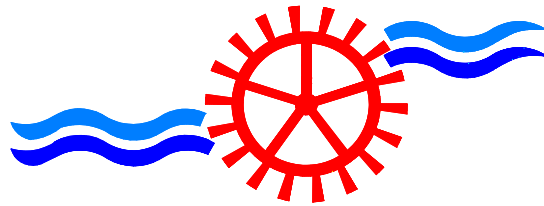


**SOUTH HOLLAND
INTERNAL DRAINAGE BOARD**



**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDING
31st MARCH 2009**

Kettlewell House
Austin Fields Industrial Estate
Kings Lynn
Norfolk
PE30 1PH

**SOUTH HOLLAND INTERNAL DRAINAGE BOARD
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDING 31 MARCH 2009**

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SOUTH HOLLAND INTERNAL DRAINAGE BOARD

MEMBERSHIP AS AT 31 MARCH 2009

<u>NAME</u>	<u>TOTAL</u> <u>MEETINGS</u>	<u>NUMBER</u> <u>ATTENDED</u>	<u>ATTENDANCE</u> <u>%</u>	<u>CONTACT DETAILS</u>
<u>ELECTED MEMBERS</u>				
Geest J L van	4	3	75	john@jlfarms.co.uk
Grundy N J	4	3	75	ngrundy@onetel.com
Hay A G	4	3	75	n/a
Hay G A	4	3	75	n/a
Markillie S A R *	4	4	100	shf@strawberryhall.co.uk
Sly D	4	4	100	n/a
Taylor S	4	3	75	sam@taylors-bulbs.com
Thompson R C	4	3	75	office@gtfarms.co.uk
Ward J W	4	3	75	jwardandsonfarms@velcourt.co.uk
Worth D R **	4	4	100	duncan.worth@qvfoods.com

APPOINTED MEMBERS

South Holland DC

Atkin J M	4	3	75	mikeandpatatkin@yahoo.com
Biggadike F	4	4	100	fbiggadike@sholland.gov.uk
Booth S M	4	3	75	simonmbooth@aol.co.uk
Casson A	4	2	50	acasson@sholland.gov.uk
Espin P A	4	3	75	pepsin@sholland.gov.uk
Keeble S	4	1	25	n/a
Przyszlak P S	4	3	75	n/a
Taylor M R	4	3	75	n/a
Walls P M	4	4	100	n/a
Wilkinson D J	4	3	75	dave.j2wilkinson@btinternet.com

South Holland DC/Boston BC

Rudkin R M (Mrs)	4	3	75	ritarudkin@tiscali.co.uk
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* Chairman

** Vice-Chairman

SOUTH HOLLAND IDB

Annual Report

The South Holland IDB is an independent body created under Land Drainage Statutes responsible for flood risk, drainage and water level management works, other than on main rivers, in the South Holland IDB area. Board Members are either elected by and represent the occupiers of land in the area, or are nominated by South Holland District Council and Boston Borough Council.

The Board secures income mainly from drainage levies on farmers and other occupiers and from special levies on local authorities. The Board also pays levies to the Environment Agency to fund works on main rivers that protect the drainage district.

The Board consists of 10 elected members and 11 nominated members.

This document is the statement of accounts of South Holland IDB for the financial year ended 31 March 2009 which are set out on pages 1 to 14. The accounts consist of:

The Annual Governance Statement

This statement acknowledges the Board's responsibilities in terms of preparing the financial statements and ensuring that there is a sound system of internal control.

The Statement of Responsibilities

This statement identifies the officer who is responsible for the proper administration of the Board's financial affairs.

The Statement of Accounting Policies

This statement details the legislation and source of accounting principles on which the financial statements are prepared

The Income and Expenditure Account

This statement shows the gross expenditure, income and net expenditure on the major activities for which the Board is responsible and compares that cost with the finance provided by the local rate payer and others.

The Statement of Movement on Reserves

This statement shows the changes in reserves during the reporting period.

The Balance Sheet

This statement is fundamental to the understanding of the Board's financial position at the year end. It shows the balances and reserves at the Board's disposal; and the fixed and net current assets employed in its operation, together with summarised information on the fixed assets held. The statement also includes assets and liabilities of the Board.

