

KING'S LYNN

INTERNAL DRAINAGE BOARD



King's Lynn
Drainage Board

**FINAL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDING
31ST MARCH 2020**

Pierpoint House
28 Horsleys Fields
Kings Lynn
Norfolk
PE30 5DD

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Narrative Statement

Annual Report

About the King's Lynn Internal Drainage Board

The King's Lynn IDB is an independent body created under Land Drainage Statutes responsible for flood defence, drainage and water level management works, other than on main rivers, in the King's Lynn IDB area. Board Members are either elected by and represent the occupiers of land in the area, or are appointed by Kings Lynn and West Norfolk Borough Council and Fenland District 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 and sea defences that protect the drainage district. In 2017/18 the Board took out a Public Works Loan for £10million, to assist funding two large capital works projects for the Wolferton and Islington Pumping Stations to proceed. These two projects have also been partially funded by the Environment Agency in the form of grant, on the provision that certain conditions and obligations are met by Kings Lynn IDB.

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

This document is the Statement of Accounts of Kings Lynn IDB for the financial year ended 31st March 2020. 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(s) who are responsible for the proper administration of the Board's financial affairs.

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 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, the fixed and net current assets employed in its operation, together with summarised information of the fixed assets held. This statement also includes the assets and liabilities of the Board.

The Statement of Movement on Reserves

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

The Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operation of the authority are funded by way of rate payers, special levies, grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

Summary of Financial Performance

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

1. **Surplus:** The Board made a surplus of £442,109, compared to an estimated deficit of £5,933,377. This was for a number of reasons, however a net change of £6.5million for expenditure/grant receivable against the two pumping stations is the biggest fluctuation. The change is due to requirements to use accounting policies as determined by moving into a principal authority audit. We would usually recognise the spend as it is incurred and recognise grant income relating to this spend in the same period. The requirements for this year and the next two years will be to capitalise the pumping stations on completion (IAS16/IPSAS28) and recognise the grant income once all of the obligations and conditions imposed by the grant have been met (IAS20/IPSAS23). Both income and expenditure will be recognised in the same financial period once all the relevant criteria have been met. The Board secured £118,000 of development contributions in the period, and achieved £23,000 more interest on investment than forecast. Interest rates dropped significantly late March 2020 due to the effects of COVID-19.
2. **Liquidity:** Cash surpluses have decreased from £12,072,100 to £11,355,249, as shown in the cash flow statement. This is expected and will decrease further in 2020/21 due the works being undertaken at the Wolferton and Islington Pumping Stations.
3. **Fixed Assets:** During the year the Board purchased a Claas Arion, Tractor, Ford Ranger, 2 x Flail Mowers and 2 x Herder Mowing Buckets at a total cost of £230,342. The Board disposed of an Energreen, tractor and compressor with net loss on disposal of £2,561.
4. **Pension:** The Board's notional pension deficit as administered by Norfolk County Council has reduced from £3,731,000 to £3,045,000 during the year. It is important to note that this balance does not represent the exit cost to the Board of closing down the pension scheme. It is a notional figure calculated by the Fund Actuary based on a number of actuarial assumptions. Both 2018/19 and 2019/20 figures include the McCloud assumption. A full breakdown of these figures and performance is included in Note 37 within the notes to the accounts,
5. **Funding:** The Boards expenditure is mainly funded by cash from annual levies on ratepayers and local Councils. The Board also holds a number of cash reserves. External funding is sought on Capital Improvement Schemes from the Environment Agency, this varies on the type of scheme but is typically 45% or 100%
6. **Revaluations:** The Boards pumping stations were revalued at 31st March 2020, and resulted in small revaluation gain of £5,000 on Islington House.

Five Year Capital Works Programme

As reported and approved by the Board in January of each year, full details of the 5 year capital works programme (along with the full estimates for income and expenditure of the Board) can be found on the website www.wlma.org.uk/uploads/KLIDB_Rate_Estimates_2019-20.pdf. These estimates underline the importance of having adequate reserves (please see the Executive Summary) and detail the funding sources which includes long term debt, flood defence grant in aid and third party contributions, as set out in the Boards Capital Financing and Reserves Policy.

Reserves are expected to reduce significantly over the next few years because of the delivery of the schemes for the new Islington and Wolferton pumping stations.

The Board has adequate reserves to deliver these works and also its maintenance programme with only modest increases of 2% in drainage rates and special levies during the period.

Statement of Responsibilities for the Statement of Accounts

The Board is required:

- 1) 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 Finance and Rating Manager, who was appointed at the Board Meeting of 15th May 2020. This role was previously carried out by the Chief Executive.
- 2) To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 3) Approve the Statement of Accounts.

The Finance and Rating Managers responsibilities:

The Finance and Rating Manager is responsible for the preparation of the Kings Lynn Internal Drainage 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 31st March 2020.

In preparing this Statement of Accounts, the Finance and Rating Manager has:

- 1) selected suitable accounting policies and then applied them consistently;
- 2) made judgements and estimates that were reasonable and prudent;
- 3) prepared the Statement of Accounts in accordance with proper practice as set out in the CIPFA Code of Practice on local authority accounting in the United Kingdom;
- 4) applied the accounting concept of a going concern by assuming the IDB will continue to operate for the foreseeable future.

The Finance and Rating Manager has:

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

The Finance and Rating Managers responsibilities:

I certify that the Statement of Accounts gives a true and fair view of the financial position of Kings Lynn IDB at the reporting date and of its income and expenditure for the year ended 31st March 2020.

Name: Sallyanne Jeffrey
Designation: Finance and Rating Manager/Responsible Financial Officer
Date: 12th December 2024



Annual Governance Statement

As the members of the King's Lynn Internal Drainage Board we acknowledge our responsibility for ensuring that there is a sound system of governance, incorporating the system of internal control, including the preparation of the Statement of Accounts.

The Board provides leadership within a framework of prudent and effective controls, which enables risk to be properly assessed and managed. The Board sets the strategic aims, ensures that the necessary financial and human resources are in place to meet its objectives, and reviews management performance. The Board also sets values and standards, and ensures that the obligations to its stakeholders are understood and delivered. The Board has approved and adopted a governance framework, which may be seen on our website at www.wlma.org.uk/kings-lynn-idb/governance/

We confirm to the best of our knowledge and belief, with respect to the Board's Statement of Accounts for the year end 31st March 2020, that:

- 1) The Statement of Accounts have 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.

The Board has responsibility for conducting a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Officers of the Board who have responsibility for the development and maintenance of the governance environment, and also by comments made by internal and external auditors.

The current Internal Auditors have performed a review of ten key areas, which can be seen in detail in the Internal Audit reported that has been included in this Statement of Accounts. These areas were given an overall assurance of Substantial Assurance.

Signed on behalf of King's Lynn Internal Drainage Board

Signed by: Chief Executive, Mr P J Camamile

Date: 12th December 2024



Signed by: Finance and Rating Manager, Miss S Jeffrey

Date: 12th December 2024



Movement in Reserves Statement

Movement in Reserves Statement for the year ended 31 March 2020

	Usable Reserves						Unusable Reserves				Total Reserves £'000
	General Reserve £'000	Development Reserve £'000	Capital Works Reserve £'000	Plant Reserve £'000	Grant Reserve £'000	Total £'000	Revaluation Reserve £'000	Pension Reserve (KLIDB) £'000	Pension Reserve (KLIDB t/a WMA) £'000	Total £'000	
Balance at 31st March 2019	2,764	1,187	0	2,821	0	6,772	1,908	-3,731	-2,496	-4,319	2,454
Net Surplus/(Deficit)	445					445				0	445
Transfer (to)/from Development Reserve	-118	118				0				0	0
Transfer (to)/from Pension Reserve	179					179		-179		-179	0
Actuarial Gain/(Losses) On Pension Fund						0		865	-292	573	573
Revaluation						0	5			5	5
Balance at 31st March 2020	3,270	1,305	0	2,821	0	7,397	1,913	-3,045	-2,788	-3,920	3,477

Borough Council of
**King's Lynn &
West Norfolk**



FINAL INTERNAL AUDIT REPORT

WATER MANAGEMENT ALLIANCE

**– REVIEW OF EFFECTIVENESS OF SYSTEM OF
INTERNAL CONTROL – 2019-2020**

16th April 2020



Internal Audit Service

This audit has been conducted in accordance with the Accounts & Audit Regulations 2015 and our Audit Charter, and complies with the Public Sector Internal Audit Standards. It should be noted that the assurances provided here can never be absolute, and therefore only reasonable assurance can be provided that there are no major weaknesses in control subject to Internal Audit review (at the time of testing).

The co-operation and assistance of all staff involved is greatly appreciated. This review was conducted by Mike Tweed to whom any query concerning the content of this report should be made to Michael.Tweed@West-Norfolk.gov.uk

The Executive Summary sets out the results of the work carried out and our overall conclusion on the system reviewed, and summarises the key recommendations arising.

Consultation

Draft report issued	15th April 2020
Management agreement received	16th April 2020
Final report issued	16th April 2020

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Executive Summary

Our Assurance Opinion: SUBSTANTIAL ASSURANCE								
No. of Assurances Over Control Areas Reviewed					No. of Recommendations & Priorities			
Full	Substantial	Limited	No	Total	High	Medium	Low	Total
5	5	0	0	10	0	5	1	6

Overall Objective and System Background

The overall objective of the audit was to ensure the effectiveness of the system of internal control operating within the Water Management Alliance (WMA).

The WMA provides administrative and management support services to the five constituent Internal Drainage Boards, namely Broads, King's Lynn, East Suffolk, Norfolk Rivers and South Holland, and to the Pevensey & Cuckmere Water Level Management Board.

Summary of Key Control Issues and Risks

Based upon the work carried out, Substantial Assurance can be given regarding the effectiveness of the system of internal control operating within the WMA. However, some control issues were identified which require attention by management:

- As stated in paragraph 17 in the Financial Regulations, the Finance Officer is required to prepare a Financial Report for each Board meeting; however, review of Board agendas for 2019/20 identified that a Financial Report is not presented to the last Board meeting of each financial year (usually held in January).
- East Suffolk IDB and Pevensey & Cuckmere hold just three Board meetings each year, therefore Board Members are not being kept fully informed of the financial position of their Board during the course of the year.
- King's Lynn General Reserve, which is required to be maintained at no less than £600k, stood at -£27,241 as at 30/09/19.
- Of the timesheets tested, two had not been authorised by the appropriate manager.
- Board Members are not being kept fully informed of the level of assets and investments held during the course of the year. These are included in the Financial Report, which as noted above, is not presented at the last Board meeting each year.

Summary of Key Recommendations

The key recommendations arising from the audit are:

- In accordance with Financial Regulations, Boards should receive a financial report for the year to date at each Board meeting, including the meetings held in January / February, so that Board Members are kept fully apprised of the financial position of the IDB.
- The Boards of East Suffolk and Pevensey & Cuckmere should consider increasing the number of Board meetings that they hold each year from three to four, so as to enable Board Members to be apprised of their Board's financial position during the course of the year.
- King's Lynn IDB should ensure that its General Reserve is maintained at no less than 20-25% of net expenditure, i.e. no less than £600k.
- Finance Officers should ensure that all timesheets have been appropriately authorised prior

to payment. Any that have not been signed should be returned to the appropriate manager for authorisation.

- Board Members should be kept fully apprised during the course of the year of the level of assets and investments held by their respective Board. The Financial Report, which includes details of assets and investments held, should be reported at each Board meeting.

Summary of Agreed Actions

The Finance & Rating Manager has agreed to implement the following actions:

- A full Balance Sheet will be included in the Management Report which is presented to Boards and CMC at their meetings in December, January and February, together with supporting notes.
- All capital works expenditure incurred on the Wolferton and Islington pumping station schemes that has been financed by the PWLB loan of £10m will be capitalised (as opposed to simply shown as expenditure on the face of the Income and Expenditure Account (I&E)). The revenue charge every year (or depreciation) that is shown on the I&E Account will equate to the loan repayment, which will regularise the KLIDB General Reserve.
- Any unauthorized timesheets will be returned to the authorising manager for appropriate authorisation to enable payment to be made.
- Assets and investments will be included in the Balance Sheet as part of the Management Report presented to Boards and CMC in December, January and February.

