

KING'S LYNN

INTERNAL DRAINAGE BOARD



King's Lynn
Drainage Board

**FINAL
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDING
31ST MARCH 2021**

Pierpoint House
28 Horsley's 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 2021. 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 £332,142, compared to an estimated deficit of £1,810,361. This was for a number of reasons, however a net change of £2.3 million 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 achieved £2,000 less interest on investment than forecast. Interest rates dropped significantly late March 2020 due to the effects of COVID-19, and continued to remain low through the reporting period.
2. **Liquidity:** Cash surpluses have increased from £11,355,249 to £14,199,046, as shown in the cash flow statement. We expect this will decrease in 2021/22 due the capital works being undertaken for the Board.
3. **Fixed Assets:** During the year the Board purchased a Herder Grenadier, Tractor, Ford Ranger and a woodchipper at a total cost of £209,166. The Board disposed of a Tractor and Herder Grenadier with net profit on disposal of £9,750.
4. **Pension:** The Board's notional pension deficit as administered by Norfolk County Council has increased from £3,045,000 to £3,542,000 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 2019/20 and 2020/21 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 last revalued at 31st March 2020. These were not required to be revalued in the financial year to 31st March 2021.

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_2020-21.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 capital schemes, such as 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 2021.

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 2021.

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



Annual Governance Statement

Board's Role

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.

Board's Composition

The Board has a total of 21 members, 10 of which are elected by occupiers of agricultural land who pay Drainage Rates directly to the Board for the services they receive (the elected members), and 11 members are appointed by the constituent Councils to represent the extent of other interests in the Drainage District (the appointed members).

Accountability

The Board is democratically accountable to those that pay for the service in its Drainage District. Consequently all money that we raise to do work in our Drainage District is spent actually doing work that benefits the Drainage District. All Board members are bound by the Members Code of Conduct and should also register their interests before taking office.

Elected Members

The number of elected members is set out in the constitution. The number of elected members as compared to the number of appointed members that each constituent Council is entitled to appoint depends upon the proportion of expenditure that is paid in total by the occupiers of agricultural land, as compared to what is paid by the constituent Councils. Elections for membership of the Board are held every 3 years, so if you are not happy with our performance; either by exercising your vote as a drainage ratepayer or standing for election yourself.

Appointed Members

The number of members that each constituent Council is entitled to appoint is determined by the Board every 3 years, in accordance with Schedule 1, Section 6(1) of the Land Drainage Act 1991. The Councils cannot just appoint anyone: they should appoint persons who have relevant knowledge or experience and have shown capacity in such matters. The Board may not approve the appointment of persons that do not fulfil this legal requirement, so please check out our guidance for Local Authorities when making appointments to IDBs. It is important to note that the appointed members do not represent the Councils themselves. As members of the Board they are duty bound to consider all proposals in the context of what is in the best interest of the Board, which may occasionally be different to what is in the best interest of their Council.

Decision Making

The Board make the key decisions and have reserved those matters that only it can take. Such decisions are made at Board meetings that take place at least 6 times a year and are recorded in

the Minutes. Board meetings are public meetings at which anyone can attend the general business sessions. All other matters which, by definition, the Board considers suitable for delegation or may otherwise need to be dealt with between Board meetings have been delegated to its Plenary Committees and to the Consortium Management Committee, in accordance with the Board's Standing Orders, Scheme of Delegation and Financial Regulations. In addition to this the Board has constituted certain Advisory Committees and is represented on a number of Joint Advisory Committees, which make recommendations to the Board on various matters. Decisions and Board policy are then implemented by the Chief Executive and his/her Management Team. All staff are bound by the Employees Code of Conduct.

Decision Making

The Board has put in place a number of plans policies and procedures to reduce the risk of fraud and to manage the key risks around delivering its strategic objectives: Anti-Fraud and Corruption Policy, Bribery Act Policy, Risk Management Policy, Employers Pension Policy Statement and Whistle

Transparency

The Board's Minutes are published on our website along with the Reports that have helped inform these decisions. We aim to comply with the Government's Transparency Code and have also implemented the following policies to explain the types of information we have and when we can make this info. available, if requested: Data Protection Policy, Document Retention/Destruction Policy and our Freedom of Information Publication Scheme. Most information is freely available and can be accessed from our website. Other news and live updates are regularly communicated through our Facebook page, in accordance with the Board's Information Security and Systems – Acceptable Use Policy.

Independent Assurance

Following closure of the Audit Commission on 31 March 2015 and expiration of its audit contracts the Government's Specified Person (Public Sector Audit Appointments Ltd) now appoints an External Auditor each year to audit the Board's Accounts and governance arrangements (the Appointed Auditor). The Appointed Auditor reports directly to the Board and therefore provides independent assurance to the Board and its stakeholders that the Accounts have been prepared in accordance with proper practices and that governance arrangements are sufficiently robust. Furthermore the Internal Auditor checks that the Board's management team are fully complying with these governance arrangements and reports directly to the Board on this every year. All of the Board's business processes are ISO 9001 and 14001 quality assured.

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 2021, 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



Brian Love
Chairman



Governance

Board's Role

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.

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Movement in Reserves Statement

Movement in Reserves Statement for the year ended 31 March 2021

	Usable Reserves							Unusable Reserves				Total Reserves £'000
	General Reserve £'000	Development Reserve £'000	Capital Works Reserve £'000	Plant Reserve £'000	West Norfolk Interagency 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 2020	3,270	1,305	0	2,821	0	0	7,397	1,913	-3,045	-2,788	-3,920	3,477
Net Surplus/(Deficit)	332				25		357				0	357
Transfer (to)/from Development Reserve	-6	-19			25		0				0	0
Transfer (to)/from Pension Reserve	133						133		-133		-133	0
Actuarial Gain/(Losses) On Pension Fund							0		-364	-2,311	-2,675	-2,675
Revaluation							0				0	0
Balance at 31st March 2021	3,730	1,286	0	2,821	50	0	7,887	1,913	-3,542	-5,099	-6,728	1,159

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



FINAL INTERNAL AUDIT REPORT

WATER MANAGEMENT ALLIANCE

**– REVIEW OF EFFECTIVENESS OF SYSTEM OF
INTERNAL CONTROL – 2020-2021**

19th April 2021



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	16th April 2021
Management agreement received	19th April 2021
Final report issued	19th April 2021

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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
7	3	0	0	10	0	3	2	5

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 is a group of Internal Drainage Boards (IDBs) who share the same vision, values and standards and have chosen to jointly administer their affairs in order to reduce costs, strengthen their own organisations and increase influence at a national and local level. Each IDB is responsible for providing flood protection and maintaining the drainage and water level management infrastructure within their respective area.

The WMA provides administrative and management support services to five constituent IDB Member Boards, namely Broads, King's Lynn, East Suffolk, Norfolk Rivers, and South Holland, and also provide support services to the Pevensey & Cuckmere Water Level Management Board. The Waveney, Lower Yare & Lothingland IDB joined the WMA on 1st April 2020; however, the WMA did not start providing support services to them until 1st April 2021, therefore, the Waveney IDB were not included within this year's audit.

Summary of 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 within Payroll and Risk Management were identified which require attention by management:

- Instances were identified where timesheet and expenses claims had been incorrectly paid or missed. Testing identified one employee paid at an incorrect rate for callouts claimed, one who was not reimbursed their full mileage claim, one whose mileage claim was missed entirely and another who did not receive their claim for passenger miles. It was noted that several SHIDB employees were incorrectly paid for overtime and/or mileage in July 2020; however, the errors were identified and correctly paid the following month.
- One SHIDB employee's timesheet was certified by the Foreman but not by the Operations Manager. Ordinarily, all SHIDB timesheets are authorised by both the Foreman and the Operations Manager.
- One SHIDB employee did not complete a timesheet for the three weeks that they were on leave. It was established that other SHIDB employees do complete a timesheet when they go on leave.
- King's Lynn, Norfolk Rivers and South Holland IDB Board minutes do not routinely state that material changes to the Risk Register for those risks scored 6 or above have been "considered and approved" by the Board at each meeting, or that the full risk register was "considered and approved" each year.
- The King's Lynn IDB Risk Register is dated more than a year ago (29/11/19), although there is evidence from the Board minutes from 13/11/20 and 15/01/21 of the Board considering and approving the register.

The Finance & Rating Manager assured Internal Audit that additional processes have been put in place to increase the accuracy of the payroll processing. All of the Finance team are to go on a payroll course when available to increase their skill set.

It is noted that the Finance & Rating Manager had been planning to draft procedure notes relating to the petty cash system last year; however, due to Covid-19 this has been delayed. It is envisaged that procedure notes will be written in 2021/22.

Summary of Recommendations

The recommendations arising from the audit are:

- Those employees identified in the audit testing whose expenses claims had been missed or who had not been paid the correct amount should be reimbursed correctly in the May 2021 payroll.
- Employees should be required to submit a weekly timesheet when they are on annual leave. Staff should complete their timesheet and have it authorised prior to them going on leave.
- Finance Officers should ensure that all timesheets have been appropriately authorised, by the IDB's Operations Manager, prior to payment. Any that have not been signed should be returned to the appropriate manager for authorisation.
- As required by each Board agenda, Board minutes should clearly state that any material changes to the risk register have been "considered and approved" by the Board. Similarly, when the full risk register is annually reviewed by the Board, the minutes should state that the full risk register was "considered and approved".
- The date stated on the King's Lynn Risk Register should be amended to record the most recent date the register was approved by the KLIDB Board.

Summary of Agreed Actions

Management will implement the following actions:

- Those employees identified in the audit will be reimbursed correctly in the May 2021 payroll. Additional processes have been put in place to ensure that expenses/mileages are more accurately reflected on the sheets. Finance will liaise with Operations Managers to ensure they understand the process for inputting mileage. Extra procedures have been introduced to ensure these are not missed when being processed onto the payroll, and any queries are dealt with prior to payment should they arise. All staff who are currently performing payroll duties will undergo additional training within the next 12 months (COVID-19 permitting).
- Finance will ensure a timesheet is submitted and has been authorised by the appropriate manager for holidays taken prior to payment.
- Finance will ensure that all timesheets are properly authorised prior to payment.
- The CEO's PA will check Board minutes to ensure that they state that the Risk Register has been "approved".
- The CEO's PA will check to ensure that the date that appears in the page footer is updated every time the Risk Register is updated.

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 year's 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 2020 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 2020)" 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 2020/21 for each of the five Boards.
- 2.7 The review was undertaken during March and April 2021.

3. Background Information

- 3.1 The WMA is a group of Internal Drainage Boards (IDBs) who share the same vision, values and standards and have chosen to jointly administer their affairs in order to reduce costs, strengthen their own organisations and increase influence at a national and local level. Each IDB is responsible for providing flood protection and maintaining the drainage and water level management infrastructure within their respective area.
- 3.2 The WMA provides administrative and management support services to the five constituent IDB Member Boards, namely Broads, King's Lynn, East Suffolk, Norfolk Rivers, and South Holland. The WMA also provide support services to the Pevensey & Cuckmere Water Level Management Board. The Waveney, Lower Yare & Lothingland IDB joined the WMA on 1st April 2020; however, the WMA did not start providing support services to them until 1st April 2021.
- 3.3 As a service provider, the WMA makes available shared administrative and support services to its Member Boards, which allows each Board to concentrate on delivery within their Drainage Districts. All back-office functions are handled by the WMA enabling each Board to use their resources to support the public and provide quality frontline services.

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.	Substantial
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.	Full

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.	Full
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.	Full
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 have been paid correctly and in a timely manner, and that PAYE/NIC have been paid over correctly.	Substantial
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.	Full
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.
- 4.3 Discussions took place with the Finance & Rating Manager to ascertain what impact the Covid-19 pandemic has had on the operation of the WMA. The Finance & Rating Manager assured Internal Audit that the business operations ran smoothly as operatives and managers outside were able to use a one man per machine approach. Two members of staff had to shield and be at home for the majority of the pandemic as per Government Guidelines, this being the Senior Finance & Rating Officer and the Broads IDB Operations Manager. Efficiency and technical difficulties due to working from home were experienced during the first two months of the pandemic; however, as Finance are reliant on paper files and orders this was more difficult to manage than other teams initially, especially through year-end. Finance have reduced their reliance on paper and have managed to get the majority of suppliers to email invoices. Finance managed to fulfil all Statutory Deadlines with extra hours from members of staff where needed within Finance and Rating. The Finance & Rating Manager said that the operation of the WMA was very much “business as usual” throughout the pandemic, just with a few issues to overcome along the way.
- 4.4 A total of six 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 six

recommendations, five have been actioned; the remaining recommendation was not agreed by the relevant IDB Boards.

4.5 Appendix C provides definitions of the Internal Audit assurance opinions given in the report and of the recommendation priorities.

4.6 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 Finance & Rating Manager and to the Chief Executive of the WMA.

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
- Amy Taylor, Finance & Rating Officer

Appointed Members

The number of members that each constituent Council is entitled to appoint is determined by the Board every 3 years, in accordance with Schedule 1, Section 6(1) of the Land Drainage Act 1991. The Councils cannot just appoint anyone: they should appoint persons who have relevant knowledge or experience and have shown capacity in such matters. The Board may not approve the appointment of persons that do not fulfil this legal requirement, so please check out our guidance for Local Authorities when making appointments to IDBs. It is important to note that the appointed members do not represent the Councils themselves. As members of the Board they are duty bound to consider all proposals in the context of what is in the best interest of the Board, which may occasionally be different to what is in the best interest of their Council.

Decision Making

The Board make the key decisions and have reserved those matters that only it can take. Such decisions are made at Board meetings that take place at least 6 times a year and are recorded in the Minutes. Board meetings are public meetings at which anyone can attend the general business sessions. All other matters which, by definition, the Board considers suitable for delegation or may otherwise need to be dealt with between Board meetings have been delegated to its Plenary Committees and to the Consortium Management Committee, in accordance with the Board's Standing Orders, Scheme of Delegation and Financial Regulations. In addition to this the Board has constituted certain Advisory Committees and is represented on a number of Joint Advisory Committees, which make recommendations to the Board on various matters. Decisions and Board policy are then implemented by the Chief Executive and his/her Management Team. All staff are bound by the Employees Code of Conduct.

Managing Risk

The Board has put in place a number of plans policies and procedures to reduce the risk of fraud and to manage the key risks around delivering its strategic objectives: Anti-Fraud and Corruption Policy, Bribery Act Policy, Risk Management Policy, Employers Pension Policy Statement and Whistle blowing Policy.

Transparency

The Board's Minutes are published on our website along with the Reports that have helped inform these decisions. We aim to comply with the Government's Transparency Code and have also implemented the following policies to explain the types of information we have and when we can make this info. available, if requested: Data Protection Policy, Document Retention/Destruction Policy and our Freedom of Information Publication Scheme. Most information is freely available and can be accessed from our website. Other news and live updates are regularly communicated through our Facebook page, in accordance with the Board's Information Security and Systems – Acceptable Use Policy.

