



King's Lynn
Drainage Board

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDING
31 MARCH 2012**

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



King's Lynn

Drainage Board

STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2012

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BOARD MEMBERSHIP AS AT 31 MARCH 2012

NAME	MEETINGS	ATTENDED	ATTENDANCE %	CONTACT DETAILS
ELECTED MEMBERS				
Askew J R	4	3	75	john@neoils.freemove.co.uk
Austen J S *	4	3	75	john.austen@btopenworld.com
Brown R	4	4	100	brownabbotmede@btinternet.com
Keene S	4	3	75	wmf@farmline.com
Kooreman J A	4	2	50	n/a
Lane G (wef Oct 11)	2	1	50	northlynnfarm@tiscali.co.uk
Lensen A (wef Oct 11)	2	1	50	alensen@velcourt.co.uk
Markillie R S	4	3	75	Robert@markilliefarms.co.uk
Markillie S A R	4	2	50	shf@strawberryhall.co.uk
Matkin T	4	2	50	timmatkin@lugdenhill.co.uk
Matthews D (wef Oct 11)	2	2	100	dmatthews@velcourt.co.uk
Means J	4	3	75	john.means@talktalk.net
Riddington M (wef Oct 11)	2	2	100	mark@fwdeptford.co.uk
Symington D	4	3	75	n/a
Symington I	4	4	100	lan.symington@afiweb.net
APPOINTED MEMBERS				
King's Lynn & West Norfolk BC				
Ansell J	4	4	100	ANSELL.j1@sky.com
Beales A (wef Aug 11)	3	0	0	cllr.allistair.beales@west-norfolk.gov.uk
Baron M Chenery of Horsburgh	4	4	100	michael.chenery@norfolk.gov.uk
Crofts C	4	3	75	cllr.chris.crofts@west-norfolk.gov.uk
Groom R W	4	4	100	cllr.roy.groom@west-norfolk.gov.uk
Harwood D **	4	3	75	cllr.david.harwood@west-norfolk.gov.uk
Lord Howard of Rising	4	1	25	cllr.greville.howard@west-norfolk.gov.uk
Johnson D	4	4	100	cllr.david.johnson@west-norfolk.gov.uk
Langwade M	4	3	75	michael.langwade@googlemail.com
Long B (wef Aug 11)	3	2	67	cllr.brian.long@west-norfolk.gov.uk
Nockolds E (Mrs)	4	3	75	cllr.elizabeth.nockolds@west-norfolk.gov.uk
Smith I A	4	2	50	admin@middlelevel.gov.uk
Spikings V (Mrs) (wef Aug 11)	3	2	67	cllr.vivienne.spikings@west-norfolk.gov.uk
Whitby D (wef Aug 11)	3	2	67	cllr.david.whitby@west-norfolk.gov.uk
Wright A (wef Aug 11)	3	3	100	cllr.anthony.wright@west-norfolk.gov.uk
Fenland DC				
Oliver D (wef Jan 12)	1	1	100	doliver@fenland.gov.uk

* Chairman

** Vice-Chairman

Average attendance = 73%



ANNUAL REPORT

King's Lynn IDB is an independent body created under Land Drainage Statutes responsible for flood risk, drainage and water level management works, other than on main rivers, in the King's Lynn IDB area. Board Members are either elected by and represent the occupiers of land in the area, or are appointed by King's 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 pays a precept to the Environment Agency to fund works on main rivers and sea defences that protect the drainage district.

The Board consists of 15 elected members and 16 appointed members.

This document is the statement of accounts of King's Lynn IDB for the financial year ended 31 March 2012 which are set out on pages 2 to 23. The Accounts consist of:

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.

STATEMENT OF RESPONSIBILITIES

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

STATEMENT OF ACCOUNTING POLICIES

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

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 ratepayer and others.

STATEMENT OF MOVEMENT ON RESERVES

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the IDB for the year and shows the aggregate increase in its net worth. The net worth is the movement in the balance sheet reserves between financial years.



ANNUAL REPORT (CONTINUED)

BALANCE SHEET

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

ACCOUNTING STATEMENT FOR THE ANNUAL RETURN AND RECONCILIATION TO THE UNAUDITED ACCOUNTS

This statement reconciles the Income, Expenditure, Assets and Liabilities reported in the Unaudited Accounts to the financial information reported in Section 1 of the Annual Return (the Audited Accounts).

ANNUAL RETURN FOR THE YEAR ENDED 31 MARCH 2012 (AUDITED STATEMENTS)

These Statements represent the audited Accounts for the reporting period.

SUMMARY OF FINANCIAL PERFORMANCE

The Board's financial position has improved significantly during the year:

1. Surplus: the Board made an operating surplus of £1,018,349, compared with an estimated deficit of £274,941. This was largely due to slippage in the capital programme (£831k). Expenditure on Maintenance Works was also £281k less than estimated due to increases in productivity and operating efficiencies. Consortium charges were £58,920 less than budgeted following a reorganisation of the WMA Consortium.
2. Debt: the Board has no long term debt.
3. Liquidity: cash surpluses have increased from £3,109,851 to £4,205,359.
4. Fixed Assets: during the year the Board disposed of a Ford Ranger van for £4,200. The Board also purchased a new Ford Ranger for £15,682 and a new Roding Bucket for £6,750.
5. Pension Reserve: the Board's notional pension deficit as administered by Norfolk County Council has increased from £1,785,000 to £2,493,000 during the year. This deficit has increased due to negative asset returns and rising long term debt inflation expectations. However it is important to note that this liability 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 as at 31 March 2012.
6. Funding: the Board's expenditure is mainly funded by cash from direct levies on ratepayers and special levies on local Councils. The Board also holds a number of cash reserves. External funding is always sought on Capital Improvement Schemes from the Environment Agency; the rate of grant varies according to the type of scheme, but is typically 45%.



ANNUAL GOVERNANCE STATEMENT

As members of the King's Lynn Internal Drainage Board we acknowledge our responsibility for ensuring that there is a sound system of internal control, including the preparation of the Statement of Accounts, and confirm, to the best of our knowledge and belief, with respect to the Board's Statement of Accounts for the year ended 31 March 2012, that:

1. We have approved the Statement of Accounts and Annual Return which 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.

This Annual Governance Statement is approved by the Board and recorded as a Board minute on the 15 June 2012.

Signed on behalf of King's Lynn Internal Drainage Board

Signed by: Chairman

J S Austen

Date: 15 June 2012

Signed by: Chief Executive

P J Camamile

Date: 15 June 2012



STATEMENT OF RESPOSIBILITIES FOR THE 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 Chief Executive Officer.
2. To manage its affairs to secure economic efficient and effective use of its resources and safeguard its assets.

THE CHIEF EXECUTIVE OFFICER'S RESPONSIBILITIES:

The Chief Executive Officer is responsible for the preparation of the Board's Statement of Accounts which presents a true and fair view of the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2012. The Chief Executive is also responsible for the preparation of the Board's Annual Return, which is required to be completed and audited in accordance with the Accounts and Audit Regulations 2011.

In preparing this Statement of Accounts and the Annual Return, the Chief Executive Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- compiled the Statement of Accounts in accordance with the Financial Reporting Standard for Smaller Entities 2008 issued by the Accounting Standards Board and reconciled these Accounts to the Accounting Statement on the Annual Return shown in this Report, which has been prepared in accordance with Parts 1 to 3 of the Guidance published by the Association of Drainage Authorities in 2008;
- applied the accounting concept of a "going concern" by assuming that the IDB will continue to operate for the foreseeable future.