The Chief Executive will put the recommendation to the Boards of East Suffolk and Pevensey & Cuckmere that they consider increasing the number of Board meetings each year from three to four.

2. Objective & Scope

2.1 The overall objective of the audit was to ensure the effectiveness of the system of internal control operating within the Water Management Alliance (WMA).

2.2 The audit involved the following:

- Creditors – sample testing of purchase orders and invoice payments for appropriate authorisation in accordance with Financial Regulations.
- Risk Management - reviewing Board minutes for evidence of review of Risk Register at regular intervals; reviewing each Board's Risk Register for expected and relevant risks.
- Budgetary Control – reviewing Board minutes for evidence that budgets for the year ahead are set and that monitoring reports are presented to the Board on a regular basis with analysis of any variations. Checking that financial reporting to Boards is in accordance with Financial Regulations.
- Reserve's Policy – reviewing each Board's Reserves Policy for adequacy and assessing whether each Board's reserves are appropriate.
- Income – reviewing the system for the receipt and banking of income; test checking a sample of income receipts for evidence of prompt and correct banking, and that VAT is accounted for correctly.

-
- Petty Cash – reviewing the petty cash system and the appropriateness of payments made out of petty cash for appropriateness.
 - Payroll – sample testing of payroll records for correct authorisation of timesheets and correct application of PAYE/NIC deductions.
 - Assets & Investments – reviewing the process for monitoring and reporting investments and assets, ascertaining each Board's current investments and where they are held. Tracing a sample of investments back to source documents for appropriate authorisation. Reviewing the process for the monitoring and reporting of cash flow, ensuring that cash flows are maintained at an appropriate level.
 - Cashbook & Bank Reconciliations – sample testing of the reconciliation of each Board's cashbook to their bank statements, checking that any discrepancies are identified, investigated and explained, and that corrective action is taken. Checking that all bank accounts have remained in credit throughout the whole year.
 - Year End Procedures – checking that accounting statements prepared during the year were prepared using the correct accounting basis.
- 2.3 Recommendations arising from the previous audit were followed-up to ensure their implementation by management.
- 2.4 The audit review was undertaken in liaison with the Finance & Rating Manager and consisted of discussions relating to the operation of the internal control processes, review of relevant documentation and sample testing of specific transactions.
- 2.5 Due regard was taken of the guidance issued on 30th March 2019 by the Joint Practitioners' Advisory Group (JPAG), "Governance and Accountability for Smaller Authorities in England – A Practitioners Guide to proper practices to be applied in the preparation of statutory annual accounts and governance statements (March 2019)" and "Good Governance for IDB Members" published by the Association of Drainage Authorities (ADA) in November 2018.
- 2.6 Following completion of the audit, Internal Audit completed section 4 of the Electronic Annual Governance and Accountability Return for 2019/20 for each of the six Boards.
- 2.7 The review was undertaken during March and April 2020.

3. Background Information

- 3.1 The WMA provides administrative and management support services to the five constituent Internal Drainage Boards, namely Broads, King's Lynn, East Suffolk, Norfolk Rivers and South Holland, and to the Pevensey & Cuckmere Water Level Management Board.

4. Our Opinion

- 4.1 On the basis of the work undertaken, management can be provided with an overall opinion of “Substantial Assurance” regarding the effectiveness of the system of internal control operating within the WMA.

OVERALL INTERNAL AUDIT OPINION: SUBSTANTIAL ASSURANCE	
Control Objectives	Assurance Opinion
1. Creditors - To ensure that all orders have been raised and payments processed in accordance with Financial Regulations.	Full
2. Risk Management – To ensure that the authority has assessed the significant risks to achieving its objectives and has reviewed the adequacy of the arrangements to manage these.	Full
3. Budgetary Control - To ensure that robust controls exists regarding the budget setting and monitoring process, and that budgets are set for the year ahead and are monitored throughout the year, with any variances identified and explained adequately.	Substantial
4. Reserve’s Policy - To ensure that each Board has a Reserves Policy in place relating to capital financing and reserves, and that reserves are appropriate.	Substantial
5. Income – To ensure that expected income is fully received, based on correct prices, properly recorded and promptly banked, and that VAT is appropriately accounted for.	Substantial
6. Petty Cash - To ensure that petty cash provisions are reasonable, used in accordance with Financial Regulations and that adequate records are kept of payments made.	Substantial
7. Payroll - To ensure that salaries and wages have been paid correctly, and that PAYE and NIC have been paid over to HMRC correctly and in a timely manner.	Full
8. Assets & Investments - To ensure that investments and assets are properly recorded, that reimbursements and interest are received promptly and in full, and that cash flows are maintained at an adequate level.	Substantial
9. Cashbook & Bank Reconciliations - To ensure that regular monthly reconciliations are carried out by a responsible officer and that this is evidenced. To ensure that any discrepancies are investigated and explained, and that corrective action is taken where necessary.	Full
10. Year End Procedures – To ensure that accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cashbook, supported by an adequate audit trail and, where appropriate, debtors and creditors were properly recorded.	Full

- 4.2 The detailed findings and recommendations arising from the review are attached as Appendix A, incorporating the agreed management actions and due dates for their implementation.

- 4.3 A total of 14 recommendations were made arising from last year's review; as part of this current year's audit these were followed-up to ensure that they had been implemented by management. The results of the follow-up are attached as Appendix B. Of the 14 recommendations, 10 have been actioned, three partly actioned and one did not require any action to be taken by management. The three recommendations which are currently in the process of being implemented are:
- Physical verification of assets is in progress; not completed for the WMA Eastern Boards due to Covid-19 outbreak;
 - As at 4th March 2020, out of a total of 152 Members across all six Boards, 13 (9%) had not filed a declaration of interest return and six (5%) had not completed the return fully;
 - Norfolk Rivers and East Suffolk IDB have agreed to reduce the number of Members; Broads IDB decided not to reduce the number of their Members.
- 4.4 Appendix C provides definitions of the Internal Audit assurance opinions given in the report and of the recommendation priorities.
- 4.5 The Terms of Reference for the review are attached as Appendix D.

5. Reporting

- 5.1 A copy of the final report will be sent to the Chief Executive of the Water Management Alliance.

6. Acknowledgements

- 6.1 Internal Audit would like to express our thanks to the following for their assistance during the course of the audit:
- Sallyanne Jeffrey, Finance & Rating Manager
 - Phil Camamile, Chief Executive
 - Lisa Manning, Senior Finance & Rating Officer
 - Trish Walker, Finance & Rating Officer
 - Amy Taylor, Finance & Rating Officer.

Findings, Risks, Recommendations and Management Action Plan

Control Objective 3: Budgetary Control - To ensure that robust controls exist regarding the budget setting and monitoring process, and that budgets are set for the year ahead and are monitored throughout the year, with any variances identified and explained adequately.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
1.	<p><u>Finding</u> As stated in paragraph 17 in the Financial Regulations, the Finance Officer is required to prepare a Financial Report for each Board meeting; however, review of Board agendas for 2019/20 identified that a Financial Report is not presented to the last Board meeting of each financial year (usually held in January). For example, the Board of Broads IDB considered and approved the Financial Report for 2018/19 at their meeting in May 2019, the Financial Report for April – June 2019 in August 2019 and the report for April – September 2019 in October 2019. At their meeting in January 2020, the Board did not receive a financial report for the year to date. Similarly, under consortium matters, the Board received a WMA Financial Report at each meeting in May, August and October but not in January 2020.</p> <p><u>Risk</u> Risk that Board Members are not fully apprised of the financial position of their Board during the course of the year.</p>	In accordance with Financial Regulations, Boards should receive a financial report for the year to date at each Board meeting, including the meetings held in January / February, so that Board Members are kept fully apprised of the financial position of the IDB.	Medium	<p>A Management Report containing financial information is presented to the Boards and to the CMC for their meetings in December, January and February, but it only includes detailed Income and Expenditure for the purposes of budgeting and rate setting, and does not include a Balance Sheet.</p> <p>The Earmarked Balances and Reserves are also included in the Management Reports, along with a five-year indicative forecast.</p> <p>We will include a full Balance Sheet with these Management Reports, together with supporting notes, moving forward (please also see rec 6).</p>	<p>Finance and Rating Manager</p> <p>December 2020, January and February 2021.</p>
2.	<p><u>Finding</u> King's Lynn IDB Board reviewed the Financial Report for the period April 2019 to January 2020 at their meeting on 13th March 2020; their next meeting is on 15th May 2020. King's Lynn hold Board meetings every six months, whereas</p>	The Boards of East Suffolk and Pevensey & Cuckmere should consider increasing the number of Board meetings that they hold each year from three to four, so as to enable Board Members to be apprised	Medium	I will put this to both Boards when they next meet, but doubt they will agree or consider it to be necessary.	<p>Chief Executive</p> <p>June 2020</p>

Findings, Risks, Recommendations and Management Action Plan

Control Objective 3: Budgetary Control - To ensure that robust controls exist regarding the budget setting and monitoring process, and that budgets are set for the year ahead and are monitored throughout the year, with any variances identified and explained adequately.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
	<p>the other IDBs have only three or four Board meetings each year; for example, East Suffolk only has three meetings a year and their next meeting is not until 17th June 2020. Therefore, Boards are not being fully appraised of the financial position of the IDB frequently enough.</p> <p><u>Risk</u> Risk that Board Members are not being appraised of the financial position of the Board frequently enough.</p>	of their Board's financial position during the course of the year.		<p>We keep all of our Board members apprised of relevant matters between meetings by newsletters and emails.</p> <p>In fact both of these two Boards have actually asked for less financial information in future, as has been recorded in the Boards minutes (with P&CWLMB expressly requesting that we only report by exception from now on).</p>	

Findings, Risks, Recommendations and Management Action Plan

Control Objective 4: Reserves – To ensure that each Board has a Reserves Policy in place relating to capital financing and reserves, and that reserves are appropriate.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
3.	<p>Finding</p> <p>Each IDB aims to maintain their General Reserve at a level commensurate with their net expenditure:</p> <ul style="list-style-type: none"> • Broads – no less than 20% of net expenditure i.e. £200k • East Suffolk – between 20-25%; no less than £50k. • King’s Lynn – 20-25%; no less than £600k. • Norfolk Rivers – not less than 25%; i.e. £100k. • South Holland – 20-25%; i.e. £600k. • Pevensey & Cuckmere – 20%. <p>Point 4.6 in the Reserves Policy states that “as a minimum, the Board’s Reserves (net of grant) should not fall below one year’s net expenditure, as set out in ADA’s Guide to Good Governance”. Therefore, each IDB aims to maintain their Reserves at the following levels:</p> <ul style="list-style-type: none"> • Broads - £1m • East Suffolk - £1m • King’s Lynn - £3m • Norfolk Rivers - £0.85m • South Holland – £3.25m • Pevensey & Cuckmere - £0.55m. <p>Analysis of each Board’s Reserves (as at 31/09/19) identified that all Boards were maintaining their reserves at appropriate levels, and were complying with 4.6 in the Reserves Policy. However, it is noted that the King’s Lynn General Reserve, which is required to be maintained at no less than £600k, stood at -£27,241 as at 30/09/19.</p>	King’s Lynn IDB should ensure that its General Reserve is maintained at no less than 20-25% of net expenditure, i.e. no less than £600k.	Medium	<p>It will be at the end of the financial year when we prepare the statutory accounts.</p> <p>All capital works expenditure incurred on the Wolferton and Islington pumping station schemes that has been part-financed by the PWLB loan of £10m will be capitalised (as opposed to simply shown as expenditure on the face of the Income and Expenditure Account (I&E)).</p> <p>The revenue charge every year (or depreciation) that is shown on the I&E Account will equate to the PWLB loan repayment, which will regularise the General Reserve.</p>	<p>Finance and Rating Manager</p> <p>15 May 2020</p>

