



Norfolk Rivers
Drainage Board

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

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



**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				
Birkbeck H C	4	2	50	hcbirkbeck@aol.com
Borthwick A J	4	2	50	alister@deepdalefarm.co.uk
Bracey J	4	1	25	j.bracey@holkham.co.uk
Carrick J F **	4	3	75	john@castlefarm-swanton.co.uk
Cator H G	4	2	50	hcator@catorandco.com
Foster N W D	4	2	50	neilfoster@lexhamestate.co.uk
Gurney R E T	4	1	25	richard.gurney@speedinternet.co.uk
Hannah B J (wef Oct 11)	2	1	50	bjhannah@tiscali.co.uk
Labouchere J P	4	4	100	john@labouchere.co.uk
Little M R	4	3	75	mlittle@savills.com
Oldfield J F	4	2	50	f-oldfield2@sky.com
Papworth P D *	4	4	100	david@tuttingtonhall.co.uk
Poortviet W	4	1	25	info@sseltd.co.uk
Sayer M J	4	3	75	msayer@sparhamhouse.co.uk
Webster R	4	2	50	websterx@btconnect.com
APPOINTED MEMBERS				
Breckland DC				
Bambridge S G	4	2	50	gordon.bambridge@breckland.gov.uk
Borrett W P	4	0	0	bill.borrett@breckland.gov.uk
Kiddle-Morris M	4	3	75	mark.kiddle-morris@breckland.gov.uk
Broadland DC				
Bannock C H (Mrs)	4	4	100	cllr.claudette.bannock@broadland.gov.uk
Nash R R	4	4	100	rnash4wensum@aol.com
KL&WNBC				
Watson E (Mrs)	4	4	100	cllr.elizabeth.watson@west-norfolk.gov.uk
North Norfolk DC				
Green A R (Mrs)	4	3	75	ann.green@north-norfolk.gov.uk
Perry-Warnes J H	4	2	50	john.perry-warnes@norfolk.gov.uk
Savory J D (wef Aug 11)	3	0	0	jonathan.savory@north-norfolk.gov.uk
Shepherd R (wef Aug 11)	3	2	67	richard.shepherd@north-norfolk.gov.uk
Wyatt J A	4	3	75	john.wyatt@north-norfolk.gov.uk



BOARD MEMBERSHIP AS AT 31 MARCH 2012 (cont/-)

NAME	MEETINGS	ATTENDED	ATTENDANCE %	CONTACT DETAILS
South Norfolk DC				
Gould C	4	2	50	cgould@s-norfolk.gov.uk
Legg N	4	2	50	nlegg@s-norfolk.gov.uk
Lewis T	4	2	50	tlewis@s-norfolk.gov.uk

* Chairman

** Vice-Chairman

Average attendance: 59%



ANNUAL REPORT

Norfolk Rivers 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 Norfolk Rivers IDB area. Board Members are either elected by and represent the occupiers of land in the area, or are appointed by Broadland District Council, North Norfolk District Council, Breckland District Council, King's Lynn and West Norfolk Borough Council and South Norfolk 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 Norfolk Rivers IDB for the financial year ended 31 March 2012 which are set out on pages 2 to 22. 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 during the year:

1. Surplus: the Board made an operating surplus of £65,478, compared with an estimated deficit of £18,064 largely due to an under spend on the capital programme and achieving efficiency savings on administration. This was achieved at the same time as increasing output by 10% in terms of length of watercourse maintained.
2. Debt: the Board has not taken on any long term debt during the year.
3. Liquidity: cash surpluses have increased from £321,651 to £369,052, as planned.
4. Reserves: balances have increased significantly from £364,233 to £403,711, which will provide the Board with sufficient funds to purchase additional/replace existing plant and equipment in future without adversely impacting on the ratepayer.



ANNUAL GOVERNANCE STATEMENT

As members of the Norfolk Rivers 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 31 May 2012.