The Chief Executive Officer has:

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

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER

This Statement of Accounts provides a true and fair view of the financial position of the Board at 31 March 2012 and its income and expenditure for the year then ended.

Name: P J Camamile

Designation: Chief Executive Officer

Date: 15 June 2012

From: 01 April 2011
To: 31 March 2012

NOTE ACCOUNTING POLICIES

1 FINANCIAL REPORTING STANDARDS, REGULATION AND GUIDANCE

- (i) The Board has not elected to prepare a full Statement of Accounts required by larger public bodies, as provided for in Regulation 12(b) of the Accounts and Audit Regulations 2011.
- (ii) The Board has completed this Statement of Accounts in accordance with the Financial Reporting Standard for Smaller Entities 2008 (FRSSE) issued by the Accounting Standards Board and has prepared an Annual Return, which smaller bodies are required to do, in accordance with Regulation 12(a) of the Accounts and Audit Regulations 2011, based on these Accounts.
- (iii) The Annual Return has been prepared in accordance with proper practices that are set out in Parts 1 to 3 of the Guidance published by the Association of Drainage Authorities in 2008. This Statement of Accounts therefore includes the Accounting Statement reported on the Annual Return, which has been reconciled to the Income and Expenditure Account and Balance Sheet stated herein.

2 ACCOUNTING CONCEPTS

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

Going Concern
Prudence
Accruals

3 FIXED ASSETS

- (i) Fixed Assets are recognised as expenditure on the acquisition, creation or enhancement of fixed assets. Assets with estimated useful economic lives in excess of one year and a value of £5,000 or above are capitalised on an accruals basis in the Accounts.
- (ii) All fixed Assets are valued on the following basis:
 - Land and buildings are included in the balance sheet at lower of net current replacement cost and net realisable value, net of accumulated depreciation. Net current replacement cost is assessed as:
 - Non-specialised operational properties - existing use value
 - Specialised operational properties - depreciated replacement cost
 - Vehicles, plant and equipment are included at cost less depreciation
- (iii) Disposals are written off at cost less depreciation. Any surplus/deficit arising is charged/credited to Exceptional Items in the Income and Expenditure Account.
- (iv) Depreciation has been provided for using the straight line method.
- (v) The useful lives of the various assets held on the Fixed Asset Register are as follows:
 - Motor Vehicles and Equipment: 4 years
 - Excavators and Tractors: 7 years
 - Specialist Plant and Equipment: <= 10 years
 - Fixed Pumping Plant: 20 years
 - Lifting Equipment: 5 years

From: 01 April 2011
To: 31 March 2012

NOTE ACCOUNTING POLICIES

Land: not depreciated
Pumping Stations: 10 years
Buildings: 50 years

4 STOCKS AND WORK IN PROGRESS

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

5 GOVERNMENT GRANTS AND SUBSIDIES

Government grants and contributions have been credited to the Income and Expenditure Account on an accruals basis.

6 PENSIONS

- (i) The Board is a member of the Local Government Pension Scheme (LGPS), administered by Norfolk County Council. This is a funded defined benefit final salary pension scheme, meaning that the Board and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Board has paid a contribution of 18.5% on employees pensionable pay into the pension fund during 2011/12.
- (ii) The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the Income and Expenditure Account in order to spread the cost over the service lives of employees in the scheme. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.
- (iii) The Board's share of the schemes assets and liabilities are included at fair value, as calculated annually by the actuary, which in turn gives rise to actuarial gains and losses. Liabilities are discounted to their current price using a discount rate of 4.8%, which has changed from simply using the yield on the iBoxx over 15 year AA bond index to taking the yield on the over 15 year UK government bond index and then adding the median spread (excess yield over the "risk free" gilt return) from the constituents of iBoxx index. The schemes assets have been valued using the following methods:
 - Quoted securities - Current bid price
 - Unquoted securities - Professional estimate
 - Unitised securities - Current bid price
 - Property - Market value
- (iv) The Annual Report of the NCC Pension Scheme is available from Norfolk County Council (NCC), Pensions Section, County Offices, Norwich.

7 TAXATION

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

8 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

- (i) There are no material exceptional or extraordinary items to disclose in the Accounts.
- (ii) Profits or losses on the disposal of fixed assets are shown separately on the face of the Income and Expenditure Account prior to the Operating Net Surplus/(Deficit).

From: 01 April 2011
To: 31 March 2012

NOTE ACCOUNTING POLICIES

9 INCOME RECOGNITION

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

10 FINANCE LEASES

Finance Leases are held on one item of plant. Interest on this Finance Lease is charged to the Mobile Plant Operations Account.

11 RESERVES

The Board holds the following Reserves, the adequacy of which are reviewed by the Board annually:

(i) **General Reserve**

The Association of Drainage Authorities guidance recommends that the General Reserve held by the Board is 20% to 25% of estimated net expenditure. The year end surplus/(deficit) is taken to the General Reserve.

(ii) **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.

(iii) **Mobile Plant Renewals Reserve**

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

(iv) **Fixed Plant Renewals Reserve**

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

(v) **Capital Works Reserve**

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

(vi) **Revaluation Reserve**

This Reserve has arisen from the revaluation of some of the Board's land, buildings and pumping stations.

(vii) **Pension Reserve**

The pension liability has been estimated by the Fund Actuary and 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 Reserve does not represent an estimate of the exit cost of withdrawing from the Local Government Pension Scheme.

From: 01 April 2011

To: 31 March 2012

NOTE	INCOME AND EXPENDITURE ACCOUNT	ACTUAL 2010/11 £	ACTUAL 2011/12 £	BUDGET 2011/12 £	VARIANCE £
INCOME					
	Drainage Rates	306,038	305,632	305,649	-17
1	Special Levies issued by the Board	1,858,681	1,859,721	1,859,679	42
2	Grants Applied	54,491	105,111	270,025	-164,914
	Rental Income	3,170	2,441	4,000	-1,559
3	Highland Water Contributions	57,061	44,196	60,000	-15,804
	Income from Rechargeable Works	46,956	40,495	0	40,495
	Investment Interest	13,108	51,317	10,000	41,317
	Development Contributions	75,120	319,197	0	319,197
8	Net Surplus on Operating Accounts	0	0	0	0
	Other Income	19,451	22,947	1,500	21,447
Total Income		£2,434,076	£2,751,057	£2,510,853	£240,204
EXPENDITURE					
4	Capital Works	288,203	243,797	1,074,500	830,703
5	Environment Agency Precept	152,490	152,490	152,490	0
6	Maintenance Works	1,066,107	948,320	1,229,187	280,867
	Development Expenditure	0	0	0	0
	Interest Payments	6,146	782	0	-782
7	Administration Charges	277,785	270,697	329,617	58,920
	Cost of Rechargeable Works	43,704	35,375	0	-35,375
8	Net Deficit on Operating Accounts	21,979	33,447	0	-33,447
9	Pension Interest Cost and Expected Return on Assets	-1,326,000	47,000	0	-47,000
Total Expenditure		£530,414	£1,731,908	£2,785,794	£1,053,886
10	Profit/(Loss) on disposal of Fixed Assets	40,500	-800	0	-800
Net Surplus/(Deficit)		£1,944,162	£1,018,349	-£274,941	£1,293,290

