

Our Ref. TMP / JJA / N0423

Your Ref.

North Western Inshore Fisheries and Conservation Authority  
1 Preston Street  
CARNFORTH  
LA5 9BY

19 November 2024

Dear Sirs

### Report to Management

During the course of our internal audit for the years ended 31 March 2022, 31 March 2023 and 31 March 2024 a number of matters arose which we consider should be brought to your attention. We make these recommendations by exception only and therefore do not make comments where systems are found to be adequate or running satisfactory. These points are highlighted to identify where your systems can be strengthened.

As there was a significant change in; controls, systems and staff during the year ended 31 March 2023, we have separated these matters into 2 periods: the year ended 31 March 2022 and the year ended 31 March 2023 & the year ended 31 March 2024.

Accompanying this letter is a memorandum noting these points together with any recommendations we have for possible improvements which could be made. For the first period 31 March 2022, where improvements have subsequently already been made, we have added these under the “Comments” column of the memorandum.

These matters came to light during the course of our normal audit tests which are designed to assist us in forming our opinion on the financial statements. Our tests may not necessarily disclose all errors or irregularities and should not be relied upon to do so. However, if any irregularity did come to our attention during our audit test, we would, of course, inform you immediately.

This report has been prepared for the sole use of the Committee of North Western Inshore Fisheries and Conservation Authority and must not be shown to third parties without our prior consent. No responsibilities are accepted by Xeinadin towards any party acting or refraining from action as a result of this report.

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• • • Registered in England and Wales - Company Number: 11358224

• • • Scott & Wilkinson (Lancaster) Limited is a subsidiary of Xeinadin Group Limited.

• • • Xeinadin is a trading name of Scott & Wilkinson (Lancaster) Limited.

• • • The titles Partner and Director refer to employees of similar professional standing. A list of statutory directors can be found at the registered office.

• • • Xeinadin Group Limited and its subsidiaries are authorised and regulated by the Institute of Chartered Accountants in England and Wales.



We would be grateful if you could enter your comments against each point under the “Comments” column of the memorandum and return it to us in due course.

Finally, we would like to express our thanks to all members of the company’s staff who assisted us in carrying out our work.

Kind regards

Yours sincerely

**Tim Preece**

**Partner**

**[tim.preece@xeinadin.com](mailto:tim.preece@xeinadin.com)**

**North Western Inshore Fisheries and Conservation Authority**

Points noted during the course of our internal audit for the year ended 31 March 2022

Points noted, Implications and Recommendations	Comments
<p>1) Point noted – There is no system in place for making purchase orders. The Finance Officer or CEO can make any purchase without having to raise a purchase order, to be approved by any other member of staff or committee member.</p> <p>Implications – The Finance Officer or CEO could purchase any item without having it approved in line with the Authority’s purchase limits. As no purchase order is required and there is only one person required to make a purchase, there is also a risk of fraud of the Finance Officer or CEO could make a personal purchase with Authority money whilst going undetected. There is also the chance that an error could be made in the raising and payment of purchase invoices with only one person involved.</p> <p>Recommendation – Implement a system of raising purchase orders which must be approved by a separate member of staff, so anyone making a purchase must have it approved before a purchase invoice is raised by a supplier. This should be set at different levels based on the value of the purchase.</p> <p>2) Point noted – No fixed asset register is held. All items are treated as revenue and as such there are no ‘assets’ included on the Authority’s balance sheet.</p> <p>Implications – Due to the Authority being an Authority there are no tax implications of having all ‘assets’ as revenue expenditure. However not maintaining an asset register will make it hard to keep track of all the ‘assets’ owned by the authority. Keeping an up to date asset register will also allow the Authority to monitor how old assets such as cars and quad bikes are and when they might need replacing. By not including ‘assets’ on the balance sheet, it also means the</p>	<p>Since Rushton’s have joined in the year ended 31 March 2023, they implemented various purchase systems to ensure correct approval of purchase orders as well as segregation of duties. These include: the use of ApprovalMax for approving purchase orders and purchase invoices, authorisation thresholds based on purchase order value and the use of CreDec.</p> <p>Following Rushton’s arrival in the year ended 31 March 2023, Ella went through and retrospectively introduced all the motor vehicles, vessels and ATVs as assets, capitalising them and moving them to a fixed asset register. Monthly</p>

balance sheet total isn't accurate and the Authority can't see its true balance sheet position.

Recommendation –

Create a fixed asset register, capitalising any existing 'assets' and moving them to the Authority's balance sheet. Going forward any 'assets' should be capitalised, and depreciation applied to these items on the fixed asset register. A threshold could be considered to decide if an item should be capitalised or not.

3)

Point noted –

There is no segregation of duties regarding the wages, including the payment of wages. The Finance Officer prepares the payroll reports and then pays the employees.

