018

The statement for 6 months of the current financial year is below:

NWIFCA	01 April 2018 - 30 September 2018			
BUDGET REVIEW TO 30 SEPTEMBER 2018	Annual Budget £	Year to Date Budget £	Year to Date Actual £	Better(+)/ Worse(-) than Budget £
EXPENDITURE				
Employees	888,227	433,392	398,915	34,477
Premises	56,800	41,839	38,936	2,903
Transport	205,280	106,113	102,857	3,256
Replace Patrol Vessel 3652	121,151	278	278	0
Supplies/Services	61,400	37,720	31,358	6,362
Corporate	30,800	8,713	6,653	2,060
Total Expenditure	1,363,658	628,055	578,997	49,058
INCOME				
Levy	1,258,158	1,258,158	1,258,158	0
Shellfish sampling	7,000	0	0	0
Miscellaneous Income	0	0	0	0
DEFRA	0	0	0	0
Byelaw 3 Permit Fees	64,000	57,000	57,000	0
Interest	7,500	4,284	4,284	0
Total Income	1,336,658	1,319,442	1,319,442	0
NET SURPLUS				49,058

Overall Expenditure is well within budget and NWIFCA is asked to record approval of the Budget Review to 30th September 2018.

2. Budget and Levy for 2019-20 (Annex A and B)

After consideration of the Budget and Levy by the Finance Sub-Committee at 10.00 a.m. on 6th December 2018, NWIFCA is asked to record approval of the Budget and Levy for 2019-20.

Note: The 2.5% proposed increase is to meet inflationary costs over the last 5 years which had not been covered while a fund has been reserved for replacement of the patrol vessel. An amount of £121,151 (built up by the 2% increase in levy over 5 years from 2013-14 to 2017-18) will continue to be set aside annually for eventual replacement of the patrol vessel in approximately 10 years.

3. Review of Effectiveness of Independent Audit (Annex C) and Appointment of Independent Auditor for 2018-19 Audit

A review of the effectiveness of independent audit at Annex C is approved annually by the Authority. It is proposed that Moore & Smalley LLP be appointed as independent auditor for the year ending 31st March 2019.

4. Risk Assessment Review (Annex D)

The risk assessment covering financial and general risks to the NWIFCA is at Annex D for annual review by the Authority.

Finance Officer
22nd November 2018

ANNEX A:**NWIFCA BUDGET 2019-20****2.5% INFLATIONARY LEVY INCREASE**

EXPENDITURE	2018-19	2019-20
Employees	£888,227	£919,139
Premises	£56,800	£55,800
Transport	£205,280	£217,597
Replace Patrol Vessel	£121,151	£121,151
Supplies & Services	£61,400	£52,600
Corporate	£30,800	£30,500
TOTAL EXPENDITURE	£1,363,658	£1,396,787

INCOME

7151 Levy 2% Increase	£1,285,158	£1,317,287
7251 Shellfish Sampling	£7,000	£8,000
7257 Permit Fees	£64,000	£64,000
7351 Interest	£7,500	£7,500
TOTAL INCOME	£1,363,658	£1,396,787

SURPLUS/DEFICIT	NIL	NIL
------------------------	------------	------------

ANNEX B:**NWIFCA LEVY 2019-20****2.5% INCREASE TO TAKE ACCOUNT OF INFLATION****To Be Approved at NWIFCA Meeting 6 December 2018**

	% of NWIFCA Total Levy	Levy 2019-20 2.50% Increase	Levy 2018-19 2% Increase	Levy 2017-18 2% Increase	Levy 2016-17 2% Increase	Levy 2015-16 2% Increase
COUNCIL						
Blackpool Borough Council	1.65%	£21,735	£21,205	£20,789	£20,382	£19,982
Cheshire West & Chester Council	7.30%	£96,162	£93,817	£91,977	£90,173	£88,405
Cumbria County Council	40.94%	£539,297	£526,144	£515,827	£505,713	£495,797
Halton Borough Council	2.22%	£29,244	£28,530	£27,971	£27,423	£26,885
Lancashire County Council	33.14%	£436,549	£425,901	£417,551	£409,363	£401,336
Liverpool City Council	4.26%	£56,116	£54,748	£53,674	£52,622	£51,590
Sefton Council	5.09%	£67,050	£65,415	£64,132	£62,874	£61,642
Wirral Council	5.40%	£71,134	£69,398	£68,038	£66,704	£65,396
TOTAL	100.00%	£1,317,287	£1,285,158	£1,259,959	£1,235,254	£1,211,033

ANNEX C: ANNUAL REVIEW OF EFFECTIVENESS OF INDEPENDENT AUDIT

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
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 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 takes place after financial year end in April/May • Audit plan and risk assessment are reviewed annually • Auditor may be consulted at any time for advice
Appointment of Independent Auditor for 2019-20	Should Moore & Smalley be re-appointed as Independent Auditor for the financial year 2019-20 (audit to take place in April/May 2019)	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

ANNEX D: ANNUAL REVIEW OF RISK ASSESSMENT

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	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

Key: CEO Chief Executive Officer, FO Finance Officer

Part 2: General 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
	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