Signed on behalf of Norfolk Rivers Internal Drainage Board

Signed by: Chairman

P D Papworth

Date: 31 May 2012

Signed by: Chief Executive

P J Camamile

Date: 31 May 2012



STATEMENT OF RESPONSIBILITIES 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: 31 May 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: 3 years
 - Excavators and Tractors: 7 years
 - Specialist Plant and Equipment: <= 10 years
 - Land: not depreciated



From: 01 April 2011
To: 31 March 2012

NOTE ACCOUNTING POLICIES

Buildings: 20 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. This is the first year the Board has elected to account for pensions on a defined benefit 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 Norfolk County Council (NCC) Pension Scheme is available from 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
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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

The Board has not taken on any Finance Leases during the accounting period.

11 RESERVES

The Board holds the following Reserves, the adequacy of which are reviewed 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) **Revaluation Reserve**

This Reserve has arisen from the revaluation of Kettlewell House, that the Board shares ownership of. The Board owns a 9.99% share of Kettlewell House.

From: 01 April 2011

To: 31 March 2012

NOTE	INCOME AND EXPENDITURE ACCOUNT	ACTUAL 2010/11 £	ACTUAL 2011/12 £	BUDGET 2011/12 £	VARIANCE £
<u>INCOME</u>					
	Drainage Rates	72,608	72,608	72,607	1
1	Special Levies issued by the Board	280,941	280,941	280,941	0
2	Grants Applied	85,104	10,321	358,750	-348,429
3	Highland Water Contributions	116,799	101,201	115,000	-13,799
	Income from Rechargeable Works	190	8,213	0	8,213
	Investment Interest	751	5,912	0	5,912
8	Net Surplus on Operating Accounts	0	3,442	0	3,442
	Other Income	1,000	4,027	500	3,527
Total Income		£557,393	£486,665	£827,798	-£341,133
<u>EXPENDITURE</u>					
4	Capital Works	85,104	11,118	400,000	388,882
5	Environment Agency Precept	56,045	56,045	56,045	0
6	Maintenance Works	264,567	313,359	318,215	4,856
7	Administration Charges	51,736	53,539	71,602	18,063
	Cost of Rechargeable Works	189	246	0	-246
8	Net Deficit on Operating Accounts	21,054	0	0	0
9	Pension Interest Cost and Expected Return on Assets	0	0	0	0
Total Expenditure		£478,695	£434,307	£845,862	£411,555
	Profit/(Loss) on disposal of Fixed Assets	0	13,120	0	13,120
Net Surplus/(Deficit)		£78,698	£65,478	-£18,064	£83,542

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 £
Net Surplus/(Deficit) as per Income & Expenditure Account	78,698	65,478	-18,064	83,542
Transfer (to)/from Development Reserve	-40,000	0	0	0
Transfer (to)/from Mobile Plant Reserve	-65,000	0	0	0
10 Transfer (to)/from Pension Reserve	0	0	0	0
Contribution to/(from) General Reserve	-£26,302	£65,478	-£18,064	£83,542
Opening Balance	133,793	107,491	103,689	3,802
Contribution to/(from) General Reserve	-26,302	65,478	-18,064	83,542
Closing Balance of General Reserve	£107,491	£172,969	£85,625	£87,344

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	78,698	65,478	-18,064	83,542
Revaluation Gains/(Losses)	0	0	0	0
11 Actuarial Gains/(Losses) on Pension Fund	0	-26,000	0	26,000
Total Recognised Gains/(Losses)	£78,698	£39,478	-£18,064	£57,542