Findings, Risks, Recommendations and Management Action Plan

Control Objective 5: Income – To ensure that expected income was fully received, based on correct prices, properly recorded and promptly banked, and that VAT was appropriately accounted for.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
4.	<p><u>Finding</u> Each Board has the same Drainage Rates & Special Levies Collection Policy. With the exception of Pevensey & Cuckmere's policy, each Board's policy has passed its stated review date. The policy was reviewed in May/June 2014 and was next due to be reviewed in October/November 2019 i.e. the policy is reviewed every five years. The Pevensey & Cuckmere policy was reviewed on 31st October 2017 and is next due for review in October 2022.</p> <p><u>Risk</u> Risk that the Rate Levies & Collection Policy is out of date and not fit for purpose.</p>	Each Board's Rate Levies & Collection Policy should be reviewed and updated/amended as appropriate.	Low	Agreed.	<p>Chief Executive</p> <p>Next face-to-face meeting of the Boards.</p>

Findings, Risks, Recommendations and Management Action Plan

Control Objective 7: Payroll - To ensure that salaries and wages have been paid correctly, and that PAYE and NIC have been paid over to HMRC correctly and in a timely manner.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
5.	<p><u>Finding</u></p> <p>Payrolls for King's Lynn, Norfolk Rivers, South Holland and Broads IDB, and for WMA, for July 2019 and January 2020, were checked to ensure that:</p> <ul style="list-style-type: none"> • BACS Submission Details report had been initialled by CEO; • Update Records Check Report payroll totals for each employee agreed to their payslip; • Payslip details agreed to timesheet or expenses sheet; • Timesheet or expenses sheet signed by employee; • Timesheet or expenses sheet authorised by the appropriate officer. <p>The following exceptions were identified:</p> <ul style="list-style-type: none"> • C. Rowley (South Holland) claimed three non-taxable miles on his timesheet for w/e 30/12/19 for which he was not paid; • M. Norman (King's Lynn) claimed a total of 31.2 basic hours on his timesheet for w/e 15/06/19 but was only paid for 30.2 hours; • A. Cullingford's (Broads) timesheet for w/e 21/06/19 was not authorised (out of a total of 21 timesheets tested); • J. Voutt's (King's Lynn) timesheet for w/e 29/12/19 was not authorised (out of 30 timesheets tested). <p>The two underpayments were discussed with the Finance & Ratings Manager who agreed to update the payroll so that the two employees receive their full entitlement.</p>	<p>Finance Officers should ensure that all timesheets have been appropriately authorised prior to payment. Any that have not been signed should be returned to the appropriate manager for authorisation.</p>	Medium	Agreed.	<p>Finance and Rating Manager</p> <p>With immediate effect.</p>

Findings, Risks, Recommendations and Management Action Plan

Control Objective 8: Assets and Investments - To ensure that investments and assets are properly recorded, that reimbursements and interest are received promptly and in full, and that cash flows are maintained at an adequate level.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
6.	<p><u>Finding</u> Investments and assets are reported to the Board in the Financial Report, which, as mentioned above at 3.1, is not reported to each of the Boards at their Board meeting held in January / February each year. Therefore, Board Members may not be kept fully apprised during the course of the year of the current level of assets and investments held by their respective Board.</p> <p><u>Risk</u> Board Members are not kept fully apprised of the level of assets and investments held by the Board.</p>	Board Members should be kept fully apprised during the course of the year of the level of assets and investments held by their respective Board. The Financial Report, which includes details of assets and investments held, should be reported at each Board meeting.	Medium	Agreed, as per recommendation 1.	<p>Finance and Rating Manager</p> <p>December 2020, January and February 2021.</p>

Follow-up of Previous Report's Recommendations

Control Objective 5: To ensure that a robust framework is in place demonstrating compliance with GDPR and DPA 2018.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
1.	<u>Finding</u> The Risk Management Policy does not state the frequency of review, who it is to be reviewed by and when it is next due for review. The policy was last reviewed in January 2017 and is generally reviewed by the Board every three years, or earlier if there are any changes advised by the JPAG Practitioners' Guide.	The Risk Management Policy should state how often it should be subject to review, who it is reviewed by (i.e. the Board) and when it is next due for review.	Low	Agreed. RMP has been updated and the new front pages of the policy uploaded to the WMA website for all six Boards.	Phil Camamile, CEO WMA. Completed.	Actioned. Front sheet of each Board's RMP state: <ul style="list-style-type: none"> • Date last updated – January 2017 (to be reviewed every 5 years); • Next review date – January 2022; • Reviewed by the Board. South Holland's RMP states that it was last reviewed in November 2016 and is next due for review in November 2021.
2.	<u>Finding</u> Each Board's Risk Register only gives the current risk score; they do not give the target risk score i.e. the risk score which the organisation is working towards. By showing both target and current risk scores, it can be seen if any progress has been made in mitigating each risk. It is not clear who the responsible officer is for addressing each risk. The Good Governance Guide for IDB Members (Nov 2018) states, at 10.2.2, that the IDB's Risk Register should	Management should consider enhancing the format of each Board's Risk Register so that it includes the following details: <ul style="list-style-type: none"> • Strategic objectives; • Risks – key risks to achieving strategic objectives; • Key controls – those controls/systems currently in place to mitigate each risk; 	Low	The CEO stated to Internal Audit that the Risk Registers used to be laid out in the format as recommended, but that in 2017 it was decided to change them to follow the "simpler" format set out in Section 5, Appendix 1 of the JPAG Practitioner's Guide 2017. The Risk Registers do still show the strategic objectives agreed by the five Boards every year and all risks are linked to these objectives.	No required action.	The "simpler" format of the Risk Register is appended to each Board's RMP.

Follow-up of Previous Report's Recommendations

Control Objective 5: To ensure that a robust framework is in place demonstrating compliance with GDPR and DPA 2018.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
	<p>assign ownership for each risk. The ADA Risk Management Strategy & Policy template includes a suggested format for a Risk Register, which differs to the format currently used by each Board. The ADA Risk Register includes the following column headings:</p> <ul style="list-style-type: none"> • Strategic objectives • Risks • Key controls – what controls/systems are in place to mitigate these risks? • Assurances on controls – what evidence shows controls / systems are effective? • Risk score • Gaps in controls – where are there no controls or ineffective controls? • Gaps in assurance – where is further evidence of effective control required? • Action plan – what should we do to rectify the situation? • Responsible officer / implementation date. 	<ul style="list-style-type: none"> • Assurances on controls – evidence demonstrating that the systems and controls in place are effective in mitigating the risk; • Current risk score; • Gaps in control – where controls are lacking or are ineffective; • Gaps in assurance – where is further evidence of effective control required? • Action Plan – actions/controls required to meet target risk score; • Target risk score • Officer responsible for implementing required actions; • Due date for reaching target risk score; • Update on required actions/controls; • Current status. 		<p>Following guidance received from External Audit, it has been decided to keep the current format of the Risk Registers (following the JPAG best practice guidance). However, the CEO is to raise the possibility of amending the current risk register format with JPAG.</p>		

Follow-up of Previous Report's Recommendations

Control Objective 5: To ensure that a robust framework is in place demonstrating compliance with GDPR and DPA 2018.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
3.	<p><u>Finding</u></p> <p>From benchmarking the WMA's Data Protection Policy against a sample of Borough Councils' own such policies, there are a number of areas which are not included in the WMA policy:</p> <ul style="list-style-type: none"> Risks to compliance with DPA/GDPR, such as accidental or deliberate breach of data protection, potential sanctions imposed against WMA by the ICO as a result of loss or misuse of data, and potential legal action from data subjects following a breach. Staff responsibilities regarding data protection/GDPR. Duties of the Data Protection Officer. Data Breaches – brief mention in the policy but the procedure for dealing with data breaches is not included. Breach of policy by a Member or staff – the WMA policy does not state that failure to comply with the policy could amount to misconduct, which could be a disciplinary matter, leading to the dismissal of staff, and serious breaches could result in personal criminal liability. Breach of the policy by a Member would be a potential breach of the Members' Code of Conduct. A data protection breach could lead to individual officers or Members being prosecuted under GDPR, not just WMA. 	<p>The WMA Data Protection Policy should be enhanced by including the following:</p> <ul style="list-style-type: none"> Risks of non-compliance; Staff responsibilities relating to Data Protection and GDPR; Process for dealing with data breaches; Breach of policy by staff or Member; Duties of DPO. 	Low	Agreed. The Data Protection Policy document will be revised to include the points as recommended at the next scheduled policy review.	Phil Camamile, CEO WMA. 31 st December 2019	<p>Actioned.</p> <p>Data Protection Policy was reviewed in July 2019; it is next due for review in July 2024.</p> <p>Point 1.4 of the policy outlines the responsibilities of employees.</p> <p>Appended to the policy is a Data Breach Questionnaire which is required to be completed and sent to the DPO if a data breach occurs.</p> <p>The duties of the DPO are briefly referred to in section 4 – Data Handling, which states that each WMA Member Board shall have an appointed DPO who will be the point of contact for any data protection or personal data, processing and/or queries.</p> <p>Section 4.6 of the Information Security Systems Acceptable Use Policy states that failure to comply with the policy could lead to disciplinary action being taken and serious breaches could also result in personal criminal liability, with individual officers and/or members being prosecuted. At the request of Internal Audit, the CEO has agreed to include a paragraph regarding any breach of the policy in the Data Protection Policy.</p>

Follow-up of Previous Report's Recommendations

Control Objective 5: To ensure that a robust framework is in place demonstrating compliance with GDPR and DPA 2018.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
4.	<u>Finding</u> According to a spreadsheet provided to Internal Audit, of the 32 members of staff at WMA who are required to undertake GDPR training, only 11 to date have completed the online training. However, the CEO and Data Manager have given guidance/training on GDPR compliance to all of the other staff shown in the spreadsheet at a number of Internal Best Practice meetings, which are held quarterly. Therefore, most staff and all Line Managers are therefore aware of the requirements of GDPR and the Information Security & Systems – Acceptable Use Policy, as it affects them.	All relevant members of staff should receive appropriate training in GDPR and Data Protection.	Low	All of the key staff have had GDPR training. Those staff that have yet to receive any external training as shown in the spreadsheet will receive an appropriate “lower level” of training in due course, but it is not a priority for them because of the nature of their roles. Not everyone in the spreadsheet has access to personal data.	Phil Camamile, CEO WMA. 31 st December 2019	Actioned. All staff have now had GDPR training and Cyber Security Training, which has been provided by an external consultant (please see the Certificates of Attendance and Invoice attached).
5.	<u>Finding</u> WMA does not have a written policy/procedural document describing the process to be followed in the investigation and reporting of data breaches. At present, WMA refers to the ICO website guidance with regards to reporting a data breach.	Management should consider compiling a written policy/procedure detailing the process to be followed in the investigation and reporting of data breaches.	Low	Agreed, although this is covered briefly in the Information Security & Systems - Acceptable Use Policy (particularly 4.4).	Phil Camamile, CEO WMA. 30 th September 2019	Actioned. The WMA now has separate Data Breach Procedures which cover this.