Independent Assurance

Following closure of the Audit Commission on 31 March 2015 and expiration of its audit contracts the Government's Specified Person (Public Sector Audit Appointments Ltd) now appoints an External Auditor each year to audit the Board's accounts and governance arrangements (the Appointed Auditor). The Appointed Auditor reports directly to the Board and therefore provides independent assurance to the Board and its stakeholders that the Accounts have been prepared in accordance with proper practices and that governance arrangements are sufficiently robust. Furthermore the Internal Auditor checks that the Board's management team are fully complying with these governance arrangements and reports directly to the Board on this every year. All of the Board's business processes are ISO 9001 and 14001 quality assured.

Findings, Risks, Recommendations and Management Action Plan

Control Objective 2: Risk Management – To ensure that the organisation has assessed the significant risks to achieving its objectives and has reviewed the adequacy of the arrangements to manage these.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
1.	<p><u>Finding</u> Board minutes do not routinely state that material changes to the risk register for those risks scored 6 or above have been considered and approved by the Board at each meeting, or that the full risk register was considered and approved each year.</p> <p><u>Risk</u> Risk that significant risks to the achievement of the organisation's objectives are not identified and assessed.</p>	As required by each Board agenda, Board minutes should clearly state that any material changes to the risk register have been "considered and approved" by the Board. Similarly, when the full risk register is reviewed annually by the Board, the minutes should state that the full risk register was "considered and approved".	Medium	The reality is that the Risk Register is always "considered in detail and approved" at every Board meeting. The issue is that this is not always accurately recorded in the minutes. Of the 24 Board meetings that took place during 2020/21, the minutes of 6 of those meetings did not include the word "approved". The CEOs PA will check the minutes more closely in future.	CEOs PA 30 th June 2021
2.	<p><u>Finding</u> The King's Lynn Risk Register is dated 29/11/19, although there is evidence from the Board minutes from 13/11/20 and 15/01/21 of the Board considering and approving the Risk Register.</p> <p><u>Risk</u> Risk that the Risk Register is not current and that new risks are not identified.</p>	The date stated on the King's Lynn Risk Register should be amended to record the date of the most recent approval of the register by the Board.	Low	The Risk Register is always current and includes all new risks identified. The issue is that the date that appears in the page footer is not always updated every time the Risk Register is updated. The CEOs PA will check that this date is always updated when the Risk Registers are updated, moving forward.	CEOs PA 30 th June 2021

Findings, Risks, Recommendations and Management Action Plan

Control Objective 7: Payroll – To ensure that salaries have been paid correctly and in a timely manner, and that PAYE/NIC has been accounted for correctly.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
3.	<p><u>Finding</u> Payrolls for King's Lynn, Norfolk Rivers, South Holland and Broads IDB, and for WMA, for July 2020 and January 2021, 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>Testing proved satisfactory with the exception of two employees whose expenses payments had been underpaid and two employees who had not been reimbursed for their expenses claims:</p> <ul style="list-style-type: none"> • One SHIDB employee claimed for 10 callouts in December 2020. They should have been paid £75.00 for each callout (as per their contract) and as claimed for on their timesheet/expenses form; however, in the January 2021 payroll they were paid £49.20 for each one; therefore, they were paid a total of £492.00 instead of £750.00. 	The two employees whose expenses payments had been underpaid and the two whose expenses payments had been missed should be reimbursed correctly in the May 2021 payroll.	Medium	Agreed. Additional processes have been put in place to ensure that the expenses/mileages are more accurately reflected on the sheets. We will liaise with the Operations Managers to ensure they understand the process for inputting the miles. We have also introduced extra procedures to ensure these are not missed when being processed onto the payroll, and any queries are dealt with prior to payment should they arise. As mentioned, all staff who are currently performing payroll duties will undergo additional training within the next 12 months (COVID-19 permitting).	Finance and Rating Manager – 31 st May 2021

Findings, Risks, Recommendations and Management Action Plan

Control Objective 7: Payroll – To ensure that salaries have been paid correctly and in a timely manner, and that PAYE/NIC has been accounted for correctly.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
3.	<ul style="list-style-type: none"> A NRIDB employee claimed a total of 264 miles in week 17 but was only paid for 147 miles in the July 2020 payroll. The employee uses a computerised timesheet/expenses form which is updated each month. The figure of 264 miles was entered on the expenses claim for week 17, and authorised, but the total from the previous week (147 miles) was inadvertently left on the form in the “for office use only” section; therefore, they were paid 147 miles rather than the correct figure of 264. One Broads IDB employee claimed 188 miles in week 42 but had not received payment. A WMA employee claimed 96 passenger miles in December 2020 for which they were not paid. <p>The two underpayments and the two missed payments were discussed with the Finance & Rating Manager who agreed to include them in the May 2021 payroll (as the April payroll had already been run).</p> <p>The Finance & Rating Manager assured Internal Audit that additional processes have been put in place to increase the accuracy of the payroll processing. She is going to place all of the Finance team on a payroll course when available to increase their skill set.</p>		Medium		

Findings, Risks, Recommendations and Management Action Plan

Control Objective 7: Payroll – To ensure that salaries have been paid correctly and in a timely manner, and that PAYE/NIC has been accounted for correctly.

Rec. no.	Finding / Risk	Recommendation	Priority Rating	Management Response	Responsible Officer and Agreed Due Date
4.	<p><u>Finding</u> One SHIDB employee did not complete a timesheet for weeks 41, 42 and 43 when they were on leave. It was established that other SHIDB staff do complete a timesheet when they are on leave; therefore, for consistency, all staff should complete a timesheet when they go on leave. It was agreed with the Finance & Rating Manager that all staff at SHIDB should be required to complete a timesheet and have it authorised prior to them going on leave.</p> <p><u>Risk</u> Risk of staff being paid without submitting a timesheet.</p>	Employees should be required to submit a weekly timesheet when they are on annual leave. Staff should complete their timesheet and have it authorised prior to them going on leave.	Low	Agreed. We will ensure a timesheet is submitted and has been authorised by the appropriate manager for holidays taken prior to payment.	Finance and Rating Manager – 31 st May 2021
5.	<p><u>Finding</u> One SHIDB employee's timesheet for w/e 05/07/20 was authorised by the Foreman but not by the Operations Manager. Ordinarily, all SHIDB timesheets are authorised by both the Foreman and by the Operations Manager.</p> <p><u>Risk</u> Risk that timesheet/expenses claims are paid without being appropriately authorised.</p>	Finance Officers should ensure that all timesheets have been appropriately authorised, by the IDB's Operations Manager, prior to payment. Any that have not been signed should be returned to the appropriate manager for authorisation.	Medium	Agreed. We will ensure that all timesheets are properly authorised prior to payment.	Finance and Rating Manager – 31 st May 2021

Follow-up of Previous Report's Recommendations

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	Follow-up of Agreed Action
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).</p> <p>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, 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>	The Financial Report for the year to date is presented at each Board meeting in January/February. This is evidenced from the Board Meetings page for each Board on the WMA website.

Follow-up of Previous Report's Recommendations

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	Follow-up of Agreed Action
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 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>	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.	Medium	<p>I will put this to both Boards when they next meet, but doubt they will agree or consider it to be necessary.</p> <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>	<p>Chief Executive</p> <p>June 2020</p>	Neither Board felt it was necessary to increase the number of Board meetings.

Follow-up of Previous Report's Recommendations

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	Follow-up of Agreed Action
3.	<p><u>Finding</u></p> <p>Each IDB aims to maintain their General Reserve at a level commensurate with their net expenditure. 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 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>	When the year-end Statutory Accounts are prepared, the General Reserve recommendation is met. This was evidenced by the 2019/20 Accounts which were approved by the King’s Lynn Board in May 2020.

Follow-up of Previous Report's Recommendations

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	Follow-up of Agreed Action
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>	The Rate Levies & Collection Policies have been reviewed and are due for review in December 2025.

Follow-up of Previous Report's Recommendations

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	Follow-up of Agreed Action
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; • Timesheet signed by employee and by the appropriate officer. <p>Four exceptions were identified (two underpayments and two timesheets not authorised).</p> <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>	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.	Medium	Agreed.	<p>Finance and Rating Manager</p> <p>With immediate effect.</p>	It is ensured that all timesheets are signed and authorised by the appropriate manager prior to making payment.

Follow-up of Previous Report's Recommendations

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	Follow-up of Agreed Action
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 appraised 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 appraised of the level of assets and investments held by the Board.</p>	Board Members should be kept fully appraised 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.	Finance and Rating Manager December 2020, January and February 2021.	The Financial Report for the year to date is presented at each Board meeting in January/February. This is evidenced from the Board Meetings page for each Board on the WMA website.

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	<div data-bbox="837 197 1141 336"><p>Borough Council of King's Lynn & West Norfolk</p></div> <div data-bbox="1157 170 1347 342">The logo of the Borough Council of King's Lynn & West Norfolk, featuring a blue coat of arms with a shield, a crown, and two lions.</div>
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WATER MANAGEMENT ALLIANCE

**REVIEW OF EFFECTIVENESS OF THE
SYSTEM OF INTERNAL CONTROL
2020 - 2021**

**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 2020 – 2021.
- 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 (IDBs):
- 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 2020-21 for each of the IDBs.

2. OBJECTIVES AND SCOPE OF THE AUDIT

- 2.1 The work of the Internal Auditor will be guided by the Joint Panel on Accountability & Governance (JPAG) Practitioners’ Guide (March 2020).
- 2.2 In order to be able to complete section 4 of the Electronic Annual Governance and Accountability Return for 2020-21, 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 The previous year's audit reviewed the same internal control objectives as stated above.
- 2.4 The agreed actions arising from recommendations made in last year's audit will be followed up to confirm their implementation 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.
- 2.6 The audit will also examine the impact of Covid-19 on the governance of the WMA.

3. TASKS

3.1 The project tasks are to:

- Establish if the procedures recorded as part of the audit for 2019-20 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 2020-21 for each of the IDBs.

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 2019-20.	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 2020
To: 31 March 2021

Period: 12
Year Ending: 31 March 2021

Notes	Income and Expenditure Account	2019/20 Actual £	2020/21 Actual £	Annual Estimate £
<u>Income:</u>				
	Occupiers Drainage Rates	322,328	328,495	328,495
1	Special Levies issued by the Board	1,960,429	1,999,540	1,999,540
	Grants Received	0	0	16,643,473
	Rental Income	11,436	16,802	28
2	Highland Water Contributions	63,480	63,847	47,192
	Income from Rechargeable Works	192,892	181,846	3,000
	Investment Interest	114,929	53,861	56,000
	Development Contributions	138,447	0	0
4	Other Income	334,439	366,079	280,755
	Total Income	£3,138,380	£3,010,470	£19,358,483
<u>Less Expenditure:</u>				
5	Capital Works	95,217	16,082	18,929,885
6	Environment Agency Precept	170,572	174,352	179,101
7	Maintenance Works	1,327,869	1,547,984	1,431,039
	Development Expenditure	20,767	0	0
	Interest Payments	286,696	283,968	283,968
8	Administration Charges	366,012	382,982	344,851
	Cost of Rechargeable Works	140,712	114,735	0
	Bad Debt Provision	0	-64,643	0
	Pension Interest Cost and Expected Return on Assets	179,000	133,000	0
3	Net Deficit/(Surplus) on Operating Accounts	103,699	99,618	0
	Total Expenditure	£2,690,544	£2,688,078	£21,168,844
	Profit/(Loss) on disposal of Fixed Assets	-£2,561	£9,750	£0
9	Net Surplus/(Deficit)	£445,275	£332,142	-£1,810,361
	Actuarial Gains/(Losses) on pension assets/Liabilities	£865,000	-£364,000	
	Total Comprehensive Income & Expenditure	£1,310,275	-£31,858	

Notes	Balance Sheet as at 31-3-2021	2019/20 Closing Balance £	2020/21 Closing Balance £
	Fixed Assets:		
10	Land	1,065,000	1,065,000
10	Building	380,000	380,000
10	Plant and Equipment	922,660	895,253
10	Pumping Stations/Outfall Structures	602,500	602,500
10	Properties	210,000	210,000
10	Shared Consortium Assets	0	0
13	Assets Under Construction	12,900,867	25,830,566
		16,081,027	28,983,319
	Current Assets:		
11	Bank Account	1,855,249	3,199,046
	Stock	7,444	3,326
12	Trade Debtors	94,958	1,810
	Work in Progress	0	1,564
14	Term Deposits	9,500,000	11,000,000
15,16	Drainage Rates and Special Levies Due	8,657	5,573
17	Prepayments	0	0
	Prepayments to WMA	-4,430	978
	Accrued Interest	68,169	16,031
	VAT Due	612,042	874,467
18	Grants Due	0	0
		12,142,089	15,102,795
	Less Current Liabilities:		
	Trade Creditors	659,485	370,610
29	Accruals	32,923	35,832
30	Deferred Revenue	18,012	0
29	Accumulated Absences Accrual	2,765	2,765
	Bad Debt Provision	64,643	0
31	Retentions Held	108,602	0
18	Capital Grants Received in Advance	8,197,472	24,129,971
32	Receipts Paid in Advance	3,292	26,995
33	BCKLWN Covid-19 Grant (to be repaid)	10,000	0
28	PWLB Loans due in less than one year	96,123	98,931
		9,193,318	24,665,103
	Net Current Assets	2,948,772	-9,562,309
	Less Long Term Liabilities:		
25,37	Pension Liability (KLIDB)	3,045,000	3,542,000
25,37	Pension Liability (KLIDB t/a WMA)	2,788,000	5,099,000
28	PWLB Loans due in more than one year	9,719,737	9,620,806
		15,552,737	18,261,806
	Net Assets	£3,477,061	£1,159,205
19	Reserves:		
	Usable:		
20	General Reserve	3,270,415	3,729,870
21	Development Reserve	1,305,023	1,285,710
22	Capital Works Reserve	0	0
23	Plant Reserve	2,821,148	2,821,148
	West Norfolk Inter Agency Flood Water Mgmt Reserve		50,000
18	Grants Reserve	0	0
		7,396,584	7,886,728
	Unusable:		
24	Capital Adjustment Account	1,913,477	1,913,477
25,37	Pension Reserve (KLIDB)	-3,045,000	-3,542,000
25,37	Pension Reserve (KLIDB t/a WMA)	-2,788,000	-5,099,000
		-3,919,523	-6,727,523
	Total Reserves	£3,477,061	£1,159,205

Cashflow Statement for the years ended 31st March 2020 & 31st March 2021

	2020	2021
Cash flows from Operating Activities		
Net surplus/(deficit) on the provision of services	£445,275	£332,142
(Increase)/decrease in debtors	-£310,432	-£166,193
(Increase)/decrease in stock	£268	£2,554
Increase/(decrease) in creditors	£823,928	-£438,520
Prior Year Adj for Long Term WIP	£0	£0
Increase/(decrease) in Grants Received in Advance	£6,064,000	£15,932,499
(Increase)/decrease in accrued interest income	-£2,423	£52,138
(Increase)/decrease Prepayment to WMA	£14,698	-£5,408
Adjustment for Depreciation	£200,421	£216,323
Adjustment for Pension Costs	£179,000	£133,000
Adjustment for(Profit)/Loss on Disposal	£2,561	-£9,750
Net cash flows from Operating Activities	£7,417,295	£16,048,786
Cash flows from Investing Activities		
Purchase of PPE	-£230,342	-£209,166
Sale of PPE	£83,123	£30,000
(Increase)/decrease in Assets Under Construction	-£7,893,532	-£12,929,700
Adjustment for Depreciation	0	£0
Net cash flows from Investing Activities	-£8,040,751	-£13,108,866
Cash flows from Financing Activities		
Increase/(decrease) in PWLB less than 1 Year	£2,728	£2,808
Increase/(decrease) in PWLB more than 1 Year	-£96,123	-£98,931
Net cash flows from Financing Activities	-£93,395	-£96,123
Net Increase/(Decrease) in cash and cash equivalents	-£716,851	£2,843,797
Cash and Cash Equivalents at the beginning of the reporting period	£12,072,100	£11,355,249
Cash and Cash Equivalents at the end of the reporting period	£11,355,249	£14,199,046

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 2020/21 (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, Islington and North Lynn 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. We were not required to revalue the assets in the financial year to 31st March 2021, therefore any impact is currently unknown.