Summary of Financial Performance

The Board's financial position improved during the year as follows:

1. Profitability: an operating surplus of £27,868 was achieved.
2. Debt: the Board has taken on no long term debt during the reporting period.
3. Liquidity: cash surpluses have increased from £1,977,351 to £2,058,836.
4. Capital: the fixed plant renewals fund has increased from £469,495 to £1,412,577 (200%) at the same time as increasing the annual spend on the capital programme from £207,000 to £361,638 (75%). This has been achieved by making savings in administration costs, generating operating efficiencies and developing the ability to obtain grant aid on capital work.

The Annual Governance Statement

We acknowledge as the members of the South Holland Internal Drainage Board our responsibility for ensuring that there is a sound system of internal control, including the preparation of the Statement of Accounts, and confirm, to the best of our knowledge and belief, with respect to the Board's statement of accounts for the year ended 31 March 2009, that:

1. We have approved the Statement of Accounts which has been prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.
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 which could have a significant financial effect on the ability of the board to conduct its business or on its finances.
4. We have provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.
5. We have carried out an assessment of the risks facing the Board and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.
6. We have maintained throughout the year an adequate and effective system of internal audit of the board's accounting records and control systems and carried out a review of its effectiveness.
7. We have taken appropriate action on all matters raised in previous reports from the internal and external audit.
8. 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 board and where appropriate have included them in the Statement of Accounts.

This annual governance statement is approved by the Board and recorded as a Board minute on the 9 February 2010.

Signed on behalf of South Holland Internal Drainage Board

Signed by: Chairman S A R Markillie

Date: 09 February 2010

Signed by: Chief Executive P J Camamile

Date: 09 February 2010

Statement of Responsibilities for the Statement of Accounts

The Board is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Board that officer is the Chief Executive Officer.
- To manage its affairs to secure economic efficient and effective use of its resources and safeguard its assets.

The Chief Executive Officer's Responsibilities:

The Chief Executive Officer is responsible for the preparation of the Board's Statement of Accounts which is required to present a true and fair view of the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing this statement of accounts, the Chief Executive Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- compiled the accounts in accordance with the Financial Reporting Standard for Smaller Entities 2007 issued by the Accounting Standards Board (other than accounting for Infrastructure Assets) and had regard to the guidance published by the Association of Drainage Authorities on Accounting for Larger IDBs;
- applied the accounting concept of a "going concern" by assuming that the IDB will continue to operate for the foreseeable future.

The Chief Executive Officer has:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Executive Officer

This Statement of Accounts is that upon which the auditor should enter his certificate and opinion. It provides a true and fair view of the financial position of the Board at 31 March 2009 and its income and expenditure for the year then ended.

Name: P J Camamile

Designation: Chief Executive Officer

Date: 9 February 2010

**SOUTH HOLLAND INTERNAL DRAINAGE BOARD
INCOME AND EXPENDITURE ACCOUNT
FOR YEAR ENDED 31 MARCH 2009**

2007/08	INCOME	2008/09	Notes
846,385	Drainage Rates	866,981	
1,025,464	Special Levies on Councils	1,056,210	2
15,227	Grants Applied	122,357	3
5,468	Rental Income	7,775	
24,148	Income From Rechargeable Works	30,843	
129,451	Interest and Investment Income	126,218	
32,637	Surplus on Operating Accounts	0	
12,119	Other Income	7,445	
2,090,899	Total Income for the Year	2,217,829	
2007/08	EXPENDITURE	2008/09	Notes
207,000	Capital Works	361,638	
163,340	Environment Agency Precept	113,067	
1,154,632	Maintenance Works	1,291,313	
346,962	Administration Charges	219,740	4,5,6
4,531	Cost of Rechargeable Works	25,166	
0	Deficit on Operating Accounts	94,294	7
2,000	Pension Interest Cost and Expected Return on Assets	96,000	
1,878,465	Total Expenditure for the Year	2,201,219	
23,744	Exceptional Items - Profit arising from disposal of assets	11,258	
(236,178)	Net Operating (Surplus)/Deficit for the Year	(27,868)	