From: 01 April 2011

To: 31 March 2012

NOTE	BALANCE SHEET AS AT 31-3-2012	2010/11 £	MOVEMENT £	2011/12 £
12	Fixed Assets			
	Land and Buildings	46,953	-999	45,954
	Plant and Equipment	4,945	52,669	57,614
		51,898	51,670	103,568
	Current Assets			
13	Cash at Bank and in Hand	21,651	47,401	69,052
14	Short Term Investments	300,000	0	300,000
15	Debtors and Prepayments	50,137	-45,405	4,732
		371,788	1,996	373,784
	Current Liabilities			
16	Creditors and Receipts in Advance	23,453	-11,812	11,641
17	Loans and Leases Outstanding	0	0	0
		23,453	-11,812	11,641
	Net Current Assets	348,335	13,808	362,143
	Less Long Term Liabilities			
	Long Term Borrowing	0	0	0
	Pension Liability	36,000	26,000	62,000
		36,000	26,000	62,000
	Net Assets	£364,233	£39,478	£403,711
18	Earmarked Reserves			
	General Reserve	107,491	65,478	172,969
	Development Reserve	177,792	0	177,792
	Mobile Plant Reserve	65,000	0	65,000
		350,283	65,478	415,761
	Non-Distributable Reserves			
	Revaluation Reserve	49,950	0	49,950
19	Pension Reserve	-36,000	-26,000	-62,000
		13,950	-26,000	-12,050
	Reserves	£364,233	£39,478	£403,711

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
North Norfolk District Council	89,659	89,659
Broadland District Council	67,187	67,187
Breckland District Council	44,919	44,919
Norwich City Council	5,017	5,017
South Norfolk District Council	57,070	57,070
King's Lynn & West Norfolk Borough Council	17,089	17,089
	<u>280,941</u>	<u>280,941</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 some of the capital work, 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 @ 100%)				
River Wensum WLMP	0	11,281	0	7,348
Giant Hogweed NNI Irradication Scheme	0	866	0	198
River Nar Restoration Scheme	105,000	72,957	0	2,775
	<u>105,000</u>	<u>85,104</u>	<u>0</u>	<u>10,321</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
River Wensum WLMP	11,281	7,348
Giant Hogweed NNI Irradication Scheme	866	198
River Nar Restoration Scheme	72,957	3,572
	<u>85,104</u>	<u>11,118</u>

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

- (i) 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	186,908	260,519
Pumping Stations	0	0
First Line Sluices	0	0

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

Second Line Sluices	0	0
Water Level Control Structures	0	0
Properties	0	0
Technical Support Costs	73,492	48,673
Biodiversity Action Plan Development Costs	4,167	4,167
	264,567	313,359

(ii) Pension Costs are included in Maintenance Works expenditure (Channels) as labour charges, made up as follows:

Pension Costs	2010/11	2011/12
Employees Pensionable Contributions	3,190	3,269
Employers Pensionable Contributions	9,116	9,656
	12,306	12,925

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:

	2010/11	2011/12
Staff Costs	36,968	34,258
Establishment Charges	8,119	5,045
ICT Charges	2,855	1,598
Chairman's Allowance (NRIDB Chairman and Vice Chairman only)	1,500	2,000
Sundry Expenses	1,759	11,017
Travelling allowances paid to Board Members	0	0
Audit fees	1,500	671
Loss on disposal of fixed assets	0	206
	52,701	54,795
(-) Sundry Income	-2,064	-2,307
Net Consortium Charges	50,637	52,488
Drainage Rates Annual Value Increases/(Decreases)	0	52
Depreciation of Kettlewell House	999	999
Sundry Expenses	100	0
Sundry Debtors written off	0	0
Other Expenses	1,099	1,051
Administration Charges	51,736	53,539

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	81,081	127,735
(-) Expenditure		
Variable Costs	-60,124	-59,806
Fixed Costs	-44,987	-57,434
(=) Net Operating Surplus/(Deficit)	-24,030	10,495
Productive Hours	3,003	3,871

