

Clerk of the Authority
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Our ref: NEIFCA
Date: 16 May 2018

Dear Member

Executive Meeting of North Eastern Inshore Fisheries & Conservation Authority –
Wednesday 23 May 2018

I hereby give you notice that the next Executive meeting of North Eastern Inshore Fisheries and Conservation Authority will be held on **Wednesday 23 May 2018**, at the **Green Lane Centre, Green Lane, Whitby, YO22 4EH** starting at **09:30am**.

On arrival please ask for David McCandless. Can members please send apologies by Monday 21 May 2018, please telephone 01482 393515 or email ne-ifca@eastriding.gov.uk. Thank you to members who have already given their apologies.

The agenda and reports for the meeting are enclosed.

Please contact me if you have any queries.

Yours Faithfully

David McCandless
Chief IFC Officer

NORTH EASTERN INSHORE FISHERIES AND CONSERVATION AUTHORITY

SPECIAL EXECUTIVE MEETING

Green Lane Centre, Green Lane, Whitby, North Yorkshire, YO22 4EH

Wednesday 23 May 2018

COMMENCING 09.30am

AGENDA

1. Apologies for absence

Items for Discussion

2. NEIFCA Annual Audit Report 2017/2018 ()

The public are likely to be excluded from the meeting for consideration of the following item on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 8 and 9 of part 1 of Schedule 12A of the Local Government Act 1972.

3. Unison Concerns ()

Any other items which the Chairman decides are urgent by reason of special circumstances which must be specified

**NORTH EASTERN INSHORE FISHERIES
AND CONSERVATION AUTHORITY**

Report to: Special Meeting of Executive Committee
23 May 2018

NEIFCA Internal Audit Report 2017/2018

Report of the Clerk

A. Purpose of Report

To inform Members of the findings of the annual audit report.

B. Recommendation

1. That Members note the report and support the recommendations from the internal Auditing team including the setting of a £10K asset disposal limit.

1. Background

- 1.1 The East Riding of Yorkshire Council undertakes an annual audit of the Authority's operational activity.
- 1.2 The purpose of the audit is to provide management with assurance about the effectiveness of the controls identified and the exposure to risk that any control weaknesses may cause.
- 1.3 From April 2015 the Accounts and Audit Arrangements for Joint Committees, which NEIFCA is defined as, have changed. This effectively means that NEIFCA's Annual Accounts and Governance Statement will not be required to be submitted for external audit assessment.
- 1.4 The objectives of the audit process are included in the scope of the audit that took place in 2018 and this should re-assure members that appropriate control objectives are being tested by internal audit.

2. Internal Audit

- 2.1 The Audit Plan is designed to provide assurances to:
 - (i) Provide assurance to the Treasurer, Clerk and Members to support the Statement of Accounts and Annual Governance Statement
 - (ii) To provide assurance on the controls mitigating key risks, in particular:

Strategic Risks

NEIFCA 7 – Cuts to Service, balance budgets, Triggers include:

- Reduction in Government funding to precepting Authorities which impact on the budget for the Committee
- Budget over spends, insufficient reserves.
- Precept set too low.
- Lack of compliance with financial regulations.

NEIFCA 8 – Failure to manage the Authority's assets caused by:

- Lack of funding.
- Service failures/poor maintenance.
- Poor risk assessments and controls.
- Inaction on behalf of the Chief Officer and his assistants.

2.2 The scope of the audit is agreed with the Clerk and Chief Officer and in 2017/18 included testing to provide assurance that:

- Appropriate accounting records have been kept properly throughout the year.
- The authority's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- The authority has assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- The annual taxation levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- Expected income was fully received, based on correct prices, properly recorded and correctly banked; and VAT was appropriately accounted for.
- Salaries to employees and allowances to members were paid in accordance with body approvals and PAYE and NI requirements were properly applied.
- Inventories were complete and accurate and properly maintained.
- Period and year-end bank account reconciliations were properly carried out.
- Scallop permits are awarded correctly and appeals are dealt with in accordance with the appeals procedure.

3. Opinion.

3.1 The overall findings indicate that within NEIFCA the overall control effectiveness is considered satisfactory and the residual risk exposure moderate.

3.2 The internal auditing team have also reviewed the asset disposal limit and have recommended that the level is set at £10,000. The disposal of any assets above that limit and or purchase by either an officer or a member of the Authority would require Committee approval.