Follow-up of Previous Report's Recommendations

Control Objective 6: To ensure that asset registers are complete, accurate and properly maintained, that stock is held securely, and that robust security of assets is in place.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
6.	<u>Finding</u> The JPAG Practitioners' Guide (March 2018) at point 5.57 lists the key information which is needed in an asset register. This recommends that an asset register should include the location of the asset and the responsible officer (the guidance states that it may be appropriate to assign responsibility for each asset to members of staff). It is noted that the Boards' asset registers do not include location or responsibility. However, assets listed in the Fixed Asset Register are either located at each Board's depot or working in/alongside the infrastructure within the drainage district.	In accordance with the JPAG guidance, each Board's asset register should include location of the asset and the officer responsible for each asset.	Low	Agreed, although each Board's Financial Regulations clearly state who is responsible for its tangible fixed assets (Section R: Security).	Phil Camamile, CEO WMA. 30 th September 2019	Actioned. All Fixed Assets have been assigned to a responsible officer, and their location and assignment will be shown on the month 12 financial report for 2019/20, and on all financial reports in future, moving forward.
7.	<u>Finding</u> There is a lack of evidence of an annual physical verification of assets, listed on each Board's asset register, taking place. Point J.4 of the Financial Regulations states that at least once a year, the Finance Officer will confirm the accuracy of the fixed asset register by carrying out a physical inspection of the Board's assets. Some managers do	In accordance with the Financial Regulations, an annual physical verification of all assets recorded on each Board's Fixed Asset Register should be undertaken so as to confirm the accuracy of the register.	Medium	Agreed. A process of undertaking annual checks of assets held at each depot will be introduced. This will include the verifying of asset IDs and taking photographs of assets, evidencing the checking process.	Phil Camamile, CEO WMA. 30 th September 2019	Partially Actioned (not completed for all Boards due to COVID-19) Full physical verification of fixed assets for SHIDB and KLIDB have been completed. The Senior Finance & Rating Officer alongside the Operations Manager for

Follow-up of Previous Report's Recommendations

Control Objective 6: To ensure that asset registers are complete, accurate and properly maintained, that stock is held securely, and that robust security of assets is in place.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
	check their assets periodically; however, this is not evidenced. Monthly financial reports, which include the Board's asset register, are sent to each manager; therefore, managers should be aware of the assets they are responsible for.					each Board enacted this. This will happen annually at an agreed time. This has only been partially actioned and not completed for the WMA Eastern Boards due to the restrictions of COVID-19 (this was planned for March 2020).
8.	<u>Finding</u> WMA maintain an inventory of IT equipment held by staff; however, there is a lack of assurance that the inventory is up to date. The Data Manager is currently undertaking an audit of IT equipment such as laptops, phones and printers provided to staff for use in their work, which they may have at home. An email was sent to relevant staff asking them to confirm details of any such items held by them; to date, only a few have replied back. It should be noted that this only applies to the three WMA Eastern Boards where most staff work from home; it does not apply to the other three Boards.	The inventory of IT equipment held by staff for their use at home should be updated. This should be referenced when staff leave the organisation to ensure that all such equipment is returned.	Low	Agreed.	Phil Camamile, CEO WMA. 30 th September 2019.	Actioned. Inventory Register has been updated during the year.

Follow-up of Previous Report's Recommendations

Control Objective 7: To ensure that robust governance arrangements are in place.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
9.	<u>Finding</u> Board Members are not required to make an annual declaration of interests; a new form is required for each new term of office i.e. every three years. However, it has been made clear to Members that the requirement for ensuring their details are correct rests with them; this is included in the Members' Code of Conduct (section 13) and on the first page of the Declarations of Interest Form (item 1).	In the absence of Members submitting an annual declaration of interests form, an email should be sent to each Member each year asking them to confirm their current declaration as being correct and up to date. Members should be given 28 days to respond; if no response is forthcoming, the assumption can be made that there is no change. However, it should be made clear to Members that the requirement for ensuring that their details are correct rests with them.	Low	Agreed; an email will be sent to all Board Members every year.	Phil Camamile, CEO WMA. 31 st December 2019	Actioned. Declarations of Interest (DoI) Logs have been completed. Further evidence of emails that have been sent to Board Members can be provided on request.
10.	<u>Finding</u> A review was undertaken of the declaration of interest's forms filed by Members on each Board's website. This identified that of the 142 current members across the 6 Boards, only 93 members (65%) had submitted a fully and correctly completed declaration of interests form; 14 members had not filed a return and 35 had not completed the form correctly/fully. At the top of the form it clearly states that where a	All Members should complete a declaration of interests form for each new term of office i.e. every three years.	Low	Agreed. Members are always asked to submit a declaration of interest form and most do. Due to a lack of resources, the website is not always kept up to date. The CEO has been through all of the Dols received during the last financial year and has updated the website.	Phil Camamile, CEO WMA. Completed	Partly Actioned. Members' Dols for each Board were reviewed on the website (as at 4 th March 2020). Out of a total of 152 Members across all six Boards, 13 (9%) had not filed a return and 8 (5%) had not completed the return fully. This is broken down as follows:

Follow-up of Previous Report's Recommendations

Control Objective 7: To ensure that robust governance arrangements are in place.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
	<p>question does not apply then the member should put "NONE" and that they should not leave any boxes blank. One member had only signed and dated the form, leaving all of the questions blank; another had answered just one question, leaving the rest blank. Several members had left some questions blank, while others had crossed through a question rather than writing "NONE". All forms had been signed.</p> <p>Members are required to complete a declaration of interest form every 3 years i.e. at each new term of office. However, several forms were identified dating longer than that, typically from 2015, although one appeared to date from 2011, and another from 2013. It should be noted that Members are also required by law to declare an interest in any of the business being transacted at each Board meeting (this is a standard agenda item); such declarations are regularly made and always minuted.</p>					<ul style="list-style-type: none"> • Broads – 4 (appointed) Members out of a total of 39 had not yet filed a return; of those DoIs filed, all had been completed fully, and signed and dated. • East Suffolk – 1 not completed fully; 3 (appointed) Members not filed a return (out of a total of 23). • King's Lynn – 3 not completed fully; 1 (appointed) Member not filed a return (21 Members in total). • Norfolk Rivers – 2 not completed fully; 2 not filed a return (out of 31 Members). • South Holland – 1 not completed fully; 2 (appointed) Members not filed a return (21 Members in total). • Pevensey & Cuckmere –

Follow-up of Previous Report's Recommendations

Control Objective 7: To ensure that robust governance arrangements are in place.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
						1 not completed fully; 1 (appointed) Member not filed a return (17 Members in total).
11.	<p>Finding</p> <p>A total of eight declarations of interest (DoI) forms had been filed under the wrong member on the Broads website relating to Appointed Members; the forms had been filed out of sequence, with each member's form filed under the name of the member listed below them. In addition, for one appointed member who had not filed a return, their entry contained a copy of a form relating to someone else who is not shown on the current list of members.</p>	<p>Completed declaration of interests forms should be filed under the correct Member on each Board's website.</p> <p>Management should consider removing the DoI forms from the website so as to prevent similar errors happening in the future. The CEO informed Internal Audit that no other IDB publishes its Members' Dols o their website.</p>	Low	<p>Agreed. The CEO has been through the Dols of elected and appointed members for all Boards to ensure that they are current and correct, and has uploaded them onto the website. These were checked by Internal Audit (on 29/04/19) and no errors were found.</p>	<p>Phil Camamile, CEO WMA. Completed.</p>	<p>Actioned.</p> <p>As at 4th March 2020, the eight Dols, identified in the previous report as being filed under the wrong Member, were now filed correctly on the website.</p>
12.	<p>Finding</p> <p>The Employees' Code of Conduct states that any gift or hospitality valued at more than £25 must be declared in the Register of Gifts & Hospitality. The Members' Code of Conduct does not mention such a limit. The Register of Members' Interests Form states the</p>	<p>The same de-minimus limit, above which a gift or hospitality must be declared, should be stated in the Employees' and Members' Codes of Conduct and in the Register of Members' Interests Form.</p>	Low	<p>Agreed. The correct de-minimus figure is £30; this figure was changed by all of the Boards a few years ago and the revised Members Code of Conduct does not appear to have been uploaded to the WMA website. The CEO has updated the</p>	<p>Phil Camamile, CEO WMA. Completed.</p>	<p>Actioned.</p> <p>Each Board's Members' Code of Conduct states the de-minimus figure of £30.00 (section 9(6a)(viii)).</p> <p>The Employees Code of</p>

Follow-up of Previous Report's Recommendations

Control Objective 7: To ensure that robust governance arrangements are in place.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
	limit at £30.			Members Code of Conduct for each Board to reflect the current figure of £30 and uploaded the new documents to the website.		Conduct states that any gift or hospitality valued at £30 or more must be declared (2.3.1).
13.	<p>Finding</p> <p>Some key governance policies do not state when they were last reviewed, frequency of review or when they are next due for review. . However, it should be noted that most policies do have the Date Last Reviewed and Next Review Date on the first page of the policy.</p> <p>Key governance documents should be reviewed every three to five years; however, the Whistleblowing Policy has not been reviewed since January 2008.</p>	Key governance documents should state when they were last reviewed, by whom (i.e. the Board) and when they are next due to be reviewed. Any document which has not been reviewed within the last five years should be reviewed.	Low	<p>Agreed. All governance policies will be updated so that they state on their front page Date Last Reviewed and Next Review Date.</p> <p>Most governance policies are reviewed every three years at the start of a new three year term, after the IBD has had an election. It would appear that the Whistleblowing Policy slipped through the review process; however, all other governance policies are up to date.</p> <p>A register of policies will be compiled listing all Board policies, the date they were last reviewed and date when they are next due for review.</p>	Phil Camamile, CEO WMA. 30 th September 2019.	<p>Actioned.</p> <p>All Governance policies have been updated to state date last reviewed, frequency of review and next review date. Most Governance policies are reviewed every 5 years.</p> <p>Whistleblowing Policy has been updated to state date last reviewed, that it is reviewed every 3 years, and next review date.</p> <p>Broads IDB Whistleblowing Policy was last reviewed by the Board on 12th August 2019.</p>

Follow-up of Previous Report's Recommendations

Control Objective 7: To ensure that robust governance arrangements are in place.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
14.	<p><u>Finding</u></p> <p>There are wide differences in the number of Members each Board has. For example, King's Lynn and South Holland both have 21 Members, whereas Broads has 38 and Norfolk Rivers 29. Attendance at Board meetings is low; typically, only two thirds of Members attend each meeting; at Norfolk Rivers, only half of Members attend Board meetings. ADA's Good Governance Guide (November 2018) states that Defra suggest that IDBs should have 21 Members; it states that "larger IDBs may wish to consider reconstituting to a smaller size, to see fewer vacant seats, more contested elections, and better attendance at meetings".</p>	<p>The membership of Broads, Norfolk Rivers and East Suffolk should be reduced to no more than 21 Members each, as they are geographically much smaller than both King's Lynn and South Holland.</p>	High	<p>Agreed. The CEO will seek to reduce the membership of Broads, Norfolk Rivers and East Suffolk to no more than 21 Members each.</p>	<p>Phil Camamile, CEO WMA. 30th December 2019.</p>	<p>Partly Actioned.</p> <p>As at 4th March 2020, as per their website, Norfolk Rivers had 31 Members (16 Appointed and 15 Elected). At the Board meeting on 15th August 2019, it was agreed that the total number of Board members would be reduced from 31 to 21 (minute ref. 52/19/02). Agreed that the Chief Executive would prepare a map that established 10 new Electoral Divisions (one elected member per division) for consideration at the next meeting (on 17th October 2019), where it was decided that any further suggested changes would be discussed at the following meeting in January 2020. At the Board meeting in January 2020, the Board agreed the 10 Electoral Divisions.</p>

Follow-up of Previous Report's Recommendations

Control Objective 7: To ensure that robust governance arrangements are in place.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date	Follow-up of Agreed Action
						<p>Broads IDB has 39 Members. At the Board meeting on 20th May 2019, the Board decided not to consider reducing the no. of Board members. The Chief Executive "was instructed not to spend any time on preparing reports or on any further consideration of this issue" (minute ref. 32/19/02).</p> <p>East Suffolk has 23 Members. At the Board meeting on 30th October 2019, it was agreed to reduce the total no. of members from 23 to 21 (minute ref. 58/19/02).</p>

Assurance Opinion and Recommendation Priority Definitions

Assurance Opinion

Definition

Full Assurance

In our opinion, there is a **sound** system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.

Substantial Assurance

In our opinion, there is a sound system of internal control operating, but there are a **few weaknesses** which could put the achievement of system objectives at risk.