From: 01 April 2011

To: 31 March 2012

NOTE	STATEMENT OF MOVEMENT ON THE GENERAL RESERVE	ACTUAL 2010/11 £	ACTUAL 2011/12 £	BUDGET 2011/12 £	VARIANCE £
11	Net Surplus/(Deficit) as per Income & Expenditure Account	1,944,162	1,018,349	-274,941	1,293,290
	Transfer (to)/from Development Reserve	0	0	0	0
12	Transfer from Capital Works Reserve (completed works)	0	0	0	0
12	Transfer to Capital Works Reserve (work in progress)	-103,032	0	0	0
	Transfer (to)/from Fixed Plant Reserve	-2,021,148	0	0	0
	Transfer (to)/from Mobile Plant Reserve	-500,000	0	0	0
	Transfer (to)/from Precept Stabilisation Reserve	0	0	0	0
13	Transfer (to)/from Pension Reserve	-1,326,000	47,000	0	-47,000
	Contribution to/(from) General Reserve	-£2,006,018	£1,065,349	-£274,941	£1,340,290
	Opening Balance	2,832,240	826,222	0	826,222
	Contribution to/(from) General Reserve	-2,006,018	1,065,349	-274,941	1,340,290
	Closing Balance of General Reserve	£826,222	£1,891,571	-£274,941	£2,166,512

NOTE	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	ACTUAL 2010/11 £	ACTUAL 2011/12 £	BUDGET 2011/12 £	VARIANCE £
	Net Surplus/(Deficit) as per Income & Expenditure Account	1,944,162	1,018,349	-274,941	1,293,290
	Revaluation Gains/(Losses)	0	0	0	0
14	Actuarial Gains/(Losses) on Pension Fund	431,000	-661,000	0	661,000
	Total Recognised Gains/(Losses)	£2,375,162	£357,349	-£274,941	£632,290

From: 01 April 2011

To: 31 March 2012

NOTE	BALANCE SHEET AS AT 31-3-2012	2010/11 £	MOVEMENT £	2011/12 £
15	Fixed Assets			
	Land and Buildings	780,873	-62,972	717,901
	Plant and Equipment	669,449	-107,663	561,786
	Pumping Stations	926,532	-102,948	823,584
		2,376,854	-273,583	2,103,271
	Current Assets			
16	Cash at Bank and in Hand	9,851	245,508	255,359
17	Short Term Investments	3,100,000	850,000	3,950,000
18	Stock and Work in Progress	14,858	-210	14,648
19	Debtors and Prepayments	50,697	95,156	145,853
		3,175,406	1,190,454	4,365,860
	Current Liabilities			
20	Creditors and Receipts in Advance	93,701	-2,382	91,319
21	Loans and Leases Outstanding	43,148	-43,148	0
		136,849	-45,530	91,319
	Net Current Assets	3,038,557	1,235,984	4,274,541
	Less Long Term Liabilities			
22	Long Term Borrowing	0	0	0
23	Pension Liability	1,785,000	708,000	2,493,000
		1,785,000	708,000	2,493,000

Net Assets	£3,630,411	£254,401	£3,884,812
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Earmarked Reserves

General Reserve	826,223	1,065,349	1,891,572
Development Reserve	49,245	0	49,245
Fixed Plant Reserve	2,021,148	0	2,021,148
Capital Works Reserve	693,664	0	693,664
Mobile Plant Reserve	500,000	0	500,000
	4,090,280	1,065,349	5,155,629

Non-Distributable Reserves

Revaluation Reserve	1,325,131	-102,948	1,222,183
Pension Reserve	-1,785,000	-708,000	-2,493,000
	-459,869	-810,948	-1,270,817

Reserves	£3,630,411	£254,401	£3,884,812
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P J CAMAMILE
CHIEF EXECUTIVE

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

1 SPECIAL LEVIES ON COUNCILS

	2010/11	2011/12
King's Lynn & West Norfolk Borough Council	1,745,255	1,746,295
Fenland District Council	91,052	91,052
South Holland District Council	22,374	22,374
	<u>1,858,681</u>	<u>1,859,721</u>

Special Levies are paid by contributing Councils in two halves on 1 May and 1 November every year.

2 GRANTS APPLIED

Grants Applied are much lower than estimated because the Board did not receive approval from the Environment Agency (EA) for grant on most of the capital schemes, which was not expected when preparing the Estimates for 2011/12:

	2010/11 Received	2010/11 Applied	2011/12 Received	2011/12 Applied
Capital Scheme (Grant Receivable @ 45%)				
Smeeth Lode Scheme: Feasibility Study	-16,693	0	0	0
Pierrepoint/Middleton Stop Strategy	0	1,014	1,151	0
Smeeth Lode Drainage Improvement	0	0	0	0
Smeeth Lode Scheme: Pond 1 - Drain 6	0	5,937	18,936	1,747
Smeeth Lode Strategy Update	17,100	16,078	0	1,022
Straight Mile Improvements	0	0	-551	23,296
Smeeth Lode - Old Scheme	0	0	0	0
Middleton Stop Pump Refurbishment - (replace culvert)	37,800	22,627	6,535	15,173
North Wootton Pumping Station - Pump refurbishment	25,875	0	767	25,109
Wolferton Pumping Station - Pump 2 refurbishment	6,750	5,775	975	0
Pierrepoint Pumping Station - Pump refurbishment	9,450	3,060	1,225	5,165
Islington Pumping Station Replacement - detailed design	0	0	0	0
Marshland Outfall Penstock	0	0	0	0
Middleton Stop Pump Refurbishment - Phase 2	0	0	3,512	23,488
Smeeth Lode Improvements	0	0	2,689	10,111
Eau Brink Tidal Outfall Doors	22,744	0	0	0
Catchment Modelling	0	0	0	0
	<u>103,026</u>	<u>54,491</u>	<u>35,239</u>	<u>105,111</u>

3 HIGHLAND WATER CONTRIBUTIONS

This income comes from the Environment Agency in May and December each year. Highland Water income has been derived from a relatively complex calculation designed to recompense the Board for managing the water that enters its Drainage District from the upper reaches of its hydraulic catchment.

4 CAPITAL WORKS

The following capital work was undertaken during this year and last year. The District Engineer is happy to receive any questions the reader may have about this work and his contact details can be accessed from the Board's website:

Grant Aided Works:	2010/11	2011/12
Smeeth Lode Scheme: Feasibility Study	0	0
Pierrepoint/Middleton Stop Strategy	2,252	0
Smeeth Lode Drainage Improvement	0	0
Smeeth Lode Scheme: Pond 1 - Drain 6	13,193	3,883
Smeeth Lode Strategy Update	35,728	2,272
Straight Mile Improvements	50,542	1,224
Middleton Stop Pump Refurbishment - (replace culvert)	50,283	45,776
North Wootton Pumping Station - Pump refurbishment	0	55,796
Wolferton Pumping Station - Pump 2 refurbishment	12,834	0
Pierrepoint Pumping Station - Pump refurbishment	6,801	11,477

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

Islington Pumping Station Replacement - detailed design	0	0
Marshland Outfall Penstock	0	0
Middleton Stop Pump Refurbishment - Phase 2	0	52,196
Smeeth Lode Improvements	0	10,111
Eau Brink Tidal Outfall Doors	0	0
Catchment Modelling	0	0
	171,633	182,735
Non-Grant Aided Works:		
Gaywood Flood Alleviation Scheme	19,660	29,851
Smeeth Lode Scheme: Pond 2 - Drain S1	86,345	2,160
Black Ditch Outfall	10,565	0
Small Schemes	0	9,857
Norht Wootton Pumping Station - Outfall Refurbishments	0	10,810
Middleton Stop Flood Storage Area	0	8,384
	116,570	61,062
Capital Works	288,203	243,797

5 ENVIRONMENT AGENCY PRECEPT

The Precept is paid to the Environment Agency for maintaining the main rivers and sea defences that help protect the Board's area. Half of the Precept is payable to the Environment Agency on 31 May and the other half is paid to them on 30 November each year.