SOUTH HOLLAND INTERNAL DRAINAGE BOARD
STATEMENT OF MOVEMENT ON THE GENERAL RESERVE 2008/09

	2007/08	2008/09
Surplus for the year as per Income and Expenditure Account	(236,178)	(27,868)
Transfer to General Reserve	(77,000)	(251,000)
Transfer from General Reserve	0	605,719
Contribution to General Reserve	<u>(313,178)</u>	<u>326,851</u>
Opening Reserve	(506,057)	(819,234)
Closing Reserve	(819,235)	(492,383)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08	2008/09
Surplus for the year as per Income and Expenditure Account	(236,178)	(27,868)
Revaluation Gains During the Year	(540,000)	0
Actuarial Losses on Pension Fund Assets and Liabilities	125,000	562,000
Total Recognised Gains/losses	<u>(651,178)</u>	<u>534,132</u>

**SOUTH HOLLAND INTERNAL DRAINAGE BOARD
BALANCE SHEET AS AT 31 MARCH 2009**

2007/08		2008/09	NOTE
£		£	
	Fixed Assets		
684,250	Land and Buildings	670,500	8
<u>626,831</u>	Vehicles and Plant	<u>609,159</u>	8
1,311,081		1,279,659	
	Current Assets		
30,245	Stock and Work in Progress	27,140	9
99,370	Debtors and Prepayments	210,142	10
117,351	Cash at Bank and in Hand	8,836	11
<u>1,860,000</u>	Short Term Investments	<u>2,050,000</u>	12
2,106,966		2,296,118	
	Current Liabilities		
<u>150,558</u>	Creditors and Receipts in Advance	<u>163,402</u>	13
150,558		163,402	
1,956,408	Net Current Assets	2,132,716	
1,603,000	Liability related to Defined Pension Scheme	2,261,000	15
1,664,489	NET ASSETS	1,151,375	

2007/08	Reserves	2008/09	
819,234	General Reserve	492,383	16
698,000	Revaluation Reserve	698,000	16
147,255	Other Reserves	(39,008)	16
1,664,489		1,151,375	

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

GENERAL

a. This Statement of Accounts has been prepared in accordance with the Financial Reporting Standard for Smaller Entities 2007 (FRSSE) issued by the Accounting Standards Board. In preparing the statements regard has been given to the Guidance published by the Association of Drainage Authorities.

b. These accounts have been prepared in accordance with the following accounting concepts

Going Concern

Prudence

Accruals

FIXED ASSETS

a. Fixed Assets are recognised as expenditure on the acquisition, creation or enhancement of fixed assets. Assets with estimated useful lives in excess of one year and a value of £5,000 or above are capitalised on an accruals basis in the accounts.

(ii) All fixed Assets are valued on the following basis

- Land and buildings are included in the balance sheet at lower of net current replacement cost and net realisable value, net of accumulated depreciation. Net current replacement cost assessed as:
 - non-specialised operational properties - existing use value
 - specialised operational properties - depreciated replacement cost

- Vehicles, plant and equipment are included at cost less depreciation

c. Disposals are written off at cost less depreciation. Any surplus/deficit arising is charged/credited to Exceptional Items in the Income and Expenditure Account.

d. Depreciation has been provided for using the straight line method.

The useful lives of the various assets held on the Asset Register are as follows:

- Motor vehicles and Equipment: 4 years
- Excavators and Plant: 7 years
- Computer and radio equipment: 3 years
- Fixed Pumping Plant: 20 years
- Lifting Equipment: 5 years
- Land – no depreciation
- Buildings – period of useful life

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost or net realisable value.

Government grants and subsidies

Government grants and contributions have been credited to the income and expenditure account on an accruals basis.

Pensions

The Board participates in the Local Government Pension Scheme, a defined benefit scheme operated by Lincolnshire County Council. The Board pays an employers contribution of 26.5% on employees pensionable pay into the pension fund.

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the Income and Expenditure Account in order to spread the cost over the service lives of employees in the scheme. Further costs arise respect of certain pensions paid to retired employees on an unfunded basis.

The Board's share of the schemes assets and liabilities are included at fair value, as calculated annually by the actuary, which in turn gives rise to actuarial gains and losses. Liabilities are discounted to their current price using a discount rate of 6.9%, which has been based on gross redemption yield for the iboxx sterling corporate index, AA over 15 years. The schemes assets have been valued using the following methods:

Quoted securities - Current bid price
Unquoted securities - Professional estimate
Unitised securities - Current bid price
Property - Market value

In the previous year quoted securities were valued using the current mid price.

The Annual report of the LCC Pension Scheme is available from Lincolnshire County Council, Pensions Section, County Offices, Lincoln.