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

Cost/Hour

Variable Costs	20.02	15.45
Fixed Costs	14.98	14.84
	35.00	30.29

(ii) **Mobile Plant Operations Account**

Income	2010/11	2011/12
Work Done	19,648	17,277
(-) Expenditure		
Variable Costs	-13,448	-18,825
Fixed Costs	-3,224	-5,505
(=) Net Operating Surplus/(Deficit)	2,976	-7,053
(=) Net Operating Surplus/(Deficit) for both Operating Accounts	-21,054	3,442

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,

Net Cost of Services	2010/11	2011/12
Current service cost	0	10,000
Settlement and past service cost/(gain)	0	0
Losses/(Gains) on Curtailments and Settlements	0	0
	0	10,000
Net Operating Expenditure		
Interest Cost	0	11,000
Expected Return on Assets	0	-11,000
	0	0
Net charge/(credit) to Income and Expenditure Account	0	10,000

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

Increase/(Decrease) in net pension liabilities (Note 19)	0	26,000
Less Gains/(Losses) shown in the Statement of Total Recognised Gains and Losses (Note 11)	0	-26,000
Pension Interest Cost/(Expected Return on Assets)	0	0

- (iii) In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and (losses) of (£26,000) are included in the Statement of Total Recognised Gains and Losses (see Note 11).

10 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).

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

	2010/11	2011/12
Cumulative Actuarial Gains/(Losses) b/fwd	-26,000	-26,000
Increase/(Decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial Gains/(Losses) recognised in STRGL	0	-26,000
Cumulative Actuarial Gains/(Losses) c/fwd	-26,000	-26,000

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS

	Land and Buildings	Plant and Equipment	Total
Cost			
Opening Balance as at 1 April 2011	49,950	105,259	155,209
(+) Additions	0	67,672	67,672
(-) Disposals	0	-71,836	-71,836
Closing Balance as at 31 March 2012	49,950	101,095	151,045
Depreciation			
Opening Balance as at 1 April 2011	2,997	100,314	103,311
(+) Depreciation Charge for year	999	9,123	10,122
(-) Accumulated depreciation written out on disposal	0	-65,956	-65,956
Closing Balance as at 31 March 2012	3,996	43,481	47,477
Net Book Value at 31 March 2011	46,953	4,945	51,898
Net Book Value at 31 March 2012	45,954	57,614	103,568

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.

13 CASH AT BANK AND IN HAND

	2010/11	2011/12
Bank Current Account	21,651	69,052
Collectors Float	0	0
	21,651	69,052

14 SHORT TERM INVESTMENTS

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

Financial Institution	Capital	Investment Date	Maturity Date	Interest Rate
Santander (UK) Investment Group	150,000	16/02/2011	Instant Access	1.98%
Santander (UK) Investment Group	150,000	01/03/2011	Instant Access	1.98%
	300,000			

15 DEBTORS AND PREPAYMENTS

	2010/11	2011/12
Drainage Rate Debtors	2,987	2,584
Trade Debtors	0	0
H M Revenue and Customs	8,080	2,148
Grant Aid Due	0	0
Prepayments to WMA	39,070	0
	50,137	4,732

16 CREDITORS AND RECEIPTS IN ADVANCE

	2010/11	2011/12
Trade Creditors	4,791	120
Accruals	0	3,180
Payments received in advance	18,662	8,341
	23,453	11,641

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

17 LOANS AND FINANCE LEASES OUTSTANDING

	2010/11	2011/12
Finance Leases Due in next 12 months	0	0
Loans Payable in next 12 months	0	0
	<u>0</u>	<u>0</u>

18 EARMARKED RESERVES

	Development Reserve	Mobile Plant Reserve	General Reserve	Earmarked Reserves
Opening Balances as at 1 April	177,792	65,000	107,491	350,283
Net Surplus/(Deficit) for the year	0	0	0	0
Transfers to/(from) Reserves	0	0	65,478	65,478
Closing Balances as at 31 March	<u>177,792</u>	<u>65,000</u>	<u>172,969</u>	<u>415,761</u>