Limited Assurance

In our opinion, there is a system of internal control with a number of weaknesses likely to **undermine** achievement of system objectives, and which is vulnerable to abuse or error.

No Assurance

In our opinion, there is a **fundamentally flawed** system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Recommendation Priority

Definition

Low

These issues would contribute towards improving the system under review, and are of limited risk. It is expected that corrective action to resolve these will be taken as resources permit.

Medium

A control process that contributes towards providing an adequate system of internal control. It is expected that corrective action to resolve these will be implemented within three to six months.

High

A fundamental control process, or statutory obligation, creating the risk that significant fraud, error or malpractice could go undetected. It is expected that corrective action to resolve these will be commenced immediately.

Internal Audit Service

Borough Council of
**King's Lynn &
West Norfolk**



WATER MANAGEMENT ALLIANCE

**REVIEW OF EFFECTIVENESS OF THE
SYSTEM OF INTERNAL CONTROL
2019 - 2020**

**INTERNAL AUDIT
TERMS OF REFERENCE**

1. INTRODUCTION

- 1.1 This document sets out the strategy and plan for the audit of the Water Management Alliance for the financial year 2019 – 2020.
- 1.2 Section 6 of The Accounts and Audit Regulations 2015 states that ‘*The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control*’.
- 1.3 Internal Audit is defined as ‘*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*’ Public Sector Internal Audit Standards, April 2017.
- 1.4 The Internal Auditor will work in accordance with the Public Sector Internal Audit Standards (PSIAS) adopted by CIPFA from April 2017 and thus will be able to provide the review required by the Regulations.
- 1.5 The authority of the Internal Auditor is established in the Financial Regulations.
- 1.6 The audit work will concentrate on records and systems used by the Water Management Alliance, who provide the financial and administrative functions for the following Internal Drainage Boards:
- Broads
 - East Suffolk
 - King’s Lynn
 - Norfolk Rivers
 - South Holland

and to the Pevensey & Cuckmere Water Level Management Board.

As such, this work will enable the auditor to complete the Annual Governance and Accountability Returns for 2019-20 for all six Boards.

2. OBJECTIVES AND SCOPE OF THE AUDIT

- 2.1 The work of the Internal Auditor will be guided by ‘Governance and Accountability for Smaller Authorities in England – A Practitioners Guide to Proper Practices to be applied in the preparation of statutory annual accounts and governance statements (March 2019)’ published by the Joint Panel on Accountability & Governance (JPAG).
- 2.2 In order to be able to complete section 4 of the Electronic Annual Governance and Accountability Return for 2019-20, the auditor will consider the following internal control objectives (as stated on the return):
- A. Accounting Records
To ensure that appropriate accounting records have been properly kept throughout the financial year.

- B. Financial Regulations and Standing Orders
To ensure that the authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.
- C. Risk Management
To ensure that the authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.
- D. Budgetary Control
To ensure that budgets are prepared on a realistic basis and are monitored throughout the year, any variations are investigated, with corrective action being taken if necessary, and that reserves are appropriate.
- E. Income
To ensure that expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.
- F. Petty Cash
To ensure that petty cash provisions are reasonable, used in accordance with Financial Regulations and that adequate records are kept of payments made.
- G. Payroll
To ensure that salaries to employees and allowances to Members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.
- H. Assets and Investments
To ensure that investments and assets are properly recorded, that reimbursements and interest are received promptly and in full, and that cash flows are maintained at an adequate level.
- I. Cashbook and Bank Reconciliations
To ensure that periodic and year-end bank account reconciliations are properly completed and verified.
- J. Year End Procedures
To ensure that accounting statements prepared during the year were prepared on the correct accounting basis, agreed to the cash book, supported by an adequate audit trail and, where appropriate, debtors and creditors were properly recorded.

2.3 Last year's audit reviewed the following areas:

- Accounting Records
- Financial Regulations and Standing Orders
- Risk Management
- Income
- Payroll
- Year-End Procedures
- Asset Management
- GDPR and Data Protection Act 2018
- Board Members' Declarations of Interest

- Write-offs
- Succession Planning.

2.4 The agreed actions arising from recommendations made in last year's audit will be followed up to establish if they have been implemented by management.

2.5 Contained within the scope of work described above it is implied that the auditor will have due regard for Value for Money considerations and the potential for fraud.

3. TASKS

3.1 The project tasks are to:

- Establish if the procedures recorded as part of the audit for 2018-19 remain the same and document any changes that may have taken place.
- Perform tests to establish that systems are operating in accordance with the procedures and that good practice is being complied with.
- Assess strengths and weaknesses of the systems operated and the levels of financial and management risk.
- Discuss the results with the Chief Executive and make recommendations as appropriate, which will be communicated to the Boards by means of a report.
- Complete Section 4 of the Electronic Annual Governance & Accountability Return for 2019-20.

4. WORK PLAN

4.1 The audit will be undertaken by Mike Tweed, Internal Auditor, Borough Council of King's Lynn & West Norfolk.

4.2 The audit has been allocated five days, which will be utilised as follows:

Task	Time
Confirm existing procedures and record any changes. Undertake a follow-up of actions agreed from the audit report for 2018-19.	0.5
Undertake sample testing to establish that processes are being applied as intended.	3.5
Exit meeting with management to discuss the findings and recommendations arising from the review. Drafting the report.	0.5
Completing the Return and reporting if required.	0.5

5. AGREEMENT

	Signature	Date
Phil Camamile Chief Executive, Water Management Alliance
Kathy Woodward Shared Internal Audit Manager, Borough Council of King's Lynn & West Norfolk

From: 01 April 2019
To: 31 March 2020

Period: 12
Year Ending: 31 March 2020

Notes	Income and Expenditure Account	2018/19 Actual £	2019/20 Actual £	Annual Estimate £	Variance £
<u>Income:</u>					
	Occupiers Drainage Rates	316,022	322,328	322,328	0
1	Special Levies issued by the Board	1,918,285	1,960,429	1,960,429	0
	Grants Received	0	0	3,280,000	3,280,000
	Rental Income	365	11,436	350	-11,086
2	Highland Water Contributions	49,052	63,480	46,389	-17,091
	Income from Rechargeable Works	74,092	192,892	3,000	-189,892
	Investment Interest	101,580	114,929	92,000	-22,929
	Development Contributions	128,589	138,447	0	-138,447
4	Other Income	172,511	334,439	283,414	-51,025
	Total Income	£2,760,496	£3,138,380	£5,987,910	£2,849,530
<u>Less Expenditure:</u>					
5	Capital Works	261,049	95,217	9,780,395	9,685,178
6	Environment Agency Precept	163,371	170,572	171,540	968
7	Maintenance Works	1,046,525	1,327,869	1,323,580	-4,289
	Development Expenditure	21,688	20,767	6,000	-14,767
	Interest Payments	258,275	286,696	286,696	0
8	Administration Charges	336,314	366,012	353,076	-12,936
	Cost of Rechargeable Works	67,646	140,712	0	-140,712
	Bad Debt Provision	64,643	0	0	0
	Pension Interest Cost and Expected Return on Assets	111,000	179,000	0	-179,000
3	Net Deficit/(Surplus) on Operating Accounts	128,681	103,699	0	-103,699
	Total Expenditure	£2,459,192	£2,690,544	£11,921,287	£9,230,743
	Profit/(Loss) on disposal of Fixed Assets	£28,917	-£2,561	£0	-£2,561
9	Net Surplus/(Deficit)	£330,221	£445,275	-£5,933,377	-£6,378,652
	Actuarial Gains/(Losses) on pension assets/Liabilities	-£260,000	£865,000		
	Total Comprehensive Income & Expenditure	£70,221	£1,310,275		

Notes	Balance Sheet as at 31-3-2020	2017/18 Closing Balance £	2018/19 Closing Balance £	2019/20 Closing Balance £
Fixed Assets:				
10	Land	1,065,000	1,065,000	1,065,000
10	Building	380,000	380,000	380,000
10	Plant and Equipment	918,599	978,424	922,660
10	Pumping Stations/Outfall Structures	602,500	602,500	602,500
10	Properties	205,000	205,000	210,000
10	Shared Consortium Assets	0	0	0
13	Assets Under Construction	0	5,007,335	12,900,867
		3,171,099	8,238,258	16,081,027
Current Assets:				
11	Bank Account	9,463,622	72,100	1,855,249
	Stock	7,229	7,712	7,444
12	Trade Debtors	116,066	105,803	94,958
	Long Term Work in Progress	0	0	0
14	Term Deposits	5,400,000	12,000,000	9,500,000
15,16	Drainage Rates and Special Levies Due	28,148	7,358	8,657
17	Prepayments	0	0	0
	Prepayments to WMA	16,822	10,268	-4,430
	Accrued Interest	0	65,746	68,169
	VAT Due	46,372	292,064	612,042
18	Grants Due	0	0	0
		15,078,259	12,561,051	12,142,089
Less Current Liabilities:				
	Trade Creditors	60,370	8,193	659,485
29	Accruals	65,000	0	32,923
30	Deferred Revenue	0	0	18,012
29	Accumulated Absences Accrual	0	2,959	2,765
	Bad Debt Provision	0	64,643	64,643
31	Retentions Held	0	0	108,602
18	Capital Grants Received in Advance	117,958	2,133,472	8,197,472
32	Receipts Paid in Advance	211	0	3,292
33	BCKLWN Covid-19 Grant (to be repaid)	0	0	10,000
28	PWLB Loans due in less than one year	158,974	93,395	96,123
		402,513	2,302,662	9,193,318
	Net Current Assets	14,675,746	10,258,389	2,948,772
Less Long Term Liabilities:				
25,37	Pension Liability (KLIDB)	3,360,000	3,731,000	3,045,000
25,37	Pension Liability (KLIDB t/a WMA)	1,908,000	2,496,000	2,788,000
28	PWLB Loans due in more than one year	9,841,026	9,815,860	9,719,737
		15,109,026	16,042,860	15,552,737
	Net Assets	£2,737,819	£2,453,787	£3,477,061
Reserves:				
Usable:				
20	General Reserve	2,195,751	2,763,820	3,270,415
21	Development Reserve	1,080,443	1,187,343	1,305,023
22	Capital Works Reserve	0	0	0
23	Plant Reserve	2,821,148	2,821,148	2,821,148
18	Grants Reserve	0	0	0
		6,097,342	6,772,310	7,396,584
Unusable:				
24	Capital Adjustment Account	1,908,477	1,908,477	1,913,477
25,37	Pension Reserve (KLIDB)	-3,360,000	-3,731,000	-3,045,000
25,37	Pension Reserve (KLIDB t/a WMA)	-1,908,000	-2,496,000	-2,788,000
		-3,359,523	-4,318,523	-3,919,523
	Total Reserves	£2,737,819	£2,453,787	£3,477,061

Cashflow Statement for the years ended 31st March 2019 & 31st March 2020

	2019	2020
Cash flows from Operating Activities		
Net surplus/(deficit) on the provision of services	£330,221	£445,275
(Increase)/decrease in debtors	-£214,639	-£310,432
(Increase)/decrease in stock	-£483	£268
Increase/(decrease) in creditors	-£49,787	£823,928
Prior Year Adj for Long Term WIP	£0	£0
Increase/(decrease) in Grants Received in Advance	£2,015,514	£6,064,000
(Increase)/decrease in accrued interest income	-£65,746	-£2,423
(Increase)/decrease Prepayment to WMA	£6,554	£14,698
Adjustment for Depreciation	£178,630	£200,421
Adjustment for Pension Costs	£111,000	£179,000
Adjustment for(Profit)/Loss on Disposal	-£28,917	£2,561
Net cash flows from Operating Activities	£2,282,348	£7,417,295
Cash flows from Investing Activities		
Purchase of PPE	-£238,954	-£230,342
Sale of PPE	£263,164	£83,123
(Increase)/decrease in Assets Under Construction	-£5,007,335	-£7,893,532
Adjustment for Depreciation	0	£0
Net cash flows from Investing Activities	-£4,983,125	-£8,040,751
Cash flows from Financing Activities		
Increase/(decrease) in PWLB less than 1 Year	-£65,579	£2,728
Increase/(decrease) in PWLB more than 1 Year	-£25,166	-£96,123
Net cash flows from Financing Activities	-£90,745	-£93,395
Net Increase/(Decrease) in cash and cash equivalents	-£2,791,522	-£716,851
Cash and Cash Equivalents at the beginning of the reporting period	£14,863,622	£12,072,100
Cash and Cash Equivalents at the end of the reporting period	£12,072,100	£11,355,249

Statement of Accounting Policies

Basis of Financial Statement and Accounting Policies

The Statement of Accounts have been prepared in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

King's Lynn IDB's accounting policies are the principle, bases, conventions, rules and practices applied that specify how the effects of transactions and other events are to be shown in its financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses and changes in reserves. It has adopted the following accounting policies which should be read in conjunction with the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in this statement of accounts.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Critical Judgements In Applying Accounting Policies:

In applying the accounting policies the IDB has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

IAS20 Government Grants: An entity recognises government grants only when there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

The grants received from the EA in respect of Wolferton and Islington have been shown within Grants Received in Advance, and the corresponding costs are shown within Assets Under Construction on the Balance Sheet. Once the projects are complete and the Certificate of Completion is received, alongside the relevant closure form from the Environment Agency being signed off, both the income from the grant, and the costs incurred will be recognised and the net cost of the asset recognised on the Balance Sheet.