Taxation

Drainage Boards are exempt from Income, Corporation and Capital Gains Taxes. Value Added Tax is included in the accounts only to the extent that it is irrecoverable.

Exceptional items, extraordinary items and prior year adjustments

There are no material exceptional or extraordinary items to disclose in the accounts.

Profits or losses on the disposal of fixed assets are shown separately on the face of the Income and Expenditure Account prior to Operating surplus/deficit

Income Recognition

Income is recognised at the time of invoicing. In the case of Drainage Rates this is on the 1st April annually.

Finance Leases

The Board occasionally takes out finance leases on machinery whereby 50% of the cost of the asset is due 12 months after the purchase of the asset. These agreements are only entered into when no interest is payable by the Board.

Reserves

The Board holds the following Reserves

General Reserve

The Association of Drainage Authorities guidance recommends that the General Reserve held by the Board is 20% to 25% of estimated net expenditure. Year end surplus and deficits are taken to the General Reserve.

Capital Receipts/Development Contributions Reserve

The purpose of this Reserve is to reduce the impact on drainage rates from development that takes place in the area. The Board charges developers a standard rate per impermeable hectare for agricultural land which is developed and becomes a hard standing area, such as housing, roadways etc. The money is credited to this Reserve and then used to reduce the gross cost of capital work needed to cater for the additional flows arising from such development. The income for this reserve therefore comes exclusively from developers and is used to fund in part improvement works that are necessary because of development.

Mobile Plant Renewals Reserve

The purpose of this Provision is to reduce the impact on drainage rates as and when equipment is bought and sold, in accordance with the plant renewals programme.

Fixed Plant Renewals Reserve

The purpose of this Reserve is to reduce the impact on drainage rates as and when pumping plant and gravity sluices are refurbished or improved, in accordance with the Pumping Station Refurbishment Programme and Capital Works Programme.

IT Renewals Reserve

The purpose of this Reserve is to reduce the impact on drainage rates as and when computer hardware and/or software are upgraded periodically.

Precept Stabilisation Reserve

The purpose of this Reserve is to reduce the impact on drainage rates arising from the volatility of annual Environment Agency precept charges, which the Board has no control over.

Capital Works Reserve

The purpose of this Reserve is to hold money from slippage in Capital Schemes Expenditure until such time as the works take place.

Revaluation Reserve

This Reserve has arisen from the revaluation of some of the Boards land and buildings.

		£	
2	SPECIAL LEVIES ON COUNCILS	2007/08	2008/09
	South Holland District Council	1,024,722	1,055,447
	Boston Borough Council	742	763
		<u>1,025,464</u>	<u>1,056,210</u>
3	GRANTS RECEIVED	2007/08	2008/09
		Rate of Grant	
	Pumping Station Refurbishments	45%	43,347
	Lutton Leam Outfall Sluice	45%	10,021
			<u>-</u>
			<u>43,347</u>
			<u>13,486</u>

4 PENSION COSTS AND PENSION FUND INFORMATION

The Board pays an employer's contribution of employee's pensionable pay into the Local Government Pension Scheme, as administered by Lincolnshire County Council. The employer's rate at 31st March 2009 is 25.7% for 13 employees (of employee's pensionable remuneration). Employer's contributions are adjusted every three years when the pension fund undertakes an actuarial review. The Scheme is treated on a defined contribution basis for FRS 17. Pension costs for 2008/09 are £69,451 (£65,194 2007/08) for current employees and £3,852 (£3,532 2007/08) for former employees.

A copy of the Pension Fund report can be obtained from the Lincolnshire County Council.

The Board also pays an employers contribution of 12% for 3 employees and 8% for 1 employee to the NFU Pension Scheme. The Scheme is treated on a defined contribution basis for FRS 17. Pension costs for 2008/09 are £11,767 (£3,612 2007/08)

5	TOTAL OF MEMBERS ALLOWANCES PAID DURING THE YEAR	2007/08	2008/09
	Travelling allowance paid to Board Members	716	2,098

6	AUDIT FEES	2007/08	2008/09
	Fees paid to Auditors	5,743	6,580

7 OPERATING ACCOUNTS

The Board operates a Plant Operation Account and a Labour Operations Account. The individual position of these accounts at the year end was as follows

	PLANT	LABOUR	TOTAL
Income recharged to job costing	(-340,157)	(-558,393)	(-898,550)
Expenditure	331,397	661,447	992,844
As shown on Income & Expenditure Account	(-8,759)	103,054	94,295