6 MAINTENANCE WORKS

Details of maintenance work undertaken during this year and last year are as follows. The Operations Manager is happy to receive any questions the reader may have and his contact details can be accessed from the Board's website:

	2010/11	2011/12
Channels	614,505	581,163
Pumping Stations	133,678	77,454
First Line Sluices	19,959	8,843
Second Line Sluices	2,549	2,235
Water Level Control Structures	0	0
Properties	56,556	102,223
Technical Support Costs	231,573	174,735
Biodiversity Action Plan Development Costs	7,287	1,667
	1,066,107	948,320

7 ADMINISTRATION CHARGES

Administration charges include the Board's share of consortium expenditure, together with other expenses shown below (excluding technical support costs, which are included in the maintenance works expenditure). Detailed expenditure is regularly monitored by the Consortium Management Committee and the Board. The Board's representatives are happy to receive any questions the reader may have and their contact details can be accessed from the Board's website:

Expenditure	2010/11	2011/12
Staff Costs	164,201	147,609
Establishment Charges	63,261	42,073
ICT Charges	24,121	13,318
Sundry Expenses	12,228	56,775
Chairman's Allowance (KLIDB Chairman only)	1,500	1,500
Travelling allowances paid to Board Members	0	0
Audit fees	3,500	1,171
	268,811	262,446

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

Drainage Rates Annual Value (Increases)/Decreases	787	279
Depreciation of Kettlewell House	7,972	7,972
Sundry Expenses	215	0
Sundry Debtors written off	0	0
Other Expenses	8,974	8,251
Administration Charges	277,785	270,697

8 OPERATING ACCOUNTS

The Board operates a Mobile Plant Operations Account and a Labour Operations Account, which are Absorption Accounts that are maintained for the purposes of costing. The Operations Manager is happy to receive any questions the reader may have and his contact details can be accessed from the Board's website. The Net Operating Surplus/(Deficit) for each of these two Operating Accounts is made up as follows:

(i) **Labour Operations Account**

Income	2010/11	2011/12
Work Done	434,578	440,464
(-) Expenditure		
Variable Costs	-344,906	-349,575
Fixed Costs	-109,865	-117,508
(=) Net Operating Surplus/(Deficit)	-20,193	-26,620
Productive Hours	19,412	19,151
Cost/Hour		
Variable Costs	17.77	18.25
Fixed Costs	5.66	6.14
	23.43	24.39

(ii) **Mobile Plant Operations Account**

Income	2010/11	2011/12
Work Done	218,990	220,967
(-) Expenditure		
Variable Costs	-88,558	-104,193
Fixed Costs	-132,218	-123,602
(=) Net Operating Surplus/(Deficit)	-1,786	-6,827
(=) Net Operating Surplus/(Deficit) for both Operating Accounts	-21,979	-33,447

9 PENSION INTEREST COST AND EXPECTED RETURN ON ASSETS

(i) The Board is a member of the Local Government Pension Scheme (LGPS), administered by Norfolk County Council. This is a funded defined benefit final salary pension scheme, meaning that the Board and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The following transactions have been made in the Income and Expenditure Account during the year:

Net Cost of Services	2010/11	2011/12
Current service cost	79,000	73,000
Settlement and past service cost/(gain)	-593,000	0
Losses/(Gains) on Curtailments and Settlements	-789,000	0
	-1,303,000	73,000
Net Operating Expenditure		
Interest Cost	307,000	333,000
Expected Return on Assets	-253,000	-284,000
	54,000	49,000

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

Net charge/(credit) to Income and Expenditure Account -1,249,000 122,000

(ii) **Pension Interest Cost and Expected Return on Assets is calculated as follows:**

Increase/(Decrease) in net pension liabilities (Note 23)	-1,757,000	708,000
Less Gains/(Losses) shown in the Statement of Total Recognised Gains and Losses (Note 14)	431,000	-661,000
Pension Interest Cost/(Expected Return on Assets)	<u>-1,326,000</u>	<u>47,000</u>

(iii) In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and (losses) of (£661,000) are included in the Statement of Total Recognised Gains and Losses (see Note 14).

10 PROFIT/(LOSS) ON DISPOSAL OF FIXED ASSETS

	2010/11	2011/12
Excavators	0	0
Tractors	30,500	0
Low Loader Hiab	0	0
Fuel Bowser	0	0
Cutting Machinery	8,000	0
Vehicles	2,000	-800
	<u>40,500</u>	<u>-800</u>

Full details of all disposals are recorded in the Board's Fixed Asset Register, which can be made available upon request. The Operations Manager is happy to receive any questions the reader may have and his contact details are accessible from the Board's website.

11 MOVEMENT ON THE GENERAL RESERVE

At the time of preparing the Budget for 2011/12, the Board planned to finance the estimated net deficit of £274,941 from the General Reserve, in accordance with the Earmarked Balances and Reserves Policy. However there was a surplus at the end of the year, due to slippage in the capital programme and to efficiency savings generated arising from the maintenance programme.

12 GENERAL RESERVE (GR): TRANSFERS TO AND FROM THE CAPITAL WORKS RESERVE (CWR)

	<u>CWR 2011/12</u>	(+)	Tfr to GR	(-)	Tfr from GR	<u>CWR 2012/13</u>
SCH08: Smeeth Lode Catchment	271,161		0		0	271,161
SCH13: Pieerepoint Middleton Stop Drain/Pumping Station	24,646		0		0	24,646
SCH11: North Wooton Pumping Station Refurbishment	56,900		0		0	56,900
SCH10: Middleton Stop Refurbishment (Culvert Replacement)	46,132		0		0	46,132
SCH04: Gaywood Flood Storage Area	294,825		0		0	294,825
	<u>693,664</u>		0		0	<u>693,664</u>

13 TRANSFER (TO)/FROM PENSION RESERVE

The amount shown in the Board's Income and Expenditure Account as Pension Interest Cost and Expected Return on Assets has been transferred to the Pension Reserve, in accordance with Regulation 18 of the Accounts and Audit Regulations 2011. (This charge is in excess of the payments and contributions that are statutorily payable by the Board for 2011/12).

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

14 ACTUARIAL GAINS/(LOSSES) SHOWN IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	2010/11	2011/12
Cumulative Actuarial Gains/(Losses) b/fwd	-2,109,000	-1,678,000
Increase/(Decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial Gains/(Losses) recognised in STRGL	431,000	-661,000
Cumulative Actuarial Gains/(Losses) c/fwd	<u>-1,678,000</u>	<u>-2,339,000</u>

15 TANGIBLE FIXED ASSETS

	Pumping Stations	Land and Buildings (i)	Plant and Equipment	Total
Cost				
Opening Balance as at 1 April 2011	1,029,480	1,173,743	1,284,632	3,487,855
(+) Additions	0	0	22,431	22,431
(-) Disposals	0	0	-13,231	-13,231
Closing Balance as at 31 March 2012	<u>1,029,480</u>	<u>1,173,743</u>	<u>1,293,832</u>	<u>3,497,055</u>
Depreciation				
Opening Balance as at 1 April 2011	102,948	392,870	615,183	1,111,001
(+) Depreciation Charge for year	102,948	62,972	125,095	291,015
(-) Accumulated depreciation written out on disposal	0	0	-8,232	-8,232
Closing Balance as at 31 March 2012	<u>205,896</u>	<u>455,842</u>	<u>732,046</u>	<u>1,393,784</u>
Net Book Value at 31 March 2011	<u>926,532</u>	<u>780,873</u>	<u>669,449</u>	<u>2,376,854</u>
Net Book Value at 31 March 2012	<u>823,584</u>	<u>717,901</u>	<u>561,786</u>	<u>2,103,271</u>

- (i) The Board owns 79.72% of the WMA central office; Kettlewell House, King's Lynn.
- (ii) Full details of all movements during this year are recorded in the Board's Fixed Asset Register, which can be made available to the reader upon request. The Board also shares ownership of a proportion of the WMA Office Equipment, which is recorded in the WMA's Fixed Asset Register.