Estimation Uncertainty:

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustments within the carrying amounts of assets and liabilities within the next financial year are:

1) Property

There could potentially be an impact on the valuations due to the pandemic, and the valuers have stated that there is a "material valuation uncertainty" within their report surrounding how COVID-19 may impact these valuation in 2020-21.

2) Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of consulting Actuaries is engaged with Norfolk Pension Fund, about the assumptions to be applied, and provides an annual report detailing this information and outlining the assumptions made.

Accruals:

All expenditure is charged in the period to which it relates on an accruals basis and a liability is recognised when there is a legal or constructive obligation.

Provisions:

A provision is recognised if, as a result of a past event, KLIDB has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Cash and Cash Equivalents:

Cash and cash equivalents comprise cash balances and call deposits with original maturities of 12 months or less. All maturities can be withdrawn with 24 hours notice with no reduction in the principal value invested, should withdrawal be required.

Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity. The term Financial Instrument encompasses equity instruments, financial assets and financial liabilities.

The only financial assets held are receivables. Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Each financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Financial liabilities are recognised on the Balance Sheet when the IDB becomes party to the contractual provisions of a financial instrument. Long term loans (PWLBS) are shown in the balance sheet as the capital element outstanding at the year end, split between amounts due in the current year and amounts due outside of the year. Any interest paid is taken directly to the income and expenditure account.

Government Grants:

Government grants are recognised in the Income and Expenditure when all of the obligations and conditions have been met, if these have not yet been met these funds are held in the Grant Reserve.

Income Recognition:

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

Stock:

Stock is valued at the lower of cost or net realisable value.

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.

Pensions:

The Board participates in the Norfolk Local Government Pension Scheme, a defined benefit scheme operated by Norfolk County Council. The Board pays a contribution of 23% on employees pensionable pay into the pension fund. The expected costs of providing pensions, as calculated periodically by professional qualified actuaries, is charged to the Income and Expenditure in order to spread the cost over the service lives of employees in the scheme. The annual report is available on request.

Fixed Assets:

Fixed assets are recognised as expenditure on acquisition, creation or enhancement of fixed assets. Assets with estimated useful lives in excess of 1 one year and a value of £5,000 or above are capitalised on an accruals basis in the accounts.

Disposals are written off at cost less depreciation. Any surplus/deficit is charged/credited to Profit/Loss on Disposal in the Income and Expenditure Account.

Depreciation has been provided for using the straight line method.

The useful lives of the various items on the Fixed Asset Register are as follows:

Motor Vehicles - 3 years
Excavators and Plant - Various (3-20 years)
Pumping Stations - 10 years
Properties - 10 years
Land - No Depreciation
Buildings: 50 years

Properties, Pumping Stations and Land have been subject to revaluations, which are shown in the Revaluation Reserve account. These will be reviewed regularly so that the carrying amount does not materially differ from its fair value at the balance sheet date.

Revaluation Reserve:

Gains and losses arising on the revaluation of assets are credited or debited to the Revaluation Reserve. The reserve cannot be used for any other purpose.

General Reserve:

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

Development 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.

Plant Reserve:

The purpose of this provision is to reduce the impact on drainage rates as and when equipment is bought/sold or when pumping plant/sluices require refurbishment or improvement.

Additional Disclosures

First Time Adoption of IFRS

The Statement of Accounts for 2019-20 is the first to be prepared on an IFRS basis.

The accounting policies detailed have been applied to the financial statements for the year ended 31st March 2020, the comparative information and the opening statement of financial position at the date of transition.

Material differences between amounts presented are explained below.

IFRS Adjustments

1) Government Grants

Under the Code, Government Grants are recognised as income when all obligations and conditions of the grant are met. As a result of adopting the accounting policy required by the Code, the Financial Statements have been amended by moving all Grant Income to the Capital Grants Received in Advance account, until all conditions and obligations are met. The previous accounting policy was to match expenditure with the grant.

2) Assets Under Construction

This expenditure was previously matched with the income received from the Government Grant and accounted for within the Income and Expenditure Statement for the year. This is now being classified separately, and once the asset is fully complete and all obligations and conditions of the grant met this will then be classified and accounted for as defined by the applicable accounting policy.

3) Accumulated Absences

Short term accumulating absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay. Under the Code, the cost of providing holidays and similar benefits is required when employees render their services that increase their entitlement to future compensated absences. As a result the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under previous accounting arrangements, no such accrual was required.

4) Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased vehicles. The liability of the lease is not shown on the Balance Sheet, but as a note to the accounts.

Current Borrowing Facilities and Capital Borrowing

On 14th November 2017 the Authority took out a £10million loan from the Public Works Loan Board (PWLB). The repayment of the loan is for 49 years and 11 months at a fixed interest rate of 2.90%. The PWLB has advised that the fair value of the debt at 31st March 2020 is £9,815,860. The purpose of this loan was to assist with financing the construction of the new pumping stations.

Expenditure and Funding Analysis

Kings Lynn IDB manages its activities and reports as a single operational unit, and as such no operational segmentation is provided in these Statement of Accounts.

Kings Lynn IDB has not acquired or discontinued any operations in the year to 31st March 2020.

Events After The Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 1) Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- 2) Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

From: 01st April 2019
 To: 31st March 2020

Period To: 12
 Year Ended: 31 March 2020

Note Notes to the Accounts

- 1 Special Levies collected from constituent Billing Authorities were as follows:

	Actual 2018-19	Actual 2019-20
Borough of King's Lynn & West Norfolk	1,811,028	1,851,019
Fenland District Council	83,979	85,665
South Holland District Council	23,278	23,745
	1,918,285	1,960,429

- 2 The Highland Water Claim for 2019/20 is due to be paid by the Environment Agency (EA) to the Board each September, following the changes made to the timetable in 2015 (previously the payment was made in two installments - one in May and one in December). This has been paid in full.

	Actual 2018-19	Actual 2019-20
EA - Highland Water Claim	49,052	63,480
	49,052	63,480

- 3 The Net Operating Deficit/(Surplus) for this year is made up as follows: This deficit has decreased significantly compared to the previous year. We have increased the Plant and Labour Charge Out Rates for 2020/21 and would hope to see this reduced even further, ideally to a balanced budget.

	Actual 2018-19	Actual 2019-20
Labour Operations Account	64,676	74,012
Mobile Plant Operations Account	64,006	29,687
	128,681	103,699

Detailed operating surpluses/(deficits) for the Labour Operations Account and each item of Mobile Plant are shown in the Labour and Plant Operations Reports, which can be made available to members on request. These Reports are scrutinised by the Board's Plant and Works Committee every year.

- 4 Other Income for this year is made up as follows:

	Actual 2018-19	Actual 2019-20
Shared Income from WMA	169,010	332,595
Summons Costs	2,625	975
East Wash Coastal Management CIC Administration Fee	500	500
Sundry Income	376	369
	172,511	334,439

- 5 The cost of each capital scheme is approved by the Board annually and detailed on the schedule of capital works, as managed by the Project Managers, which can be made available to members on request. This Report is also scrutinised by the Board's Plant and Works Committee every year.

	Actual 2018-19	Actual 2019-20
Capital Works Expenditure	261,049	95,217
	261,049	95,217

- 6 The EA Precept due for 2019/20 is slightly less than we originally estimated. It is payable in two halves on 31st May and 30th November. This has been paid in full.

	Actual 2018-19	Actual 2019-20
EA Precept	163,371	170,572
	163,371	170,572

- 7 The detailed maintenance operations in each sub catchment are approved by the Board annually and shown on the schedule of maintenance works, as managed by the Operations Manager, which can be made available to members on request. The summarised analysis of expenditure is as follows:

	Actual 2018-19	Actual 2019-20
Labour Charges	404,313	476,594
Plant Charges	214,607	245,010
Materials	1,684	17,956
Contractors	77,958	24,548
Electricity	116,391	179,932
Pumping Station Insurances	27,719	30,970
Telemetry	18,612	20,039
Heating Fuel	1,430	9,167
Pumping Station Depreciation	0	0
Direct Works	862,713	1,004,214
Technical Support Staff Costs	173,793	288,414
Other Technical Support Costs	2,419	28,951
Biodiversity Action Plan Costs	7,600	6,290
Contingency	0	0
Annual Asset Reinstatement Provision	0	0
Maintenance Works	1,046,525	1,327,869

From: 01st April 2019
 To: 31st March 2020

Period To: 12
 Year Ended: 31 March 2020

Note Notes to the Accounts

- 8 Administration charges reflect the Board's share of consortium expenditure (excluding the technical support costs, which are included in the maintenance works expenditure). We are showing an overspend in year due to an increase in expected external audit fees for 2019/20 of £35,000 compared to budget. This is because we require a Principal Authority Audit for this year, and also the following two years due to our level of expenditure. Legal and professional fees in year were also £11,000 over budget. Detailed expenditure is monitored by the Consortium Management Committee and the Board every three months:

	Actual 2018-19	Actual 2019-20
Administration Staff Costs	99,197	94,201
Other Administration Costs	198,708	225,832
Audit Fees	3,600	40,000
Sundry Expenses	0	366
Pension Pay Strain	29,000	0
Drainage Rates AV Increases/(Decreases)	4,497	3,972
Kettlewell House Depreciation	0	0
Sundry Debtors written off	0	0
Settlement Discount	1,313	1,641
	336,314	366,012

8i **Audit Fees**

The external audit fees associated with Kings Lynn IDB are paid through the WMA directly, and accounted for within the Consortium charges. External Audit Fees of £3,600 were paid to PKF Littlejohn in 2018/19 and £40,000 has been included in the Consortium Charges for 2019/20, and this fee has been confirmed by Grant Thornton.

- 9 The Board has planned to increase/(reduce) balances by financing expenditure from the following reserves:

	Budget 2018-19	Budget 2019-20
PWLB	-5,842,091	-5,587,091
General Reserve	-378,411	-346,286
	-6,220,502	-5,933,377

- 10 The movement in Fixed Assets is detailed in the Fixed Assets Register for 2019/20, which can be made available to members on request. There was a revaluation surplus on Islington House of £5,000 in the year.