19 PENSION LIABILITY

(i) Reconciliation of fair value of employer assets

	2010/11	2011/12
Opening Balance as at 1 April 2011	0	158,000
Expected Return on Assets	0	11,000
Contributions by Members	0	3,000
Contributions by Employer	0	10,000
Contributions in respect of Unfunded Benefits	0	0
Actuarial Gains/(Losses)	0	-10,000
Assets Distributed on Settlements	0	0
Unfunded Benefits Paid	0	0
Benefits Paid	0	0
Closing Balance as at 31 March 2012	<u>0</u>	<u>172,000</u>

Reconciliation of defined benefit obligation

	2010/11	2011/12
Opening Balance as at 1 April 2011	0	194,000
Current service cost	0	10,000
Interest cost	0	11,000
Contributions by Members	0	3,000
Actuarial Losses/(Gains)	0	16,000
Past Service Costs/(Gains)	0	0
Liabilities Extinguished on Settlements	0	0
Estimated Unfunded Benefits Paid	0	0
Estimated Benefits Paid	0	0
Closing Balance as at 31 March 2012	<u>0</u>	<u>234,000</u>

	2010/11	2011/12
Estimated scheme assets	158,000	172,000
Estimated scheme liabilities	-194,000	-234,000
Net pension assets/(liabilities)	<u>-36,000</u>	<u>-62,000</u>

(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) 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. The Fund Actuary for Norfolk County Council has now prepared a separate Report for the Water Management Alliance, which identifies a notional net pension liability of £689,000 that is shared by all 5 Member Boards.

From: 01 April 2011
To: 31 March 2012

NOTE NOTES TO THE ACCOUNTS

20 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 £8,371.16 during 2011/12.
- (ii) Board member Mr J Carrick owns Hunters Hall from whom the Board hires rooms for meetings. The Board paid £1,168.80 to Hunters Hall during 2011/12.
- (iii) 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.
- (iv) 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.
- (v) 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.

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	133,793	107,491
Development Reserve	137,792	177,792
Mobile Plant Reserve	0	65,000
Revaluation Reserve	49,950	49,950
As per Statement of Accounts	321,535	400,233
(-) Fixed Assets and Long Term Liabilities		
Long Term Liabilities	0	0
Net Book Value of Tangible Fixed Assets	59,621	51,898
	59,621	51,898
(=) Adjusted Balances brought forward (Net Current Assets)	261,914	348,335
2 (+) Rates and Special Levies		
Drainage Rates	72,608	72,608
Special Levies issued by the Board	280,941	280,941
As per Statement of Accounts	353,549	353,549
3 (+) All Other Income		
Grants Applied	85,104	10,321
Highland Water Contributions	116,799	101,201
Income from Rechargeable Works	190	8,213
Investment Interest	751	5,912
Net Surplus on Operating Accounts	0	3,442
Other Income	1,000	4,027
Profit/(Loss) on disposal of Fixed Assets	0	13,120
As per Statement of Accounts	203,844	146,236
(+) Additional Income from Sale of Fixed Assets		
Capital Cost of disposals	0	71,836
Accumulated depreciation written out	0	-65,956
	0	5,880
(=) Adjusted Other Income	203,844	152,116
4 (-) Watercourses and Pumping Stations		
Capital Works	85,104	11,118
Maintenance Works	264,567	313,359
As per Statement of Accounts	349,671	324,477
(-) Depreciation charged to Maintenance Works		
Plant and Equipment	6,724	9,123
Buildings	999	999
	7,723	10,122
(=) Adjusted Watercourses and Pumping Stations	341,948	314,355
5 (-) Loan Interest/Capital Repayments		
Loan Interest	0	0
Capital Repayments	0	0
As per Statement of Accounts	0	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 £
6 (-) All Other Expenditure		
Environment Agency Precept	56,045	56,045
Administration Charges	51,736	53,539
Cost of Rechargeable Works	189	246
Net Deficit on Operating Accounts	21,054	0
As per Statement of Accounts	129,024	109,830
(+) Capitalised Additions		
Land and Buildings	0	0
Plant and Equipment	0	67,672
	0	67,672
(=) Adjusted Other Expenditure	129,024	177,502
7 (=) Balances carried forward		
General Reserve	107,491	172,969
Development Reserve	177,792	177,792
Mobile Plant Reserve	65,000	65,000
Revaluation Reserve	49,950	49,950
Pension Reserve	-36,000	-62,000
As per Statement of Accounts	364,233	403,711
(-) Fixed Assets and Long Term Liabilities		
Long Term Borrowing	0	0
Pension Liability	-36,000	-62,000
Net Book Value of Tangible Fixed Assets	51,898	103,568
	15,898	41,568
(=) Adjusted Balances carried forward (Net Current Assets)	348,335	362,143
8 Total Cash and Short Term Investments		
Cash at Bank and in Hand	21,651	69,052
Short Term Investments	300,000	300,000
As per Statement of Accounts	321,651	369,052
9 Total Fixed Assets and Long Term Assets		
Land and Buildings	46,953	45,954
Plant and Equipment	4,945	57,614
Pumping Stations	0	0
As per Statement of Accounts	51,898	103,568
10 Total Borrowings		
Loans Due (<= 1 Year)	0	0
Loans Due (> 1 Year)	0	0
As per Statement of Accounts	0	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	ACTUAL 2010/11 £	ACTUAL 2011/12 £
---	------------------------	------------------------