16 CASH AT BANK AND IN HAND

	2010/11	2011/12
Bank Current Account	9,851	255,359
Collectors Float	0	0
	<u>9,851</u>	<u>255,359</u>

17 SHORT TERM INVESTMENTS

Short term Investments as at 31 March 2012 are as follows:

Financial Institution	Capital	Investment Date	Maturity Date	Interest Rate
Newcastle Building Society	1,000,000	15/11/2011	15/05/2012	1.40%
Santander Investment Group	1,000,000	31/05/2011	01/06/2012	2.50%
Natwest Direct Reserve	1,000,000	24/10/2011	23/10/2012	1.25%
Principality Building Society	350,000	30/03/2012	15/06/2012	0.85%
Hinckley & Rugby	600,000	15/03/2012	31/05/2012	0.90%
	<u>3,950,000</u>			

18 STOCK AND WORK IN PROGRESS

	2010/11	2011/12
Stocks and Consumables	14,858	14,648
Work in Progress	0	0
	<u>14,858</u>	<u>14,648</u>

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

19 DEBTORS AND PREPAYMENTS

	2010/11	2011/12
Drainage Rate Debtors	19,406	14,886
Trade Debtors	43,133	30,249
H M Revenue and Customs	29,748	23,501
Grant Aid Due	0	551
Accrued Investment Income	2,279	30,492
Prepayments	21,442	46,174
Prepayment/(Accrual) to WMA	-65,311	0
	50,697	145,853

20 CREDITORS AND RECEIPTS IN ADVANCE

	2010/11	2011/12
Trade Creditors	-10,211	18,957
Other Taxation and Social Security	0	0
Accruals	9,899	36,573
Payments received in advance	94,013	35,789
	93,701	91,319

21 LOANS AND FINANCE LEASES OUTSTANDING

	2010/11	2011/12
Finance Leases Due in next 12 months	28,605	0
Loans Payable in next 12 months	14,543	0
	43,148	0

22 AMOUNTS OUTSTANDING MORE THAN 12 MONTHS

	2010/11	2011/12
(i) Loans outstanding to Public Works Loan Board	0	0
	0	0

(ii) The Board has repayed the two loans it had with the Public Works Loan Board during the year. Both loans (469911 for £350,000 at 11% and 470367 for £250,000 at 10.75%) were taken out during 1991 for the Marshland Pumping Station Scheme over a period of 20 years. Final repayments were made in March and September this year.

23 PENSION LIABILITY

	2010/11	2011/12
(i) Reconciliation of fair value of employer assets		
Opening Balance as at 1 April	4,851,000	4,253,000
Expected Return on Assets	253,000	284,000
Contributions by Members	22,000	26,000
Contributions by Employer	74,000	72,000
Contributions in respect of Unfunded Benefits	3,000	3,000
Actuarial Gains/(Losses)	417,000	-142,000
Assets Distributed on Settlements	-1,102,000	0
Unfunded Benefits Paid	-3,000	-3,000
Benefits Paid	-262,000	-323,000
Closing Balance as at 31 March	4,253,000	4,170,000

	2010/11	2011/12
Reconciliation of defined benefit obligation		
Opening Balance as at 1 April	8,393,000	6,038,000
Current service cost	79,000	73,000
Interest cost	307,000	333,000
Contributions by Members	22,000	26,000
Actuarial Losses/(Gains)	-14,000	519,000
Past Service Costs/(Gains)	-593,000	0

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

Liabilities Extinguished on Settlements	-1,891,000	0
Estimated Unfunded Benefits Paid	-3,000	-3,000
Estimated Benefits Paid	-262,000	-323,000
Closing Balance as at 31 March	6,038,000	6,663,000
	2010/11	2011/12
Estimated scheme assets	4,253,000	4,170,000
Estimated scheme liabilities	-6,038,000	-6,663,000
Net pension assets/(liabilities)	-1,785,000	-2,493,000

- (ii) Pension Scheme Liabilities have been assessed on an actuarial basis by the Fund Actuary using the projected unit method; an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, earnings etc. The pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of Actuaries employed by Norfolk County Council (the Pension Scheme Administering Authority).
- (iii) The deficit has reduced due to positive asset returns and falling long term inflation expectations. The deficit has fallen further due to the pension increase change from RPI to CPI. The projected pension expense for next year has also fallen for the same reasons. The deficit that is attributable to shared employees within the Water Management Alliance has also been removed from the Board's direct pension liability.
- (iv) It is important to note that the Board is a member of the Water Management Alliance Consortium and as such will also have a proportion of the pension liability for the shared staff that are employed by King's Lynn IDB, as the lead Board. This liability has previously been shown in the Accounts as exclusively the Board's liability, however The Fund Actuary for Norfolk County Council has now prepared a separate Report for the Water Management Alliance, which identifies a net pension liability of £689,000 that is shared by all 5 Member Boards.

24 RELATED PARTY DISCLOSURES

- (i) The Board is a full member of Anglia Farmers Ltd, an agricultural purchasing cooperative. Several members of the Board are also shareholders of this organisation. The Board paid Anglia Farmers Ltd £15,343.16 during 2011/12.
- (ii) Board member Mr J Askew is related to Mr R Askew, Director of Richard Askew Agricultural Supplies Ltd, that are one of the Board's suppliers. The Board paid £4,565.14 to this company during 2011/12.
- (iii) Board member Mr C Crofts is a Director of Fen Regis Trophies Ltd, an occasional supplier to the Board. No payments have been made to this company during 2011/12.
- (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 2011.
- (v) Board member Mr I A D Smith is the Clerk and Chief Executive of the Middle Level Commissioners to whom the Board paid £633.26 for pump maintenance at Crabbes Abbey Pumping Station and £357.26 for pump maintenance at Waltham Farms Pumping Station during 2011/12. These annual charges are based on a long standing contractual arrangement.
- (vi) 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.
- (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.

25 CONTINGENT LIABILITIES

Correspondence has been received from Mr and Mrs P McDowie seeking compensation of £34,537.56 regarding some advice given to them by the Board on a planning issue in 2006.