3.3 A copy of the report is appended for Members information.

Contact Officer

Caroline Lacey, Clerk

Ext 3000



EAST RIDING
OF YORKSHIRE COUNCIL

AUDIT & GOVERNANCE

NORTH EASTERN INSHORE FISHERIES & CONSERVATION AGENCY 2017/18

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Audit & Governance Contacts

Amanda Day, senior audit & risk officer
Andy Stephens, audit & risk officer

Distribution List

To: David McCandless, chief fisheries officer
Caroline Lacey, clerk to the committee

Cc: Neal Beckett, interim finance manager

Date Issued

16/05/2108

Section I: Introduction and Background

I Introduction and Background

- 1.1 North Eastern Inshore Fisheries and Conservation Authority (NEIFCA) is one of ten authorities surrounding the coastline of England. Each Authority has the same principal statutory function, to manage the exploitation of sea fisheries resources within pre-defined areas or districts. NEIFCA's district covers the area from the River Tyne, in the North, to a point drawn True East from 'Haile Sand Fort' on the North East Lincolnshire Authority boundary, close to Humberston, on the South Bank of the Humber Estuary. The District also encompasses all estuarine areas, landward to tidal limits, occurring within the boundaries of member Local Authorities.
- 1.2 The total approved operational budget for NEIFCA for the 2017/18 financial year was £1,100,030.
- 1.3 This authority comprises representatives from the 11 coastal Local Authorities within its area, represented by 13 Local Authority members, together with 14 members appointed by the Marine Management Organisation and one member appointed by each of the Marine Management Organisation, the Environment Agency and Natural England. The total membership of the Authority is 30.
- 1.4 The audit provides assurance in respect of the following Authority success criteria and risks

Success Criteria
IFCAs have sound governance and staff are motivated and respected.
Strategic Risks
NEIFCA 7 - Cuts to service, balance budget. Triggers include: <ul style="list-style-type: none">• Reduction in Government funding to precepting authorities which impact on the budget for the Committee.• Budget over spends, insufficient reserves.• Precept set too low.• Lack of compliance with financial regulations
NEIFCA 8 - Failure to manage the Authority's assets, caused by: <ul style="list-style-type: none">• Lack of funding• Service failures/poor maintenance• Poor risk assessments and controls• Inaction on behalf of the Chief Officer and his assistants.

- 1.5 A full copy of the identified risks relating to the authority can be obtained from Caroline Lacey, clerk to the committee.

Section 2: Audit Opinion

2 Audit Opinion

- 2.1 The overall objective of this audit was to provide management and the Authority with assurance about the effectiveness of the controls identified and the exposure to risk that any control weaknesses may cause.
- 2.2 Our review highlighted several areas where controls were not operating as intended and these are subject to the recommendations as detailed in the Detailed Findings and Action Plan at Page 5. A total of 6 recommendations have been made. Of these none are considered to have a major risk exposure.
- 2.3 The previous audit report contained 6 recommendations, 3 have been implemented, 1 has been partially implemented (storage facilities), 1 is no longer applicable and 1 has been re-recommended in this audit.
- 2.4 Overall, our findings indicate that within NEIFCA the overall control effectiveness is considered **satisfactory** and the residual risk exposure **moderate**.

Key to Control Effectiveness

(As referred to in paragraph 2.4)

Assurance Level	Description
High Standard - Significant Assurance	Strong controls support achievement of the business objectives.
→ Satisfactory – Adequate Assurance	Controls support the business objectives, but some improvements should be made.
Weak – Limited Assurance	Controls provide some support for business objectives, but improvements are essential.
Not Acceptable – No Assurance	Controls do not support the achievement of business objectives.

Key to Residual Risk Exposure

(As referred to in paragraph 2.4 and colour coded in the detailed findings)

Exposure Level	Description
Insignificant	Very low level exposure that has no long term impact on achievement of the Authority's objectives.
Minor	Low level of exposure which could lead to short term consequences to delivery of the corporate objectives
→ Moderate	Exposure to the council exists but with some mitigating factors. Exposure could lead to medium long term consequences to delivery of corporate objectives
Major	Significant exposure or area of importance or concern to the Authority. Exposure could lead to significant long term consequences to delivery of corporate objectives
Catastrophic	Very significant exposure or area of critical importance or concern to the Authority that will impact the major long term delivery of corporate objectives.