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 23.5% 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 was 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 2021, 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 2021 is £9,719,737. 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 2021.

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.

Financial Risk Management

King's Lynn IDB has exposure to the following risks from its use of financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk
- 4) Operational risk

This note presents information about King's Lynn IDB's exposure to each of the above risks, the objective, policies and processes for measuring and managing risk, and management of capital. Further quantitative disclosures are included throughout these Statement of Accounts.

Risk Management Framework

The risk management framework is set out in the Annual Governance Statement of these Statement of Accounts.

Credit Risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations.

Liquidity Risk

Liquidity risk is the risk that King's Lynn IDB will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. King's Lynn IDB approach to managing liquidity risk is to only commit to financial instruments that can be funded from the available cash resources at the date of commitment.

Market Risk

Market risk is the risk that changes in market prices such as interest rates will affect King's Lynn IDB's income or the value of its financial instruments.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with King's Lynn IDB's processes or personnel, technology and infrastructure risks, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Capital Management

King's Lynn IDB's policy is to maintain a strong capital base so as to maintain stakeholder confidence and to sustain the future development and long term viability of the organisation.

From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

Note Notes to the Accounts

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

	<u>Actual 2019-20</u>	<u>Actual 2020-21</u>
Borough of King's Lynn & West Norfolk	1,851,019	1,888,048
Fenland District Council	85,665	87,295
South Holland District Council	23,745	24,197
	1,960,429	1,999,540

- 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.

	<u>Actual 2019-20</u>	<u>Actual 2020-21</u>
EA - Highland Water Claim	63,480	63,847
	63,480	63,847

- 3 The Net Operating Deficit/(Surplus) for this year is made up as follows:

	<u>Actual 2019-20</u>	<u>Actual 2020-21</u>
Labour Operations Account	74,012	80,045
Mobile Plant Operations Account	29,687	46,594
	103,699	126,639

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:

	<u>Actual 2019-20</u>	<u>Actual 2020-21</u>
4803 Shared Income from WMA	332,595	437,533
Commuted Maintenance/SWDC	0	-73,182
4802 Summons Costs	975	0
4775 East Wash Coastal Management CIC Administration Fee	500	500
4800 Sundry Income	369	1,227
	334,439	366,079

- 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.

	<u>Actual 2019-20</u>	<u>Actual 2020-21</u>
Capital Works Expenditure	95,217	16,082
	95,217	16,082

- 6 The EA Precept due for 2020/21 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.

	<u>Actual 2019-20</u>	<u>Actual 2020-21</u>
EA Precept	170,572	174,352
	170,572	174,352

- 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:

	<u>Actual 2019-20</u>	<u>Actual 2020-21</u>
Labour Charges	476,594	518,249
Plant Charges	245,010	280,284
Materials	17,956	15,786
Contractors	24,548	25,188
Electricity	179,932	202,299
Pumping Station Insurances	30,970	31,001
Telemetry	20,039	19,979
Heating Fuel	9,167	20,037
Pumping Station Depreciation	0	63,238
Direct Works	1,004,214	1,176,061
5400 Technical Support Staff Costs	288,414	388,830
5450 Other Technical Support Costs	28,951	36,964
5500 Biodiversity Action Plan Costs	6,290	9,367
Contingency	0	0
Annual Asset Reinstatement Provision	0	0
Maintenance Works	1,327,869	1,611,222

From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

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). Detailed expenditure is monitored by the Consortium Management Committee and the Board every three months:

	Actual 2019-20	Actual 2020-21
Administration Staff Costs	94,201	118,518
Other Administration Costs	225,832	219,668
Audit Fees	40,000	40,390
Sundry Expenses	366	785
Pension Pay Strain	0	0
Drainage Rates AV Increases/(Decreases)	3,972	1,647
Kettlewell House Depreciation	0	0
Sundry Debtors written off	0	0
Settlement Discount	1,641	1,974
	366,012	382,982 **

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.

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

	Budget 2019-20	Budget 2020-21
PWLB	-5,587,091	-1,433,618
General Reserve	-346,286	-376,743
	-5,933,377	-1,810,361

- 10 The movement in Fixed Assets is detailed in the Fixed Assets Register for 2020/21, which can be made available to members on request.

	Land and Buildings	Plant and Equipment	Pumping Stations	Total
Cost				
Opening Balance b/fwd	1,655,000	1,821,253	602,500	4,078,753
(+) Additions	0	209,166	0	209,166
(+) Donations	0	0	0	0
(+) Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0
(+) Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	0	0	0	0
(-) Disposals	0	-148,581	0	-148,581
Closing Balance c/fwd	1,655,000	1,881,838	602,500	4,139,338
Depreciation				
Opening Balance b/fwd	0	898,593	0	898,593
(+) Depreciation Charge for year	0	216,323	0	216,323
(-) 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	-128,331	0	-128,331
Closing Balance c/fwd	0	986,585	0	986,585
Net Book Value as at 31-3-2021	1,655,000	895,253	602,500	3,152,753

From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

Note Notes to the Accounts

The movement in Fixed Assets is detailed in the Fixed Assets Register for 2019/20, which can be made available to members on request.

	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 31-3-2020	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.

- 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:

	2019/20	2020/21
Opening Balance as at 1-4-2020 b/fwd	72,100	1,855,249
(+) Receipts	17,446,916	29,567,648
(-) Payments	-15,663,767	-28,223,851
(=) Closing Balance as at 31-3-2021 c/fwd	1,855,249	3,199,046
Balance on Statement as at 31-3-2021	1,881,260	3,481,198
Less: Unpresented Payments	-26,500	-282,152
Add: Unpresented Receipts	489	0
Closing Balance as at 31-3-2021 c/fwd	1,855,249	3,199,046

- 12 Aged Debtor profile is currently as follows:

	2019/20	2020/21
Debt period	Debtors	Debtors
<=30 days	11,003	1,810
>30 days and <=60 days	0	0
>60 days and <=90 days	0	0
>90 days	83,956	0
	94,958	1,810
>90 days	Amount	Inv. Date
	Originator	
	0	

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

Customer	2019/20	2020/21	Estimated Completion Date
Wolferton Costs	5,007,899	5,007,899	31/03/2022
Wolferton Costs (Invoice Accrual)	475	475	31/03/2022
Wolferton 2020/21 Costs	0	7,013	31/03/2022
Islington Catchment Flood Risk Mgmt Scheme 2018/19 Costs	1,226,035	1,226,035	31/03/2022
Islington Catchment Flood Risk Mgmt Scheme 2019/20 Costs	6,666,458	6,666,458	31/03/2022
Islington Catchment Flood Risk Mgmt Scheme 2020/21 Costs	0	12,144,943	31/03/2022
North Lynn Pumping Station Scheme 2020/21 Costs	0	421,806	31/03/2022
Pierpoint Pumping Station Scheme 2020/21 Costs	0	24,145	31/03/2022
New Office, Nar Ouse Way 2020/21 Costs	0	331,791	31/03/2022
	12,900,867	25,830,566	

From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

Note Notes to the Accounts

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, Islington and North Lynn 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
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Islington Pumping Station:	£
Projected Cost of Project	26,950,506
Grant Approved by the EA	23,503,506

Estimated Net Cost to Kings Lynn IDB	3,447,000
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North Lynn Pumping Station:	£
Projected Cost of Project	654,993
Grant Approved by the EA	654,993

Estimated Net Cost to Kings Lynn IDB	0
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14 Term Deposits are currently as follows:

	2019/20	2020/21
Financial Institution	Capital	Capital
Natwest Treasury	0	1,000,000
Cambridge Building Society	1,000,000	1,000,000
Vernon Building Society	500,000	1,000,000
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	0
Cumberland Building Society	0	1,000,000
The Tipton & Coseley Building Society	0	1,000,000
Chorley & District Building Society	1,000,000	1,000,000
Skipton Building Society	1,000,000	0
Dudley Building Society	1,000,000	0
Saffron Building Society	0	1,000,000
Principality Building Society	0	1,000,000
Hinckley & Rugby Building Society	1,000,000	0
National Counties Building Society	1,000,000	1,000,000
	9,500,000	11,000,000

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.

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 84 Ratepayers that have not paid their Drainage Rates for 2020/21, as compared to 85 Ratepayers this time last year. Summarised transactions for Drainage Rates and Special Levies during the year are as follows:

	2019/20	2020/21
Arrears b/fwd	7,580	8,657
Drainage Rates for the year	322,332	328,582
Special Levies for the year	1,960,428	2,000,511
Payments Received	-2,309,919	-2,348,362
Settlement Discount	-1,641	-1,974
Returned/(Represented) amounts	467	0
Value /(Decreases)	-12,707	-13,593
Value Increases	10,282	9,093
New Assessments	2,425	4,499
Irrecoverables and write offs	-4,245	-2,849
The East Coastal Management CIC	20,667	20,632
Summons collection costs	975	0
Special Levy Adjustment	0	0
Drainage Rate Adjustment	11,934	102
Paid Refunds	78	275
Rates tidy up after year end	0	0
Arrears c/fwd	8,657	5,573

17 There are no prepayments.

From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

Note Notes to the Accounts

18 Capital Grants Received in Advance:

	2019/20	2020/21
SCH30: Islington Catchment Flood Risk Management Scheme	22,472	22,472
SCH42: Islington Catchment Flood Risk Management Scheme	6,329,000	21,606,506
SCH43: Wolferton Flood Risk Management Scheme	1,846,000	1,846,000
SCH45: North Lynn Pumping Station Scheme	0	654,993
	0	0
SCH43: Wolferton Flood Risk Management Scheme	0	0
	8,197,472	24,129,971
Grants Reserve b/fwd at 31.03.2020		8,197,472
Add: Grants Received		15,932,499
Grant Reserve c/fwd at 31.03.2021		24,129,971

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 2021/22, 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 2022. 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 2020/21, 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:

	2019/20	2020/21
Opening Balance, as at 1 April b/fwd	2,763,820	3,270,415
Net Surplus/(Deficit) for the year	445,275	332,142
Net transfer (to)/from Development Reserve	-117,680	19,313
Net transfer (to)/from West Norfolk InterAgency Reserve	0	-25,000
Net transfer (to)/from Capital Works Reserve	0	0
Net transfer (to)/from Pension Reserve	179,000	133,000
Net transfer (to)/from Plant Reserve	0	0
Capital Adjustment Account (Revaluation)	0	0
Closing Balance c/fwd	3,270,415	3,729,870

21 Movements on the Development Reserve:

	2019/20	2020/21
Opening Balance, as at 1 April b/fwd	1,187,343	1,305,023
Net contributions transferred from General Reserve	117,680	-19,313
Closing Balance c/fwd	1,305,023	1,285,710

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:

	2019/20	Gen. Reserve	2020/21
N/A	0	0	0
	0	0	0

23 The Fixed Plant Reserve and Mobile Plant Reserve:

	2019/20	2020/21
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):

	2019/20	2020/21
Opening Balance, as at 1 April b/fwd	1,908,477	1,913,477
Revaluation Increase: Islington House	5,000	0
Closing Balance c/fwd	1,913,477	1,913,477

From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

Note	Notes to the Accounts																																				
25	<p>Pension Liability</p> <p>(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.</p> <p>(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 £5,099,000 as at 31 March 2021 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 15 January 2021. 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.</p>																																				
26	<p>Related Party Disclosures</p> <p>(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 £265,761.52 upto 31/03/21.</p> <p>(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 £8,416.74 upto 31/03/21.</p> <p>(iii) Mr Harvey Howe is employed by the Board as a full time Operative. The Board's Project Manager is related to Harvey Howe.</p> <p>(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 2020.</p> <p>(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 01.11.2020 - 31.10.2021.</p> <p>(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.</p> <p>(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.</p>																																				
27	<p>Operating Lease Payments</p> <p>The Board has two vehicles classified under an Operating Lease. The value of the leases for <12 months is £11,041.56 (19/20 £11,041.56) and for >12 months is £3,948.00 (19/20 £14,562.93)</p>																																				
28	<table><tr><th>Financial Instruments</th><th>2019/20</th><th>2020/21</th></tr><tr><td>Financial Assets: Cash at Bank</td><td>£1,855,249</td><td>£3,199,046</td></tr><tr><td>Financial Assets: Investments</td><td>£9,500,000</td><td>£11,000,000</td></tr><tr><td>Financial Assets: Debtors (Incl Accrued Intt)</td><td>£171,784</td><td>£23,414</td></tr><tr><td></td><td>£11,527,033</td><td>£14,222,460</td></tr><tr><td>Financial Liabilities: Creditors</td><td>£659,485</td><td>£370,610</td></tr><tr><td>Financial Liabilities: Retentions Held</td><td>£108,602</td><td>£0</td></tr><tr><td>Financial Liabilities: PWLB (Less than 12 Months)</td><td>£96,123</td><td>£98,931</td></tr><tr><td>Financial Liabilities: PWLB (More than 12 Months)</td><td>£9,719,737</td><td>£9,620,806</td></tr><tr><td></td><td>£10,583,947</td><td>£10,090,347</td></tr><tr><td>Interest Expense: (On PWLB)</td><td>£286,696</td><td>£283,968</td></tr><tr><td></td><td>£286,696</td><td>£283,968</td></tr></table> <p>Fair Value of Assets and Liabilities</p> <p>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:</p> <p>1) Fixed Interest Rate of 2.9% Over the 50 year PWLB loan;</p> <p>2) No early repayment or impairment is recognised; and</p> <p>3) The fair value of trade and other receivables is taken to be invoiced or billed amount</p>	Financial Instruments	2019/20	2020/21	Financial Assets: Cash at Bank	£1,855,249	£3,199,046	Financial Assets: Investments	£9,500,000	£11,000,000	Financial Assets: Debtors (Incl Accrued Intt)	£171,784	£23,414		£11,527,033	£14,222,460	Financial Liabilities: Creditors	£659,485	£370,610	Financial Liabilities: Retentions Held	£108,602	£0	Financial Liabilities: PWLB (Less than 12 Months)	£96,123	£98,931	Financial Liabilities: PWLB (More than 12 Months)	£9,719,737	£9,620,806		£10,583,947	£10,090,347	Interest Expense: (On PWLB)	£286,696	£283,968		£286,696	£283,968
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From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

Note Notes to the Accounts

29 Accruals

Net value of invoices received after Year End close down	£0
Gross Wages, E'er NIC and E'er Pension	£27,581
Development Accrual	£5,000
Annual Leave	£3,251
	<u>£35,832</u>

30 Deferred Revenue

There is no Deferred Revenue in the Reporting Period.