From: 01 April 2011
To: 31 March 2012

BOX NO. ANNUAL RETURN, FOR THE YEAR ENDED 31 MARCH 2012	ACTUAL 2010/11 £	ACTUAL 2011/12 £
1 Balances brought forward		
General Reserve	2,832,240	826,223
Development Reserve	49,245	49,245
Fixed Plant Reserve	0	2,021,148
Capital Works Reserve	590,632	693,664
Mobile Plant Reserve	0	500,000
Revaluation Reserve	1,428,080	1,325,131
Pension Reserve	-3,542,000	-1,785,000
As per Statement of Accounts	1,358,197	3,630,411
(-) Fixed Assets, Long Term Liabilities, Loans and Finance Leases		
Pension Liability	-3,542,000	-1,785,000
Loans and Leases Outstanding (Current Liabilities)	-116,891	-14,543
Long Term Borrowing	-14,543	-28,605
Net Book Value of Tangible Fixed Assets	2,412,860	2,376,854
	-1,260,574	548,706
(=) Adjusted Balances brought forward	2,618,771	3,081,705
2 (+) Rates and Special Levies		
Drainage Rates	306,038	305,632
Special Levies issued by the Board	1,858,681	1,859,721
As per Statement of Accounts	2,164,719	2,165,353
3 (+) All Other Income		
Grants Applied	54,491	105,111
Rental Income	3,170	2,441
Highland Water Contributions	57,061	44,196
Income from Rechargeable Works	46,956	40,495
Investment Interest	13,108	51,317
Development Contributions	75,120	319,197
Net Surplus on Operating Accounts	0	0
Other Income	2,920	22,947
Profit/(Loss) on disposal of Fixed Assets	40,500	-800
As per Statement of Accounts	293,326	584,904
(+) Income from Sale of Fixed Assets (above profit/(loss))		
Capital Cost of disposals	167,649	13,231
Less: Accumulated depreciation written out	-163,649	-8,232
	4,000	4,999
(=) Adjusted Other Income	297,326	589,903
4 (-) Watercourses and Pumping Stations		
Capital Works	288,203	243,797
Maintenance Works	1,066,107	948,320
As per Statement of Accounts	1,354,310	1,192,117
(-) Depreciation charged to Maintenance Works		
Plant and Equipment	142,846	125,095

From: 01 April 2011
To: 31 March 2012

BOX NO. ANNUAL RETURN, FOR THE YEAR ENDED 31 MARCH 2012	ACTUAL 2010/11 £	ACTUAL 2011/12 £
Buildings	21,193	55,000
	164,039	180,095
(=) Adjusted Watercourses and Pumping Stations	1,190,271	1,012,022
5 (-) Loan Interest/Capital Repayments		
Loan Interest	6,146	782
Capital Repayments	55,673	14,543
As per Statement of Accounts	61,819	15,325
6 (-) All Other Expenditure		
Environment Agency Precept	152,490	152,490
Development Expenditure	0	0
Administration Charges	261,254	270,697
Cost of Rechargeable Works	43,704	35,375
Net Deficit on Operating Accounts	21,979	33,447
Finance Lease Repayments	32,613	28,605
Depreciation/(Revaluation) of Pumping Stations	102,948	102,948
Actuarial (Gains)/Losses on Pension Fund (STRGL)	-431,000	661,000
Pension Interest Cost and Expected Return on Assets	-1,326,000	47,000
As per Statement of Accounts	-1,142,012	1,331,562
(-) All Other Expenditure (Non Cash)		
Depreciation/(Revaluation) of Pumping Stations	102,948	102,948
Depreciation of Kettlewell House (included in admin.exp.)	7,972	7,972
Actuarial (Gains)/Losses on Pension Fund (STRGL)	-431,000	661,000
Pension Interest Cost and Expected Return on Assets	-1,326,000	47,000
	-1,646,080	818,920
(+) Capitalised Additions		
Land and Buildings	0	0
Plant and Equipment	242,953	22,431
	242,953	22,431
(=) Adjusted Other Expenditure	747,021	535,073
7 (=) Balances carried forward		
General Reserve	826,223	1,891,572
Development Reserve	49,245	49,245
Fixed Plant Reserve	2,021,148	2,021,148
Capital Works Reserve	693,664	693,664
Mobile Plant Reserve	500,000	500,000
Revaluation Reserve	1,325,131	1,222,183
Pension Reserve	-1,785,000	-2,493,000
As per Statement of Accounts	3,630,411	3,884,812
(-) Fixed Assets, Long Term Liabilities, Loans and Finance Leases		
Pension Reserve	-1,785,000	-2,493,000
Loans Outstanding (Current Liabilities)	-14,543	0
Finance Leases Outstanding (Current Liabilities)	-28,605	0

From: 01 April 2011
To: 31 March 2012

BOX NO. ANNUAL RETURN, FOR THE YEAR ENDED 31 MARCH 2012	ACTUAL 2010/11 £	ACTUAL 2011/12 £
Long Term Borrowing	0	0
Net Book Value of Tangible Fixed Assets	2,376,854	2,103,271
	548,706	-389,729
(=) Adjusted Balances carried forward	3,081,705	4,274,541
8 Total Cash and Short Term Investments		
Bank Current Account	9,851	255,359
Short Term Investments	3,100,000	3,950,000
As per Statement of Accounts	3,109,851	4,205,359
9 Total Fixed Assets and Long Term Assets		
Land and Buildings	780,873	717,901
Plant and Equipment	669,449	561,786
Pumping Stations	926,532	823,584
As per Statement of Accounts	2,376,854	2,103,271
10 Total Borrowings		
Loans Due (<= 1 Year)	14,543	0
Loans Due (> 1 Year)	0	0
As per Statement of Accounts	14,543	0

From: 01 April 2011
To: 31 March 2012

BOX NO. ANNUAL RETURN, FOR THE YEAR ENDED 31 MARCH 2012	ACTUAL 2010/11 £	ACTUAL 2011/12 £
7, 8 RECONCILIATION BETWEEN BOXES 7 AND 8		
7 Balances carried forward (adjusted)	3,081,705	4,274,541
(-) Deduct: Debtors and Prepayments		
Stocks and Consumables	14,858	14,648
Trade Debtors	43,133	30,249
Drainage Rate Debtors	19,406	14,886
Prepayments	21,442	46,174
Prepayment/(Accrual) to WMA	-65,311	0
Accrued Investment Income	2,279	30,492
H M Revenue and Customs	29,748	23,501
Grant Aid Due	0	551
	65,555	160,501
(+) Add: Creditors and Payments Received in Advance		
Trade Creditors	-10,211	18,957
Payments received in advance	94,013	35,789
Accruals	9,899	36,573
	93,701	91,319
(=) Box 8	3,109,851	4,205,359
8 (=) Total Cash and Short Term Investments		
Bank Current Account	9,851	255,359
Short Term Investments	3,100,000	3,950,000
	3,109,851	4,205,359

P J CAMAMILE
CHIEF EXECUTIVE

15 JUNE 2012

Internal Drainage Boards in England

Annual return for the year ended

31 March 2012

Internal Drainage Boards in England with an annual turnover of £6.5 million or less must complete an annual return summarising their activities at the end of each financial year.

Each annual return on pages 2 to 5 is made up of four sections:

- Sections 1 and 2 are completed by the person nominated by the board.
- Section 3 is completed by the external auditor.
- Section 4 is completed by the board's internal audit provider.

The board must approve this annual return no later than 30 June 2012.

Completing your annual return

Guidance notes, including a completion checklist, are provided on page 6 and at relevant points in the annual return.

Complete all sections highlighted in blue. Do **not** leave any blue box blank. Incomplete or incorrect returns require additional external audit work and may incur additional costs.

Send the annual return, together with your bank reconciliation as at 31 March 2012, an explanation of any significant year on year variances in the accounting statements and any additional information requested, to your appointed external auditor by the due date.

Your auditor will identify and ask for any additional documents needed for audit. Therefore, unless requested, do **not** send any original financial records to the external auditor.

Audited and certified annual returns will be returned to the board for publication or public display of sections 1, 2 and 3. You must publish or display the audited annual return by 30 September 2012.

It should not be necessary for you to contact the external auditor or the Audit Commission directly for guidance.