Section 3: Scope

3 Scope

3.1 Audit & Governance carried out a review during February 2018 of NEIFCA. The approach used was Risk Based Internal Auditing (RBIA), which is recognised as best practice.

3.2 The principal aims and objectives of the audit were to ensure that:

- Appropriate accounting records have been kept properly throughout the year.
- The authority's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- The authority has assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- The annual taxation levy or funding requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.
- Expected income was fully received, based on correct prices, properly recorded and correctly banked; and VAT was appropriately accounted for.
- Salaries to employees and allowances to members were paid in accordance with body approvals and PAYE and NI requirements were properly applied.
- Inventories were complete and accurate and properly maintained.

- Period and year-end bank account reconciliations were properly carried out.
- Scallop permits are awarded correctly and appeals are dealt with in accordance with the appeals procedure.

3.3 All findings, the levels of risk exposure and the recommendations have been discussed and agreed with the management prior to this report being issued.

3.4 The assurance provided is limited to those areas covered within the scope (as detailed above) and by the extent of our testing. Management are reminded that it remains their responsibility to ensure that an effective control environment is in place.

Section 4: Detailed Findings & Action Plan

4 Detailed Findings & Action Plan

- 4.1 Areas for improvement are ranked below according to the impact they represent to the service or process on which we are reporting. The findings have been discussed with the responsible officer and their response included. Timescales for implementation of agreed recommendations have also been completed in consultation with the responsible officer.
- 4.2 Further in the table below we have also included areas where we believe the controls in place can be reviewed and consideration given to the control being reduced and a higher risk accommodated.

Ref	Findings & Risk	Recommendation	Agreed/ Not Agreed/ Agreed in Principle	Management Response	Officer Responsible/ Timescale
I	<p>Finding Rationalisation of storage has progressed well. Two storage units have been leased at Larpool Lane in Whitby and assets have been moved from High Mitten to these; however they are not large enough to store all of the items and therefore some are still located at the farm.</p> <p>Risk Employee owned facilities still being used that could be deemed a conflict of interest and also be problematic if the employee leaves.</p>	Alternative storage facilities in Whitby which more appropriately meet service requirements should continue to be actively explored.	Agreed	Storage facilities located in the Whitby area are critical to supporting effective and efficient operational delivery but options are extremely limited. Officers spent nine months during 2017 trying to secure alternative arrangements. Vacant accommodation was eventually found in October 2017 and a lease was agreed and signed on 1 November 2017. There were some issues with security at the new Whitby site which had to be rectified and officers commenced the transfer of assets during	David McCandless CO Ian Davies DCO Ongoing

Section 4: Detailed Findings & Action Plan

Ref	Findings & Risk	Recommendation	Agreed/ Not Agreed/ Agreed in Principle	Management Response	Officer Responsible/ Timescale
				December 2017. This involved the transfer of some 15 years worth of assets between the new facilities at Larpool Lane in Whitby and facilities at Carnaby, in Bridlington East Yorkshire which had not been fully completed at the time the internal audit commenced during March 2018. As audit have recognised, storage capacity remains under-resourced and there are some very large items such as trailers, gantries, lifting equipment and gangways which take significant space to accommodate. Meanwhile active searching continues to secure better facilities.	
2	<p>Finding</p> <p>The inventories are in the process of being updated in order to reflect the movement of the items to/from different storage locations.</p> <p>There are no disposals noted on the inventories, two large items of</p>	A full review of the inventory should be performed and items not required should be disposed of.	Agreed	As the transfer of equipment has progressed officers have been maintaining and updating inventories and once complete a full review will be carried out. Under NEIFCA asset disposal	<p style="text-align: center;">David McCandless CO Ian Davies DCO</p> <p>31 August 2018</p>