8	TANGIBLE FIXED ASSETS	Land & Buildings	Vehicle & Plant	Office & RT Equipment	Total
	COST				
	Opening Balance as at 1 April 2008	989,213	1,248,925	74,813	2,312,951
	Revaluations	0	0	0	0
	Disposals	0	(146,610)	(4,988)	(151,598)
	Additions	0	206,181	2,946	209,127
	As at 31st March 2009	989,213	1,308,496	72,771	2,370,480
	DEPRECIATION				
	Opening Balance as at 1 April 2008	304,963	622,094	74,813	1,001,870
	Disposals	0	(102,420)	(4,988)	(107,408)
	Charge for Year	13,750	179,663	2,946	196,359
	As at 31st March 2009	318,713	699,337	72,771	1,090,821
	Net Book Value at 31/03/08	684,250	626,831	(0)	1,311,081
	Net Book Value at 31/03/09	670,500	609,159	(0)	1,279,659

9	STOCKS AND WORK IN PROGRESS	2007/08	2008/09
	Stocks and Consumables	25,963	27,140
	Work in Progress	4,282	0
		<u>30,245</u>	<u>27,140</u>

10	DEBTORS AND PAYMENTS IN ADVANCE		2007/08	2008/09
	Drainage Rate Debtors		6,946	8,865
	Trade Debtors		3,198	13,328
	H M Revenues and Customs		5,677	24,420
	Grant Aid Due		2,306	109,718
	Prepayments		81,243	53,811
			<u>99,370</u>	<u>210,142</u>
11	CASH AT BANK AND IN HAND		2007/08	2008/09
	Bank Call Account - Lloyds TSB		714	0
	Bank Current Account - Lloyds TSB		10,422	0
	Bank Current Account - Natwest		106,200	8,821
	Collectors Float		15	15
			<u>117,351</u>	<u>8,836</u>
12	SHORT TERM INVESTMENTS	Interest Maturity Date		2008/09
	Market Harborough Building Society	2.30% 15/04/2009		400,000
	Manchester Building Society	1.90% 30/04/2009		350,000
	Tipton & Coseley Building Society	2.20% 15/05/2009		500,000
	Vernon Building Society	2.00% 29/05/2009		500,000
	Tipton & Coseley Building Society	1.80% 15/06/2009		300,000
				<u>2,050,000</u>
13	CREDITORS AND RECEIPTS IN ADVANCE		2007/08	2008/09
	Trade Creditors		39,241	122,130
	Other Taxation and Social Security		12,129	10,226
	Accruals		5,743	6,823
	Payments received in advance		32,504	19,342
	Holiday Entitlement Control		4,716	4,881
			<u>94,333</u>	<u>163,402</u>
14	FINANCE LEASES		2007/08	2008/09
	Amounts Due under Finance Leases within next 12 months		56,225	0
15	PARTICIPATION IN PENSION SCHEME			

The Board is a member of the Local Government Pension Scheme, administered locally by Lincolnshire County Council. This is a funded defined benefit final salary scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The following transactions have been made in the Income and Expenditure Account during the year:

Income and Expenditure Account	2009	2008
	£'000	£'000
Net Cost of Services		
Current service costs	44	62
Settlements and past service costs	20	0
	<u>64</u>	<u>62</u>
Net Operating Expenditure		
Interest Cost	357	298
Expected Return on Assets	(254)	(288)
	<u>103</u>	<u>10</u>
Net Charges to Income and Expenditure Account	167	72

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of (562K) were included in the Statement of Total Recognised Gains and Losses.

	2009	2008
	£'000	£'000
Actuarial Gains/(losses)	(562)	(125)
Increase/(decrease) in irrecoverable surplus	0	0
Actuarial Gains/(losses) recognised in STRGL	(562)	(125)
Cumulative Actuarial Gains and Losses	(841)	(279)
Reconciliation of fair value of the scheme assets	2,009	2008
	£'000	£'000
Opening balance 1 April	3,685	4,170
Expected rate of return	254	288
Employers contribution	70	69
Contributions by scheme participants	14	14
Actuarial gains and (losses)	(937)	(535)
Benefits paid	(305)	(321)
Closing balance 31 March	<u>2,781</u>	<u>3,685</u>
Reconciliation of present values of the scheme liabilities	2009	2008
	£'000	£'000
Opening balance 1 April	5,288	5,646
Current service cost	44	62
Interest cost	357	298
Contributions by scheme participants	14	14
Actuarial (gains) and losses	(375)	(410)
Unfunded benefits paid	(1)	(1)
Benefits paid	(305)	(321)
Past service costs	20	0
Closing balance 31 March	<u>5,042</u>	<u>5,288</u>
	2009	2008
	£'000	£'000
Estimated liabilities scheme	(5,042)	(5,288)
Estimated assets in scheme	2,781	3,685
Net pension liabilities	<u>(2,261)</u>	<u>(1,603)</u>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, earnings etc. The pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