More guidance on completing this annual return is available in the Practitioners' Guide for Internal Drainage Boards that can be downloaded from the Association of Drainage Authorities' website at www.adra.org.uk

Section 1 – Accounting statements for

ENTER NAME HERE KING'S LYNN INTERNAL DRAINAGE BOARD

	Year ending		Notes and guidance
	31 March 2011 £	31 March 2012 £	
1 Balances brought forward	2618771	3081705	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2 (+) Rates and special levies	2164719	2165353	Total amount of receipts or income in the year from direct rates on landowners and special levies on local authorities.
3 (+) All other income	297326	589903	Total receipts or income as recorded in the cashbook less the rates and special levies (line 2). Include all contributions from EA here.
4 (-) Watercourses and pumping stations	1190271	1012022	Total payments or expenditure including capital spending and employment costs on construction and maintenance of watercourses and pumping stations.
5 (-) Loan interest/ capital repayments	61819	15325	Total payments or expenditure of capital and interest made during the year on the Board's borrowings (if any).
6 (-) All other payments	747021	535073	Total payments or expenditure as recorded in the cashbook less watercourses and pumping stations (line 4) and loan interest/ capital repayments (line 5). Include all contributions to EA here.
7 (=) Balances carried forward	3081705	4274541	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8 Total cash and short term investments	3109851	4205359	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – to agree with bank reconciliation.
9 Total fixed assets and long term assets	2376854	2103271	The recorded book value at 31 March of all fixed assets owned by the Board and any other long term assets e.g. loans to third parties and any long-term investments.
10 Total borrowings	14543	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

I certify that for the year ended 31 March 2012 the accounting statements in this annual return present fairly the financial position of the Board and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

P. Cammille

Date 15/6/2012

I confirm that these accounting statements were approved by the Board on this date:

15/6/2012

and recorded as Board minute reference:

31/12/01

Signed by Chair of meeting approving these accounting statements:

J. Austen

Date 15 June 2012

Section 2 – Annual governance statement

We acknowledge as the members of: **INTERKINDA'S LYNN** INTERNAL DRAINAGE BOARD our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2012, that:

	Agreed –		"Yes" means that the board:
	Yes	No*	
1 We approved the accounting statements prepared in accordance with the requirements of the Accounts and Audit Regulations and proper practices.	✓		prepared its accounting statements in the way prescribed by law.
2 We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3 We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the board to conduct its business or on its finances.	✓		has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.
4 We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year has given all persons interested the opportunity to inspect and ask questions about the board's accounts.
5 We carried out an assessment of the risks facing the board and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has dealt with them properly.
6 We maintained throughout the year an adequate and effective system of internal audit of the board's accounting records and control systems.	✓		arranged for a competent person, independent of the board's financial controls and procedures, to give an objective view on whether internal controls meet the needs of the board.
7 We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8 We 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 accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.

This annual governance statement is approved by the board and recorded as minute reference

31/12/02

dated 15/06/2012

Signed by:

Chair 

dated 15 June 2012

Signed by:

Clerk 

dated 15/6/2012

*Note: Provide explanations to the external auditor on a separate sheet for each 'No'. Describe how the board will address the weaknesses identified.

Section 3 – External auditor’s certificate and opinion

Certificate

We certify that we have completed the audit of the annual return for the year ended 31 March 2012 of:

KING'S LYNN

INTERNAL DRAINAGE BOARD

Respective responsibilities of the board and the auditor

The board is responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control. The board prepares an annual return in accordance with proper practices which:

- summarises the board accounting records for the year ended 31 March 2012; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor’s report

On the basis of our review, in our opinion the information in the annual return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

Other matters not affecting our opinion which we draw to the attention of the council:

In future years, please ensure that all documentation requested for the audit is submitted with the Annual Return. (copy of detailed insurance schedule not initially provided)

External auditor’s signature:

Mazars LLP

External auditor’s name:

Mazars LLP, Southampton, SO15 2BE

Date:

19 September 2012

Note: The auditor signing this page has been appointed by the Audit Commission and is reporting to you that they have carried out and completed all the work that is required of them by law. For further information please refer to the Audit Commission’s publication entitled *Statement of Responsibilities of Auditors and of Audited Small Bodies*.

Section 4 – Annual internal audit report to

Enter Internal Drainage Board name here:

KING'S LYNN INTERNAL DRAINAGE BOARD

The board's internal audit, acting independently and on the basis of an assessment of risk, carried out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ended 31 March 2012.

Internal audit has been carried out in accordance with the board's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and, alongside, are the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the board.

Internal control objective	Agreed? Please choose from one of the following		
	Yes	No*	Not covered**
A Appropriate accounting records have been properly kept throughout the year.	✓		
B The board's financial regulations have been met, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.	✓*		
C The board assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓		
D The annual rating requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	✓		
E Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	✓		
F Petty cash payments were properly supported by receipts, all expenditure was approved and VAT appropriately accounted for.	✓		
G Salaries to employees and allowances to board members were paid in accordance with board approvals, and PAYE and NI requirements were properly applied.	✓		
H Asset and investments registers were complete and accurate and properly maintained.	✓		
I Periodic and year-end bank account reconciliations were properly carried out.	✓		
J Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.	✓		

For any other risk areas identified by the board (list any other risk areas below or on separate sheets if needed) adequate controls existed:

* See Internal Audit report for detail.

Print name of person who carried out the internal audit: DAVID GOULDING

Signature of person who carried out the internal audit: *D. Goulding* Date: 30.4.12

*Note: If the response is 'no' please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

**Note: If the response is 'not covered' please state when the most recent internal audit work was done in this area and when it is next planned, or, if coverage is not required, internal audit must explain why not (add separate sheets if needed).

Guidance notes on completing the 2012 annual return

- 1 Proper practices for preparing this annual return are found in the *Practitioners' Guide**. This publication is updated from time to time and contains everything you should need to prepare successfully for your financial year-end and the subsequent audit.
- 2 Make sure that your annual return is complete (i.e. no empty blue boxes), and is properly signed and dated. Avoid making any amendments to the completed return. But, if this is unavoidable, make sure the amendments are approved by the board, properly initialled and an explanation is provided to the auditor. Annual returns containing unapproved or unexplained amendments will be returned unaudited and may incur additional costs.
- 3 Use the checklist provided below. Use a second pair of eyes, perhaps a board member or the Chair, to review your annual return for completeness before sending it to the auditor.
- 4 Do not send the auditor any information that you are not specifically asked for. Doing so is not helpful. However, you must notify the auditor with details of any change in Clerk, Responsible Finance Officer or Chair of the Board.
- 5 Make sure that the copy of the bank reconciliation which you send to your auditor with the annual return covers **all** your bank accounts. If your board holds any short-term investments, note their value on the bank reconciliation. The auditor must be able to agree your bank reconciliation to Box 8 on the Accounting statements. **You must provide an explanation for any difference between Box 7 and Box 8.** More help on bank reconciliation is available in the *Practitioners' Guide**.
- 6 **Explain fully** significant variances in the accounting statements on page 2. Do not just send in a copy of your detailed financial statements instead of this explanation. The auditor wants to know that **you** understand the reasons for all variances. Include a complete analysis to support your explanation. There are a number of examples provided in the *Practitioners' Guide** to assist you.
- 7 If the auditor has to review unsolicited information, or receives an incomplete bank reconciliation, or you do not fully explain variances, this may incur additional costs for which the auditor will make a charge.
- 8 Make sure that your accounting statements add up and that the balance carried forward from the previous year (Box 7 of 2011) equals the balance brought forward in the current year (Box 1 of 2012).
- 9 **Do not complete section 3.** The external auditor will complete it at the conclusion of the audit.