Section 4: Detailed Findings & Action Plan

Ref	Findings & Risk	Recommendation	Agreed/ Not Agreed/ Agreed in Principle	Management Response	Officer Responsible/ Timescale
	<p>equipment require disposing of:-</p> <ul style="list-style-type: none"> • Telehandler • ROV <p>However it is not clear if all other items have been reviewed.</p> <p>Risk Failure to manage the Authority's assets.</p>			<p>policy members have already given 'in principle' agreement to dispose of the telehandler which will be completed once the transfer of existing equipment has been finalised.</p>	
3	<p>Finding All purchasing options are not fully explored, particularly when funding training courses, overnight stays and subsistence for the boat.</p> <p>Risk Budget overspends insufficient reserves.</p>	<p>Officers should ensure that value for money is always sought, particularly as the authority is funded using public monies.</p>	<p>Agreed in principle</p>	<p>Significant care is always taken to ensure best value is achieved when funding training courses, overnight stays and subsistence. It is always carried out in full compliance with all policies, procedures, standing orders and financial regulations. At times there are real, positive team benefits to working in a residential environment rather than utilising NEIFCA accommodation.</p> <p>We use the nearest supermarket to the boat to purchase stores for</p>	<p>Ian Davies DCO Sarah Murray Operation Support Manager</p> <p>Ongoing</p>

Section 4: Detailed Findings & Action Plan

Ref	Findings & Risk	Recommendation	Agreed/ Not Agreed/ Agreed in Principle	Management Response	Officer Responsible/ Timescale
				the vessel, which are basic provisions such as bread, butter and milk.	
4	<p>Finding Five laptops have been purchased this year, although they are to be predominantly used for email and therefore not purchased to contain personal data, there is a risk that personal data will be stored on them (e.g. permit details) but they have not had encryption software installed.</p> <p>Risk Lack of compliance with regulations (GDPR).</p>	The new laptops should be encrypted.	Agreed	Laptops will be encrypted. These are considered low risk due to the limited nature of personal data stored.	<p>Ian Davies DCO Sarah Murray Operation Support Manager</p> <p>31 July 2018</p>
5	<p>Finding A discussion with the accountant revealed that VAT receipts are not always obtained for purchases, nor is VAT accurately accounted for on the purchase card logs.</p> <p>Risk</p>	<p>As recommended in the previous audit report Official VAT receipts should be obtained for all purchases that contain VAT.</p> <p>VAT should be accurately</p>	Agreed	Requests for VAT receipts are always made for every transaction. This mainly relates to subsistence.	<p>Sarah Murray Operation Support Manager</p> <p>Ongoing</p>

Section 4: Detailed Findings & Action Plan

Ref	Findings & Risk	Recommendation	Agreed/ Not Agreed/ Agreed in Principle	Management Response	Officer Responsible/ Timescale
	Budget over spends, insufficient reserves.	recorded to ensure that it is recovered.			
6	<p>Finding Purchase card transactions are recorded on an excel spreadsheet log. However it is possible to use the online banking system to record the transactions, attach the receipt and authorise the transactions.</p> <p>Risk Lack of compliance with ERYC purchase card procedures.</p>	The purchase card on-line system be used to record and authorise purchase card transactions.	Not agreed	Reconciliation through the online banking system is time limited and will not support the process for NEIFCA. Detailed electronic records of all transactions are maintained and manually cross referenced with both the on-line system and supporting VAT receipts. Management considers that there are adequate 'checks and balances' in place within the current procedure.	

The agreed actions may be subject to a follow up audit to establish whether they have been implemented.

Any queries regarding this report should be directed to Amanda Day.

Audit and governance would like to thank the management and staff for their assistance during this audit.

Section 5: Additional Management Information

5 Management Information

5.1 During the course of our work on-site and from discussions with officers in the area a number of points were noted that have not resulted in a finding and recommendation above however we have included these below. These points are for your consideration as management and relate to potential savings, minor alterations to the control environment, examples of best practice from other areas and general advice and guidance provided.

5.2 These points include:

Internal audit were requested to comment on the process for disposal of assets for NEIFCA, in particular the authorisation limits. There have been no disposals of assets during 2017/18.

The capitalisation figure for the NEIFCA accounts for fixed assets is £10,000. We would consider this to be an appropriate disposal limit for authorisation by the Chief Fisheries Officer. Disposal of assets above £10,000 would need to be approved by the Committee. The Committee must also sanction a disposal if it is to either a member of staff or to a member of the Committee.

The disposal of assets needs to be transparent. The procurement section at ERYC can hold reverse auctions on their electronic procurement system which allows prospective purchasers to bid for an item being disposed of. This option should be investigated by the Committee as it may be beneficial, particularly in the disposal of specialised equipment.

Income from the disposal of assets should be maximised, proper records maintained and VAT accounted for if not sold to another Authority.

5.3 It should be noted that these points will not be subject to the official follow up process of the above recommendations.