	Land and Buildings	Plant and Equipment	Pumping Stations	Total
Cost				
Opening Balance b/fwd	1,650,000	1,810,586	602,500	4,063,086
(+) Additions	0	230,342	0	230,342
(+) Donations	0	0	0	0
(+) Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,000	0	0	5,000
(+) Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	0	0	0	0
(-) Disposals	0	-219,675	0	-219,675
Closing Balance c/fwd	1,655,000	1,821,253	602,500	4,078,753
Depreciation				
Opening Balance b/fwd	0	832,162	0	832,162
(+) Depreciation Charge for year	0	200,421	0	200,421
(-) Depreciation written out to the revaluation reserve	0	0	0	0
(-) Depreciation written out to the surplus/deficit on the provision of services	0	0	0	0
(-) Accumulated depreciation written out on disposal	0	-133,991	0	-133,991
Closing Balance c/fwd	0	898,593	0	898,593
Net Book Value as at 31-3-2019	1,650,000	978,424	602,500	3,230,924
Net Book Value as at 31-3-2020	1,655,000	922,660	602,500	3,180,160

The Board also share ownership of a proportion of the WMAs Shared Fixed Assets, which were last valued by Cruso & Wilkin, Chartered Surveyors, as at 31 March 2018. Such assets have a Net Book Value of zero.

Impairments:

In accordance with IAS36 and the Code, Management have undertaken an annual impairment review. No assets were considered to be impaired.

Revaluations:

Cruso and Wilkin were instructed to revalue the Land, Buildings, Pumping Stations and Outfall Structures on behalf of the Board. This was completed for the purpose of the statutory requirements needed to produce this set of financial statements. These assets have been revalued using market value. Due to the global pandemic declared by the World Health Organisation on 11th March 2020 the valuation has been reported on the basis of "material valuation uncertainty".

Plant and Equipment has been valued at historic cost. Historic cost of an asset refers to its purchase price or its original monetary value.

From: 01st April 2019
 To: 31st March 2020

Period To: 12
 Year Ended: 31 March 2020

Note Notes to the Accounts

- 11 The Bank Account balance will be kept to a minimum following the decision to invest additional working balances on the short term money market. The Bank Account is reconciled as follows:

	2018/19	2019/20
Opening Balance as at 1-4-2019 b/fwd	9,463,622	72,100
(+) Receipts	9,305,333	17,446,916
(-) Payments	-18,696,855	-15,663,767
(=) Closing Balance as at 31-3-2020 c/fwd	72,100	1,855,249
Balance on Statement as at 31-3-2020	128,471	1,881,260
Less: Unpresented Payments	-56,371	-26,500
Add: Unpresented Receipts	0	489
Closing Balance as at 31-3-2020 c/fwd	72,100	1,855,249

- 12 Aged Debtor profile is currently as follows:

	2018/19	2019/20	
Debt period	Debtors	Debtors	
<=30 days	14,947	11,003	
>30 days and <=60 days	6,900	0	
>60 days and <=90 days	19,313	0	
>90 days	64,643	83,956	
	105,803	94,958	
>90 days	Amount	Inv. Date	Originator
Foster Property Developments	19,313	12/12/2018	S106 now signed off. Development halted due to COVID-19
Lovell Partnerships Ltd	64,643	14/12/2017	Bad Debt Provision
	83,956		

- 13i Assets Under Construction (AUC) is currently made up of the following, which will be capitalised when complete.

Customer	2018/19	2019/20	Estimated Completion Date
Wolferton Costs	3,781,300	5,007,899	31/03/2021
Wolferton Costs (Invoice Accrual)	0	475	31/03/2021
Islington Catchment Flood Risk Mgmt Scheme 2018/19 Costs	1,226,035	1,226,035	31/03/2021
Islington Catchment Flood Risk Mgmt Scheme 2019/20 Costs	0	6,666,458	31/03/2021
	5,007,335	12,900,867	

- 13ii Capital Commitments

The 5 year Capital Programme is presented to the Board and approved annually each January. Full details can be found on the website. Capital Commitments are defined as the projected capital expenditure the IDB commits to spending on long term assets over a period of time. The capital commitments undertaken by the Board are Wolferton and Islington Pumping Stations, detailed below:

Wolferton Pumping Station:	£
Projected Cost of Project	6,029,000
Grant Approved by the EA	1,846,000
Estimated Net Cost to Kings Lynn IDB	4,183,000

Islington Pumping Station:	£
Projected Cost of Project	26,598,000
Grant Approved by the EA	23,151,000
Estimated Net Cost to Kings Lynn IDB	3,447,000

- 14 Term Deposits are currently as follows:

	2018/19	2019/20
Financial Institution	Capital	Capital
Nottingham Building Society	1,000,000	0
Cambridge Building Society	1,000,000	1,000,000
Vernon Building Society	500,000	500,000
Newcastle Building Society	1,000,000	1,000,000
West Bromwich Building Society	1,000,000	1,000,000
Furness Building Society	1,000,000	1,000,000
Monmouthshire Building Society	1,000,000	0
Saffron Building Society	1,000,000	0
Chorley Building Society	0	1,000,000
Skipton Building Society	500,000	1,000,000
Dudley Building Society	0	1,000,000
Principality Building Society	1,000,000	0
Progressive Building Society	1,000,000	0
Hinckley & Rugby Building Society	1,000,000	1,000,000
National Counties Building Society	1,000,000	1,000,000
	12,000,000	9,500,000

These Term Deposits have all been included within Cash and Cash Equivalents for the purpose of the Cash Flow Statement. All deposits are held in low risk Building Society accounts, and can be withdrawn with 24 hours notice with no reduction to the principal deposit invested.

From: 01st April 2019
 To: 31st March 2020

Period To: 12
 Year Ended: 31 March 2020

Note Notes to the Accounts

15 Special Levies are paid by Constituent Councils in two halves on 1 May and 1 November.

16 Drainage Rates are paid by occupiers of agricultural land and/or buildings. There are currently 85 Ratepayers that have not paid their Drainage Rates for 2019/20, as compared to 91 Ratepayers this time last year. Summarised transactions for Drainage Rates and Special Levies during the year are as follows:

	2018/19	2019/20
Arrears b/fwd	28,148	7,580
Drainage Rates for the year	316,022	322,332
Special Levies for the year	1,918,285	1,960,428
Payments Received	-2,273,296	-2,309,919
Settlement Discount	-1,313	-1,641
Returned/(Represented) amounts	451	467
Value /(Decreases)	-18,849	-12,707
Value Increases	16,333	10,282
New Assessments	2,516	2,425
Irrecoverables and write offs	-4,500	-4,245
The East Coastal Management CIC	20,667	20,667
Summons collection costs	2,625	975
Special Levy Adjustment	0	0
Drainage Rate Adjustment	536	11,934
Paid Refunds	10	78
Rates tidy up after year end	-55	0
Arrears c/fwd	7,580	8,657

17 There are no prepayments.

18 Capital Grants Received in Advance:

	2018/19	2019/20
SCH30: Islington Catchment Flood Risk Management Scheme	22,472	22,472
SCH42: Islington Catchment Flood Risk Management Scheme	1,699,000	6,329,000
SCH43: Wolferton Flood Risk Management Scheme	412,000	1,846,000
	2,133,472	8,197,472

Grants Reserve b/fwd at 31.03.2019	2,133,472
Add: Grants Received	6,064,000
Grant Reserve c/fwd at 31.03.2020	8,197,472

SCH42 (Islington) and SCH43 (Wolferton) are the grants received from the Environment Agency for the schemes we are completing for these pumping stations. Wolferton is forecast to spend approximately £5.1million to completion. Full completion and settlement of all the obligations and conditions is anticipated in 2020/21, and will be satisfied once the FCERM5 (Final Statement of Account) and FCERM8 (Project Closure) forms have been submitted to, and accepted by the Environment Agency. We will then be able to recognise this grant income in the Statement of Accounts, and capitalise the pumping station for inclusion in the Fixed Asset Register. Islington is forecast to cost approximately £27million and due to be completed in March 2021, however COVID-19 has delayed works due to the restrictions imposed. We anticipate all obligations and conditions will be satisfied in 2021/22 for purposes of income and asset recognition, and upon submission to, and acceptance by, the EA of the forms FCERM5 and FCERM8.

19 The Reserves are managed in accordance with the Balances and Earmarked Reserves Policy for 2019/20, as approved by the Board on 19 January 2018. This policy is available for viewing on the Board's website.

20 Movements on the General Reserve are made up as follows:

	2018/19	2019/20
Opening Balance, as at 1 April b/fwd	2,434,512	2,763,820
Net Surplus/(Deficit) for the year	325,209	445,275
Net transfer (to)/from Development Reserve	-106,900	-117,680
Net transfer (to)/from Capital Works Reserve	0	0
Net transfer (to)/from Pension Reserve	111,000	179,000
Net transfer (to)/from Plant Reserve	0	0
Capital Adjustment Account (Revaluation)	0	0
Closing Balance c/fwd	2,763,820	3,270,415

21 Movements on the Development Reserve:

	2018/19	2019/20
Opening Balance, as at 1 April b/fwd	1,080,443	1,187,343
Net contributions transferred from General Reserve	106,900	117,680
Closing Balance c/fwd	1,187,343	1,305,023

From: 01st April 2019
 To: 31st March 2020

Period To: 12
 Year Ended: 31 March 2020

Note Notes to the Accounts

22 Movements on the Capital Works Reserve:

The Capital Works Reserve largely represents the committed cost of capital schemes that the Board has approved in previous years, where suppliers have not actually invoiced for work, due to slippage in the programme or other issues with the contract:

	2018/19	Gen. Reserve	2019/20
N/A	0	0	0
	0	0	0

23 The Fixed Plant Reserve and Mobile Plant Reserve:

	2018/19	2019/20
Fixed Plant Reserve	2,021,148	2,021,148
Mobile Plant Reserve	800,000	800,000
Plant Reserve	2,821,148	2,821,148

24 Capital Adjustment Account (Revaluation Reserve):

	2018/19	2019/20
Opening Balance, as at 1 April b/fwd	1,908,477	1,908,477
Revaluation Increase: Islington House	0	5,000
Closing Balance c/fwd	1,908,477	1,913,477

25 **Pension Liability**

- (i) The Pension Liability is calculated by the Local Government Pension Scheme (LGPS) Fund Actuary at the end of every financial year. It is a notional liability that is shown as a Long Term Liability on the Balance Sheet. This figure is meant to show the extent of the Board's liability at the Balance Sheet date, based on a number of actuarial assumptions. However it is important to note that this sum does not represent an estimate of the exit cost of withdrawing from the LGPS at the Balance Sheet date.
- (ii) The Board is a member of the Water Management Alliance Consortium and as such also has a proportion of the pension liability for the shared staff that are employed by King's Lynn IDB, t/a the Water Management Alliance. The Fund Actuary for Norfolk County Council has prepared a separate Report for the Water Management Alliance, which identifies a notional net pension liability of £2,788,000 as at 31 March 2020 that is shared by all 5 Member Boards. The Board's share of this pension liability is set out every year in the WMAs Basis of Apportionment, which was approved by the Board on 17 January 2020. All 5 member Boards resolved to approve the procedural note for how the pension liability would be dealt with in the event of the WMA ceasing to exist in their first Board Meeting of 2015. It was noted that King's Lynn IDB, as the Lead Board would be responsible for paying the LGPS exit costs to Norfolk County Council, and would collect the proportionate costs due from the other Member Boards as set out in the WMA CMC minutes 47/14/04 to 47/14/07. The same minute was recorded in all 5 Member Boards.