Completion checklist - 'No' answers mean you may not have met requirements		Done?
All sections	All blue boxes have been completed?	
	All information requested by the external auditor has been sent with this annual return? Please refer to your notice of audit.	
Section 1	Board approval confirmed by signature of Chair of meeting approving accounting statements?	
	An explanation of significant variations from last year to this year is provided?	
	Bank reconciliation as at 31 March 2012 agreed to Box 8?	
	An explanation of any difference between Box 7 and Box 8 is provided?	
Section 2	For any statement to which the response is 'no', an explanation is provided?	
Section 4	All blue boxes completed by internal audit and explanations provided?	

*Note: *Governance and Accountability for Internal Drainage Boards in England – A Practitioners' Guide*, is available from the ADA website www.ada.org.uk or from The Association of Drainage Authorities, 12 Cranes Drive, Surbiton, Surrey, KT5 8AL.

GOWING INTERNAL AUDIT SERVICES LTD

ANNUAL INTERNAL AUDIT REPORT

**WMA
INTERNAL DRAINAGE BOARDS
APRIL 2012**

INTERNAL AUDIT REPORT

1 EXECUTIVE SUMMARY

- 1.1** I have completed the 2011/12 internal audit of the WMA and the five member Internal Drainage Boards (Kings Lynn, South Holland, Broads, Norfolk Rivers and East Suffolk) in accordance with the CIPFA Code of Practice for Internal Audit 2006 and with regard to the ADA Practitioners guide. This report also records the follow-up review of the 2010/11 audit which I undertook in December 2011.
- 1.2** The statutory basis for internal audit in local authorities in England (which includes Drainage boards) is a specific requirement in the Accounts and Audit regulations 2011 which requires that the organisation must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.
- 1.3** The internal audit service is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.
- 1.4** This audit included an implementation review of previous audit recommendations, review of any system changes, sample testing of 2011/12 transactions and provision of best practice advice gained through my audit of other IDBs.
- 1.5** The main findings were:-
- an internal control risk due to the low number of staff
 - excellent end of month accounts file
 - VAT not claimed for car allowance payments losing in the region of £1000 to £1500 per larger Board
 - a minor error on pension deductions for one Board
 - one employee has been incorrectly paid acting-up allowance.
 - all agreed recommendations from the main 2010/11 audit have now been implemented.

A detailed control test programme and results is available upon request.

- 1.6** Recommendations have been proposed, discussed and agreed with the Chief Executive. A management action plan is in Section 4.
- 1.7** A follow-up audit will be undertaken in October / November to ensure successful implementation of the recommendations.

- 1.8** It is my opinion that, in respect of the areas covered by this report I can provide **adequate assurance** on the system of controls. This takes into account the low level of staff resource and the acceptance by the Boards of the associated risks.
- 1.9** I would like to place on record my thanks for the co-operation and assistance given by all staff during this audit.

EVALUATION CRITERIA

Substantial Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Adequate Assurance	While there is a basically sound system, there are weaknesses that put a minority of the system objectives at risk and/or there is evidence that the level of non-compliance with some of the controls may put a minority of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put most or all of the system objectives at risk and/or the level of non-compliance puts most or all of the system objectives at risk.
No Assurance	Control is poor, leaving the system open to significant error or abuse and/or significant non-compliance with basic controls.

3 FINDINGS

3.1 The annual return for boards with annual income or expenditure under £6.5 million requires internal audit to provide certification on the following ten key control objectives. Any comment or issue on an objective is noted below otherwise the objective can be considered to be met:-

a) Appropriate books of account have been properly kept throughout the year.

b) Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.

➤ VAT has not been recorded or claimed for car allowance expenditure

c) The Board assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

d) The annual rating requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

e) Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

f) Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.

g) Salaries to employees and allowances to Board members were paid in accordance with Board approvals and PAYE and NI requirements were properly applied.

h) Asset and investment registers were complete and accurate and properly maintained.

i) Periodic and year-end bank reconciliations were properly carried out.

j) Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments /income and expenditure), agreed to the cash book, were supported by an adequate audit trail from underlying records, and where appropriate debtors and creditors were properly recorded.

4 MANAGEMENT ACTION PLAN

This action plan has been fully discussed and agreed with management.

The priority is based on the following;-

Critical

A control failure that is critical to the organisation's aims and objectives. This will require immediate action by management.

High

A significant control weakness which is a significant risk to the service or organisation and is likely to lead to material loss or significant public criticism. This will require immediate action by management.

Medium

A control that undermines the effectiveness of internal control and may lead to some loss or some public criticism but does not represent a risk to the organisation. This will require prompt action by management.

Low

This might be important to the service but does not represent a significant risk for the service or organisation. This will require action by management but not necessarily immediate.

Ref:	Recommendation	Priority	Management Comments	Responsibility for implementation and date
02.01.01	To further enhance income control the corresponding paying-in slip could be attached to collectors journal	L	Not agreed. We do not have copies of the paying-in slips that are taken to the bank with the cheques received. It is already possible to reconcile monies that have been banked through the Collector's Journal report in DRS by paying-in slip reference.	
04.04.01	Introduce a report to produce the pension fund payments instead of manual calculations	M	Agreed.	Finance Assistants 2012/13
04.04.01	Discuss with the Lincolnshire Pension Fund manager the overpayment of pension contributions in respect of some of the South Holland staff and agree on how this is to be refunded.	M	Agreed, although the total overpayment only amounted to £886.40.	Chief Executive 2012/13
04.04.01	The payments to the acting foreman to be recalculated and correctly paid with any underpayment refunded.	M	Implemented	
05.01.01	A "contracts" register be maintained to record details of all purchases/supplies over the quotation/tender limits including authorisation of emergency or specialist purchases.	M	Agreed.	

Ref:	Recommendation	Priority	Management Comments	Responsibility for implementation and date
07.01.01	A cash book report to be attached to the bank statement to provide evidence of the reconciliation.	L	Not agreed. The bank reconciliations are already evidenced by both the CEO and Finance Assistant every month on the closing bank statements.	
08.02.01	To ensure no misunderstanding the financial report to record that the investment limit has been exceeded when appropriate.	L	Agreed for Broads IDB, but not for King's Lynn IDB and South Holland IDB. These 2 Boards have previously agreed to increase the limits to £1m with any one financial group and this has been evidenced in the minutes of each Board accordingly.	Chief Executive 2012/13
11.02.01	The WMA group compile a risk register	M	Not agreed. The WMA is not a legal entity. Any risks that are directly attributable to the WMA should be recorded in the King's Lynn IDB risk register (as the Lead Board).	
14.01.01	All members must complete the register of interests form.	H	Agreed.	IDB Chairmen 2012/13
17.01.01	All manual VAT claim calculations to be signed/dated and checked.	M	Agreed.	Finance Assistants 2012/13

17.02.01	VAT to be recorded and claimed on car allowance payments, noting that staff are to provide fuel receipts to enable the claim to be made.	M	Agreed, although this will only apply to mileage undertaken and not to the lump sum allowances, and the Vat recoverable will not therefore be significant because the amounts payable to employees for undertaking approved business mileage are going to reduce significantly with effect from 1 April 2012, following adoption of the HMRC fuel rates as the new mileage rates payable for essential users.	Finance Assistants 2012/13
A	All Board / Committee agenda and reports (with the exception of confidential items) to be stored on the web-site.	L	Agreed.	CEOs PA 2012/13
B	Update the pension discretion policy to include all discretions.	M	Agreed, but only for LCC.	Chief Executive 2012/13
C	Consider the appointment of a part-time Finance manager / accountant to ensure full internal check.	M	Agreed, however it would be preferable to promote one of the two Finance Assistants to the role of Finance Officer, as opposed to exposing the WMA Member Boards to the risk/additional cost of employing an additional person.	