31 Retentions Held

There are no retentions in the Reporting Period.

32 Receipts Paid in Advance

These are payments received by drainage ratepayers between 05.03.2021-31.03.2021 for rates due for the 2021/22 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 in 2019/20. 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 13 staff members directly in 2019/20 and 13 staff members directly in 2020/21.

	<u>2019/20</u>	<u>2020/21</u>
Employee Remuneration	£449,060	£452,458
Employer Pension Contributions	£66,382	£92,685
Employer National Insurance Contributions	£33,090	£44,240
Annual Leave Accrual	<u>£2,765</u>	<u>£2,765</u>
	£551,297	£592,148

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 01.04.2020-31.03.2021. 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 01.04.2020-31.03.2021 was paid on the 15th November 2020.

From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

Note Notes to the Accounts

37 Norfolk Pension Fund IAS19 at 31.03.2021

	£'000s	£'000s
Net Cost Of Current Services		
Current Service Costs	195	177
Settlements and past service costs	0	0
	<u>195</u>	<u>177</u>
Net Operating Expenditure		
Interest Cost	225	71
Expected return on assets	-135	-117
	<u>90</u>	<u>-46</u>
Net Charge to the I&E Account	<u>285</u>	<u>131</u>

Reconciliation of fair value of the scheme assets	2020 £'000s	2021 £'000s
Opening Balance 01st April	5,710	5,200
Expected Rate of Return		
Interest Income	135	117
Employers Contributions	103	112
Contributions in respect of unfunded benefits	3	3
contributions by scheme participants	31	33
Actuarial gains and (losses)	-420	1130
Unfunded benefits paid	-3	-3
Benefits Paid	-359	-370
Closing Balance 31st March	<u>5,200</u>	<u>6,222</u>

Reconciliation of fair value of the scheme liabilities	2020 £'000s	2021 £'000s
Opening Balance 01st April	9,441	8,245
Current Service Cost	195	177
Interest Cost	225	188
Contributions by Scheme Participants	31	33
Actuarial (gains) and losses	-1,285	1494
Unfunded benefits paid	-3	-3
Benefits Paid	-359	-370
Past Service Costs	0	0
Losses/(gains) on curtailments	0	0
Closing Balance 31st March	<u>8,245</u>	<u>9,764</u>

	2020 £'000s	2021 £'000s
Estimated liabilities in scheme	-8,245	-9,764
Estimated assets in scheme	<u>5,200</u>	<u>6,222</u>
Net Pension Liabilities	<u>-3,045</u>	<u>-3,542</u>
(Reduction)/Increase in Net Pension Liability	-686	497
(Loss)/Gain on Actuarial Valuations	865	-364
(Charge)/Reduction to I&E	-179	-133

From: 01st April 2020
 To: 31st March 2021

Period To: 12
 Year Ended: 31 March 2021

Note Notes to the Accounts

Financial assumptions

The financial assumptions, as described in the accompanying report, are summarised below:

Period Ended	31 Mar 2021	31 Mar 2020
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.85%	2.00%
Salary Increase Rate	3.55%	2.70%
Discount Rate	1.95%	2.30%

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 16 years.

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.9 years	24.3 years
Future Pensioners*	23.2 years	26.2 years

* Figures assume members aged 45 as at the last formal valuation date.

Historic mortality

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements are shown below:

Prospective Pensioners	Pensioners
CMI 2018 model assuming an allowance for smoothing of recent mortality experience and a long term-rate of improvement of 1.25% p.a.	CMI 2018 model assuming an allowance for smoothing of recent mortality experience and a long term-rate of improvement of 1.25% p.a.

Please note that the mortality assumptions used to value the Obligations in the Employer's Closing Position are different to those used to value the Obligations in the Employer's Opening Position.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2021:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	8%	744
0.5% increase in the Salary Increase Rate	1%	54
0.5% increase in the Pension Increase Rate (CPI)	7%	676

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

The provided sensitivity figures can be used to estimate the impact of adopting different financial assumptions (e.g. an Employer considering alternative accounting assumptions or to help an Employer complete an ESFA accounts return). For further details on this, please refer to the accompanying accounting covering report.

In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme liabilities at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report, based on the profile (average member ages, retirement ages etc) of the Employer as at the date of the most recent valuation.

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.

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 2021, 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 2020/21.

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 2021 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 2021 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 2021 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 '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.

Opinion on other matters 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 2020/21, 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 Internal Drainage 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of King’s Lynn Internal Drainage Board for the year ended 31 March 2021 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

Final Auditor's Annual Report on King's Lynn Internal Drainage Board

2020/21 and 2021/22

December 2024

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the King's Lynn internal drainage board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the King's Lynn internal drainage board arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether King's Lynn Internal Drainage Board has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report their commentary on King's Lynn Internal Drainage Board's arrangements under specified criteria. 2020/21 is the first year that we are reporting our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Kings Lynn Internal Drainage Board's arrangements for 2020/21 and 2021/22 because this will allow for our Value for Money assessments to be provided to King's Lynn Internal Drainage Board during 2023/24 which supports timely reporting. As part of our work, we considered whether there were any risks of significant weakness in King's Lynn Internal Drainage Board's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but four improvement recommendation made.	No significant weaknesses in arrangements identified, but four improvement recommendation made.	↔
Governance	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but six improvement recommendations made.	No significant weaknesses in arrangements identified, but seven improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but three improvement recommendation made.	No significant weaknesses in arrangements identified, but three improvement recommendation made.	↔

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

King's Lynn Internal Drainage Board (KLIDB) undertook and successfully completed two significant capital projects during the period 2018/19 to 2022/23. These projects attracted government funding, which provided the majority of capital financing, and has required KLIDB to produce financial statements in accordance with the CIPFA Code which is referenced further in the governance section of this report. KLIDB understands the financial risks it faces particularly in respect of its key income streams and has put in place appropriate measures to manage these risks to support financial sustainability. Our work has not identified any significant weaknesses in arrangements but has identified four improvement recommendations. Further details can be seen on pages 14 to 17 of this report.

Management have not agreed with all our recommendations. Whilst this is their prerogative - we would note for members that it is unusual for external audit recommendations to be rejected.



Governance

KLIDB had arrangements in place to support its control environment, during 2020/21 and 2021/22, as evidenced by the activities of Internal Audit and KLIDB's strategic approach to minimise fraud, bribery and corruption. Additionally, KLIDB reviewed its risk management arrangements by the introduction of a revised Risk Management Policy during 2021/22.

Our work has not identified any significant weaknesses in arrangements but has identified seven improvement recommendations. Further details can be seen on pages 23 to 29.

Management have not agreed with all our recommendations. Whilst this is their prerogative - we would note for members that it is unusual for external audit recommendations to be rejected.



Improving economy, efficiency and effectiveness

KLIDB has demonstrated an understanding of its role in securing economy, efficiency and effectiveness in its use of resources during 2020/21 and 2021/22. KLIDB has in place an established regime of performance management supported by oversight. KLIDB demonstrated the importance it places on partnership activity during 2020/21 and 2021/22 through, the collaboration with six other internal drainage boards, to operate the Water Management Alliance with a principle aim to reduce cost.

Our work has not identified any significant weaknesses in arrangements but has identified three opportunities for improvement which are set out on pages 33 to 35.

Management have not agreed with all our recommendations. Whilst this is their prerogative - we would note for members that it is unusual for external audit recommendations to be rejected.



2020/21

We have yet to complete our audit of your financial statements for 2020/21.

2021/22

We have yet to complete our audit of your financial statements for 2021/22.



Use of auditor's powers

The following use of auditor's powers is correct at the time this auditors Auditor's Annual Report has been issued to King's Lynn Internal Drainage Board which is ahead of the completion of 2020/21 and 2021/22 financial statements audit.

We bring the following matters to your attention:

	2020/21	2021/22
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not issue any statutory recommendations.	We did not issue any statutory recommendations.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply to the Court.	We did not apply to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	We did not issue an advisory notice.	We did not issue an advisory notice.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply for a judicial review.	We did not apply for a judicial review.

Securing economy, efficiency and effectiveness in the King's Lynn Internal Drainage Board's use of resources

All internal drainage boards, assessed under the Code of Audit Practice, are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. King's Lynn Internal Drainage Board's responsibilities are set out in Appendix A.

Internal drainage boards report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement. Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether King's Lynn Internal Drainage Board has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring King's Lynn Internal Drainage Board can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the King's Lynn Internal Drainage Board makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring King's Lynn Internal Drainage Board makes decisions based on appropriate information.

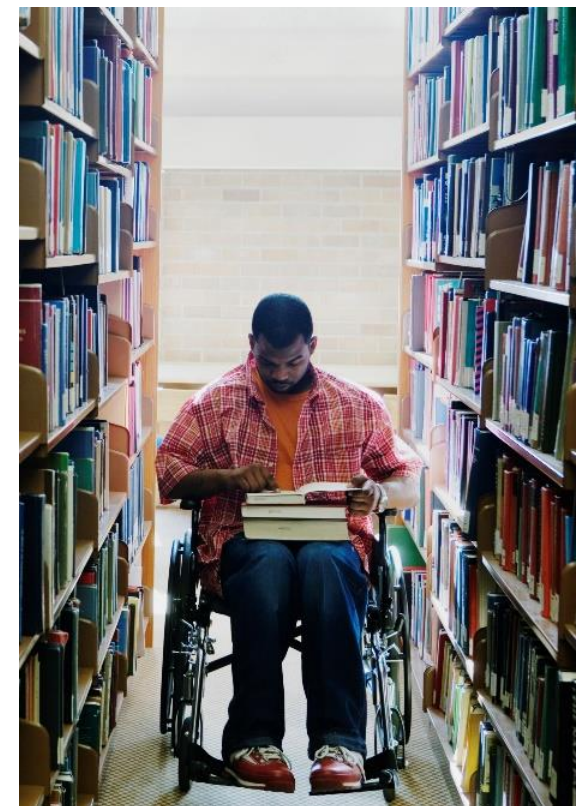


Improving economy, efficiency and effectiveness

Arrangements for improving the way King's Lynn Internal Drainage Board delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the arrangements in each of these three areas, is set out on pages 7 to 35. Further detail on how we approached our work is included in Appendix A.



Financial sustainability



We considered how King's Lynn Internal Drainage Board (KLIDB):

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Budget Overview

KLIDB is funded, like other internal drainage boards in England, by the beneficiaries of the water management works it provides within its defined geographical area known as a drainage district.

Each financial year KLIDB sets a budget for its planned activities in the forthcoming year and these costs are met by three main sources of annual funding received by KLIDB, as determined by the Land Drainage Act 1991:

- Drainage rates, set and collected by KLIDB, from agricultural land and agricultural buildings owners within the drainage district.
- Special Levies, set and collected by KLIDB, from Council's falling within the drainage district, to reflect other non-agricultural land and buildings within the drainage district such as domestic dwellings and businesses.
- Higher Land Water Contribution (HLWC) from the Environment Agency (EA) - in relation to the quantity of water which that drainage district receives from lands at a higher level and outside of the KLIDB drainage district.

The proportion of income raised by KLIDB in respect of drainage rates versus special levy is determined by a rating process relating to the total annual value of all agricultural land and buildings within the drainage district versus the total annual value of all other non-agricultural land and buildings. KLIDB makes an annual application for HLWC payments from the EA and these payments are discretionary.

In turn the Water Resources Act 1991 enables the EA to issue a precept to KLIDB itself to fund EA activity relating to designated watercourses which are the responsibility of the EA within, adjacent or flowing from or into, KLIDB drainage district. KLIDB has also secured government grants to assist with the funding of significant capital works projects during 2018/19 – 2022/23.

KLIDB is a member of a consortium of seven individual internal drainage boards that have chosen to jointly administer their services through an unincorporated consortium known as the Water Management Alliance (WMA) which provides operational, administrative and technical support services to its constituent members and is governed by a representative body called the Consortium Management Committee (CMC) to co-ordinate oversee and direct the WMA administration, with the terms of reference powers and duties expressed in a Consortium Agreement. KLIDB annual budget includes charges and income reflecting KLIDB involvement in this consortium arrangement.

2020/21 Budget

On 17 January 2020, KLIDB considered the Rate Estimates for the Financial Year 2020/21 Report. The report set out KLIDB estimated annual expenditure of £21.16m for 2020/21 comprising of capital and maintenance works (£20.64m), administrative expenses, (£0.34m) and the precept payable to the EA (£0.18m). The report also set out estimated annual income of £17.03m for 2020/21 comprising of government capital grants (£16.64m), consortium and investment income (£0.34m) and HLWC payments from the EA (£0.05m) and stated the net budget requirement from drainage rates / special levies was £4.1m for 2020/21.

Financial sustainability (Continued)

2020/21 Budget (Cont'd)

KLIDB estimated Income, expenditure and net budget requirement from drainage rates/special levies for 2020/21 were detailed alongside KLIDB actual outturn for 2018/19 and the budgeted and probable outturn for 2019/20 which allowed for ease of comparison. The Rate Estimates for the Financial Year 2020/21 Report detailed land values (as of 31 December 2019) used to determine the proportion of income to be raised from drainage rates and special levies and, how such drainage rates and special levies would be apportioned across the district.