7 Balances carried forward (adjusted)	348,335	362,143
(-) Deduct: Debtors and Prepayments		
Debtors Control Account	0	0
Ratepayers Due	2,987	2,584
Prepayments WMA	39,070	0
Vat Due from HMRC	8,080	2,148
Grants Due	0	0
	50,137	4,732
(+) Add: Creditors and Payments Received in Advance (<= 1 Year)		
Creditors Control Account	4,791	120
Grants Unapplied	18,662	8,341
Accruals	0	3,180
Finance Leases	0	0
	23,453	11,641
(=) Box 8	321,651	369,052
8 (=) Total Cash and Short Term Investments		
Cash at Bank and in Hand	21,651	69,052
Short Term Investments	300,000	300,000
	321,651	369,052

P J CAMAMILE
CHIEF EXECUTIVE

31 MAY 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.acda.org.uk

Section 1 – Accounting statements for

ENTER NAME HERE **NORFOLK RIVERS** INTERNAL DRAINAGE BOARD

	Year ending		Notes and guidance
	31 March 2011 £	31 March 2012 £	
1 Balances brought forward	261914	348335	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	353549	353549	Total amount of receipts or income in the year from direct rates on landowners and special levies on local authorities.
3 (+) All other income	203844	152116	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	341948	314355	Total payments or expenditure including capital spending and employment costs on construction and maintenance of watercourses and pumping stations.
5 (-) Loan interest/ capital repayments	0	0	Total payments or expenditure of capital and interest made during the year on the Board's borrowings (if any).
6 (-) All other payments	129024	177502	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	348335	362143	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	321651	369052	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	51898	103568	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	0	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 property present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

P Lawrence

Date **31/05/2012**

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

31/05/2012

and recorded as Board minute reference:

30/12/01

Signed by Chair of meeting approving these accounting statements:

F. O. Smith

Date **31/05/2012**

Section 2 – Annual governance statement

We acknowledge as the members of: **NORFOLK RIVERS** 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

30/12/02

dated **31/05/2012**

Signed by:

Chair **J. Pywell**

dated **31/05/2012**

Signed by:

Clerk **P. Carnevale**

dated **31/05/2012**

***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:

NORFOLK RIVERS

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:

NORFOLK RIVERS 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 GOWING

Signature of person who carried out the internal audit:

David Gowing

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.	