SOUTH HOLLAND INTERNAL DRAINAGE BOARD
NOTE 16 RESERVES 2008/09

Movements	RESERVES									TOTAL
	General Reserve	Capital Receipts Development Contributions Reserve	Mobile Plant Renewals Reserve	Fixed Plant Renewals Reserve	IT Renewals Reserve	Precept Stabilisation Reserve	Capital Works Reserve	Revaluation Reserve	Pension Reserve	
Opening Reserves 1st April 2008	819,234	213,067	723,083	469,495	16,712	143,639	184,259	698,000	-1,603,000	1,664,489
Surplus for the year ending 31st March 2009	27,868									27,868
Contributions Received		23,964								23,964
Contributions Applied	155,000	-35,000		-120,000						0
Transfer Income & Expenditure to CW Reserve	-55,719						55,719			0
Transfer Pension Reserve to Income & Expenditure	96,000								-96,000	0
Actuarial Losses on Pension Fund									-562,000	
Transfer - Mobile Plant to Fixed Plant			-513,082	513,082						0
Transfer General Reserve to Fixed Plant	-550,000			550,000						0
Equipment Written off to Reserve						-2,946				-2,946
Closing Reserves 31st March 2009	492,383	202,031	210,001	1,412,577	13,766	143,639	239,978	698,000	-2,261,000	1,151,375

Independent auditor's report to the Members of the South Holland Internal Drainage Board

Opinion on the financial statements

We have audited the accounting statements and related notes of the South Holland Internal Drainage Board for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Movement on Reserves, the Statement of Total Recognised Gains and Losses and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the South Holland Internal Drainage Board in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the South Holland Internal Drainage Board and the Board's directors' as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board and auditor

The Board's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Accounts and Audit Regulations 2003, as amended, are set out in Governance and Accountability in Internal Drainage Boards in England: A Practitioner's Guide 2006, revised by the Association of Drainage Authorities in November 2007.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Board's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Accounts and Audit Regulations 2003, as amended, of the financial position of the Board and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Governance and Accountability in Internal Drainage Boards in England: A guide for Practitioners 2006' published by the Association of Drainage Authorities. We report if it does not comply with proper practices specified by the Association of Drainage Authorities or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

We read other information published with the Board accounting statements, and consider whether it is consistent with the audited Board accounting statements. This other information comprises the content of the Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Board accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Board's accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Board in the preparation of the Board's accounting statements and

related notes, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Board's accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Board accounting statements and related notes.

Qualified opinion

In our opinion, the Board's financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements, of the financial position of the Board as at 31 March 2009 and its income and expenditure for the year then ended other than in respect of:

- accounting for fixed assets where the Board has not included its Pumping Stations on the Balance Sheet. This has led to a material misstatement of the Board's Balance Sheet.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Board's Responsibilities

The Board is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Board for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Board has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Board's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and identified the following:

- the Board's accounts opinion has been qualified as a result of not recording its pumping stations on the balance sheet
- There is limited evidence of reporting financial and non-financial performance throughout the year.
- the Board introduced a risk register during the year which was reviewed only once. We do not therefore consider that the Board regularly reviews its risk register.

Having regard to the relevant criteria for other local government bodies specified by the Audit Commission and published in 2009, we are satisfied that, in all significant respects the South Holland Internal Drainage Board made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 except that it did not put in place arrangements for:

- ensuring that its financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people
- managing its risks and maintaining a sound system of internal control.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Paul Winrow, Senior Statutory Auditor

For and on Behalf of Grant Thornton UK LLP

Byron House, Cambridge Business Park, Cowley Road, Cambridge, CB4 0WZ

9 February 2010