The report also detailed three drainage rate and special levy scenarios with a recommendation for 1.9% increase in drainage rates and a 2% increase in the special levy (payable by the Borough of King's Lynn and West Norfolk) for 2020/21, which the report stated reflected modest inflationary rises. The KLIDB had separately considered a Consortium Charges 2020/21 Report, based on recommendations from the CMC, also during its meeting on 17 January 2020, and the Rate Estimates for the Financial Year 2020/21 Report identified that the WMA Consortium charges payable by KLIDB for 2020/21 were £0.66m comprising of technical support costs of £0.34m (budgeted within maintenance works expenditure) and administration costs of £0.32m. Matters relating to WMA Consortium charges are included within an improvement recommendation later on in this section of Auditors Annual Report. The 2020/21 budget setting arrangements were reasonable which supported KLIDB to adopt a balanced budget, for 2020/21, including the setting of drainage rates and special levies ahead of the statutory deadline of 15 February 2020, as prescribed with the Land Drainage Act 1991.

2020/21 Outturn

KLIDB on 14 May 2021, considered the Financial Report for the year ending 31 March 2021 (projected outturn). The 2020/21 projected outturn was an underspend of £0.36m, compared to an estimated deficit of £1.8m. The Financial Report for the year ending 31 March 2021 did not include a covering report drawing members attention to budget variances and the reasons for them. A covering report would have provided context and supported oversight of KLIDB financial performance, and this is included in an improvement recommendation within the governance section of this report.

On 12 November 2021 KLIDB considered the Draft Statement of Accounts for the year ending 31 March 2021 and included within these papers was a 'Summary of Financial Performance' which did include reasons for variance and explained that KLIDB has achieved a final surplus of £0.33m compared to an estimated deficit of £1.8m with the most significant factor relation to a net change of £2.3m in respect of expenditure and resultant grant receivable in respect specific capital projects, funded by government grant.

It was explained the change was due to different audit regime requirements for 2020/21 being placed on KLIDB and the need for KLIDB to capitalise these specific capital projects on completion and to recognise the grant income once all the obligations and condition imposed by the grants have been met.

For the financial years 2019/20, 2020/21 and 2021/22 KLIDB turnover exceeded £6.5m which meant KLIDB external audit could no longer be subject to the limited assurance audit regime and would rather be conducted in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code which has placed additional responsibilities on KLIDB including different financial reporting requirements.

KLIDB's reporting of financial data is referenced in an improvement recommendation within the governance section of this report.

2021/22 Budget

KLIDB budget setting arrangements for 2021/22 followed the established process that was followed in the prior year. On 15 January 2021 KLIDB considered the Rate Estimates for the Financial Year 2021/22 Report. The report set out KLIDB estimated annual expenditure of £7.09m for 2021/22 comprising of capital and maintenance works (£6.49m), administrative expenses, (£0.43m) and the precept payable to the EA (£0.17m).

The report also set out estimated annual income of £3.02m for 2021/22 comprising of government grants (£2.49m), consortium and investment income (£0.48m) and HLWC payments from the EA (£0.05m) and stated the net budget requirement from drainage rates / special levies was £4.07m for 2021/22. KLIDB estimated Income, expenditure and net budget requirement from drainage rates / special levies for 2021/22 were detailed alongside KLIDB actual outturn for 2019/20 and the budgeted and probable outturn for 2020/21.

The Rate Estimates for the Financial Year 2021/22 Report detailed land values (as of 31 December 2020) used to determine the proportion of income to be raised from drainage rates and special levies and how drainage rates and special levies would be apportioned across the district. The report also detailed three drainage rate and special levy scenarios with a recommendation for 2% increase in drainage rates and special levy for 2021/22 and a 2.12% increase in the special levy (payable by the Borough of King's Lynn and West Norfolk).

The KLIDB had separately considered a Consortium Charges 2021/22 Report, based on recommendations from the CMC, also during its meeting on 15 January 2021.

Financial sustainability (Continued)

2021/22 Budget (Cont'd)

The Rate Estimates for the Financial Year 2021/22 Report identified that the WMA Consortium charges payable by KLIDB for 2021/22 were £0.83m comprising of technical support costs of £0.42m (budgeted within maintenance works expenditure) and administration costs of £0.41m. WMA Consortium charges payable by KLIDB for 2021/22 had increased significantly (25%) in comparison to the year prior. KLIDB's Rate Estimates Report 2021/22 did not include supporting information providing rationale for WMA consortium charges, did not highlight this significant growth area or set out reasons for the growth. However, KLIDB separately agreed the WMA annual budget for 2021/22 which did contain further supporting information including details of WMA growth items which were due to WMA increasing management staff capacity and resilience to support financial sustainability.

The inclusion of summary information, relating to WMA consortium charges, in the Rate Estimates Reports for 2020/21 and 2021/22 would have enhanced budgetary information, transparency/oversight and would have allowed for a more detailed assessment of the financial sustainability of KLIDB and this leads to an improvement recommendation that relates to 2020/21 and 2021/22. We recommend that KLIDB's Rate Estimates Report for each financial year includes a narrative summary providing supporting information to the WMA consortium charges and income, including rationale for growth items.

2021/22 Outturn

KLIDB on 13 May 2022, considered the Financial Report for the year ending 31 March 2022 (projected outturn). The 2021/22 projected outturn was an overspend of £0.28m, compared to a projected overspend of £1.7m. The Financial Report for the year ending 31 March 2022 again did not include a covering report drawing members attention to budget variances and the reasons for them. As we have already referenced earlier on in this section a covering report would have provided context and supported oversight of KLIDB financial performance, and this is included in an improvement recommendation within the governance section of this report. On 11 November 2022 KLIDB considered the Draft Statement of Accounts for the year ending 31 March 2022 and included within these papers was a 'Summary of Financial Performance' which explained that the KLIDB has achieved a surplus of £0.23m compared to an estimated deficit of £1.7m with the most significant factor relation to a net change of £2m in respect of expenditure and resultant grant receivable in respect specific capital projects, funded by government grant.

KLIDB explained, as it had done in respect of the 2020/21 outturn, that the change was due to different audit regime requirements for 2021/22 being placed on KLIDB and the need for KLIDB to capitalise these specific capital projects on completion and to recognise the grant income once all the obligations and condition imposed by the grants have been met.

KLIDB reporting of financial data is referenced further within two improvement recommendations within the governance section of this report.

Budget 2022/23

On 21 January 2022, KLIDB considered the Rate Estimates for the Financial Year 2022/23 Report. The report included an executive summary that set the impacts of rising inflation on KLIDB resulting in increase in fuel, energy and salaries that will be required to be passed on, in part, to drainage rate payers and special levy paying Councils during 2022/23 in order to maintain KLIDB's service provision.

The report set out KLIDB estimated annual expenditure of £4.49m for 2022/23 comprising of capital and maintenance works (£3.88m), administrative expenses, (£0.43m) and the precept payable to the EA (£0.18m).

The report also set out estimated annual income of £1.50m for 2022/23 comprising of government grants (£0.90m), consortium and investment income (£0.51m) and HLWC payments from the EA (£0.09m) and stated the net budget requirement from drainage rates / special levies was £2.99m for 2022/23.

KLIDB estimated Income, expenditure and net budget requirement from drainage rates / special levies for 2022/23 were shown in comparison to the actual outturn for 2020/21 and the budgeted and probable outturn for 2021/22.

The Rate Estimates for the Financial Year 2022/23 Report detailed land values (as of 31 December 2021) used to determine the proportion of income to be raised from drainage rates and special levies and how drainage rates and special levies would be apportioned across the district.

The report included three drainage rate and special levy scenarios with a recommendation for 5.60% increase in drainage rates and a 5.66% increase in the special levy (payable by the Borough of King's Lynn and West Norfolk) reflecting inflationary impacts.

As in prior years the KLIDB separately considered a Consortium Charges 2022/23 Report, based on recommendations from the CMC, also during its meeting on 21 January 2022.

Financial sustainability (Continued)

Budget 2022/23 (Cont'd)

The Rate Estimates for the Financial Year 2022/23 Report identified that the WMA Consortium charges payable by KLIDB for 2022/23 were £0.9m comprising of technical support costs of £0.5m (budgeted within maintenance works expenditure) and administration costs of £0.4m. The provision of further supporting information to the WMA consortium charges and income, including rationale for growth items has already been raised as an improvement recommendation in this report.

Indicative Forecast for Five Years and Savings

On 17 January 2020, KLIDB considered the Rate Estimates for the Financial Year 2020/21 Report which included an 'indicative forecast for five years 2020/21 – 2024/25'. The indicative forecast was based on the recommended budget scenario for 2020/21, annual land values as of December 2019, reflected KLIDB's capital and maintenance programme, and assumed annual inflationary increases of 2.1% for both expenditure and income items which was reflective of the retail price index (RPI) at the time. The indicative forecast also set out estimated rates and levies for the period 2020/21 – 2024/25, providing forecasts for agricultural land/agricultural buildings owners, and Council's, falling within the drainage district which is reasonable practice.

On 15 January 2021, KLIDB considered the Rate Estimates for the Financial Year 2021/22 Report. The report also included an indicative forecast 2021/22 – 2025/26 following the principles already identified in the prior year however annual inflationary increases had been revised to 1.3% reflecting RPI at that time.

The inclusion of an indicative forecast for five years supports effective financial planning and follows good practice. However, as already identified in this report, WMA Consortium charges payable by KLIDB for 2021/22 had increased by 25%, in comparison to the year prior, yet the indicative forecast for five years 2020/21 – 2024/25 had assumed future rises of WMA Consortium charges payable by KLIDB to be in line with underlying inflation rates (2.1%) and this leads to a recommendation in relation to both 2020/21 and 2021/22.

We recommend KLIDB:

- Reviews the inflationary assumptions applied in the formation of indicative forecast for five years to satisfy itself of the suitability of such assumptions.
- Provides more detailed supporting information alongside the indicative forecast for five years to explain the reasonableness of assumptions applied.

KLIDB's Rate Estimates for the Financial Year 2021/22 Report, considered by KLIDB on 15 January 2021, included an executive summary that stated, 'having adequate reserves is crucial so that we (KLIDB) can protect our ratepayers and constituent Councils by not having to pass on huge increases in expenditure caused by periods of high rainfall and the cyclical asset replacement/refurbishment programme'.

KLIDB's indicative forecast for 2021/22 – 2025/26 did include the planned use of unallocated (general) reserves to support expenditure and limit increases to drainage rates and special levies. The planned use of reserves within the indicative forecast 2021/22 – 2025/26 is identified in Figure 1 below:

	2021/22	2022/23	2023/24	2024/25	2025/26
Use of Unallocated Reserves (£m)	0.47	0.60	-0.06	-0.05	0.10
Balance of Unallocated Reserves (£m)	4.2	3.6	3.6	3.7	3.6

Figure 1. use of reserves within the indicative forecast 2021/22 – 2025/26 identifies that KLIDB intended to use £1.1m of unallocated reserves to support the budget for the period 2021/22 – 2025/26. The forecast did not include the identification of alternatives, to the use of reserves, such as savings.

We have been informed by KLIDB that there is limited scope for savings due to the defined and controlled nature of KLIDB expenditure. KLIDB had sufficient reserves to support the indicative forecast 2021/22 – 2025/26 however the development of wider plans, such as savings plans, could help KLIDB manage future financial challenges and ease reliance on the use of reserves.

An associated improvement recommendation has been made, for 2020/21 and 2021/22, within the improving economy, efficiency and effectiveness section of this report. This improvement recommendation encourages KLIDB to use sector analysis to help identify areas of potential efficiencies, savings or improvement which could provide alternatives to the utilisation of reserves.

Financial sustainability (Continued)

Capital Programme

Significant Capital Projects – Summary

During 2018/19 to 2022/23 KLIDB undertook two significant capital projects funded by government grant, KLIDB borrowing and use of reserves. These two capital projects being new water pumping stations as follows:

- Wolferton Pumping Station – Commenced in April 2018 and completed in May 2019. Total project capital cost £5.1m.
- Islington Pumping Station - Works commenced in March 2021 and completed in March 2023. Total project capital cost £24.9m.

These capital projects, the largest ever undertaken by KLIDB, were financed by Flood and Coastal Risk Management Capital Grant funding (£18.3m) additionally KLIDB took out a Public Works Loan Board loan (£10m) and utilised KLIDB reserves to assist with financing.

Capital Programme 2020/21

On 17 January 2020, KLIDB considered the Rate Estimates for the Financial Year 2020/21 Report which included KLIDB's proposed capital projects over a five-year period between 2020/21 to 2024/25, with a planned total capital expenditure of £27.8m for the period.

Capital projects for 2020/21 had a budget of £19.2m which was funded by a combination of government grant funding (£16.6), borrowing (£1.4m) and use of reserves (£1.2m). Planned capital projects included Islington pumping station (£16.2m), new WMA office (£1.6m) and North Lynn pumping station (£0.45m) these capital project demonstrated alignment to the KLIDB Business Plan and Policy Statement and KLIDB objectives for 2020/21 which is reasonable practice.

On 15 January 2021 KLIDB considered the Rate Estimates for the Financial Year 2021/22 Report which included KLIDB's probable capital outturn for the year 2020/21. Probable capital expenditure for 2020/21 was reported as £18.1m with slippage of £1.1m principally due to Covid-19 related delays in respect of the new WMA office. We consider the slippage in the capital programme to be justifiable considering the ongoing impacts of Covid-19 at that time.

Capital Programme 2021/22

On 15 January 2021, KLIDB also considered the Rate Estimates for the Financial Year 2021/22 Report which included KLIDB's proposed capital projects over a five-year period between 2021/22 to 2025/26, with a planned total capital expenditure of £10.8m for the period.

Planned capital projects for 2021/22 had a budget of £4.9m which was funded by a combination of government grant funding (£2.5m), borrowing (£1.2m) and use of reserves (£1.2m). Planned capital projects included, amongst others, Islington pumping station (£1.9m), new WMA office (£1.7m) and Pierpoint pumping station (£0.35m) these capital project again demonstrated alignment to the KLIDB Business Plan and Policy Statement and KLIDB's objectives for 2021/22.

On 21 January 2022 KLIDB considered the Rate Estimates for the Financial Year 2022/23 Report which included KLIDB's probable capital outturn for the year 2021/22. Probable capital expenditure for 2021/22 was reported as £14.3m against an original budget of £4.9m.

The revised capital budget was mainly due to Islington pumping station capital expenditure rising from £1.9m to £11.4m in 2021/22. KLIDB revisions to the capital expenditure during 2021/22 related to adjustments made by KLIDB due to different audit regime requirements for 2021/22 being placed on KLIDB and the need for KLIDB to capitalise specific capital projects on completion and to recognise the grant income once all the obligations and condition imposed by the grants have been met.