Implications –

There is the opportunity for the Finance Officer to adjust her salary or anyone else's salary to whatever level she pleases on the payroll reports and payslips, as she then pays the wages, she could then pay these inflated salaries without anyone noticing. There is also the possibility for the Finance Officer to create 'Ghost' employees in order to fraudulent send money to herself in the form of a fake employee, as she has full control over the creation / authorisation of employees, payroll reports and the payment of the salaries. There is also a greater risk of errors being made in the payroll reports being generated as well as the payment of wages as only one person.

Recommendation –

Introduction of the segregation of duties in the payroll / wages function. This could take the form of an external payroll provider who prepares payroll reports and payslip, there could be an external provider to pay the wages or there could be internal segregation of duties within the authority such as different staff preparing, reviewing, approving, and paying the payslips. This will prevent any fraud through overpayment of wages, or fictitious salaries being paid.

4)

Point noted –

The Finance Officer can input and release funds from the bank without anyone else being involved. The bank is then also reconciled by the Finance Officer, so there is no involvement of any other member of staff in the bank

depreciation has been applied going forward.

Following Rushton's arrival in the year ended 31 March 2023, the payroll function was also moved to Rushton's. This allowed for a segregation of duties, timesheets were still prepared and approved by staff in the Authority these are then sent to Rushton's to prepare the payroll reports and payslips, before wages being paid via CreDec. For any new employees a new starter checklist is completed.

payment / transfer process.

**Implications –**

As there is only one individual involved in inputting and releasing funds, there is an increased risk that errors are made during the payment process, due to no checking by a second individual. There is the potential for payments to be made incorrectly or to wrong suppliers etc. There is also a fraud risk as no other member of staff reviews transfers / payments or the bank reconciliations, this would allow for the finance officer to fraudulently transfer funds and then reconcile the transactions without any detection.

**Recommendation –**

A separate Authority staff member could be introduced to review any payments to ensure no errors or fraudulent activity, this could be set at an authorisation limit which was deemed to be appropriate. There could also be a segregation of duties, as the Finance Officer currently raises the purchase invoices, pays the purchase invoices, and then also reconciles the bank, this would further prevent any areas and reduce the risk of fraud.

Following Rushton's arrival in the year ended 31 March 2023, they introduced the use of CreDec which makes the payments to their suppliers reducing the possibility for any errors or fraud in supplier payments. Bank reconciliations are also now completed by Ella from Rushton's and so there has been a segregation in banking duties.

Points noted during the course of our internal audit for the years ended 31 March 2023 and 31 March 2024:

Points noted, Implications and Recommendations	Comments
<p>1) Point noted – There was the implementation of a fixed asset register by Rushton’s in the year ended 31 March 2023, this included: Motor Vehicles, Vessels and ATVs. All other potential ‘assets’, such as laptops, equipment, fixtures and fittings are all still included as revenue expenses.</p> <p>Implications – Due to the Authority being an Authority there are no tax implications of having these ‘assets’ as revenue expenditure. However not maintaining an asset register will make it hard to keep track of all the ‘assets’ owned by the authority. Keeping an up to date asset register will also allow the Authority to monitor how old ‘assets’ are and when they might need replacing. For example, it will easily allow the Authority to keep track on how long a certain member of staff has had a computer or how long it has been since equipment has been replaced. By not including all the ‘assets’ on the balance sheet, it also means the balance sheet total isn’t accurate and the Authority can’t see its true balance sheet position.</p> <p>Recommendation – Update the fixed asset register to also include other ‘assets’, not just vehicles, boats and ATVs and therefore include these items on the Authority’s balance sheet. These could be categorised into the following: computer equipment, plant and machinery and fixtures and fittings. Due to the likely smaller balances and larger quantity of these assets it is probably not necessary to retrospectively identify these items and capitalise them, instead these items could be capitalised going forward. Depreciation should be applied to these items on the fixed asset register. A threshold could be considered and agreed by the Authority to decide a minimum level for an item to be capitalised, for example a minimum cost of £200.</p> <p>2) Point noted –</p>	

The Finance Officer can input and release funds from the bank without anyone else being involved. The Finance Officer does almost all the online banking, without any limits on transfers or reviews required by any other member of the Authority.

**Implications –**

As there is only one individual involved in inputting and releasing funds, there is an increased risk that errors are made during the transfer process, due to no checking by a second individual. There is also a fraud risk as no other member of staff reviews transfers, Ella reconciles the bank so would identify any errors or fraudulent transactions but by this point the transfers could have already occurred.

**Recommendation –**

A separate Authority staff member could be introduced to review any non-regular transfers or payments (i.e. payments to CreDec or transfers between bank accounts) this would ensure no errors or fraudulent activity. A threshold could be considered and agreed by the Authority for the level of non-regular transfers that required a review.