26 **Related Party Disclosures**

- (i) The Board is a full member of Anglia Farmers Ltd, an agricultural purchasing cooperative. Several members of the Board are also shareholders of this organisation. The Board paid Anglia Farmers Ltd £178,888.02 upto 31/03/20.
- (ii) Board member Mr J Askew is related to Mr R Askew, Director of Richard Askew Agricultural Supplies Ltd, which is one of the Board's suppliers. The Board paid Askew Agricultural Supplies Ltd £3,421.61 upto 31/03/20.
- (iii) Mr Harvey Howe is employed by the Board as a full time Operative. The Board's Project Manager is related to Harvey Howe.
- (iv) All elected members of the Board pay drainage rates either as individuals, Partners in Partnerships, or as Directors of limited companies; the exact nature of which can be found in the Rate Book as at 1 April 2019.
- (v) The Board is a member of the Water Management Alliance Consortium, who provide administrative services to the Board. The Board has 3 representatives who serve on the Consortium Management Committee, that include the Chairman and Vice Chairman of the Board. The Chairman received £3,500.00 Chairman's Allowance for his duties between 01.11.2019 - 31.10.2020.
- (vi) The Chairman of King's Lynn IDB is also the Leader of the Borough Council of Kings Lynn and West Norfolk Borough Council. The BCLKWN pays the largest special levy to the Board, as detailed in Note 1.
- (vii) The Board uses Rating Software for the collection of Drainage Rates known as DRS. This software is owned by South Holland IDB and was developed by Mr P J Camamile, the Chief Executive. The software is supported at no cost to the Board by Byzantine Ltd. Mr P J Camamile is the Company Secretary of Byzantine Ltd and his wife Mrs P Camamile is a Director. Both are shareholders.

27 **Operating Lease Payments**

The Board has two vehicles classified under an Operating Lease. The value of the leases for <12 months is £11,041.56 (18/19 £8,132.76) and for >12 months is £14,562.93 (18/19 £9,812.49)

From: 01st April 2019
 To: 31st March 2020

Period To: 12
 Year Ended: 31 March 2020

Note Notes to the Accounts

28	Financial Instruments	2018/19	2019/20
	Financial Assets: Cash at Bank	£72,100	£1,855,249
	Financial Assets: Investments	£12,000,000	£9,500,000
	Financial Assets: Debtors (Incl Accrued Intt and HMRC VAT)	£470,971	£783,826
		£12,543,071	£12,139,075
	Financial Liabilities: Creditors	£8,193	£659,485
	Financial Liabilities: Retentions Held	£0	£108,602
	Financial Liabilities: PWLB (Less than 12 Months)	£93,395	£96,123
	Financial Liabilities: PWLB (More than 12 Months)	£9,815,860	£9,719,737
		£9,917,448	£10,583,947
	Interest Expense: (On PWLB)	£258,275	£286,696
		£258,275	£286,696

Fair Value of Assets and Liabilities

The fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. The following assumptions should be noted:

- 1) Fixed Interest Rate of 2.9% Over the 50 year PWLB loan;
- 2) No early repayment or impairment is recognised; and
- 3) The fair value of trade and other receivables is taken to be invoiced or billed amount

29 Accruals

Net value of invoices received after Year End close down	£2,565
Gross Wages, E'er NIC and E'er Pension 09.3.20-31.03.20	£25,359
Audit Fees 2019-20	£5,000
Annual Leave	£2,765
	<u>£35,688</u>

30 Deferred Revenue

This is for work invoiced in advance to the Environment Agency. No works have been completed against this order in the 2019/20 period.

31 Retentions Held

These are retentions for 3 suppliers held against Wolferton Pumping Station for works complete (this value has been included in Work In Progress). These are due for release in September 2020.

32 Receipts Paid in Advance

These are payments received by drainage ratepayers between 23.03.2020-31.03.2020 for rates due for the 2020/21 financial year. The rate demands were sent out earlier than usual (mid March) due to Covid-19 and the majority of staff being required to work from home.

33 Borough Council Kings Lynn and West Norfolk Grant

Kings Lynn IDB received a direct payment of £10,000 from BCKLWN for Covid-19 grants they were distributing. We have since queried our entitlement as a Local Authority, and it has been confirmed we were not entitled to this grant payment. This was repaid to BCKLWN in August 2020.

34 Staff Costs

The Board employed 11 staff members directly in 2018/19 and 13 staff members directly in 2019/20.

	2018/19	2019/20
Employee Remuneration	£386,134	£449,060
Employer Pension Contributions	£54,269	£66,382
Employer National Insurance Contributions	£26,858	£33,090
Annual Leave Accrual	£2,959	£2,765
	£470,220	£551,297

35 Remuneration Disclosures

There were no officers or employees earning more than £50,000 per year.

36 Member Allowances

There were no Member Allowances paid by the Kings Lynn IDB between 01.04.2019-31.03.2020. The Chairman of the KLIDB is paid an allowance of £3,500 through the Water Management Alliance payroll once a year on the 15th November, for his services in the forthcoming financial year. The Chairmans Allowance of £3,500 for 01.04.2019-31.03.2020 was paid on the 15th November 2019.

From: 01st April 2019
 To: 31st March 2020

Period To: 12
 Year Ended: 31 March 2020

Note Notes to the Accounts

37 Norfolk Pension Fund FRS102 at 31.03.2020

	2019 £'000s	2020 £'000s
Net Cost Of Current Services		
Current Service Costs	156	195
Settlements and past service costs	24	0
	<u>180</u>	<u>195</u>
Net Operating Expenditure		
Interest Cost	230	225
Expected return on assets	-142	-135
	<u>88</u>	<u>90</u>
Net Charge to the I&E Account	<u>268</u>	<u>285</u>

Reconciliation of fair value of the scheme assets	2019 £'000s	2020 £'000s
Opening Balance 01st April	5,559	5,710
Expected Rate of Return		
Interest Income	142	135
Employers Contributions	154	103
Contributions in respect of unfunded benefits	3	3
contributions by scheme participants	27	31
Actuarial gains and (losses)	159	-420
Unfunded benefits paid	-3	-3
Benefits Paid	-331	-359
Closing Balance 31st March	5,710	5,200

Reconciliation of fair value of the scheme liabilities	2019 £'000s	2020 £'000s
Opening Balance 01st April	8,919	9,441
Current Service Cost	156	195
Interest Cost	230	225
Contributions by Scheme Participants	27	31
Actuarial (gains) and losses	419	-1285
Unfunded benefits paid	-3	-3
Benefits Paid	-331	-359
Past Service Costs	24	0
Losses/(gains) on curtailments	0	0
Closing Balance 31st March	9,441	8,245

	2019 £'000s	2020 £'000s
Estimated liabilities in scheme	-9,441	-8,245
Estimated assets in scheme	5,710	5,200
Net Pension Liabilities	-3,731	-3,045
(Reduction)/Increase in Net Pension Liability	371	-686
(Loss)/Gain on Actuarial Valuations	-260	865
(Charge)/Reduction to I&E	-111	-179

38 Going Concern

The CIPFA Code confirms that Local Authority accounts must be prepared on a going concern basis. The Corona Virus pandemic and restrictions have caused significant issues for many businesses across the UK. We managed to ensure our operating activities and administration carried on as usual, and the effect on the Kings Lynn Internal Drainage Board was minimal. We have carried out an assessment of the impact of COVID-19 on our future activities and finances and are satisfied there is no material uncertainty relating to the IDB's going concern.

S JEFFREY BSc (Hons) FCCA
FINANCE AND RATING MANAGER

Glossary of Terms

Accounting period

The period of time covered by the accounts, a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting policies

The basis on which an organisation's financial statements are based to ensure that those statements 'present fairly' the financial position and transactions of that organisation. Accounting concepts include 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements'.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

Actuarial gains and losses

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than estimated).

Amortisation

The measure of the wearing out, consumption, or other reduction in the useful economic life of an intangible long term asset.

Amortised cost

This is cost that has been adjusted for amortisation.

Asset

An item owned by the Authority which has a value, for example, premises, vehicles, equipment, cash.

Budget

The statement of the Authority's policy expressed in financial terms usually for the current or forthcoming financial year. The Revenue Budget covers running expenses (see also: revenue income and expenditure), and the Capital Budget plans for asset acquisitions and replacements (see also: capital income and expenditure).

Capital income and expenditure

Expenditure on the acquisition of a long term asset, which lasts normally for more than one year, or expenditure which adds to the life or value of an existing long term asset.

Capital financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, direct revenue financing, useable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Cash equivalents

These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Equivalents are held for the purpose of meeting short term cash commitments rather than for investment purposes.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy institute that sets the standards for the public sector. CIPFA publishes the Accounting Codes of Practice for local government.

Code of practice on local authority accounting (the Code)

Based on International Financial Reporting Standards, the Code aims to achieve consistent financial reporting between all English local authorities and National Park Authorities. It is based on generally accepted accounting standards and practices.

Contingent liabilities

Potential costs that the Authority may incur in the future because of something that happened in the past.

Creditors

Amounts owed by the Authority for goods and services provided for which payment has not been made at the end of the financial year.

Current value

This is the cost of an asset if bought in the current year.

Debtors

Sums of money due to the Authority but not received at the end of the financial year.

Deficit

Arises when expenditure exceeds income or when expenditure exceeds available budget.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset.

Expected return on pension assets

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair value

The price at which the Authority could buy or sell an asset in a transaction with another organisation, less any grants received towards buying or using that asset.

Financial asset

A right to future economic benefits.

Financial instrument

Any contract that gives rise to a financial asset in one organisation and a financial liability in another.

Financial liability

An obligation to transfer economic benefits.

Finance lease

A lease which transfers all of the risks and rewards of ownership of a long term asset to the lessee. Where these leases are entered into, the assets acquired have to be included with the Authority's long term assets in the balance sheet at the market value of the asset involved (see also: operating lease).

Long term assets

Assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Government grants

Grants paid by the Government. These can be for general expenditure or a particular service or initiative.

Historic cost

The cost of an asset when originally bought.

IAS19 retirement benefits

An International Financial Reporting Standard which requires local authorities to reflect the true value of the assets and liabilities relating to the Pension Fund in their financial statements.

Impairment

A reduction in the value of a long term asset to below its carrying amount in the Balance Sheet. Impairment of an asset is caused either by a consumption of economic benefits e.g. physical damage (fire at a building) or a deterioration in the quality of the service provided by the asset, or by a general fall in prices of that particular asset or type of asset.

Infrastructure assets

Long term assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible assets

Intangible assets are non-financial long term assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are issued by the International Accounting Standards Board. All local authorities apply international accounting regulations when preparing accounts. The Authority's accounts follow these standards where they apply to local authorities.

Liability

An obligation to transfer economic benefits. Current liabilities are usually payable within one year.

Market price

This is the price at which another organisation is prepared to buy or sell an asset.

Net book value

The amount at which long term assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Operating lease

A lease whereby the ownership of the asset remains with the leasing company and an annual rent is charged to the relevant service. The assets involved are not included within the Authority's long term assets in the balance sheet (see also: finance lease).

Outturn

The actual amount spent in the financial year.

Pension fund

A fund which makes pension payments on retirement of its participants.

Provision

An amount set aside to provide for a liability, which is likely to be incurred, but where the exact amount and the date on which it will arise are uncertain.

Reserves

An amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Revenue income and expenditure

Expenditure which relates to day to day expenses, such as salaries and wages, general running expenses and the minimum revenue provision. Revenue income includes charges made for goods and services.

Surplus

Arises when income exceeds expenditure or when expenditure is less than available budget.

Value added tax (vat)

A tax on consumer expenditure, collected on business transactions at each stage in the supply, but ultimately borne by the final customer.

Variance / variation

A difference between budgeted income or expenditure and actual outturn, also referred to as an 'over-' or 'underspend'

Independent auditor's report to the members of King's Lynn Internal Drainage Board

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of King's Lynn Internal Drainage Board (the 'Authority') for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20..

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2020 by 13 December 2024 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements. We have not been able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2020 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence for the corresponding figures for the same reason. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement in the Regulations that they publish audited financial statements for the year ended 31 March 2020 by the backstop date. We have concluded that the possible effects on the financial statements of undetected misstatements arising from this matter could be both material and pervasive.

Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

The Finance and Rating Manager is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Finance and Rating Manager and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for this Statement of Accounts, the Authority 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 authority, that officer is the Finance and Rating Manager. The Finance and Rating Manager is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Finance and Rating Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Finance and Rating Manager is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Board is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2024, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of King's Lynn Internal Drainage Board for the year ended 31 March 2020 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature: *Paul Dossett*

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date: 12 December 2024