Additionally, the revised capital budget was impacted by Covid-19 related cost increases, and further government funding being received, in respect of Islington pumping station.

KLIDB reporting of financial data has led to adjustments being made to the end of year financial reports for 2020/21 and 2021/22 and this has been identified as an improvement recommendation within the governance section of this report.

The level of financial data relating, to KLIDB capital programme, provided within the end of year financial reports for 2020/21 and 2021/22 could also be enhanced and this has also been included in an improvement recommendation also within the governance section of this report.

Financial sustainability (Continued)

Reserves

KLIDB's Drainage Rates and Special Levies Capital Financing and Reserves Policy, in place during 2020/21 and reviewed by KLIDB in September 2022, states that KLIDB holds reserves to protect drainage ratepayers and constituent billing authorities from significant increases in drainage rates and special levies and to assist in the management of emergency events.

The policy also states that the total of earmarked and general reserves, after the netting off the pension deficit reserve, should as a minimum not fall below one year's net expenditure.

On 17 January 2020, KLIDB considered the Rate Estimates for the Financial Year 2020/21 Report which stated KLIDB total reserves (unallocated and earmarked) were forecast to be £5.02m as of 31 March 2021 which was above the 2020/21 net expenditure of £4.1m.

On 15 January 2021, KLIDB considered the Rate Estimates for the Financial Year 2021/22 Report which stated KLIDB total reserves were forecast to be £5.45m as of 31 March 2022 which was above the 2021/22 net expenditure of £4.07m, and included an unallocated (general reserve) of (£4.22m), plant reserve (£2.82m) and a development reserve (£1.30m) and a pension (deficit) reserve of (-£2.89m).

For 2020/21 and 2021/22 KLIDB's total reserves met the minimum thresholds as set within the KLIDB Drainage Rates and Special Levies Capital Financing and Reserves Policy 2022.

The setting of a minimum level of total reserves represents an adequate reserve strategy however KLIDB's minimum level is calculated on both unallocated (general reserve) and earmarked reserves. Earmarked reserves have usually been identified for specific contingencies and the setting of a minimum level of reserves that includes earmarked reserves could increase risk to KLIDB financial sustainability.

KLIDB's Drainage Rates and Special Levies Capital Financing and Reserves Policy does state that 'as a general rule of thumb the level of unallocated reserves (general reserves) should aim to be no less than 20% of net expenditure to 'finance responding to/recovering from emergencies' however this statement does not place an explicit minimum level for unallocated reserves, and this leads to an improvement recommendation that relates to 2020/21 and 2021/22. We recommend that KLIDB reviews the Drainage Rates and Special Levies Capital Financing and Reserves Policy and satisfies itself that the minimum reserve thresholds are appropriate and clearly defined including those relating to unallocated reserves.

Alignment of Financial and other Corporate Plans

KLIDB Business Plan and Policy Statement 2018 was in place during the financial years 2020/21 and 2021/22 and has been subsequently reviewed by KLIDB in November 2022.

The KLIDB Business Plan Business Plan and Policy Statement 2022 sets out:

- The standards of protection KLIDB aspires to provide.
- How (KLIDB) will go about managing risk, water levels and delivering services.

Matters of workforce planning are not directly referenced within the KLIDB Business Plan and Policy Statement however KLIDB Financial Regulation 2021 states that the WMA Chief Executive shall be responsible to KLIDB for all matters regarding its employees. KLIDB workforce is employed within the WMA an incorporated consortium of seven internal drainage boards where KLIDB is the employing authority for the shared staff and enters into contracts for the provision of shared services on behalf of other member internal drainage boards as set out in the Consortium Agreement 2020.

WMA does not have a workforce strategy. We acknowledge that due to WMA providing services to seven internal drainage boards a workforce strategy would need to be built upon mutually agreed principles with sufficient alignment to individual consortium members priorities and financial plans. However, the absence of an agreed workforce strategy aligned to the KLIDB five-year indicative forecast, increases financial risk to the KLIDB and this leads to an improvement recommendation that relates to both 2020/21 and 2021/22.

We recommend the KLIDB develops and agrees a WMA Workforce Strategy that supports the delivery of the KLIDB Business Plan Business Plan and five-year indicative forecast.

Investment Strategy

KLIDB Investment Strategy 2017, was in place during the financial years 2020/21 and 2021/22 and has been subsequently reviewed by KLIDB in September 2022. The Investment Strategy is intended to help maximise the return on temporary short term cash surpluses whilst at the same time safeguarding public money and sets investment objectives, specific investments, liquidity measures and controls.

Financial sustainability (Continued)

Investment Strategy (Cont'd)

The Investment Strategy also states that annual estimates of investment income for the forthcoming financial year will be included in annual budget setting reports considered by KLIDB and at the end of each financial year a report on investment activity will be presented to the KLIDB.

KLIDB on 14 May 2021 considered approved the Financial Report for the year ending 31 March 2021 (projected outturn) which stated that investment income received in 2020/21 was £0.1m with investment returns above the original budget by £0.05m. KLIDB on 13 May 2022 considered approved the Financial Report for the year ending 31 March 2022 (projected outturn) which stated that investment income received in 2021/22 was £20k with investment returns below the original budget by £5k reflecting the impact of low interest rates on investment income performance.

KLIDB can demonstrate adherence to investment activity oversight arrangements, as detailed KLIDB Investment Strategy 2022, which represents adequate practice.

Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability.

We have made four improvement recommendations set out on pages 14 to 17.



Improvement recommendations



Financial sustainability

Recommendation 1

We recommend that KLIDB's Rate Estimates Report for each financial year includes a narrative summary providing supporting information to the WMA consortium charges and income, including rationale for growth items.

Audit year

2020/21 and 2021/22

Why/impact

KLIDB's Rate Estimates Report does not include supporting information, providing rationale, for WMA consortium charges and income. KLIDB separately agree the WMA annual budget which contains further supporting information including details of WMA growth items and income streams. The inclusion of summary information, relating to WMA consortium charges, in the KLIDB Rate Estimates Reports for 2020/21, 2021/22 and 2022/23 would have enhanced budgetary information, transparency and would have allowed for a more detailed assessment of the financial sustainability of KLIDB during 2020/21, 2021/22 and 2022/23.

Auditor judgement

This recommendation seeks to enhance existing financial information provided to KLIDB members as part of the annual setting of rate estimates.

Summary findings

KLIDB is a member of a consortium of seven individual internal drainage boards known as the WMA. KLIDB annual Rate Estimates includes charges and income reflecting KLIDB involvement in WMA, but limited narrative information is provided in the Rate Estimates report.

Management Comments

Not agreed. This is not considered to be necessary because the supporting information and narrative is already provided to members at the same meeting under the standard agenda item Consortium Matters.



The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Financial sustainability

Recommendation 2

We recommend KLIDB:

- Reviews the inflationary assumptions applied in the formation of KLIDB's indicative forecast for five years to satisfy itself of the suitability of such assumptions.
- Provides more detailed supporting information alongside the indicative forecast for five years to explain the reasonableness of assumptions applied.

Audit year

2020/21 and 2021/22

Why/impact

KLIDB indicative forecast for five years applies blanket inflationary rises to some income and expenditure items. A more detailed analysis of these income and expenditure, including trend analysis, could lead to more accurate and relevant assumptions.

Auditor judgement

KLIDB's indicative five-year forecast supports financial planning and the assessment of financial sustainability. This recommendation seeks to enhance existing arrangements.

Summary findings

WMA Consortium charges payable by KLIDB for 2021/22 had increased by 25%, in comparison to the year prior, yet the indicative forecast for five years 2020/21 – 2024/25 assumed future rises of WMA Consortium charges payable by KLIDB to be in line with underlying inflation.

Management Comments

Agreed.



The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Financial sustainability

Recommendation 3

We recommend that KLIDB reviews the Drainage Rates and Special Levies Capital Financing and Reserves Policy and satisfies itself that the minimum reserve thresholds are appropriate and clearly defined including those relating to unallocated reserves.

Audit year

2020/21 and 2021/22

Why/impact

Drainage Rates and Special Levies Capital Financing and Reserves Policy sets a minimum thresholds of reserves, but earmarked reserves are included in this minimum level and KLIDB should consider if this is appropriate. Additionally, the threshold set for unallocated reserves could be more clearly defined.

Auditor judgement

The setting of a minimum level of total reserves represents an adequate reserve strategy and this recommendation seeks to enhance existing arrangements.

Summary findings

KLIDB's minimum level of reserves is calculated on both unallocated (general reserves) and earmarked reserves. Earmarked reserves have been identified for specific contingencies and the setting of a minimum level of reserves that includes earmarked reserves could increase risk to KLIDB. Additionally, the threshold set for unallocated reserves is not clearly defined.

Management Comments

Partially agreed. The Board has already defined the minimum general (unallocated) reserve threshold in section 8.3 of the policy (20% of annual net expenditure/£200k). We can attempt to redefine the minimum thresholds of the Board's earmarked reserves, but they are always likely to be inadequate and we are unlikely to ever be in a position to increase these reserves. We will remove the wording "As a general rule of thumb" when the policy is next due for review.



The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Financial sustainability

Recommendation 4

We recommend the KLIDB develops and agrees a WMA Workforce Strategy that supports the delivery of the KLIDB corporate priorities and five-year indicative forecast.

Audit year

2020/21 and 2021/22

Why/impact

The development and introduction of a WMA Workforce Strategy would strengthen KLIDB's strategic planning and support financial sustainability.

Auditor judgement

A WMA Workforce Strategy, will support KLIDB to identify and allocate resources accordingly which will support the KLIDB's financial planning.

Summary findings

The absence of WMA Workforce Strategy increases financial risk to KLIDB.

Management Comments

Not agreed. The WMA already has a Workforce Strategy currently badged as a Rechargeable Works Policy and Staff Plan.



The range of recommendations that external auditors can make is explained in Appendix B

Governance



We considered how KLIDB:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk Management

During 2021/22, KLIDB reviewed its risk management arrangements by the introduction of a revised Risk Management Policy that was considered by KLIDB on 12 November 2021. The Risk Management Policy includes a description of the accountabilities, roles and reporting lines in relation to risk management matters and states that KLIDB is ultimately responsible for risk management and that, as a minimum, should at least twice a year:

- Take steps to identify and update key risks facing the board.
- Evaluate the potential consequences to the board if an event identified as risk takes place.
- Decide upon appropriate measures to manage the risk or its consequences.

Additionally, the policy states that KLIDB must ensure that it has the skills and expertise necessary and that it will achieve this by providing risk management training for officers and operatives as appropriate. However, the policy does not include reference to the provisions of risk management training to members, additionally during 2020/21 and 2021/22, no specific risk management training was provided to members of the KLIDB.

Risk management training for KLIDB members would support KLIDB to meet the responsibilities defined within the Risk Management Policy 2021 and this is included within a wider improvement recommendation later in this section.

KLIDB regularly reviews a risk register which identifies key risks that may prevent the organisation meeting its objectives alongside mitigations for those risks.

The risk register is considered at every meeting of KLIDB and was assessed on six occasions during 2020/21 and five occasions during 2021/22.

Our review of the minutes of these KLIDB meetings shows that the full risk register was provided to KLIDB on 13 November 2020 and 12 November 2021 however for all other KLIDB meetings an extract of the KLIDB risk register was provided that included the highest graded risks only. Oversight of risk management activities could be enhanced by the provision of the full risk register to each of the scheduled KLIDB meetings and this form part of an improvement recommendation in the following paragraph.

On 15 May 2020, the KLIDB reviewed the risk register which included six of the highest graded risks that had been those that given a risk grade of six or above. Each risk was mapped against KLIDB's strategic objectives 2020/21 and graded to determine both the likelihood and the impact of the risk occurring using a 3 by 3 evaluation criteria. Each risk included an overall risk rating descriptor, narrative of actions taken and further actions that were required to mitigate the risk and included a direction of travel. The risk register did not specifically assign individual risk to named persons to indicate responsibility for managing the risk and planned mitigations. The allocation of individual risks to a named individual would enhance KLIDB's risk management arrangements and this is included in a wider improvement recommendation that relates to 2020/21 and 2021/22. We recommend that KLIDB:

- Reviews the Risk Management Policy to include a requirement for risk management training to be provided to KLIDB members and appropriate risk management training is provided to KLIDB members on a regular basis.
- Presents a full risk register to each meeting of the KLIDB and the risk register assigns individual risks to named persons to demonstrate the responsibility for managing the risk and planned mitigations.

Governance (Continued)

Internal Audit

For the financial year 2020/21 internal audit services were provided by the Borough Council of King's Lynn and West Norfolk who can demonstrate compliance against the Public Sector Internal Audit (PSIA) Standards due to an external quality assessment having last been conducted in May 2022 which is in adherence within the PSIA recommended frequency that at least one external quality assessment should be conducted every five years.

On 14 May 2021, KLIDB considered the Internal Audit Report for 2020/21 which explained the scope of internal audit activities for 2020/21 had focused on records and systems used by the WMA, who provide the financial and administrative functions for KLIDB. The internal audit plan for 2020/21 included 10 core control areas of coverage being accounting records, financial regulations and standing orders, risk management, budgetary control, income, petty cash, payroll, assets and investments, cashbook and bank reconciliations and year end procedures. Additionally, the internal audit programme was to also consider the impact of Covid-19 on the WMA, during 2020/21 and provide a narrative report. The internal audit took place during over five days during March and April 2021 and Internal Audit Report for 2020/21 report stated that full or substantial assurance has been provided in respect of the ten core control areas of coverage. Five recommendations were made by internal audit, that were either graded a low or medium. The internal audit report for 2020/21 stated that assurances had been given by the WMA that the impact of Covid-19 on WMA service delivery was limited and that new working practices has been introduced during 2020/21 to manage Covid-19 social distancing requirements and that WMA continued to operate as 'business as usual'.

The Internal Audit Report for 2020/21 included an opinion of internal audit that 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.

On 13 May 2022, KLIDB considered the Internal Audit Report for 2021/22 which had been completed by Fenland District Council internal audit services who can also demonstrate compliance against the Public Sector Internal Audit (PSIA) Standards due to an external quality assessment having last been conducted in December 2022. The scope of the internal audit plan was the same as that 2020/21 with the addition of two extra areas being: transparency and public rights.

The internal audit took place during over 7 days during March and April 2022 and Internal Audit Report for 2021/21 report stated that full or substantial assurance has been provided in respect of the core control areas of coverage with three recommendations being made by internal audit, that were graded as low. The report also stated that the five internal audit recommendations made in respect of the prior year had been followed-up and confirmed all had been actioned and completed. The Internal Audit Report for 2021/22 included an opinion of internal audit that 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.

Internal audit recommendations were raised for both 2020/21 and 2022/22 and respective management responses were provided detailing actions that would be taken. However, progress in respect of adherence to internal audit recommendations are not reported to KLIDB until a year after the initial findings and this leads to an improvement recommendation in respect of 2020/21 and 2021/22. We recommend that an update, to any internal audit recommendations, are provided to KLIDB half yearly to enhance oversight and monitoring of internal audit recommendations.

Prevention and Detection of Fraud

KLIDB have a suite of policies describing the approach to minimise fraud, bribery and corruption. These include Anti-Fraud and Corruption Policy 2021, Whistleblowing Policy 2020, Members Duties and Responsibilities 2020, Members Code of Conduct 2020 and Employee Code of Conduct 2022.

We understand that the KLIDB are responsible for reviewing these key control policies every five years, apart from the Employee Code of Conduct 2022 which is reviewed every ten years. A review cycle of ten years could result in a Code of Conduct for Employees that does not align with current risks and organisational values. We have also been informed by KLIDB that relevant training not been provided to KLIDB members during 2020/21 and 2021/22 in relation to policies describing KLIDB approach to minimise fraud, bribery and corruption and these factors lead to an improvement recommendation that relates to 2020/21 and 2021/22.

We recommend the Employee Code of Conduct 2022 is reviewed every five years, in line with other KLIDB policies and procedures, and KLIDB members are provided with specific training in respect of policies describing KLIDB approach to minimise fraud, bribery and corruption.

Governance (Continued)

Budget Setting Process

KLIDB Financial Regulations 2021 state that they are designed to ensure that KLIDB resources are properly managed, accounted for and controlled and apply both to KLIDB and KLIDB's resourcing partner WMA. KLIDB Financial Regulations 2021 set out a high-level budget setting process that was followed during 2020/21 and 2021/22.

The budget setting process for 2020/21 and 2021/22 began in October and included a series of WMA internal budget setting meetings between the WMA Finance and Ratings Manager and individual budget holders to capture relevant financial information to inform the budget setting process. These meetings assess each service budget in detail including the identification of revenue and capital expenditure, these meetings are also used to gather service intelligence that may have a budgetary impact. The Finance and Ratings Manager interaction with all budget managers to gather up to date financial and service information to inform the budget setting process is reasonable practice.

The output of these meetings is captured and assessed by the WMA Finance and Ratings Manager who then creates draft budgets papers and updates an indicative 5-year revenue forecast. During December of each year the WMA administration and technical support costs estimates for the following financial year (consortium charges) are established and incorporated into budget papers. Additionally, during December, each the WMA Chief Executive meets and consults with the Borough Council for King's Lynn and West Norfolk, in relation to emerging budget proposals and any potential changes in the special levy rate. During January final budget papers are prepared and recommended to the KLIDB.

On 17 January 2020, the KLIDB considered and approved drainage and special levy rates, capital programme, maintenance works programme, and WMA consortium charges for 2020/21. A similar process was followed for 2021/22 with KLIDB approving drainage and special levy rates, capital programme, maintenance works programme and WMA consortium charges for 2021/22 on 15 January 2021.

During 2020/21 and 2021/22 KLIDB followed an established budget setting process which supported timely financial planning allowing KLIDB to set a balanced budget in 2020/21 and 2021/22, including the setting of drainage and special levy rates, ahead of the statutory deadline of 15 February, as prescribed with the Land Drainage Act 1991 which demonstrates good practice.

Budget Monitoring Process

Every two months the WMA Finance and Ratings Manager liaises with budget holders to complete budget forecasts and identify any variances against the original budget set. From these meetings a Financial Report (budget monitoring) is drafted that includes year to date budget data relating to revenue, capital and maintenance programme expenditure and a full schedule of paid accounts. This Financial Report is then presented to the next KLIDB meeting, also held on a two monthly cycle during 2020/21 and 2021/22.

Full Year Financial Reports (projected outturn) for 2020/21 and 2021/22 were also presented to KLIDB on 14 May 2021 and 13 May 2022, respectively. The Financial Reports (budget monitoring) and the Full Year Financial Reports (projected outturn) presented to KLIDB in relation to the financial years 2020/21 and 2021/22 included 'notes to the accounts' which were embedded within the financial data and provided some context to variances. However, budget monitoring reports provided to KLIDB could be enhanced by the inclusion of a covering report drawing members attention to significant budget (revenue and capital) variances and the reasons for them. The provision of this additional information would support transparency and existing governance arrangements, and this leads to an improvement recommendation for 2020/21 and 2021/22.

We recommend that budget monitoring reports provided to KLIDB include a summary report, explaining significant variances and the reasons for them.

Financial Reporting

KLIDB has historically completed its annual financial statements in accordance with the Financial Reporting Standards for Smaller Entities 2008.

KLIDB secured grants to assist with the funding of capital works (Wolferton and Islington pumping stations). This has resulted in KLIDB turnover exceeding £6.5m for 2019/20, 2020/21 and 2021/22 which meant KLIDB could no longer be subject to the limited assurance audit regime and would have to complete its annual financial statements in accordance with the CIPFA Code.

KLIDB have put in place arrangement to support the production of financial statements, for the period 2019/20, 2020/21 and 2021/22, that comply with CIPFA Code requirements. However, we understand from KLIDB, that there has been issues securing appropriate independent consultancy to complete a valuation of the pumping stations in line with CIPFA code requirements.

Governance (Continued)

Financial Reporting (Cont'd)

The lack of valuation capacity could delay the completion of financial statements 2019/20, 2020/21 and 2021/22 and this leads to an improvement recommendation that is in respect of both 2020/21 and 2021/22.

We recommend that KLIDB considers putting in place arrangements to secure valuation capacity to satisfy CIFPA code requirement, in respect Wolferton and Islington pumping stations, and to support wider valuation needs should KLIDB be subject to CIFPA code requirements again in the future.

Decision Making

KLIDB is an independent public body responsible for managing water levels within its drainage district with its responsibilities defined with the Land Drainage Act 1991.

KLIDB set the strategic objectives, ensures that the necessary resources are in place to meet its objectives, maintains and reviews the control environment within which it operates and assesses performance to ensure the obligations to its stakeholders are understood and delivered.

KLIDB decisions are taken by 21 members, 10 of which are elected to represent local land occupiers who pay drainage rates, to KLIDB, and 11 are nominated by Councils who are charged a special levy by KLIDB. The decision-making responsibilities of the KLIDB are clearly set out with a Schedule of Reserved Matters, Division of Responsibilities and Standing Orders 2021.

KLIDB activities are supported by a number of KLIDB Advisory, Joint and Plenary Committees which can make recommendations to KLIDB, based on remits set out within the KLIDB Committee Governance Policy 2021.

The KLIDB met six times during 2020/21 and five times during 2021/22 minutes of these meetings demonstrated a range of topics being assessed, within KLIDB's defined remit, regular attendance of KLIDB members enabling quorum and active member input in the examination of papers.

KLIDB publishes on its website details of all KLIDB meetings, and this includes the agendas, minutes and decisions made which enhances transparency and demonstrates good practice.

Appropriate Standards

KLIDB Statement of Accounts for 2020/21 and 2021/21 are published on the KLIDB website and each includes an Annual Governance Statements which reference KLIDB policies, frameworks, controls, and responsibilities that are in accordance with a reasonable governance framework.

The Annual Governance Statements for 2020/21 and 2021/22 reference the KLIDB Members Code of Conduct 2020 which set out expectations, procedures, and monitoring controls for gifts and hospitality and declaration of members interests and this includes a requirement for members to declare any relevant declarations of interest during KLIDB meetings and for members to register pecuniary and non-pecuniary interests within 28 days of election, re-election, co-option or when a member becomes aware they have an interest through a standard form which in turn will be published on the KLIDB website.

As part of this value for money audit we have reviewed the publication of members interests on the KLIDB website and have established that seven members register of interest forms were listed as 'not filed' and this leads to an improvement recommendation that is in respect 2021/22.

We recommend that KLIDB ensures all members register of interest forms are published on the KLIDB website in accordance with the Members Code of Conduct.

KLIDB has a Data Protection Policy 2020, Data Breach Procedures 2019, Information Security and System Acceptable Use Policy 2020. These policies and procedures are intended to ensure that arrangements are in place to preserve and protect the confidentiality, integrity and availability of information used by KLIDB.

We have been informed by KLIDB that during 2020/21 and 2021/22 there were no reported data breaches. We understand that the Data Protection Policy 2020, Data Breach Procedures 2019, Information Security and System Acceptable Use Policy 2020, are each scheduled to be reviewed and updated every five years, following their last review date. Matters of data protection and cyber security remain a significant area of risk for all organisations as digital technology develops at pace and becomes even more embedded within the workplace.

Governance (Continued)

Appropriate Standards (Cont'd)

A more frequent review of key Data Protection, Data Breach and Information Security and System Acceptable Use Policies would strengthen existing arrangements and ensure emerging issues and controls are incorporated in the relevant policies and this leads to an improvement recommendation that applies to both 2020/21 and 2021/22.

We recommend that Data Protection Policy 2020, Data Breach Procedures 2019, Information Security and System Acceptable Use Policy 2020 are all reviewed, updated and approved during 2023/24 and that KLIDB considers an annual review of these key policies.

In completion of the Annual Auditors Report we have found no evidence of breaches of legislation or regulatory standards during 2020/21 or 2021/22 nor is there evidence of significant or repeated departure from regulatory or statutory requirements or professional standards.

Conclusion

In conclusion we have not identified any significant weaknesses in arrangements. We have made seven improvement recommendation which are set out on pages 23 to 29.



Improvement recommendations



Governance

Recommendation 5

We recommend that KLIDB:

- Reviews the Risk Management Policy to include a requirement for risk management training to be provided to KLIDB members and appropriate risk management training is provided to KLIDB members on a regular basis.
- Presents a full risk register to each meeting of the KLIDB and the risk register assigns individual risks to named persons to demonstrate the responsibility for managing the risk and planned mitigations.

Audit year

2020/21 and 2021/22

Why/impact

The Risk Management Policy 2021 states that the KLIDB is ultimately responsible for risk management. The requirement, and provision of training to KLIDB members could support the attainment of KLIDB's risk responsibilities. Oversight of risk management activities would also be strengthened by KLIDB being provided with the full risk register at each KLIDB meeting and by the risk register assigning responsibility for individual risks to a named person.

Auditor judgement

KLIDB has in place a current Risk Management Policy and a risk register that is subject to oversight. This recommendation seeks to enhanced existing arrangements further.

Summary findings

KLIDB's Risk Management Policy places responsibilities on board members in relation to matters of risk however there is no stated requirement for risk management training within the policy and no risk management training has been provided to members during 2020/21 and 2021/22. Additionally, the full risk register was assessed only periodically during 2020/21 and 2021/22 and did not assign responsibility for the management of individual risks to a named person.

Management Comments

The first part of this recommendation is not agreed because we couldn't enforce it. Making this a requirement would just be setting us up to fail. The second part of the recommendation is agreed now that the meeting packs are digital.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 6

We recommend that an update, to any internal audit recommendations, are provided to KLIDB half yearly.

Audit year

2020/21 and 2021/22

Why/impact

More timely reports on the progress made in respect of internal audit recommendations would enhance oversight and monitoring.

Auditor judgement

KLIDB has in place an internal audit activity to assess the effectiveness of the system of internal control operating within the WMA. This recommendation seeks to enhance existing arrangements.

Summary findings

Internal audit recommendations were raised for both 2020/21 and 2022/22 and respective management responses were provided detailing actions that would be taken. However, progress in respect of adherence to internal audit recommendations are not reported to KLIDB until a year after the initial findings.

Management Comments

Agreed.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 7

We recommend the Employee Code of Conduct 2022 is updated and reviewed every five years, in line with other KLIDB policies and procedures, and KLIDB members are provided with specific training in respect of policies describing KLIDB approach to minimise fraud, bribery and corruption.

Audit year

2020/21 and 2021/22

Why/impact

- The Employee Code of Conduct is a key document describing the expectations and controls in respect of employee conduct and should be reviewed more frequently than every 10 years.
- Specific training for KLIDB members in respect of policies and procedures in place to minimise fraud, bribery and corruption has not taken place in recent years and the provision of training would support KLIDB approach to minimise fraud, bribery and corruption.

Auditor judgement

KLIDB has in place a suite of policies describing KLIDB's approach to minimise fraud, bribery and corruption. Ensuring these are current, and the provision of training to members in relation to these key areas, would strengthen existing arrangements.

Summary findings

The Employee Code of Conduct should be reviewed more frequently to ensure it aligns with current risks and organisational values. Additionally relevant training in relation to policies describing KLIDB approach to minimise fraud, bribery and corruption has not been provided to KLIDB members during 2020/21 and 2021/22.

Management Comments

Agreed. We can offer training to members, but we wouldn't be able to enforce it.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 8

We recommend that budget monitoring reports provided to KLIDB include a summary report explaining significant variances and the reasons for them.

Audit year

2020/21 and 2021/22

Why/impact

Budget monitoring reports presented to KLIDB members during 2020/21 and 2021/22 did not include a covering summary report drawing members attention to budget variances and the reasons for them, additional information would support oversight of financial performance by members.

Auditor judgement

KLIDB has budget monitoring processes in place subject to member's oversight. This recommendation seeks to enhance existing arrangements.

Summary findings

During 2020/21 and 2021/22 budget monitoring reports were provided to KLIDB however these reports did not include a covering report drawing members attention to budget variances and the reasons for them.

Management Comments

Not agreed. This information is already provided to the Board in the existing Financial Reports that are considered and approved by the Board at every meeting.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 9

We recommend that KLIDB considers putting in place arrangements to secure valuation capacity to satisfy CIPFA code requirement, in respect Wolferton and Islington pumping stations, and to support wider valuation needs should KLIDB be subject to CIPFA code requirements again in the future.

Audit year

2020/21 and 2021/22

Why/impact

We understand from KLIDB, that there has been issues securing appropriate independent consultancy to complete a valuation of the pumping stations in line with CIPFA code requirements. Securing such capacity would support KLIDB in the completion of financial statements that are subject to CIPFA code requirements.

Auditor judgement

KLIDB have put in place arrangement to support the production of financial statements, for the period 2019/20, 2020/21 and 2021/22, that comply with CIPFA Code requirements. This recommendation seeks to enhance existing arrangements.

Summary findings

KLIDB secured grants to assist with the funding of capital works (Wolferton and Islington pumping stations). This has resulted in KLIDB turnover exceeding £6.5m for 2019/20, 2020/21 and 2021/22 which meant KLIDB could no longer be subject to the limited assurance audit regime and would have to complete its annual financial statements in accordance with the CIPFA Code which includes specific asset valuation requirements.

Management Comments

KLIDB will seek to secure valuation capacity as and when needed in the future.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 10

We recommend that KLIDB ensures members register of interest forms are published on the KLIDB website in accordance with the Members Code of Conduct 2020.

Audit year

2021/22

Why/impact

The publishing of members declarations of interest forms will enhance transparency and ensure compliance to the Members Code of Conduct 2020.

Auditor judgement

KLIDB has in place a Members Code of Conduct 2020 which demonstrates a commitment to integrity and behaviours, and this recommendation seeks to enhance these arrangements.

Summary findings

Seven members register of interest forms are listed as 'not filed' on KLIDB website contrary to the requirements of the Members Code of Conduct 2020.

Management Comments

Agreed. We request Members to complete Declarations of Interest, and minute those outstanding at each meeting. We cannot however enforce this.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 11

We recommend that Data Protection Policy 2020, Data Breach Procedures 2019, Information Security and System Acceptable Use Policy 2020 are all reviewed, updated and approved during 2023/24 and that KLIDB considers an annual review of these key policies.

Audit year

2020/21 and 2021/22

Why/impact

The Data Protection Policy 2020, Data Breach Procedures 2019, Information Security and System Acceptable Use Policy 2020 are now outdated, and the policy review cycle of 5 years does not align to the pace of sector developments and threats.

Auditor judgement

A more frequent review of key Data Protection, Data Breach and Information Security and System Acceptable Use policies would strengthen existing arrangements and ensure emerging issues are identified and addressed.

Summary findings

KLIDB has policies and procedures in place that are intended to ensure that arrangements are in place to preserve and protect the confidentiality, integrity and availability of information used by KLIDB. These policies should be reviewed, updated and approved annually to ensure they remain effective.

Management Comments

Agreed.



The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how KLIDB:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Managing Performance

KLIDB has adopted the Association of Drainage Authorities Strategic Vision for Internal Drainage Boards 2020. This sets out a series of statements detailing what KLIDB will do now and in the future to sustainably manage water levels within its catchment area, including a commitment to 'deliver an efficient and cost-effective service', this is underpinned by a KLIDB Values Statement 2020 which states that KLIDB will 'add value and deliver quality services that people want' and 'deliver more for less'.

KLIDB adoption of the Strategic Vision for Internal Drainage Boards and KLIDB Values Statement reflects the strategic significance KLIDB places on providing cost effective and performing services.

KLIDB has an established regime of performance management supported by oversight and governance. KLIDB agrees, with the WMA, a set of key performance objectives for KLIDB, for each forthcoming financial year. KLIDB's performance objectives for 2020/21 and 2021/22 were agreed by KLIDB on 17 January 2020 and 15 January 2021 respectively.

The progress made against set key objectives for 2020/21 and 2021/22 was detailed in annual performance reports and considered by KLIDB governance board on 15 January 2021 and 21 January 2022.

KLIDB formally met 6 times in 2020/21 and 5 times in 2021/22 at each of these meetings there were standing agenda items to provide specific performance and service updates in respect such areas as operations, engineering, environmental, planning, health, safety and welfare. Alongside these operational performance reports there was a standing agenda items in each meeting, during 2020/21 and 2021/22, relating to in year financial performance monitoring.

The collation of both operational and financial performance reporting within KLIDB meetings enhances opportunities for oversight and governance and is reasonable practice

Learning from Others

As already referenced, in the financial sustainability section of this report, KLIDB is a member of a consortium of seven individual internal drainage boards that have chosen to jointly administer their services through the WMA which provides operational, administrative and technical support services to its constituent members.

We have been informed by the WMA that there is no formal benchmarking of data between KLIDB and other members of the consortium due to differences in the specific types of services provided by each individual internal drainage board preventing comparisons being easily identified. The WMA is a member of the Association of Drainage Authorities (ADA) and is the membership organisation for drainage, water level and flood risk management authorities throughout the UK, including the 112 internal draining boards within England. We have been informed by the WMA that during 2022/23 a benchmarking exercise was carried out by the ADA in respect of energy costs being incurred by sector and this benchmarking data was provided to KLIDB in order that it could assess its energy expenditure, in comparison to other internal drainage boards, and demonstrates how KLIDB could use benchmarking insights, and this leads to an improvement recommendation that applies to both 2020/21 and 2021/22.

We recommend KLIDB explores, identifies and implements further opportunities for benchmarking analysis, including engaging with WMA consortium members, other internal drainage boards and/or the ADA, and the output is used to assess performance, cost and is also used to help identify areas of potential efficiencies, savings or improvement.

Improving economy, efficiency and effectiveness (Continued)

Working with Others

KLIDB collaborates with six other internal drainage boards and the terms of this collaboration are defined with a Consortium Agreement 2020 which includes a commitment from the seven members, with effect from 1 April 2020, to:

- To develop an integrated central administration for the member boards in order to reduce cost, increase influence and strengthen its organisation in a consortium to be known as the 'Water Management Alliance' (WMA)
- To constitute a representative body on the member boards to coordinate, oversee and direct the integrated administration of the member boards and joint utilisation of assets and resources to be called the 'Consortium Management Committee' (CMC)

The CMC includes representatives from KLIDB and meets at least four times per calendar year to oversee the activities of the WMA. Minutes of these CMC meetings are considered by the subsequent KLIDB governance board meeting which supports transparency and oversight.

In December 2020 KLIDB considered and adopted a document titled 'The Duties, Responsibilities and Liabilities of Internal Drainage Board Members 2020' and in November 2021 KLIDB considered and adopted a 'Schedule of Reserved Matters for KLIDB' and a document titled 'Roles of (KLIDB) Chairman and Chief Executive (WMA) - Key Responsibilities', both of which described high level roles and responsibility falling to board members, KLIDB, the WMA, and other relevant committees. Despite the adoption of these additional documents the specific functions, expectations and performance metrics, that the WMA is expected to provide to KLIDB, could be more clearly defined and this leads to an improvement recommendation that relates to both 2020/21 and 2021/22.

We recommend KLIDB develops and agrees a service level agreement that clearly defines the individual service functions to be provided to KLIDB, by the WMA. The service level agreement should include service delivery and performance expectations and include monitoring and reporting requirements to ensure KLIDB can appropriately appraise the performance and effectiveness of the WMA.

KLIDB and the WMA publishes on its website a list of all its key partners that supports its activities, in December 2020 KLIDB considered and adopted a 'Supplier Performance Policy' which sets out the expectations placed on partners and suppliers by KLIDB and in September 2021 KLIDB considered and adopted a 'Stakeholder Engagement Policy' which sets out how KLIDB will engage with partners customers and stakeholders to ensure its aims and objectives are communicated effectively. Additionally, we have been informed by KLIDB that the WMA is currently developing a communication plan to support the Stakeholder Engagement Policy. The publication of KLIDB partners, setting of expectations from partners and a strategy to engage with partners enhances transparency and demonstrates the importance of KLIDB places on its partnership activities with is good practice.

Procurement

KLIDB's Financial Regulations 2021, state that they are intended to ensure KLIDB resources are properly managed, accounted for and controlled. The Financial Regulations 2021 are reviewed and agreed by KLIDB governance board every three years and includes high-level procedures KLIDB will follow in purchasing goods and services. Matters of procurement are also referenced within KLIDB's Social Responsibility Policy 2020, Anti-Fraud and Corruption Policy 2021 and Modern Slavery Statement 2023 with these document providing references to KLIDB's supply chain responsibilities emanating from the Public Services (Social Value) Act 2012, Bribery Act 2010 and the Modern Slavery Act 2015.

KLIDB's procurement procedures and controls are detailed across several documents and the separation of such information presents risk to KLIDB which could be reduced by the development and approval of an overarching procurement strategy that is also aligned to KLIDB's current strategic business plan and associated vision, mission and values statement. The introduction of procurement strategy is included in a wider improvement recommendation below.

We understand from KLIDB that procurement waivers and Voluntary Ex-Ante Transparency (VEAT) notices are required to be referred to the WMA Chief Executive for initial consideration and any agreed waivers or VEAT notices to be reported to the subsequent KLIDB meeting.

We have been informed by KLIDB that during 2020/21 and 2021/22 that there were no instances of waivers or VEAT notices requiring consideration however KLIDB does not have a process to formal record or monitor requests for Waivers or VEAT notices.

Improving economy, efficiency and effectiveness (Continued)

Procurement (Cont'd)

We also understand that the KLIDB does not maintain wider contracts register. This leads to an improvement recommendation that is in respect to 2020/21 and 2021/22. We recommend that KLIDB strengthens existing procurement arrangements by:

- Preparing, approving and circulating to staff and board members a procurement strategy, that is aligned to the KLIDB's strategic business plan and associated Vision, Mission and Values statement. The procurement strategy should reflect the current regulatory framework including obligations placed on public bodies emanating from Public Services (Social Value) Act 2012, Bribery Act 2010 and the Modern Slavery Act 2015.
- Introducing a contract register alongside a process to ensure all waivers or deviations to agreed procurement processes are formally decided upon and recorded centrally.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place in its oversight of economy, efficiency and effectiveness. We have identified three opportunities for improvement which are set out on pages 33 to 35.



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 12

We recommend KLIDB explores, identifies and implements opportunities for benchmarking analysis including engaging with WMA consortium members, other internal drainage boards and/or the ADA, and the output is used to assess performance and cost and is also used to help identify areas of potential efficiencies, savings or improvement.

Audit year

2020/21 and 2021/22.

Why/impact

Benchmarking insights could assist KLIDB appraise its activities and identify areas for efficiencies, savings or improvement.

Auditor judgement

Benchmarking data can assist organisations to assess performance, cost and provide a basis for identifying areas of efficiencies, savings or improvement.

Summary findings

KLIDB does not routinely use benchmarking data to compare performance, cost and to assist in identifying efficiencies. There could be opportunities for KLIDB to collaborate with other members of the WMA, ADA or other internal drainage boards to identify opportunities to utilise benchmarking data.

Management Comments

Agreed that this can be done within the WMA group but attempts to get other IDBs to engage on benchmarking have previously failed. Some benchmarking is already being done by ADA and Defra from data filed on the annual statutory IDB1 returns but this information is not currently shared.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 13

We recommend KLIDB develops and agrees a service level agreement that clearly defines the individual service functions to be provided to KLIDB, by the WMA. The service level agreement should include service delivery and performance expectations and include monitoring and reporting requirements to ensure KLIDB can appropriately appraise the effectiveness of the WMA.

Audit year

2020/21 and 2021/22.

Why/impact

The introduction of a service level agreement between KLIDB and WMA would enhance existing arrangements and allow for greater oversight and monitoring of the WMA activities by KLIDB.

Auditor judgement

KLIDB has adopted a number of agreements that seek to define respective responsibilities between KLIDB, WMA and other relevant parties. However, a specific service level agreement has not been adopted.

Summary findings

Operational and administrative services are provided to KLIDB by WMA. The specific functions, expectations and reporting requirements could be more clearly defined within a service level agreement which would in turn support KLIDB to assess the effectiveness of the WMA.

Management Comments

Agreed but could be difficult to do, given that the services change regularly. The services that the WMA provide are not static and vary.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 14

We recommend that KLIDB strengthens existing procurement arrangements by:

- Preparing, approving and circulating to appropriate staff a procurement strategy, that is aligned to the KLIDB's Business Plan and associated Vision, Mission and Values statement. The procurement strategy should reflect the current regulatory framework including obligations placed on public bodies emanating from Public Services (Social Value) Act 2012, Bribery Act 2010 and the Modern Slavery Act 2015.
- Introducing a contract register alongside a process to ensure all waivers or deviations to agreed procurement processes are recorded centrally and monitored.

Audit year

2020/21 and 2021/22.

Why/impact

The introduction of a new procurement strategy, contracts register and a process to ensure all waivers or deviations to agreed procurement processes are recorded centrally and monitored would strengthen KLIDB's existing arrangements.

Auditor judgement

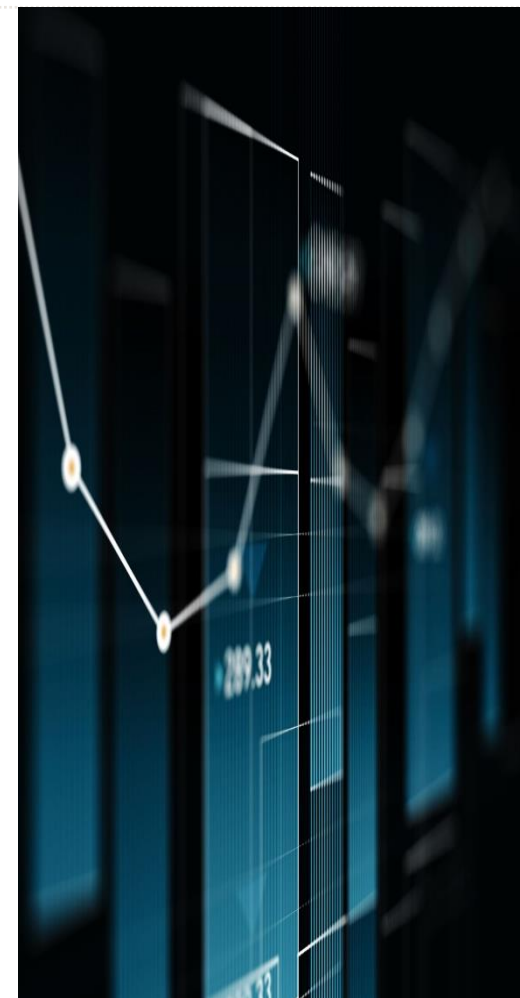
The absence of a procurement strategy, contract register and a process to ensure all waivers or deviations to agreed procurement processes are recorded centrally and monitored increases risk to KLIDB.

Summary findings

KLIDB has procurement processes, but these are detailed across several documents, statements and regulations. Currently KLIDB does not have a contracts register or a process to ensure all waivers or deviations to agreed procurement processes are recorded centrally and monitored.

Management Comments

Agreed.



The range of recommendations that external auditors can make is explained in Appendix B.

Opinion on the financial statements for 2020/21



We have issued a backstop opinion on the 20/21 accounts.



Opinion on the financial statements for 2021/22



We have issued a backstop opinion on the 21/22 accounts.



Appendices

Appendix A – Responsibilities of the Kings Lynn Internal Drainage Board

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing Kings Lynn Internal Drainage Board ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by Kings Lynn Internal Drainage Board will no longer be provided.

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



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by Kings Lynn Internal Drainage Board auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the [type of body] under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No.	Not applicable.
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Kings Lynn Internal Drainage Board. We have defined these recommendations as 'key recommendations'.	No.	Not applicable.
Improvement	These recommendations, if implemented should improve the arrangements in place at Kings Lynn Internal Drainage Board, but are not a result of identifying significant weaknesses in Kings Lynn Internal Drainage Board arrangements.	Yes.	Financial Sustainability: 14-17 Governance: 23-29 Improving economy, efficiency and effectiveness: 33-35

